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COPY

FILED
SUPERIOR COURT
COUNTY OF SAN BERNARDINO
RANCHO CUCAMONGA DISTRICT

MAY 12 2004

Attorneys For
CHINO BASIN WATERMASTER

BY: *Wanda Lewis* DEPUTY
SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SAN BERNARDINO - RANCHO CUCAMONGA DIVISION

CHINO BASIN MUNICIPAL WATER
DISTRICT,

Case No. RCV 51010

Plaintiff,

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

vs.

NOTICE OF MOTION FOR APPROVAL OF
STORAGE AND RECOVERY PROGRAM
AGREEMENT

CITY OF CHINO, et al.,

Defendants.

Hearing Date: June 24, 2004
Hearing Time: 1:30
Dept: R8

PLEASE TAKE NOTICE that on June 24, 2004, at 1:30, the CHINO BASIN
WATERMASTER will request the Court to approve the Dry Year Yield Storage Agreement
pursuant to paragraph 28 of the Judgment. This Motion will be based upon this Notice and the
accompanying Motion and Points and Authorities and attached Exhibits.

Dated: May 11, 2004

HATCH & PARENT, A LAW CORPORATION

By: *Michael T. Fife*

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Michael T. Fife
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CHINO BASIN WATERMASTER

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

13

14 CHINO BASIN MUNICIPAL WATER
15 DISTRICT,

16 Plaintiff,

17 vs.

18 CITY OF CHINO, et al.,

19 Defendants.

Case No. RCV 51010

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

MOTION FOR APPROVAL OF
STORAGE AND RECOVERY PROGRAM
AGREEMENT; POINTS AND
AUTHORITIES IN SUPPORT OF
MOTION

Hearing Date: June 24, 2004
Hearing Time: 1:30
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I.

22

INTRODUCTION

23 This motion is filed pursuant to paragraph 28 of the Judgment to request this Court to
24 approve the proposed *Storage And Recovery Program Storage Agreement Between Chino Basin*
25 *Watermaster, Inland Empire Utilities Agency and Three Valleys Municipal Water District*
26 *Regarding Implementation of The Dry Year Yield Project* ("Agreement"). By approving the
27 Agreement, the Court will authorize Watermaster to continue implementing the Optimum Basin
28 Management Program's ("OBMP") Storage and Recovery Program in accordance with the Peace
Agreement and prior orders of this Court.

29

1 This request for approval completes the process of approval for the long anticipated Dry
2 Year Yield Project contemplated by the OBMP Implementation Plan and the Peace Agreement
3 and initiated by the Dry Year Yield Funding Agreement (Agreement No. 49960) between
4 Watermaster, the Metropolitan Water District of Southern California (“Metropolitan”), and two
5 of its member agencies, the Inland Empire Utilities Agency (“IEUA”), and Three Valleys
6 Municipal Water District (“TVMWD”). A true and correct copy of the Agreement is attached to
7 this motion as Exhibit “A.”

8 The Agreement had its genesis in Watermaster processes during the consideration of the
9 OBMP. Subsequently, a potential Dry-Year Yield Project was referenced in the OBMP
10 Implementation Plan and envisioned by the Peace Agreement. Accordingly, the Dry-Year Yield
11 Project embodied in this Agreement has been fully vetted through the traditional Watermaster
12 processes, thoroughly examined by the parties to the Judgment and unanimously supported and
13 approved by all the various Pools, the Advisory Committee and the Watermaster Board. Ample
14 notice and opportunity to be heard has been afforded all parties to the Judgment and the public
15 generally. As of this filing with the Court, no objection to Watermaster’s execution of the
16 Agreement has been lodged with Watermaster or the Court.

17 The quantity of storage capacity assigned under this Agreement is well within the
18 presumptive safe harbor of the defined Safe Storage Capacity and no information has been
19 presented by any person, nor has Watermaster’s review and analysis disclosed, any Material
20 Physical Injury that will be caused by the activities being carried out under the Agreement. In
21 light of the broad support for the Dry Year Yield Project among all Parties to the Judgment, the
22 absence of any known opposition and no factual evidence of actual or threatened Material
23 Physical Injury, Watermaster respectfully requests the Court approve the Agreement.

24 II.

25 BACKGROUND

26 A. Project Description

27 The Agreement authorizes IEUA, TVMWD and many of their various retail agencies, all
28 of which are parties to the Judgment, to participate in the use of a portion of the vacant Basin

1 storage space. The key elements of the Agreement are that IEUA and TVMWD will never store
2 more than 100,000 acre-feet of Supplemental Water in the Basin pursuant to the Agreement.
3 (Agreement, Part II) The annual deliveries to the Basin will never be more than 25,000 acre-feet
4 in any year, without the express prior written approval of Watermaster. (Agreement, Part V.).
5 The primary method of delivery of the Supplemental Water into the Basin will be through in-lieu
6 recharge. That is, retail water purveyors that are parties to the Judgment will forebear from
7 producing native groundwater that is otherwise within their right to produce while receiving
8 expanded deliveries of Supplemental Water from Metropolitan.

9 Through this Agreement, IEUA and TVMWD will obtain an added reliable local water
10 supply that will be held in storage in the Basin and that will be used to reduce dependency upon
11 the purchase and physical delivery of Supplemental Water in times of drought. When
12 Metropolitan elects to reduce deliveries to IEUA and TVMWD, they in turn will request their
13 retail water purveyors to increase groundwater extractions to the extent of the annual and term
14 maximums provided in the Agreement.

15 **B. Public Interest in Pursuing Groundwater Storage**

16 The Conjunctive Use and Groundwater Storage Projects generally have gained
17 considerable support in the published legal commentary. (Foley-Gannon, *Institutional*
18 *Arrangements for Use in Water Management in California and Analysis of Legal Reform*
19 *Alternatives* (2000) 6 Hastings W.NW-J of Env'tl L. Policy 273; Victor Gleason, *Water Projects*
20 *Go Underground* (1975) 5 Ecology L.Q. 625, 633. Storage space in a groundwater aquifer is
21 considered to be a public resource. (West and Central Basin Water Replenishment District v.
22 Southern California Water Company, (2003) 109 Cal.App.4th 891, *modified* 110 Cal.App.4th
23 352, *review denied*.) Groundwater storage projects are generally hailed as environmentally benign
24 and substantially superior to surface storage options.

25 Groundwater storage avoids the potentially destructive surface water impoundments that
26 often interfere with aquatic habitat. With proper management, losses from storage can be
27 minimized and the dramatic evaporation losses associated with many surface bodies of water are
28 not an issue.

1 Recharge for purposes of carrying out a storage project can also serve to at least
2 temporarily reduce pump lifts and the economic costs of producing groundwater. It was for
3 these and other reasons that the Judgment in this case delegated responsibility for administering
4 groundwater storage to Watermaster.

5 **C. Judgment**

6 The Judgment provides that no use shall be made of the storage capacity of Chino Basin
7 except pursuant to written agreement with Watermaster. (Judgment, ¶ 12, p. 9.) “It is essential
8 that said reservoir capacity utilization for storage and conjunctive use of supplemental water be
9 undertaken only under Watermaster control and regulation, in order to protect the integrity of
10 both such Stored Water and Basin Water in storage and the Safe Yield of Chino Basin.” (*Id.*, ¶
11 11, p. 8.) Agreements for storage “shall first be approved by written order of the Court” and
12 must include terms that will “preclude operations which will have a substantial adverse impact
13 on other producers.” (*Id.*, ¶ 28, p. 15.)

14 The Judgment provides that any agreement authorized by Watermaster for storage of
15 supplemental water in the available storage capacity of the Basin shall include:

- 16 1. The quantities and term of the storage right.
- 17 2. A statement of the priority or relation of said right, as against overlying or Safe
18 Yield uses, and other storage rights.
- 19 3. The procedure for establishing delivery rates, schedules and procedures which
20 may include spreading or injection, or in lieu deliveries of supplemental water for
21 direct use.
- 22 4. The procedures for calculation of losses and annual accounting for water in storage
23 by Watermaster.
- 24 5. The procedures for establishment and administration of withdrawal schedules,
25 locations and methods.

26 (Judgment, Exh. “I,” ¶ 3, p. 80-81.)

27 A Judgment that expressly reserves continuing jurisdiction over groundwater storage is
28 valid. (West and Central Basin Water Replenishment District v. Southern California Water

1 Company, (2003) 109 Cal.App.4th 891, *modified* 110 Cal.App.4th 352, *review denied*.) Unlike
2 the Judgments in some other adjudications, the Judgment in the instant case is distinguishable in
3 that it provides extensive discussion of the rules that are applicable to storage and recovery of
4 water. Approximately 22 years later, Watermaster's authority to regulate and administer storage
5 was buttressed by the Peace Agreement.

6 **D. Peace Agreement**

7 The Peace Agreement was executed by the parties to the Judgment in June of 2000.
8 Consistent with the Judgment, Section 5.2(a)(i) confirms and acknowledges that the Parties to the
9 Judgment cede to Watermaster the right to regulate and control the storage of water in the Basin.
10 No person may store and recover water from the Basin without having first obtained an
11 agreement with Watermaster. (Section 5.2(a)(ii).) As a matter of contract, the Parties to the
12 Judgment are bound by their Agreement.

13 **E. Watermaster Rules and Regulations**

14 Watermaster's Rules and Regulations ("Rules") mirror and implement the Judgment and
15 Peace Agreement requirements. They require that Watermaster, "ensure that no person shall
16 store water in, and recover water from the Basin, other than pursuant to a Local Storage
17 Agreement, without a Storage and Recovery Agreement with Watermaster." (Rules, § 8.3(a), p.
18 52.) They also require that before storage agreements entered into under the Storage and
19 Recovery Program become effective, Watermaster must receive Court approval of the Storage
20 Agreement. (*Id.*, at § 8.1(c).) The Rules include the same five requirements noted above
21 regarding the content of the Storage Agreement. Additionally, the Rules provide that the
22 quantities and term of the storage right shall specifically exclude credit for return flows. (*Id.* at §
23 8.1(h), p. 47-48.)

24 The Rules further provide that "Watermaster shall calculate additions, extractions and
25 losses of all Stored Water in Chino Basin, and any losses of water supplies or Safe Yield of Chino
26 Basin resulting from such Stored Water, and keep and maintain for public record, an annual
27 accounting thereof." (Rules, § 8.1(i), p. 48.) Watermaster "shall not approve a Recapture Plan if
28 it is inconsistent with the terms of Peace Agreement or will cause Material Physical Injury to any

1 party to the Judgment or the Basin. Any potential or threatened recapture of water by any
2 person shall be fully and reasonably mitigated as a condition of approval. In the event the
3 Material Physical Injury cannot be fully and reasonably mitigated, the request for Recapture
4 must be denied.” (Rules, § 8.1(j), p.48.)

5 Finally, the Rules provide that “[r]ecapture of water held in a storage account will
6 generally be approved by Watermaster as a component of and coincident with a Groundwater
7 Storage Agreement for Qualifying Storage. However, an Applicant for Qualifying Storage may
8 request, and Watermaster may approve, a Groundwater Storage Agreement where the plan for
9 recovery is not yet known. In such cases, the Applicant may request Watermaster approval of
10 the Qualifying Storage only and subsequently submit and process an independent Application
11 for Recapture under the provisions of Article X.” (Rules, §8.1(d.), p. 43.)

12 **F. Existing Storage Accounts in Chino Basin - The Pre-Agreement Storage**
13 **Baseline**

14 Existing storage in the Chino Basin is utilized under the direction and control of
15 Watermaster. There are three types of storage accounts that currently exist within the Chino
16 Basin. The largest use of storage space is for storage of Excess Carry-Over water. Under the
17 Judgment, both Appropriative Pool members as well as Overlying (Non-Agricultural) Pool
18 members may carry-over water unproduced in one year for production in the subsequent year.
19 For Appropriative Pool members, this authorization can be found in the Appropriative Pool
20 Pooling Plan, Judgment, Exhibit “H,” ¶ 12, p.77. For the Overlying (Non-Agricultural) Pool
21 members, this authorization can be found in the Overlying (Non-Agricultural) Pool Pooling Plan,
22 Judgment, Exhibit “G,” ¶ 7, pp. 66-67. For both, if the amount of water carried over exceeds the
23 party’s production right, then the party must, as a condition of preserving such surplus carry-
24 over, execute a storage agreement with Watermaster. According to Watermaster’s 26th Annual
25 Report, at the end of Watermaster’s 2002-2003 fiscal year, Appropriative Pool members held
26 71,328.595 acre-feet in Excess Carry-Over Storage. (26th Annual Report Appendix K-1.)
27 Similarly, Overlying (Non-Agricultural) Pool members held 36,850.022 acre-feet in Excess Carry-
28 Over Storage. (26th Annual Report Appendix L-1.)

1 The second major use of storage in the Chino Basin is for Local Storage of Supplemental
2 Water. According to Watermaster's 26th Annual Report, at the end of Watermaster's 2002-2003
3 fiscal year, there was 81,179.810 acre-feet held in such Local Storage. (26th Annual Report
4 Appendix K-1.) This amount follows an initial quantification of 93,862.143 acre-feet of
5 groundwater in Local Storage on May 24, 2001 pursuant to Watermaster's Rules and
6 Regulations. (Rules, § 8.1(f)(iv)(c), pp.45-46.)

7 Under the Peace Agreement, for a period of five years from the Effective Date of the
8 Peace Agreement (October 1, 2000), Watermaster shall ensure that: (a) the quantity of water
9 actually held in Local Storage under a storage agreement with Watermaster is confirmed and
10 protected and (b) each party to the Judgment shall have the right to store its Un-Produced Carry-
11 Over Water. (Peace Agreement, § 5.2(b)(i).) With certain exceptions described in the Peace
12 Agreement, five years from the Effective Date Watermaster has discretion to place reasonable
13 limits on the further accrual of carry-over and Supplemental Water in Local Storage. (Peace
14 Agreement, § 5.2(b)(x).) All Parties to the Judgment have acknowledged and agreed that
15 Watermaster has discretion in addressing the future limitations on the use of Basin storage
16 capacity.

17 The third type of storage accounts in the Chino Basin are accounts held by non-parties to
18 the Judgment. At the present time, the only such party is Metropolitan. Metropolitan currently
19 has three separate storage accounts in the Chino Basin. Metropolitan's primary storage account
20 in the Chino Basin is its Cyclic Storage Account. This account was created by the Cyclic Storage
21 Agreement dated December 4, 1978, and which was approved by the Court in January 1979.
22 This account currently holds 32,700 acre-feet of water. The purpose of the account is to allow
23 for the pre-delivery of replenishment water to the Basin. The Cyclic Storage Agreement has been
24 extended several times with the most recent Seventh Amendment extending the term of the
25 Agreement until December 31, 2007. The Seventh Amendment was approved by the Court on
26 September 4, 2003. Under the terms of the Seventh Amendment to the Cyclic Storage Agreement
27 it is anticipated that new water will not be placed into this account and that the existing amount
28 stored will be gradually removed until the account is empty.

1 Finally, Metropolitan has two other accounts, one created by the Metropolitan Trust
2 Storage Agreement which was approved by the Court in August of 1986, and the other the Short-
3 Term Conjunctive Use Agreement (CB-5) which was approved in September of 1993. There is
4 no water currently stored under the Short-Term Conjunctive Use Agreement and the Funding
5 Agreement specifies that this storage account will be abolished. At the time of entering into the
6 Funding Agreement there was 4,739 acre-feet of water stored in the Trust Storage Account. Per
7 Metropolitan's rights under the Trust Storage Agreement, it has been putting water into storage
8 in this account over the past several months. There is currently approximately 13,100 acre-feet
9 in this account. Under the terms of the Funding Agreement and the Agreement currently before
10 the Court for approval, the Trust Storage Account will be abolished and all water currently
11 stored in that account will be transferred into the Dry Year Yield account and will be subject to
12 all the terms and conditions placed on that account through the Agreement.

13 A summary of these quantities of water held in storage and as reported to the Court in
14 Watermaster's most recent Annual Report is provided below:

<i>Type of Storage Account</i>	<i>Cumulative Quantity in Storage as Per 2002-03 Annual Report</i>
18 Excess Carry-Over Water: Appropriators	71,328.595 acre-feet
19 Excess Carry-Over Water: Non-Ag Overlying 20 Owners	36,850.022 acre-feet
21 Local Storage of Supplemental Water	81,179.810 acre-feet
22 MWD Cyclic Storage Agreement	32,700 acre-feet
23 MWD Trust Storage Agreement	4,739 acre-feet
24 Cumulative Total	226,797.43

25 **G. The Presumptive Safe Harbor for Use of Safe Storage Capacity**

26 Watermaster is to be guided by specific criteria in evaluating any request for a Storage and
27 Recovery Program. (Peace Agreement 5.2(c)(iv).) Among these criteria is the indication that
28

1 Watermaster is to target the use of 500,000 acre-feet of available capacity *in excess* of the
2 quantity of water held in storage on the Date of Execution.

3 The OBMP Implementation Plan then defines the Operational Storage Capacity of the
4 Basin at approximately 5,300,000 acre-feet and introduces the concept of Safe Storage and Safe
5 Storage Capacity. (Peace Agreement Exhibit B, OBMP Implementation Plan: Program Element
6 8.) In relevant part, Safe Storage is defined as “an estimate of the maximum storage in the Basin
7 that will *not* cause significant water quality and high groundwater related problems.”

8 “Safe Storage Capacity” was quantified at about 500,000 acre-feet, (Peace Agreement
9 Exhibit B, OBMP Implementation Plan: Program Element 8) *inclusive of water in existing storage*
10 *accounts*. Storage in excess of the safe storage was thought to “preemptively require mitigation,
11 that is, mitigation must be defined and resources committed to mitigation prior to allocation and
12 use.” Thus, the OBMP Implementation Plan established both a safe harbor for storage and
13 recovery within the Safe Storage Capacity within the Basin but only for so long as cumulative
14 storage under all accounts did not exceed 500,000 acre-feet.

15 The existence of the safe harbor did not diminish Watermaster’s obligations to fulfill its
16 commitment to *target* 500,000 acre-feet in excess of the quantities held in storage, it simply
17 meant there would be a significant likelihood that some form of “preemptive mitigation” would
18 be required as a condition of project approval for later Storage and Recovery projects. Thus,
19 while the Storage and Recovery Program is targeted to be a 500,000 acre-foot program, some level
20 of mitigation may be required for some portion of the storage depending on the amount of the
21 Safe Storage Capacity that is consumed by the other storage accounts in the Basin and depending
22 on the utilization of basin management options that may expand the Safe Storage Capacity. As
23 future storage proposals increase the amount of water in storage to the point where the total
24 approaches the limit of safe storage, more analysis of the potential effects of additional storage
25 will be required.

26 The Implementation Plan also committed Watermaster to perform an engineering analysis
27 to continue to determine and refine the accuracy of the prior estimates. Watermaster completed
28

1 this analysis in September 2003 and the Final Technical Memorandum which describes this
2 further analysis was filed with the Court on March 8, 2004.

3 The September 2003 Final Technical Memorandum was a report on the development of a
4 new Chino Basin groundwater model (hereafter, the "2003 Watermaster Model") by Wildermuth
5 Environmental, Inc.¹ This work was performed as a part of the technical analysis of the Dry
6 Year Yield Project and is discussed in further detail below. The 2003 Watermaster Model
7 indicates that the Safe Storage in the Chino Basin is actually about 6,480,000 acre-feet and that
8 the Operational Storage Requirement is about 5,980,000. Thus, while Watermaster's subsequent
9 analysis determined that the initial estimates of Safe Storage and the Operational Storage
10 Requirement were too low, the Safe Storage Capacity of the Basin was maintained at 500,000
11 acre-feet.

12 At the time Watermaster initiated review of the Application to enter a Storage and
13 Recovery Agreement (described in detail below), Watermaster held approximately 226,797 acre-
14 feet in storage with Safe Storage Capacity at approximately 273,203 acre-feet. The Application
15 for use of a maximum of 100,000 acre-feet was well within the presumptive safe harbor of the
16 Safe Storage Capacity established by the Peace Agreement and the Implementation Plan on the
17 basis of the estimates of Safe Storage Capacity that prevailed at the time the Implementation Plan
18 was approved by the Court as well as the more recent refinement by Watermaster.

19 II.

20 THE PROPOSED AGREEMENT

21 The Agreement seeks to use a maximum of 100,000 acre-feet of the target 500,000 acre-
22 feet of storage capacity. The Project was initiated through Metropolitan and is funded through a
23

24 ¹ The Final Technical Memorandum included not just an analysis of storage issues, but
25 also included two other elements: an analysis and recommendation concerning Supplemental
26 Water Recharge and an evaluation of the cumulative effects of transfers. The analysis of transfers
27 is relevant to the discussion of storage in so far as the ability of under-producing parties to
28 transfer water to over-producing parties has prevented an unnecessary over-accumulation of
water in storage as would happen if under-producing parties were required to store all of their
non-produced water, and the over-producing parties were required to import supplemental water
for replenishment. "Some of these transfers have resulted in an avoidance of a replenishment
obligation, or the physical recharge of water, for the Producer undertaking to lease or purchase
the water." (Final Technical Memorandum 3-1.)

1 combination of Proposition 13 grant funds and funding from Metropolitan. The details of the
2 financial aspects of the Dry-Year Yield Project authorized under this Agreement, including
3 allocation of benefits to the specific Chino Basin participants, was described in Watermaster's
4 *Motion for Approval of Metropolitan Dry Year Yield Funding Agreement* which was filed with the
5 Court on May 7, 2003. On June 5, 2003, the Court found that the weight of evidence supports
6 Watermaster's finding that the DYY Project, as described in the Funding Agreement, will provide
7 broad mutual benefits and that Watermaster's approval of the Funding Agreement is consistent
8 with its responsibilities under the Peace Agreement, which, in turn, facilitates implementation of
9 the court-approved OBMP. (June 5, 2003 Order, p.6.)

10 Participants in the DYY Project include the cities of Chino, Chino Hills, Ontario,
11 Pomona, Upland and Cucamonga Valley Water District, Jurupa Community Services District,
12 and Monte Vista Water District, all of which are parties to the Judgment and retail water
13 purveyors within the IEUA and TVMWD service areas. The Fontana Water Company is
14 currently involved in negotiations with IEUA and will decide at a later time whether to opt-in to
15 the project.

16 As a part of the project, funding has been allocated to each of the participating entities in
17 order to construct facilities that will improve the production capabilities of each entity. Water is
18 anticipated to be delivered primarily through in lieu procedures into storage, and delivered out of
19 storage by way of the improved production capacity of each of the agencies. Each agency owns
20 the facilities that are funded through the project, and when the facilities are not needed for
21 delivery of water out of storage, the agency can use the facilities at that agency's discretion.

22 As summarized above, the operational structure of the project is that Supplemental Water
23 can be delivered into storage at a maximum rate of 25,000 acre-feet per year. Watermaster, in its
24 discretion, may approve a higher delivery rate, however such approval does not alter the
25 maximum storage amount of 100,000 acre-feet. Water can be withdrawn from storage at a
26 maximum rate of 33,000 acre-feet over a twelve month period.

27 The distribution of these quantities of water throughout the Basin is governed by the
28 "Local Agency Agreements" between IEUA and TVMWD and each of the participating local

1 agencies. Each of the Local Agency Agreements describes the performance targets to which that
2 local agency has committed itself in exchange for its share of the benefits available under the
3 Funding Agreement. Executed copies of the Local Agency Agreements are attached to the
4 Agreement as Exhibit "B."

5 As is evident by the magnitude of the delivery and withdrawal parameters, the DYY
6 Project is anticipated to be a long-term, multi-year project that will allow for rational regional
7 water supply planning by allowing for increased imports to the Chino Basin during wet years,
8 and reduced imports during dry years. However, because of the long-term nature of the project,
9 it is not possible to determine in advance all of the operational details of the project. Thus, in
10 order to manage the year to year operation of the project, an Operating Committee will be formed
11 whose purpose will be to formulate an Annual Operating Plan to describe anticipated deliveries
12 and withdrawals from storage for that particular year. The Operating Committee will be
13 composed of one representative from each of Watermaster, IEUA, TVMWD, and two
14 representatives from Metropolitan. Before it can be effective, this Annual Operating Plan must
15 be approved by Watermaster.

16 To assure a prompt and efficient administration of the Agreement, the Operating
17 Committee has met and has begun the process of developing an Annual Operating Plan. The
18 current working draft of the Annual Operating Plan was submitted to the Watermaster parties for
19 review in October. A copy of this Annual Operating Plan is attached to this pleading as Exhibit
20 "B."

21 III.

22 FUNDING AGREEMENT APPROVAL PROCESS

23 On May 7, 2003, Watermaster filed a *Motion for Approval of Metropolitan Dry Year Yield*
24 *Funding Agreement*. Pursuant to this motion, Watermaster requested the Court to find that the
25 terms of the Funding Agreement are consistent with Watermaster's responsibilities under the
26 Peace Agreement.

27 The motion specified that the approval requested from the Court pertained only to the
28 terms of the Funding Agreement itself, and was not concerned with the analysis of the storage

1 account to be created pursuant to the Funding Agreement. (May 7, 2003 Motion, p.8.)
2 Accordingly, the standard of review employed by the Court in its consideration of the motion
3 was whether the Funding Agreement is consistent with Section 5.2(c)(iv)(b) of the Peace
4 Agreement which mandates that Watermaster will prioritize its efforts to regulate and condition
5 the storage and recovery of water developed in the Storage and Recovery Program for the mutual
6 benefit of the parties to the Judgment and to give first priority to Storage and Recovery
7 proposals that provide broad mutual benefits. On the basis of this standard, the Court found that
8 the weight of evidence supports Watermaster's finding that the DYY Project, as described in the
9 Funding Agreement, will provide broad mutual benefits and that Watermaster's approval of the
10 Funding Agreement is consistent with its responsibilities under the Peace Agreement, which, in
11 turn, facilitates implementation of the court-approved OBMP. (June 5, 2003 Order Concerning
12 Groundwater Storage Program Funding Agreement – Agreement No. 49960, p.6.)

13 **IV.**

14 **WATERMASTER APPROVAL OF THE APPLICATION**

15 **A. Submission of the Application**

16 On April 2, 2003, IEUA submitted an Application under Article X of Watermaster's
17 Rules and Regulations for a storage account in the amount of 100,000 acre-feet in order to
18 implement the terms of the Funding Agreement. This Application consisted of a Rules and
19 Regulations Form 6 Application by a Party to the Judgment to Participate in a Storage and
20 Recovery Program, and a Form 4 Application to Recapture Water in Storage. A copy of this
21 Application is attached here as Exhibit "C."

22 Metropolitan's rights and duties with regard to the storage and recovery of water in the
23 Chino Basin are as described in the Funding Agreement. Under the Funding Agreement, the
24 specific activities necessary in order to uphold the Chino Basin parties' commitments under the
25 Funding Agreement are left to the discretion of the Chino Basin parties. In other words, specific
26 operational details such as the *manner* of allocation of delivered water and the location and
27 specific rate of withdrawal of water from storage are left to the discretion of Watermaster, IEUA,
28 TVM WD and the participating local agencies. In addition, it is the responsibility of

1 Watermaster, IEUA, TVMWD and the local agencies, and not Metropolitan, to ensure that the
2 project is operated in a manner that does not cause Material Physical Injury to any party or to
3 the Basin. For this reason it is appropriate for a party to the Judgment, rather than
4 Metropolitan, to be the Article X Applicant.

5 Pursuant to Watermaster's Rules and Regulations, Watermaster produced a summary and
6 analysis of this Application, and provided Notice to the parties of the Application on April 30,
7 2003. This Summary and Analysis contained a summary analysis of the potential for Material
8 Physical Injury of the Application and contemplated that a more complete Material Physical
9 Injury analysis would be provided prior to consideration of the Application by Watermaster. A
10 copy of Watermaster's Notice of the Application, as well as a copy of Watermaster's Summary
11 and Analysis is attached here as Exhibit "D."

12 A proposed Applicant for a Storage and Recovery Program must submit the information
13 set forth in Rules Article X to Watermaster prior to Watermaster's consideration of the
14 Application. (Rules, § 8.3(b).) The Rules § 10.7 specifies the information to be included in a
15 Storage and Recovery Application. The required information includes the following:

- 16 1. The identity of the person that will recharge, store and recover the water, and the
17 ultimate place of use. The Application identifies IEUA and TVMWD as the
18 persons that "will provide imported water for storage and recovery via direct
19 replenishment, injection or in lieu." The ultimate place of use is identified in
20 IEUA's completed Form 4: "Within service area of agencies participating in
21 Metropolitan Funding Agreement (see attached shift obligation schedule)."
- 22 2. The quantity of water to be stored and recovered. The Application references the
23 Funding Agreement and notes that the amount of water to be placed in storage and
24 subsequently recovered will be administered through the Operating Committee.
- 25 3. The proposed schedule for the recharge of water for storage. The Application
26 indicates that the schedule for recharge will be specified within the Annual
27 Operating Plan, consistent with the Funding Agreement.

28

- 1 4. The proposed schedule and method for recovery. The Application indicates that
- 2 recovery of water from the storage account will be consistent with the Funding
- 3 Agreement and the Annual Operating Plan.
- 4 5. The location of the recharge facilities. The Application states that to the extent
- 5 that physical recharge is utilized, the recharge locations will be the recharge
- 6 facilities developed through Watermaster's Recharge Master Plan.
- 7 6. The location of the production facilities. The Application states that new
- 8 production facilities have received CEQA certification and are fully described in
- 9 Exhibit H of the Funding Agreement.
- 10 7. The water levels and water quality of the groundwater in the areas likely to be
- 11 affected by the storage and recovery. The Application references the CEQA
- 12 analysis performed for the project and makes specific reference to the Dry Year
- 13 Yield Modeling Report which is described in greater detail below in section C.

14 In addition, the Rules state that, "[a]ny person may file an Application for approval of

15 its Recovery of water held in storage." (Rules, § 10.8.) A recapture Application is to include the

16 following:

- 17 1. The identity of the person that recharged and stored the water. The Application's
- 18 Form 4 identifies the person to store the water as IEUA and TVMWD on behalf
- 19 of Metropolitan.
- 20 2. The identity of the person that will recover the water and the ultimate place of
- 21 use. Under the Application, the participating local agencies are the parties who
- 22 will recover the water, and the ultimate place of use os accordingly identified as
- 23 within the service areas of such agencies.
- 24 3. The quantity of water to be recovered. The Application's Form 4 identifies the
- 25 quantity of water to be recaptured as 100,000 acre-feet and the projected rate of
- 26 recapture to be a maximum of 33,000 acre-feet per year.

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- 1 4. The proposed schedule for recovery. The Application's Form 4 does not address
2 the proposed schedule for recovery as this will not be known until water has been
3 first stored in the storage account.
- 4 5. The location of the production facilities through which the water will be
5 recovered. The location of the recapture facilities is identified primarily as the
6 facilities that will be funded for construction through the Funding Agreement,
7 though flexibility is allowed for the local agency to use its existing facilities if
8 necessary.
- 9 6. The existing water levels and water quality of the groundwater in areas likely to be
10 affected by the recovery. Again, the Application references the environmental
11 analysis for the project with specific reference to the Dry Year Yield Modeling
12 Report discussed below.

13 **B. CEQA Analysis**

14 The OBMP Programmatic Environmental Impact Report ("PEIR") was prepared in 2000
15 by Tom Dodson and Associates for IEUA as the lead agency. One of the alternatives considered
16 by the PEIR is what is known as the Conjunctive Use Alternative. (PEIR, Chapter 5.3.) The
17 Conjunctive Use Alternative considered by the PEIR included the following elements:

- 18 1. No maximum limit would be placed upon local storage accounts for a period of
19 five years.
- 20 2. The need for storage limits will be re-evaluated at the end of five years based upon
21 the ability of the parties to use such storage and the need for a regional storage
22 program.
- 23 3. Storage is not assignable.
- 24 4. All water in local storage and other storage accounts will incur losses at a rate of
25 2% beginning in fiscal year 2002/03 (this element was altered through the Peace
26 Agreement).
- 27 5. The storage loss rate and safe yield will be estimated in the year 2012/13 and
28 every ten years thereafter (this element was altered through the Peace Agreement).

- 1 6. Watermaster will develop a regional Conjunctive Use Program.
- 2 7. The regional Conjunctive Use Program will provide benefits to all producers in the
- 3 Basin, the people of California and the nation.
- 4 8. Storage committed to conjunctive-use programs may consist of two parts, storage
- 5 within the safe storage capacity and storage in excess of safe storage. Storage in
- 6 excess of safe storage capacity will preemptively require mitigation.
- 7 9. The initial target storage for Watermaster's Conjunctive Use Program will be
- 8 150,000 to 300,000 acre-feet within the safe storage capacity.
- 9 10. Cyclic storage will be folded into conjunctive-use storage.

10 (PEIR, 5-4; *see also* OBMP Phase I Report 4-37.)

11 The PEIR described the following steps that were envisioned in order to implement the
12 Conjunctive Use Alternative:

- 13 1. Completion of an existing short-term conjunctive-use project.
- 14 2. Identification of a seasonal peaking program for in Basin use and a Dry Year
- 15 Program to reduce the demand on Metropolitan to 10% of normal summer demand
- 16 (requiring 150,000 acre-feet of storage).
- 17 3. Establishment of a Dry-Year Export Program.
- 18 4. Establishment of a seasonal Peaking Export Program.

19 (Id.)

20 The PEIR followed the analysis contained in the OBMP and accepted the Safe Storage
21 capacity in the Basin at 500,000 acre-feet. The PEIR further assumed that with approximately
22 200,000 acre-feet of water already in storage through the total of all storage accounts, that the
23 remaining available safe storage in the Basin was 300,000 acre-feet of storage capacity. (PEIR, 5-
24 5.) It was for this reason that the PEIR evaluated a program of between 150 - 300,000 acre-feet.
25 (PEIR, 3-28.) The PEIR concludes that, "[f]or an expanded conjunctive use program of up to
26 300,000 acre-feet, it is not anticipated that significant mitigation would be required due to water
27 quality or rising water concerns." (PEIR, 5-5.) Additional storage projects above this amount are
28 possible, though further analysis of potential impacts will be required.

1 One of the primary water quality impacts considered by the PEIR is impacts on the
2 vadose zone. (See PEIR 4-114.) However, the PEIR also concludes that the details of any
3 specific Conjunctive Use Program were too uncertain at that time in order to be able to consider
4 the site specific impacts that would be associated from operational details such as the physical
5 recharge of water in specific locations, the construction of specific facilities and the actual
6 withdrawal of water at definitive times and locations. (See PEIR Chapter 4.) The PEIR was
7 certified by IEUA on July 12, 2000.

8 During development of the specific DYY Project as proposed, subsequent environmental
9 analysis was performed by Dodson and Associates with IEUA as lead agency. This analysis
10 resulted in Findings of Consistency. IEUA certified the Findings of Consistency on December
11 28, 2002. Accordingly, the Implementation Plan, the PEIR and the Findings of Consistency all
12 adopted and relied upon the concept of Safe Storage Capacity as the basis for finding no
13 significant environmental impacts and no Material Physical Injury to the Basin or any person.

14 **C. Supplemental Watermaster Analysis of Reasonably Foreseeable**
15 **Management Conditions**

16 One component in the development of the DYY Project was an advance payment of \$1.6
17 million by Metropolitan to be used to perform preliminary engineering work and environmental
18 analysis of the proposed project. A portion of these funds were used to conduct the CEQA
19 analysis which led to the Findings of Consistency described above. However, given the potential
20 that Watermaster, at the request of the Parties to the Judgment, may elect to pursue different
21 management strategies, another portion of these funds were used to develop a new Chino Basin
22 groundwater model – known as the 2003 Watermaster Model – that would allow Watermaster to
23 evaluate the impact of the DYY Project under an alternative management scenario.

24 The 2003 Watermaster Model was used to provide a supplemental evaluation of the prior
25 CEQA analysis of the Storage and Recovery Program and specifically evaluated the magnitude of
26 groundwater level and storage changes throughout the Chino Basin, the change in direction and
27 speed of specific known water quality anomalies, and the storage losses from the DYY Project in
28 the event Watermaster sought to modify its Basin management strategy for the next 25 years.

1 As implementation of the OBMP has progressed since the completion of the Peace
2 Agreement in June of 2000, Watermaster has gained further information about the Basin from its
3 extensive monitoring efforts conducted under Program Element 1 of the OBMP. Most
4 important, however, the concept of hydraulic control, which is a fundamental background
5 concept in every Program Element of the OBMP, has come to the forefront of Watermaster's
6 management approach to the Basin. The maintenance of the Safe Yield through the prevention of
7 rising water in the Southern end of the Basin is the most basic expression of the need to achieve
8 and maintain hydraulic control and is the primary motivation for the desalter component of the
9 OBMP. Hydraulic control has also become an explicit focus of Watermaster due to water quality
10 concerns raised by the Orange County Water District and the Regional Water Quality Control
11 Board.²

12 In conducting its analysis of the potential for Material Physical Injury over the 25 year
13 term of the Agreement, Watermaster prudently chose to evaluate how the DYY Project will
14 integrate with other Basin management concepts. The emphasis on hydraulic control suggests
15 that at some point in the future the parties may find it beneficial to manage water levels in the
16 Southern end of the Basin at a lower level than currently maintained. Achievement of such a shift
17 would require further study, and would require approval through the full Watermaster process as
18 well as approval from the Court. While the maintenance of hydraulic control clearly falls within
19 the current Court authorization for implementation of the OBMP, a deliberate lowering of water
20 levels would certainly require implementation steps demanding specific Court authorization.

21 While such a management scenario has not yet been presented to either the Watermaster
22 parties or the Court, it is incumbent upon Watermaster to consider such a possibility when
23 projecting the full range of possible impacts from the DYY Project. This full analysis of the
24 potential for Material Physical Injury from the operation of the 100,000 Dry Year Yield Project
25

26
27 ² While the recent Basin Plan Amendment adopted by the Regional Water Quality
28 Control Board makes the maintenance of hydraulic control an explicit requirement under the
amendment's "maximum benefit" component, the continued use of the traditional
"antidegradation" standard will also implicate hydraulic control if the Chino Basin loses hydraulic
control and low quality rising water enters the Santa Ana River.

1 under reasonably foreseeable management conditions was performed by Wildermuth
2 Environmental and Black and Veatch, and the final product is titled, *Chino Basin Dry Year Yield*
3 *Program Modeling Report* (“Report”). This Report was completed and made available to the
4 parties in July 2003.

5 On July 23, 2003 Watermaster re-served its Notice of the Application and provided
6 notice of the availability of the Report. Copies of the Report were sent directly to the Special
7 Referee and her Technical Expert, as well as the technical advisor to the Agricultural Pool, Mr.
8 Frank Bromenschenkel. Additional copies of the Report were provided to any party who
9 requested one. As part of this Notice of Availability, Watermaster also provided another copy
10 of the previously noticed Application in order to ensure that all parties understood the
11 relationship between the Report and the Application. A copy of the Notice of Availability of
12 the Report is attached here as Exhibit “E.”

13 The 2003 Watermaster Model suggests that in order to maintain hydraulic control, the
14 Southern end of the Basin should be operated at a lower groundwater level than the level where it
15 is currently operated. Watermaster has not yet presented a proposal to the parties or the Court
16 in order to implement such a shift in management of water levels, and approval through the
17 normal Watermaster process, including Court approval, would be required before such a shift
18 could be implemented. However, Watermaster believes that the need to maintain hydraulic
19 control of the Basin will likely demand such a shift. Thus it is necessary in order to properly
20 analyze the impact of the DYY Project over the next 25 years, to consider the project in light of
21 this approach.

22 The Report describes the development and application of a series of simulation models to
23 project the impacts of storing and removing 100,000 acre-feet of water. The impacts evaluated in
24 the Report include groundwater-level impacts during the put, hold, and take periods; the losses of
25 water from increases in groundwater storage; and the change in direction and speed of known
26 water quality anomalies. The time period used in the analysis consists of the 25-year period
27 from October 2003 through September 2028. This period corresponds approximately to the 25-
28 year period of the Funding Agreement. The Report concludes that there will be no Material

1 Physical Injury from the 100,000 acre-foot DYY Project to either a party to the Judgment or to
2 the Basin if Watermaster were to elect to pursue this management strategy. (Report, 7-9 and 7-
3 10.)

4 In summary, the Agreement will not cause Material Physical Injury under either (a)
5 existing conditions because it is being operated within the Safe Storage Capacity of the Basin or
6 (b) modified conditions whereby Watermaster manages water levels at a lower equilibrium and
7 increases its hydraulic control.

8 **D. Approval of the Application**

9 At the August 2003 Pool Committee meetings, the Application and Watermaster's
10 analysis were considered. Watermaster's staff report recommended approval of the Application
11 conditioned upon yearly approval of the Annual Operating Plan as described in the Funding
12 Agreement. All pools recommended unanimously that the Advisory Committee and Board
13 approve the Application conditioned as described in the staff report. A copy of the staff report
14 is attached here as Exhibit "F."

15 In order to provide all parties an opportunity to fully consider the Application along
16 with the completed Report, the Application was not considered by the Advisory Committee and
17 Board until their October meetings. There were no contests to the Application, and thus,
18 pursuant to the Rules and Regulations, Watermaster was permitted to approve or conditionally
19 approve the Application without holding a hearing.

20 On October 23, 2003, the Advisory Committee and Board considered the Application
21 and adopted the findings and recommendation of the staff report to approve the Application
22 conditioned upon yearly approval of the Annual Operating Plan. As described below in Part VI,
23 this conditionality was incorporated as an explicit term of the Agreement. This approval was
24 based upon the Application, which incorporated the analyses of the PEIR and Findings of
25 Consistency, and upon the completed Report. A copy of the Advisory Committee and Board
26 staff report is attached here as Exhibit "G."

V.

DESCRIPTION OF THE PROPOSED STORAGE AGREEMENT

The Agreement submitted here for approval is between Watermaster, IEUA and TVM WD and will create a storage account for the purpose of implementing the Dry Year Yield Project. Both IEUA and TVMWD are member agencies of MWD and the boundaries of the retail service agencies lie within either IEUA or TVMWD. It is true that Jurupa Community Services District will also participate but it is not necessary to include Western Municipal Water District in the Agreement since Jurupa Community Services District, which is located within Western's service area, is participating in the project through a special agreement with the City of Ontario. This accommodation was made necessary because there are not currently any Metropolitan connections within the Jurupa service area.

The Agreement contains a lengthy set of recitals to establish the context for its approval and execution. It is necessary to include this level of background detail in the Agreement itself because of the complexity of the project and the extended analysis and approval process for the Agreement. Because of the need to complete the financial arrangements for the project in a timely fashion to take advantage of the availability of Proposition 13 funding, while at the same time allow for an extended process of technical analysis and review by the parties to the Judgment, the approval process was bifurcated into two phases. The current motion is the completion of the second phase of this process. This complexity in combination with the fact that this project is the first implemented under the Storage and Recovery Program created by the Peace Agreement, necessitates an enhanced level of clarification regarding background and context.

The Agreement contains a set of definitions that are consistent with the Judgment and the Peace Agreement. Most notably, the Agreement carries forward the definition of Material Physical Injury adopted in the Peace Agreement and maintained in Watermaster's Rules and Regulations. The definition recites that it is the intention of the Agreement to utilize the same definition of Material Physical Injury as is used in the Peace Agreement.

Following the definitions are the specific Agreement terms that will govern IEUA and TVM WD's use and operation of the storage account. The specific terms of the Agreement are

1 described in greater detail below in Part VII of this pleading, but in general they carry forward the
2 commitments made by IEUA and TVMWD in the Funding Agreement regarding the acceptance
3 of water into the Basin for storage and the delivery of water out of storage upon request by
4 Metropolitan. The terms additionally ensure Watermaster discretion to regulate and control the
5 storage of water through the Agreement and will ensure that IEUA and TVMWD implement the
6 DYY Project in a manner that is consistent with the Judgment, further Orders from this Court,
7 the Peace Agreement, and Watermaster's Rules and Regulations.

8 **VI.**

9 **WATERMASTER APPROVAL OF THE STORAGE AGREEMENT**

10 At the March 11, 2004 Joint Appropriative Pool and Overlying (Non-Agricultural) Pool
11 meeting both pools unanimously approved the Agreement. At the March 16, 2004 Overlying
12 (Agricultural) Pool meeting that pool also unanimously approved the Agreement. Finally, at the
13 March 25, 2004 Advisory Committee and Board meetings, the Agreement was also unanimously
14 approved and counsel was directed to transmit the Agreement to the Court for final approval.

15 **VII.**

16 **COURT APPROVAL OF THE DRY YEAR YIELD STORAGE AND RECOVERY**
17 **AGREEMENT**

18 Pursuant to the Judgment paragraph 28, storage agreements must be approved by written
19 order of the Court. Part II.A. of this pleading describes the elements that must be contained in a
20 storage agreement in order to receive approval by the Court. The primary list of these
21 requirements is found in the Judgment's Engineering Appendix, Exhibit "I" ¶ 3.

22 **A. Judgment Engineering Appendix, Exhibit "I"**

23 As required by the Judgment Exhibit "I" ¶ 3(a), p.80, the agreement terms begin in Part II
24 of the Agreement with a recitation of the quantity of the storage right. The quantity of the
25 storage right for the Dry Year Yield Project is 100,000 acre-feet. Part II of the Agreement further
26 specifies that the purpose of this storage right is specifically to implement the Funding
27 Agreement. To complete the satisfaction of Exhibit "I" ¶ 3(a), Part XII of the Agreement
28 specifies that the Agreement shall be coterminous with the Funding Agreement.

1 As required by the Judgment Exhibit "I" ¶ 3(b), Part VIII of the Agreement contains a
2 statement of the priority or relation of the storage right as against production rights and other
3 storage rights in the Basin. To do this, the Agreement contains the blanket requirement that
4 IEUA and TVM WD will fully protect and preserve the rights of overlying landowners, other
5 groundwater users or water right holders, and more broadly parties whose approval is required
6 by the 1978 Judgment and the Watermaster. In order to protect these rights, IEUA and
7 TVM WD will take all necessary actions, including groundwater monitoring and mitigation and/or
8 limiting extraction of groundwater to protect such rights.

9 Exhibit "I" ¶ 3(c) next requires that the Agreement describe the procedure for establishing
10 delivery rates, schedules and procedures which may include spreading or injection, or in lieu
11 deliveries of supplemental water for direct use. Note that the Judgment recognizes that it may
12 not be possible to specify the deliver rates, schedules and procedures in advance, and so only
13 requires that the Agreement describe the procedure for establishing such details. In conformance
14 with this requirement, the Agreement first describes the broad parameters of the delivery
15 maximum. Part V of the Agreement specifies that the delivery maximum shall be 25,000 acre-feet
16 per year. The Agreement preserves Watermaster's discretion to approve a higher delivery rate in
17 order to maintain operational flexibility, but it also is clear that an approval of a higher delivery
18 rate does not alter the storage right under the Agreement.

19 Beyond this broad numerical parameter, the Agreement carries forward the concept of the
20 Annual Operating Plan from the Funding Agreement. Part IV.C. of the Agreement requires that
21 the Annual Operating Plan shall provide an estimated schedule and location for all delivery of
22 water into and out of storage on a monthly basis for the upcoming fiscal year. The estimated
23 schedule and location for the delivery and extraction of water in the Annual Operating Plan must
24 be of sufficient detail in order to allow Watermaster to assess the potential for Material Physical
25 Injury to be caused to a party or to the Basin. (Agreement, Part IV.C.) The Agreement not only
26 prohibits Watermaster from approving an Annual Operating Plan that will cause Material
27 Physical Injury, it also prohibits Watermaster from approving an Annual Operating Plan that

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1 does not provide sufficient detail to allow for a proper assessment of the potential for Material
2 Physical Injury. (Agreement, Part IV.C. and F.)

3 In satisfaction of Judgment Exhibit "I" ¶ 3(d), Part X of the Agreement specifies that
4 Watermaster will maintain records of the amounts of water stored in and extracted from the Basin
5 pursuant to the Agreement and further recites the fact that Watermaster will not approve
6 additional such storage agreements if such approval(s) would result in more than 500,000 acre-
7 feet of water being stored within the Basin at any time. Furthermore, Part X of the Agreement
8 specifies that Watermaster's accounting will include an assignment of losses from the storage
9 account and specifies that the procedure utilized to calculate such losses will be the same
10 procedure used to calculate losses from other storage accounts within the Storage and Recovery
11 Program.

12 Finally, Judgment Exhibit "I" ¶ 3(e) requires a description of the procedure for the
13 establishment and administration of withdrawal schedules, locations and methods. The role of
14 the Annual Operating Plan in satisfying this requirement has already been described above. In
15 addition, Part VI of the Agreement specifies that the delivery maximum shall be the lesser of
16 33,000 acre-feet or the amount of water remaining in the storage account. This term of the
17 Agreement ensures a maximum withdrawal rate of 33,000 acre-feet and also ensures that the
18 storage account can only be operated in a "put then take" manner as opposed to a "take then
19 put" manner. This is because under Part VI of the Agreement, it is not possible to remove from
20 the storage account more than has already been placed into the storage account.

21 **B. Other Agreement Requirements**

22 In addition to the primary Judgment requirements described in the Judgment's Exhibit
23 "I," there are other miscellaneous requirements for storage agreements.

24 One such requirement is the requirement contained in Watermaster's Rules and
25 Regulations, that the granting of a storage right shall specifically exclude credit for any return
26 flow. (Rules, § 8.1(h)(i).) The Agreement fulfills this requirement in Part X of the Agreement
27 where it is specified that Watermaster's accounting shall not include any credit for return flows
28 from the use of water extracted from storage.

1 The Judgment contains a very broad requirement that the use of the storage space in the
2 Chino Basin should be undertaken only under Watermaster control and regulation, in order to
3 protect the integrity of both such Stored Water and Basin Water in storage and the Safe Yield of
4 the Chino Basin. (Judgment, ¶11, p.8.) The Agreement follows this requirement in Part VII
5 where IEUA and TVMWD acknowledge Watermaster’s authority to control and regulate the use
6 of the storage account in accordance with the Judgment and the Peace Agreement. Watermaster,
7 however, agrees that its regulation of the storage account shall be conducted in a non-
8 discriminatory manner. This means that Watermaster’s regulation of this storage account shall be
9 consistent with its regulation of other storage accounts created for the Storage and Recovery
10 Program. Furthermore, Watermaster shall not impose policies upon this storage account that
11 would materially alter the benefits or obligations for Metropolitan under the Funding Agreement.

12 The Judgment also requires that in the allocation of storage capacity, the needs and
13 requirements of lands overlying Chino basin and the owners of rights in the Safe Yield or
14 Operating Safe Yield of the Basin shall have priority and preference over storage for export.
15 (Judgment, ¶ 12, p. 9.) This requirement does not necessarily go to a specific requirement for the
16 content of a storage agreement, but rather addresses more broadly the allocation of storage space.
17 The allocation of 100,000 acre-feet of storage space for the DYY Project has been done as part of
18 the Storage and Recovery Program created by the Peace Agreement.

19 Specifically, the allocation of a portion of the Storage and Recovery Program for this
20 Project was a part of the consideration underlying the Peace Agreement made available to the
21 members of the Appropriative Pool and the Non-Agricultural Pool. (Peace Agreement Section
22 5.2(c)(v). Moreover, a DYY Project was an express priority for Watermaster to pursue. (Peace
23 Agreement Section 5.2(f)(ii) and (iii).) The identification of Safe Storage Capacity was
24 previously approved by this Court when it approved the OBMP Implementation Plan and
25 ordered Watermaster to proceed in accordance with its terms. (July 13, 2000 Order Concerning
26 Adoption of OBMP)

27 In addition, under the Funding Agreement, the only mechanism provided for the delivery
28 of water out of storage is an in lieu procedure whereby a given producer increases its extraction of

1 groundwater and Metropolitan reduces its delivery of imported water. (Funding Agreement Part
2 VII.C.) Thus, since it is not contemplated that this storage account will be used for physical
3 export, the requirement of the Judgment ¶ 12 has no application.

4 The Judgment ¶ 28 requires that all storage agreements shall by their terms preclude
5 operations which will have a substantial adverse impact on other Producers. This requirement is
6 similar to the requirement contained in the Peace Agreement and Watermaster's Rules and
7 Regulations that Watermaster ensure that no Material Physical Injury is caused to any party or
8 the Basin. Thus, through Part III of the Agreement, Watermaster references the broad
9 requirement that the storage of water under the Agreement must not cause either Material
10 Physical Injury or a substantial adverse impact to any party or to the Basin.

11 The facilities to be used for this Project have been identified and analyzed by
12 Watermaster. This Project fits within the established boundaries of the Safe Storage Capacity of
13 the Basin and Watermaster has thoroughly evaluated the implementation of the Project under
14 existing and alternative Basin management scenarios. None of this analysis has revealed any
15 issues of concern and no Party has filed a Contest to any aspect of the D YY Project as
16 authorized under the Agreement.

17 In effect, Watermaster itself will maintain continuing jurisdiction over the D YY Project
18 because the Agreement requires that any material changes to the Project will trigger a further
19 Watermaster approval. Moreover, the Annual Operating Plan is subject to a yearly Watermaster
20 approval which will provide parties the opportunity to object if future operations reveal impacts
21 that have not yet been detected.

22 **C. Additional Terms**

23 In addition to specifically described requirements discussed above, the Agreement also
24 contains terms which will ensure that the Agreement is protective of Basin resources. For
25 example, Part IX of the Agreement specifically prohibits the assignment of storage capacity.
26 This is important to ensure that the terms and conditions established for this storage account are
27 not circumvented through transfer to a party which may not be similarly situated to IEUA and
28 TVM WD.

1 Part XI of the Agreement specifies that Metropolitan's Trust Storage Agreement shall be
2 canceled upon Court approval of the Agreement. This term does not pertain to IEUA or
3 TVM WD, but it makes clear that there shall not exist more storage rights than are contemplated
4 by the parties.

5 The Agreement specifies that any conflicts under the Agreement shall be resolved by the
6 Court where the Court is defined as that Court maintaining continuing jurisdiction over the
7 Judgment and Watermaster. This term is important to ensure the continuing authority of the
8 Court and ensure that its supervisory role under the Judgment is not diminished.

9 Finally, as described above, the Agreement ensures that the project will be operated in an
10 integrated manner with other Basin management activities. The Agreement requires that
11 Watermaster shall not approve an Annual Operating Plan that conflicts with other OBMP
12 projects or programs, including, but not limited to, the Interim or Long Term Plan for the
13 Management of Subsidence in Management Zone 1, the maintenance of hydraulic control or the
14 operation of the Chino Basin desalters as such programs may be amended and approved by
15 Watermaster in accordance with the Judgment and the Peace Agreement. (Agreement, Part IV.F.)

16 VIII.

17 CONCLUSION

18 Watermaster's approval of the Agreement conforms to the Judgment requirement that
19 any storage agreement by its terms must mitigate any Material Physical Injury as a condition of
20 approval. Although the Agreement will use only a portion of the remaining Safe Storage
21 Capacity within the Basin, Watermaster has further buttressed its finding of No Material
22 Physical Injury by conducting an exhaustive technical analysis of the expected operation of the
23 storage account over the term of the Funding Agreement.

24 Having followed a rather lengthy and open Watermaster process, no Party to the
25 Judgment has contested the accuracy of the conclusions reached by Watermaster, including the
26 finding of no Material Physical Injury. The Application and Agreement have been approved
27 unanimously by each of the Pool Committees, the Advisory Committee and the Board.


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Based on the foregoing, Watermaster respectfully requests the Court approve the Storage Agreement so that it may be executed by Watermaster, IEUA and TVMWD.

Dated: May 11, 2004

HATCH & PARENT, A LAW CORPORATION

By: 

Scott S. Slater
Michael T. Fife
Attorneys for
CHINO BASIN WATERMASTER

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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, 9641 San Bernardino Road, Rancho Cucamonga, California 91730; Telephone (909) 484-3888.

On May 12, 2004 I served the following:

NOTICE OF MOTION FOR APPROVAL OF STORAGE AND RECOVERY PROGRAM AGREEMENT; MOTION FOR APPROVAL OF STORAGE AND RECOVERY PROGRAM AGREEMENT; POINTS AND AUTHORITIES IN SUPPORT OF MOTION

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:
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 12, 2004 in Rancho Cucamonga, California.


PAULA MOLTER
Chino Basin Watermaster

Members:

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Exhibit

A

**STORAGE AND RECOVERY PROGRAM
STORAGE AGREEMENT
BETWEEN CHINO BASIN WATERMASTER, INLAND EMPIRE
UTILITIES AGENCY AND THREE VALLEYS MUNICIPAL WATER
DISTRICT REGARDING IMPLEMENTATION OF THE DRY YEAR
YIELD PROJECT**

This Storage Agreement is entered into on this _____ day of _____, 2004 between the Chino Basin Watermaster ("Watermaster"), the Inland Empire Utilities Agency ("IEUA"), and Three Valleys Municipal Water District ("TVMWD").

WHEREAS, the parties to the Judgment executed the Peace Agreement on June 29, 2000 and Watermaster resolved to implement the Judgment in accordance with its terms.

WHEREAS, Exhibit B to the Peace Agreement was the Implementation Plan: Optimum Basin Management Program ("Implementation Plan") and the Court ordered Watermaster to proceed in accordance with the Peace Agreement and Implementation Plan in its Order of July 13, 2000. (July 13, 2000 Order, p.4.)

WHEREAS, Program Element 8 of the Implementation Plan set for a plan for the development of groundwater storage and Element 9 of the Implementation Plan set forth a plan for developing and implementing a Storage and Recovery Program.

WHEREAS, page 38 of the Implementation Plan set forth the baseline against which storage activities would be evaluated and that "Safe Storage is an estimate of the maximum storage in the Basin that will not cause significant water quality and high groundwater related problems."

WHEREAS, page 38 of the Implementation Plan set forth the baseline for "Safe Storage Capacity" within which Watermaster could safely approve further storage and recovery without causing water quality degradation and high groundwater related problems and estimated the quantity of Safe Storage Capacity at 500,000 acre-feet, "including water in the existing storage accounts."

WHEREAS, Watermaster's annual report for 2002 listed a total quantity of water in storage to be 226,797.43 acre-feet leaving 273202.57 of Safe Storage.

WHEREAS, the IEUA certified the Programmatic Environmental Impact Report ("PEIR") for Watermaster's Optimum Basin Management Program on July 12, 2000. This PEIR analyzed the impacts associated with a 100,000-300,000 acre-foot storage and recovery program and found no significant impacts from such a program.

WHEREAS, Watermaster, IEUA and TVMWD have entered into an agreement with the Metropolitan Water District of Southern California (“Metropolitan”) titled Groundwater Storage Program Funding Agreement No. 49960 (“Funding Agreement”) attached hereto as Exhibit “A.”

WHEREAS, on June 5, 2003 the Court retaining continuing jurisdiction over the case *Chino Basin Municipal Water District v. City of Chino* San Bernardino Superior Court Case No. RCV 51010, determined that the terms of the Funding Agreement satisfy the requirements of the Peace Agreement section 5.2(c). The Funding Agreement called for a maximum quantity of 100,000 AF to be in storage at any time.

WHEREAS, the Funding Agreement required further agreements with members of the Appropriative Pool and compliance with the Watermaster’s Rules and Regulations, namely the filing and approval of an Application for approval of a Storage and Recovery Program pursuant to Article 10.7 and Watermaster’s subsequent execution of a Storage Agreement in accordance with the Judgment.

WHEREAS, an applicant for approval of a Storage and Recovery Agreement must comply with the approved forms in accordance with Appendix 1 to the Rules and Regulations and the proposed forms require the statement of compliance with the requirements of the California Environmental Quality Act.

WHEREAS, IEUA certified a Finding of Consistency of the specific project contemplated by the Funding Agreement on December 18, 2002 that would be implemented through a Storage and Recovery Agreement with Watermaster.

WHEREAS, IEUA has submitted an Application for a storage account pursuant to Article X of Watermaster’s Rules and Regulations for the storage and recovery of up to 100,000 acre-feet of water, within the Safe Storage Capacity as defined in the Court Approved Implementation Plan.

WHEREAS, the Cities of Chino, Chino Hills, Ontario, Pomona, and Upland and Cucamonga Valley Water District, Inland Empire Utilities Agency, Monte Vista Water District, Jurupa Community Services District and Three Valleys Municipal Water District have executed Local Agency Agreements (“Participating Appropriators”) whereby they would use facilities owned or controlled by them to implement the Storage and Recovery of Water as contemplated by the Funding Agreement.

WHEREAS, the Local Agency Agreements were uniform but for the facilities identified and an example of the approved form of a Local Agency Agreement is attached hereto as Exhibit “B.”

WHEREAS, Watermaster caused extensive additional analysis of the Application to be completed in the event that Watermaster at the request of the parties to the Judgment and in its subsequent exercise of discretion, elected to adopt an operational plan for the Basin that attempts to secure greater hydraulic control of groundwater to avoid waste of water to the Santa Ana River.

WHEREAS, the additional analysis completed at the direction of Watermaster demonstrated that there would be no Material Physical Injury that results from the execution of the Storage and Recovery Agreement in the event, that at the request of the Parties to the Judgment Watermaster elects to approve a basin management plan that increases hydraulic control.

WHEREAS, no person shall store water in, and recover water from the Chino Groundwater Basin through the Storage and Recovery Program, without a Storage and Recovery agreement with Watermaster.

WHEREAS, the Application has been approved unanimously by all Pools, the Advisory Committee and the Board and no opposition was expressed to the proposed application for a Storage and Recovery Agreement. The date of approval by the Advisory Committee and Board was October 23, 2003 and Watermaster is prepared to execute a Storage and Recovery Agreement in accordance with the Judgment.

NOW IT IS HEREBY AGREED THAT:

I. Definitions.

- A. “Court” shall mean the Court maintaining jurisdiction of the 1978 Judgment.
- B. “1978 Judgment” or “Judgment” shall mean the stipulated judgment in the case *Chino Basin Municipal Water District v. City of Chino* San Bernardino Superior Court Case No. RCV 51010.
- C. “Material Physical Injury” shall mean material injury that is attributable to the recharge, transfer, storage and recovery, management, movement or production of water, or implementation of the OBMP, including, but not limited to, degradation of water quality, liquefaction, land subsidence, increases in pump lift (lower water levels) and adverse impacts associated with rising groundwater. Material Physical Injury does not include “economic injury” that results from other than physical causes. Once fully mitigated, physical injury shall no longer be considered to be material. It is the intention of this definition that the term “Material Physical Injury” have the same meaning as used in the Peace Agreement section 1.1(y) and Watermaster’s Rules and Regulations section 1.1(uu).
- D. “Peace Agreement” shall mean the agreement dated June 29, 2000 among the various parties to the Judgment identified therein and approved by Watermaster as it existed on that date and without regard to any subsequent amendment thereto unless such amendments are approved by each party to the Peace Agreement, Watermaster and the Court.
- E. “Storage and Recovery Program” shall mean the use of the available storage capacity

of the Basin by any person under the direction and control of Watermaster pursuant to a storage and recovery agreement but excluding “Local Storage,” including the right to export water for use outside the Chino Basin and typically of broad and mutual benefit to the parties to the Judgment. It is the intention of this definition that the term “Storage and Recovery Program” shall have the same meaning as used in the Peace Agreement section 1.1(uu) and Watermaster’s Rules and Regulations section 1.1(af).

II. Storage Right. Subject to the terms of this Agreement, IEUA and TVMWD may store up to 100,000 acre-feet of Supplemental Water within the Safe Storage Capacity of the Chino Basin for the sole purpose of implementing the terms of the Funding Agreement and as further provided in the Local Agency Agreements.

III. No Material Physical Injury. The Storage and Recovery of Supplemental Water stored under this Agreement will not cause Material Physical Injury or a substantial adverse impact to any party to the 1978 Judgment or to the Basin itself.

A. Facilities. The facilities used to store and recover Supplemental Water will be as described in the Local Agency Agreements between IEUA, TVMWD and the Participating Appropriators.

1. Ownership and control of the storage and recovery facilities will be maintained by the members of the Participating Appropriators or their designees.

2. Any modification of facilities that is materially different from those contemplated by the Local Agency Agreements will require the filing of a new application in accordance with the provisions of Article X, Section 10.7 of the Rules and Regulations.

3. Watermaster reserves continuing review of the Storage and Recovery of Supplemental Water pursuant to the Annual Operating Plan under Article IV hereof, to consider any site specific concerns.

B. Safe Storage Capacity. The storage of Supplemental Water under this Agreement, when combined with other available water held in all existing storage accounts will not exceed the cumulative maximum of 500,000 acre-feet at any time without further approval of Watermaster and the Court.

IV. Annual Operating Plan.

A. IEUA, TVMWD and Watermaster shall participate on the Operating Committee composed of IEUA, Watermaster, Three Valleys Municipal Water District (“Three Valleys”), and Metropolitan as defined by the Funding Agreement.

- B. Pursuant to the Funding Agreement, use of the storage account will be according to the terms described in each Annual Operating Plan.
 - C. The Annual Operating Plan shall provide sufficient information to allow the Operating Committee and Watermaster to assess potential impacts from the Storage and Recovery of Supplemental Water under this Agreement 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. Watermaster shall not approve an Annual Operating Plan that does not, in Watermaster's discretionary judgment, provide sufficient detail to allow Watermaster to assess the potential for Material Physical Injury to be caused by the Storage and Recovery of Supplemental Water.
 - D. The Annual Operating Plan shall provide an estimated schedule and location for all Storage and Recovery of Supplemental Water under this Storage Agreement on a monthly basis for the upcoming fiscal year.
 - E. The Initial Annual Operating Plan shall not become effective until approved by Watermaster.
 - F. Watermaster shall not approve an Annual Operating Plan that may cause Material Physical Injury, nor shall Watermaster approve an Annual Operating Plan that conflicts with other OBMP projects or programs, including, but not limited to, the Interim or Long Term Plan for the Management of Subsidence in Management Zone 1, the maintenance of hydraulic control or the operation of the Chino Basin desalters as such programs may be amended and approved by Watermaster in accordance with the Judgment and the Peace Agreement.
 - G. Neither IEUA, TVMWD nor Watermaster will approve an Annual Operating Plan that will conflict with Watermaster's responsibilities to provide for the replenishment needs of the Chino Basin.
 - H. Any substantial variance from the terms of the Annual Operating Plan shall require further Watermaster approval.
- V. Delivery Maximum. The maximum rate of placement of water into storage by IEUA and TVMWD through the Participating Appropriator's facilities shall be 25,000 acre-feet in any year, unless Watermaster in its discretion authorizes additional annual deliveries up to the cumulative maximum of 100,000 acre-feet.
- VI. Withdrawal Maximum. The maximum rate of recapture of water from storage by IEUA and TVMWD through the Participating Appropriator's facilities shall be the lesser of (a) 33,000 acre-feet per year, or (b) the amount of water remaining in the IEUA and TVMWD Storage and Recovery

account.

VII. Regulation of Water in Storage. IEUA and TVMWD acknowledge that any Storage and Recovery of Supplemental Water under this Agreement shall occur only under Watermaster's control and regulation in accordance with the Judgment and the Peace Agreement. However, Watermaster agrees that the Watermaster's Storage and Recovery Policies shall be applied to water stored pursuant to 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. Watermaster shall not impose any policies upon the water stored pursuant to this Agreement, whether or not imposed on other parties, that would materially alter the benefits provided to or the obligations imposed upon Metropolitan under the Funding Agreement. Without limiting the foregoing, Watermaster shall not impose any policies that would create any significant discrepancies between the amount of water placed into storage and the amount of water that is available for recapture.

VIII. Priority of Rights. IEUA and TVMWD will fully protect and preserve the rights of overlying landowners, other groundwater users or water right holders, parties whose approval is required by the 1978 Judgment and the Watermaster, and will take the necessary actions (including groundwater monitoring and mitigation and/or limiting extraction of groundwater) to protect such rights.

IX. Non-Assignment of Storage Capacity. IEUA and TVMWD's rights under this Agreement, inclusive of any claim to storage capacity, is not assignable. However, Supplemental Water recovered from storage may be assigned, sold, leased or transferred as herein or subsequently approved.

X. Losses and Accounting for Stored Water. Watermaster shall maintain records of the amounts of all water stored in and extracted from the Chino Basin pursuant to this Agreement and all other Storage Agreements and will not approve additional Storage Agreements if such approval(s) will result in more than 500,000 acre-feet of water being stored within the Basin at any time without further approval of Watermaster and the Court. Watermaster's accounting shall not include any credit for return flows from the use of water extracted from storage. Watermaster's accounting will include the assignment of losses according to a procedure utilized for all water stored in the Storage and Recovery Program.

XI. Cancellation of that Certain Agreement Between Watermaster and Metropolitan Water District, commonly referred to as the "MWD Trust Storage Agreement" dated May 7, 1986. Upon Court approval of this Agreement, the MWD Trust Agreement dated May 7, 1986 is hereby terminated in its entirety and of no further force and effect. Upon cancellation, any Supplemental Water then held in storage under the Trust Agreement at the date of cancellation will be deemed transferred and preserved for storage and recovery under the terms of this Agreement.

XII. Term. This Storage Agreement shall be effective upon approval of the Court and shall remain in effect until expiration of the Funding Agreement pursuant to part II.B. of the Funding

Agreement.

XIII. Conflicts. Conflicts under this Agreement shall be resolved by the Court. Conflicts under this Agreement shall be submitted to the Court pursuant to paragraph 15 of the 1978 Judgment.

CHINO BASIN WATERMASTER

By: _____

Dated: _____

Approved as to Form:

**INLAND EMPIRE UTILITIES
AGENCY**

By: _____

Dated: _____

Approved as to Form:

**THREE VALLEYS MUNICIPAL
WATER DISTRICT**

By: _____

Dated: _____

Approved as to Form:

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, 9641 San Bernardino Road, Rancho Cucamonga, California 91730; Telephone (909) 484-3888.

On May 12, 2004 I served the following:

NOTICE OF MOTION FOR APPROVAL OF STORAGE AND RECOVERY PROGRAM AGREEMENT; MOTION FOR APPROVAL OF STORAGE AND RECOVERY PROGRAM AGREEMENT; POINTS AND AUTHORITIES IN SUPPORT OF MOTION

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:
Mailing List 1

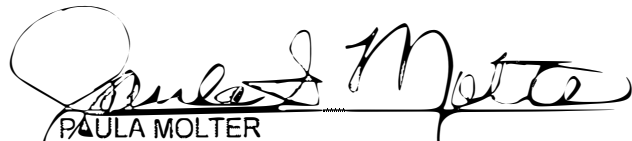
BY PERSONAL SERVICE: I caused such envelope to be delivered by hand to the addressee.

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 12, 2004 in Rancho Cucamonga, California.


PAULA MOLTER
Chino Basin Watermaster

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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

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 33% 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 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 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 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.

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
8632 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.

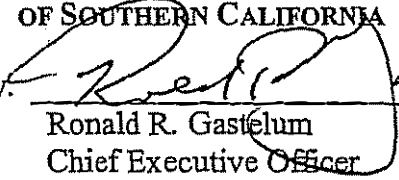
L. Amendment

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.

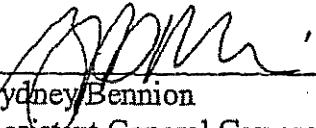
THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

By: 
Ronald R. Gastelum
Chief Executive Officer

Date: 6-12-03


APPROVED AS TO FORM:

Jeffrey Kightlinger
General Counsel

By: 
Sydney Bennion
Assistant General Counsel

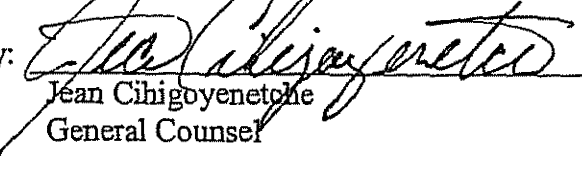
Date: 6/6/03

INLAND EMPIRE UTILITIES AGENCY

By: 
Richard Atwater
General Manager


Date: JUNE 19, 2003

APPROVED AS TO FORM:

By: 
Jean Cihigoyenetche
General Counsel

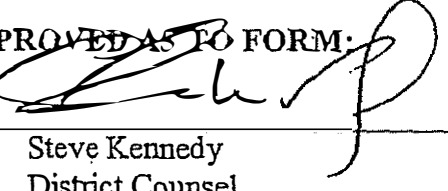
Date: 5-21-03

THREE VALLEYS MUNICIPAL WATER
DISTRICT

By: 
Richard W. Hansen
General Manager/Chief Engineer

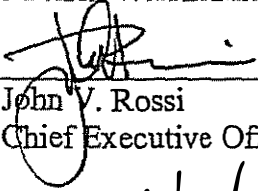
Date: 6/19/03

APPROVED AS TO FORM:

By: 
Steve Kennedy
District Counsel

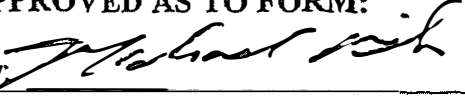
Date: 6/4/03

CHINO BASIN WATERMASTER

By: 
John V. Rossi
Chief Executive Officer

Date: 6/19/03

APPROVED AS TO FORM:

By: 
Michael Fife
General Counsel

Date: 6-3-03

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

By: _____

Ronald R. Gastelum
Chief Executive Officer

Date: _____

6/19/03

EXHIBIT A

DWR FUNDING LETTER

DEPARTMENT OF WATER RESOURCES

416 NINTH STREET, P.O. BOX 942836
ACRAMENTO, CA 94236-0001
(116) 653-5791



OCT 13 2000

Mr. Phillip J. Pace, Chairman
Board of Directors
Metropolitan Water District of
Southern California
Post Office Box 54153
Los Angeles, California 90054-0153

Interim Water Supply Construction Grant Commitment Safe Drinking Water, Clean Water,
Watershed Protection and Flood Protection Act (Proposition 13, Chapter 9, Article 4)

Dear Mr. Pace:

The Governor's Budget Act for 2000, Chapter 52, Statutes of 2000, appropriated to the Department of Water Resources local assistance grant funds 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 Management Subaccount. The Metropolitan Water District's Southern California Water Supply Reliability Projects Program has been selected for funding from this appropriation. This letter agreement serves as our commitment of \$45 million for these projects.

This letter sets forth the terms and conditions under which the transfer of funds will be made from DWR to MWD. Before the funds can be transferred your agency must complete the following:

- Submit to DWR a formally adopted resolution of your governing body, accepting the grant, designating a representative to sign this letter agreement, and designating a project director to be your agency's representative for the administration of the project and liaison with DWR for submission of required documents.
- Sign and date both originals of this agreement and return one signed original to:

Division of Planning and Local Assistance
Department of Water Resources
Post Office Box 942836
Sacramento, California 94236-0001
Attention: Linda Buchanan Herzberg

- Provide to DWR a copy of all memoranda of understanding or other cooperative agreements between your agency and all other participating agencies for the program.



- Provide to DWR an itemized budget projection of project costs and an invoice, on your letterhead, stating the purpose of the funds as outlined in this letter agreement. In addition, please provide a summary of the sources and amounts of other funding for the program in addition to the grant provided by this letter agreement.
- Provide to DWR a detailed description of the proposed projects, including a narrative description that details the purpose and defines the scope of each project. Include with your description a detailed list of project components to be funded by this grant and a time line for completion with major benchmarks noted. In addition, attach a map indicating the locations of the projects.

By signature of this letter agreement the Metropolitan Water District of Southern California agrees to comply with the following terms and conditions for completion of your project:

1. Your agency agrees to faithfully and expeditiously perform or cause to be performed all project work, to apply State funds received only to eligible project costs and to expeditiously commence and to continue efficient and economical operation of the projects in accordance with applicable law. You further agree to provide for all repairs, renewals, and replacements necessary to the efficient operation of the projects; and to maintain them in as good and efficient condition as upon their construction, ordinary and reasonable wear and depreciation excepted.
2. Your agency, its contractors, subcontractors, and their respective agents and employees required for performing any work in connection with the projects shall act in an independent capacity and not as officers, employees or agents of the State.
3. Your agency is solely responsible for design, construction, operation and maintenance of the projects.
4. Your agency shall be responsible for obtaining any and all permits, licenses and approvals required for the design, construction or operation of the projects. You shall also be responsible for observing and complying with any applicable federal, State and local laws, rules or regulations affecting such work, specifically including, but not limited to, environmental, procurement and safety laws, rules, regulations and ordinances.

OCT 13 2000

5. Your agency must comply with all applicable requirements of the California Environmental Quality Act and the National Environmental Policy Act and complete appropriate environmental documentation including, but not limited to, any required environmental impact reports, environmental impact statements, negative declarations, mitigation agreements and environmental permits, prior to beginning construction.
6. Your agency, its contractors and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code, Section 12900 et seq.), the regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285.0 et seq.), the provisions of 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 awarding State Agency to implement such article. Your agency, its contractors and subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement. Your agency shall include the nondiscrimination and compliance provisions of this clause in all contracts and subcontracts let for the construction of the project.
7. Your agency agrees, unless exempted, to comply with the nondiscrimination program requirements of Government Code, Section 12990, and Title 2, California Code of Regulations, Section 8103.
8. Your agency shall comply with the provisions of 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 you affirm that the agency will comply with such provisions before commencing the construction of the projects and will make the agency's contractors and subcontractors aware of this provision.
9. Your agency, its contractors or subcontractors agree to comply with the requirements of the Drug-Free Workplace Act of 1990 (Government Code 8350 et seq.) and have or will provide a drug-free workplace.
10. Your agency agrees to comply with 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 to the ADA.

11. Your agency shall be responsible for work and for persons or entities engaged in work, including, but not limited to, subcontractors, suppliers and providers of services. You shall give personal supervision to any work required for the projects or employ a competent representative with the authority to act for your agency. Your agency shall give attention to completion of the projects, and shall keep work under control.
12. Your agency shall be responsible for any and all disputes arising out of its contracts for work on the projects, including but not limited to bid disputes and payment disputes with your contractors and subcontractors. The State will not mediate disputes between your agency and any other entity concerning responsibility for performance of work.
13. 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 your agency's enabling authority.
14. Procurement of necessary supplies or equipment shall be undertaken in such a manner as to encourage fair and competitive treatment of potential suppliers.
15. During project planning and construction, your agency shall provide semiannual progress reports detailing the activities completed for the reporting period, the amount of funds expended and the purpose of those expenditures. The first report shall be due six months from the date of your agency's signature on this letter agreement. Subsequent reports shall be due every six months thereafter.
16. The Southern California Water Supply Reliability Projects Program shall be completed not later than March 8, 2009.
17. Upon completion of each project your agency shall provide for a final inspection and a written certification by a California Registered Civil Engineer that the project has been completed in accordance with final plans and specifications and any modifications thereto. Such certification shall be submitted to the State with a copy of the final report of project expenditures required in Item 18 below. You shall keep on file, for the useful life of the projects, As Built plans and specifications for each project. Such documents shall be made available for inspection by the State upon reasonable notice.
18. Upon program completion your agency shall furnish to the State, within 60 days, a final statement of incurred eligible costs.

OCT 13 2000

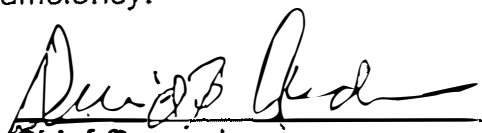
19. Within a period of 60 days from program completion, your agency shall remit to the State any unexpended funds that were disbursed that were not needed to pay eligible project costs.
20. Your agency shall account for the money disbursed separately from all other agency funds. You shall maintain audit and accounting procedures that are in accordance with generally accepted accounting principles and practices consistently applied. You shall keep complete and accurate records of all receipts, disbursements, and interest earned on expenditures of such funds. Your agency shall require its contractors or subcontractors to maintain books, records, and other documents pertinent to their work in accordance with generally accepted accounting principles and practices. Records are subject to inspection by the State at any and all reasonable times, upon reasonable notice.
21. All money disbursed for your program shall be deposited, administered, and accounted for pursuant to the provisions of law applicable to your agency.
22. During regular office hours, each of the parties to this letter agreement and their duly authorized representatives shall have the right to inspect and to make copies of any books, records, or reports of either party pertaining to the projects. Each of the parties shall maintain and shall make available at all times for such inspection accurate records of all its costs, disbursements, and receipts with respect to these projects.
23. Pursuant to Government Code Section 8546.7, your agency and its subcontractors shall be subject to the examination and audit of the State for a period of three years after program completion. All of your records or those of your subcontractors shall be preserved for this purpose for at least three years after program completion.
24. The State reserves the right to conduct an audit at any time between the execution of this letter agreement and the completion of the program, with the costs of such audit borne by the State. Within 60 days of program completion, the State shall require your agency to conduct, at your agency's expense, a final financial and compliance audit of revenue and expenditures. Such audit shall be conducted and a report prepared by an independent Certified Public Accountant in compliance with generally accepted auditing standards and California government auditing standards. Upon its completion, said report shall be submitted to the State for review and acceptance.
25. The State shall withhold 10 percent of the total program funding until the audit report, required in Item 24 above, is received and accepted by the State.


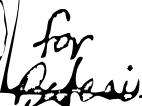
- 26. The State shall have the right to inspect the work being performed at any and all reasonable times during project construction. This right shall extend to any subcontracts, and your agency shall include provisions ensuring such access in all its contracts or subcontracts entered into for completion of the projects.
- 27. Your agency shall 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 any of the projects, or with your agency's service of water, without prior approval of the State.
- 28. Your agency agrees to indemnify the State and its officers, agents, and employees against and to hold the same free and harmless from any and all claims, demands, damages, losses, costs, expenses, or liability due or incident to, either in whole or in part, and whether directly or indirectly, arising out of the program.

Your expeditious handling of this letter agreement is appreciated. If you have any questions, please contact Linda Buchanan Herzberg at (916) 327-1663.


Sincerely,

Approved as to Legal Form
and Sufficiency:

By: 
 Chief Counsel
 Department of Water Resources

 for 
 Acting Chief
 Division of Planning and Local Assistance

Metropolitan Water District of Southern California

By:  Date: 11/14/2000
 Title: General Manager

Enclosure

cc: (See attached list.)

Ms. Linda Adams
Chief Deputy Assembly Relations
Governor's Office, First Floor
Sacramento, California 95814

Honorable Richard G. Polanco
Member of the Senate
State Capitol, Room 313
Sacramento, California 95814

Honorable Jim Costa
Member of the Senate
State Capitol, Room 5100
Sacramento, California 95814

Honorable Robert M. Hertzberg
Speaker of the Assembly
State Capitol, Room 320
Sacramento, California 95814

Honorable Thomas Calderone
Member of the Assembly
State Capitol, Room 2148
Sacramento, California 95814

Honorable Antonio Villaraigosa
Member of the Assembly
State Capitol, Room 219
Sacramento, California 95814

Mr. Robert Harding
Senior Engineer
Water Resource Management
Metropolitan Water District of
Southern California
700 North Alameda Street
Los Angeles, California 90012

Mr. Ronald R. Gastelum
General Manager
Metropolitan Water District of
Southern California
Post Office Box 54153
Los Angeles, California 90054-0153

REQUEST FOR PROPOSAL

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

**REQUEST FOR PROPOSALS FOR
PARTICIPATION IN GROUNDWATER
STORAGE PROGRAMS USING
PROPOSITION 13 FUNDS**

RFP No. WRM-2

NOTICE:

Public Pre-Submittal Workshop
November 8, 2000
1:00 p.m. to 3:00 p.m.
700 North Alameda Street
Room US1-102
Los Angeles, California 90012
All potential applicants are encouraged to attend

Proposals will be received until 2:00 p.m. on January 5, 2001,
at the Metropolitan Water District of Southern California,
700 North Alameda Street, Room 3-132
Los Angeles, California, 90012

**LOS ANGELES, CALIFORNIA
November 1, 2000**

**PARTICIPATION IN GROUNDWATER
STORAGE PROGRAMS USING
PROPOSITION 13 FUNDS

REQUEST FOR PROPOSALS**

- A. Background
- B. Need for Groundwater Storage Programs
- C. Process Overview
- D. Who Can Submit?
- E. Selection Process
- F. Scoring Criteria
- G. Schedule
- H. Performance Targets and Adjustments
- I. Proposal Guidelines

Figure 1 Groundwater Storage Program Implementation Process

Table 1 Performance Provisions

Exhibit 1 Economic Analysis Worksheet

Appendix A Metropolitan's Groundwater Storage Principles

Water Resources Management Groundwater Storage

In March 2000, 65 percent of 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 Annual Budget Revision document in May 2000, included \$763.3 million in expenditures from Prop 13. In June 2000, the State Senate and Assembly approved a budget bill for fiscal year 2000-01, which earmarked \$69 million to fund water supply reliability programs within Metropolitan's service area. The Governor's office designated Metropolitan as the recipient of those Prop 13 funds. Of that \$69 million, \$45 million is specified to finance groundwater storage projects within the Metropolitan Water District of Southern California's (Metropolitan) service area.

This RFP is designed to promote an objective process for distributing this \$45 million. Metropolitan invites your agency to submit a proposal for the development of groundwater storage projects that contribute to the overall water supply for its six-county service area. Selected projects will be eligible for financial assistance from funds received by Metropolitan through the passage of Prop 13. Contained within is information requested for analyzing proposals. All selected projects must conform to state of California and Metropolitan audit requirements.

Questions

Questions regarding the Request for Proposals (RFP) may be presented at the public pre-submittal workshop on November 8, 2000. Written questions regarding this RFP also may be submitted prior to the meeting. Responses to questions will be provided during or after the workshop and posted on Metropolitan's web site, www.mwd.dst.ca.us, under "Breaking News." Address written questions to:

Robert Harding
Metropolitan Water District of Southern California
Post Office Box 54153
Los Angeles, California 90054-0153
FAX (213) 217-6119

Inquiries regarding the schedule, location or mailing address should be directed to Robert Harding at bharding@mwd.dst.ca.us or (213) 217-6582

Public Pre-Submittal Workshop Notice

Purpose: Discuss the Prop 13 Groundwater Storage RFP and answer questions

Date: November 8, 2000

Time: 1:00 p.m. – 3:00 p.m.

Address: 700 North Alameda St., Rm. US1-102
Los Angeles, California 90012

While attendance is not mandatory, all interested parties and prospective applicants are encouraged to attend. Following the workshop, responses to questions, information updates and clarifications will be posted on Metropolitan's web site, www.mwd.dst.ca.us, under "Breaking News."

Due Date

Proposals will be accepted at The Metropolitan Water District of Southern California, 700 North Alameda St. – Room 3-132, Los Angeles, California, 90012 until **2:00 p.m. on January 5, 2001**. Six copies of each proposal must be submitted. Proposals received after the due date and time will be returned unopened.

A. BACKGROUND

Metropolitan is a California public agency. Metropolitan imports water from the Colorado River and the State Water Project (SWP) to supply its 27 Member Agencies that serve 17 million people living within a 5,200-square-mile service area. Existing Metropolitan facilities include the 242-mile-long Colorado River Aqueduct with five pumping plants, a distribution system featuring seven functional reservoirs, five water filtration plants, 43 pressure control structures, 16 power plants, and about 775 miles of pipelines. Metropolitan also participates in groundwater storage projects outside of its service area and develops local water resources to maintain regional supply reliability.

Metropolitan is one of 29 agencies that contracts with the California State Department of Water Resources (DWR) for SWP supplies. It is anticipated that programs submitted under this RFP would store water imported from the SWP and the Colorado River Aqueduct. Facilities funded under this RFP will pump previously stored water for delivery to overlying demand in the respective basin. There will be a corresponding reduction in surface deliveries to the agency. This will increase the amount of water available within Metropolitan's service area.

B. NEED FOR GROUNDWATER STORAGE

In January 1996, Metropolitan's Board of Directors approved the Integrated Water Resources Plan (IRP) that forms the framework for meeting demands within the service area out to the year 2020. Included within the IRP is a groundwater storage component of 450,000 acre-feet of total storage and 150,000 acre-feet per year of yield. The IRP identifies groundwater storage as a cost-effective way to meet projected dry-year demands and Metropolitan is committed to

developing groundwater storage programs within its service area. In January 2000, to further and expand the use of groundwater storage as part of a regional, integrated resource reliability program, Metropolitan's Board approved principles (Appendix A) to guide the development of groundwater storage within the District's service area.

C. PROCESS OVERVIEW

Selected projects will be eligible to receive funding assistance only if an agreement for a groundwater storage program with Metropolitan is executed. A review committee (Section E) will evaluate project proposals. After the review committee's recommended project list is reported to Metropolitan's Board for information, MWD staff will meet with each project sponsor and respective member agency to negotiate agreement terms. Upon completion and approval of environmental documentation by the project sponsor's governing body, per the California Environmental Quality Act (CEQA), each project and the terms of the agreement will be forwarded to Metropolitan's Board for consideration. If approved by Metropolitan's Board, the agreement would be finalized and executed. Metropolitan will execute the agreement only after all other parties have signed. Program funds will be disbursed to the projects on a reimbursable basis. MWD retains the right to reject any and all proposals and revise the terms of this RFP.

D. WHO CAN SUBMIT?

The RFP is open to agencies that responded to Metropolitan's September 20, 2000 letter requesting a preliminary list of groundwater storage projects. Applications for Prop 13 funds for groundwater storage consideration must be made through the project sponsor's respective Metropolitan Member Agency.

E. SELECTION PROCESS

The review committee is expected to be comprised of five people, including three water resource professionals (consultants) selected by Metropolitan staff, and two members of Metropolitan's staff. The committee will provide an objective evaluation of project proposals and will identify the mix of project proposals that best meets the region's needs, consistent with Metropolitan's Board-adopted principles (Appendix A).

F. SCORING CRITERIA

Please refer to the Format/Content Requirements for a detailed description of the required proposal information:

The review committee will use the scoring criteria provided below to rank project proposals. The scoring categories are based on Metropolitan's Board-adopted principles for groundwater storage programs. In addition, based on regional water supply practices, the review committee will identify and weigh each proposal's significant strengths, weaknesses and miscellaneous

issues. Recommendations will reflect the collective findings of the committee. Interviews of project sponsors may be requested by the review committee. Projects that score zero in any of the categories listed below will be disqualified

1. Regional Benefit	(0-20 points)
2. Partnership (Local Support)	(0-15 points)
3. Address Local Needs	(0-15 points)
4. Water Quality or Supply Impacts	(0-15 points)
5. Protect Metropolitan's Financial Integrity	(0-15 points)
6. Meets Overlying Demand	(0- 5 points)
7. Shared Risk	<u>(0-15 points)</u>
Maximum Score:	100 points

G. SCHEDULE

Information on the recommended list of projects for inclusion in the Groundwater Storage Programs is expected to be reported to Metropolitan's Board in March 2001. Thereafter, Metropolitan staff will finalize agreement terms. Upon completion and approval of environmental documentation by the project sponsor's governing body, each project will be presented to Metropolitan's Board for consideration. The schedule is included as Figure 1. If approved by Metropolitan's Board, agencies will have until July 1, 2001 to finalize agreements. If an agreement is not finalized, another project may be selected for funding.

H. PERFORMANCE TARGETS AND ADJUSTMENTS

All groundwater storage agreements will include performance targets. Targets allow Metropolitan to adjust or withdraw financial commitments to projects that fail to meet proposed development and production commitments. Failure to meet performance provisions will result in Metropolitan adjusting its financial commitment to the project. The schedule for performance targets is included as Table 1.

I. PROPOSAL GUIDELINES

To ensure these projects are developed within Metropolitan's service area, a Metropolitan Member Agency must sponsor project proposals. Projects selected through this process will be subject to all state of California and Metropolitan audit guidelines. The proposal shall include a signed statement from the sponsoring MWD Member Agency's water manager to Metropolitan's General Manager supporting the project and requesting Prop 13 funding. Proposals shall include a transmittal letter signed by the project sponsor's manager. The letter must include the following language:

"I am informed and believe and do certify under penalty of perjury that the information contained in this proposal is true and that the supporting data is accurate and complete."

The following format and content requirements shall be adhered to for project proposals to be considered responsive. Applicants should use the numbering and lettering system outlined in

these guidelines. Concise, informative proposals within the page limitations are encouraged. Ambiguous proposals will result in lower scores.

Limitations for each section of the proposal follow and must not be exceeded. The proposal must be on 8 1/2 x 11-inch paper, with black and white text (with font no smaller than 12-point, and table/graphics with text no smaller than 10 point). The proposals must be stapled on the left side or upper left hand corner; no other type of binding will be accepted. **Proposals that are not in conformance with the following format/content requirements will be considered non-responsive and shall be rejected.**

FORMAT/CONTENT REQUIREMENTS

For the purposes of these proposals, “project sponsor” shall mean the agency that is contractually responsible for project implementation.

1. Minimum Requirements (4 pages maximum)

Explain how the project complies with each of the following minimum requirements for Groundwater Storage Program participation.

- 1A. The project must meet Metropolitan’s Board-approved principles described in No. 3 below.
- 1B. The project must include construction of substantive new facilities. New facilities are those that increase the ability of the entity to pump, store, treat or transport water to be conjunctively used to increase dry-year yield for Metropolitan’s service area.
- 1C. The project must comply with the Metropolitan Water District Act and all other applicable laws, specifically any required state and Metropolitan audit requirements.
- 1D. Proposals shall include the anticipated date of environmental certification. The project shall comply with the provisions of the California Environmental Quality Act (CEQA) before Metropolitan’s Board considers its approval. Metropolitan anticipates functioning as a Responsible Agency. Metropolitan may reject participation in a project solely on failure to comply with CEQA.
- 1E. The project shall not be existing or under construction prior to agreement execution. Projects that have entered Design-Build contracts are considered under construction.

2. Project Description (8 pages maximum plus maps and/or figures)

Provide a thorough description of the project including:

- 2A. Project title and lead sponsoring agency, and information related to the management of the basin, including AB 3030 plans, management entities, or the adjudication.
 - 2B. Project participants/cooperating agencies;
 - 2C. Project schedule including design, environmental documentation, construction, operation, production and major milestones;
 - 2D. Project cost factors including grants, capital, O&M and financing. Use the Economic Analysis Worksheet attached as Exhibit 1 to show the estimated cost in dollars per acre-foot. Exhibit 1 is enclosed on a computer disk as an Excel worksheet.
 - 2E. Provide project map(s) showing location of proposed project, primary facilities and proposed user sites including interties and points of connection;
 - 2F. Describe existing water supply/distribution facilities and user sites related to the project service area, and discuss existing water quality issues within the basin.
3. Detailed Information for Scoring (4 pages maximum per scoring item)

3A. Regional Benefit (scoring range 0-20 points)

Describe the regional benefit of the facilities constructed.

- 3A(i) Describe how the project will produce a dry-year yield for regional benefit.
- 3A(ii) Describe the seasonal nature, if any, of project production.
- 3A(iii) Describe the institutional arrangements for curtailing imported firm water deliveries during a three-year shortage.
- 3A(iv) Discuss the project's and groundwater basin's ability to sustain production during a three-year shortage.
- 3A(v) Explain how the change in basin operations will be incorporated into the basin management plan or adjudication.

3B. Project Partnership (scoring range 0-15 points)

- 3B(i) Describe the level of local and regional support for the program and how the entities involved or potentially affected are supporting the project.
- 3B(ii) Provide status of CEQA documentation and schedule.
- 3B(iii) Discuss uncertainties, if any, in project planning.
- 3B(iv) Describe the governing body endorsements needed for approval of the project.

- 3B(viii) Describe any positive or negative community reaction to the proposed project.
- 3B(ix) Describe any Metropolitan actions required by the project in addition to the requested financial assistance.
- 3B(x) Provide the status of any feasibility or engineering studies needed for the project.

3C. Local Needs Addressed_(scoring range 0-15 points)

- 3C(i) Show how the project will address the needs of the local proponents.
- 3C(ii) Show how the project will protect the interests of local entities that are not participating in the program.

3D. Water Supply or Water Quality Impacts (scoring range 0-15 points)

- 3D(i) Describe how the proposed project would impact water supply or water quality with in the basin.
- 3D(ii) Describe how any negative impacts would be mitigated. Unmitigated impacts will result in a score of zero (0) in this section 3D.
- 3D(iii) Describe anticipated regulatory requirements for the project.
- 3D(iv) Address status and schedule for acquiring regulatory approvals and permits.

3E. Address Potential Impacts to Metropolitan's Financial Integrity (scoring range 0-15 points)

- 3E(i) Address whether the project would affect purchase of imported surface water supplies from Metropolitan.
- 3E(ii) Describe how any negative impacts would be mitigated. Unmitigated impacts will result in a score of zero (0) in this section 3E.
- 3E(iii) Discuss status and strategy for project financing.
- 3E(iv) Show the cost per acre-foot of dry-year yield as determined by the methodology shown in Exhibit 1.

3F. Describe How Project will meet overlying demand (scoring range 0-5 points)

- 3F(i) Show how the total amount of program storage can be stored within a four-year period.
- 3F(ii) Show how the program meets the IRP goal of a 3:1 ratio of total storage capacity to annual yield.

3G. Describe how participating entities will share the project risk (scoring range 0-15 points)

- 3G(i) Describe the project risks.
- 3G(ii) Describe how these will be managed.
- 3G(ii) Describe any indemnification necessary to implement the project.

Figure 1
Groundwater Storage Program
Implementation Process
And Schedule

Initial Timeline

January 2000	Adopted Principles for Groundwater Storage
October 2000	Board Resolution for Proposition 13 Funds
November 1, 2000	Issue Request for Proposals
November 8, 2000	Pre-submittal Meeting
January 5, 2001	Proposals Received
January 2001	Review Proposals
January 2001	Interviews (If necessary)
February 2001	Select Projects
March 2001	Information Letter to Metropolitan Board
By July1, 2001	Finalize Agreements
September 2002	Metropolitan Board Approval Execute Agreements

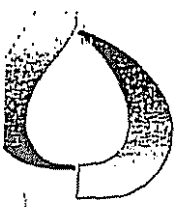
Table 1
Performance Targets

<u>Date</u>	<u>Target</u>	<u>Consequence if Target Not Achieved</u>
January 5, 2001	Receive Proposals	Proposal will be rejected
July 1, 2001	Finalize Agreements	Proposal will be rejected
September 1, 2002	Completion and certification of all environmental documents necessary to comply with CEQA.	Proposal will be rejected
September 2003	Construction Initiated	Agreements Terminated

EXHIBIT 1 - ECONOMIC ANALYSIS WORKSHEET

(See Excel Spreadsheet: RFP Cost Template.xls)

THE PROPOSAL



Inland Empire

UTILITIES AGENCY

9400 Cherry Ave., Bldg. A • Fontana, CA 92335
P.O. Box 697 • Rancho Cucamonga, CA 91729
TEL (909) 357-0241 • FAX (909) 357-3884
www.ieua.org
A Municipal Water District

Richard W. Atwater
Chief Executive Officer
General Manager

January 18, 2001

Board of Directors

John L. Anderson
President

Mr. Ronald R. Gastelum, General Manager
The Metropolitan Water District of Southern California
700 N. Alameda Street
Los Angeles, California 90012

Berry Catlin
Vice President

Subject: Proposal for Groundwater Storage Programs Using Proposition 13 Funds
(MWD) (RFP No. WRM-2)

Shirley W. Dunihue
Secretary/Treasurer

Dear Mr. Gastelum:

Wyatt L. Troxel
Director

On behalf of the Chino Basin Watermaster (and the stakeholders to the Chino Basin Optimum Basin Management Program (OBMP)), and in cooperation with Western Municipal Water District and Three Valleys Municipal Water District, Inland Empire Utilities Agency is pleased to submit this proposal for participation in MWD's Groundwater Storage Programs (utilizing Prop.13 funds). This proposal is consistent with the OBMP "Peace Agreement" and the Programmatic EIR (certified by IEUA in July, 2000).

John P. Koopman
Director

The key benefits of the approach presented in this proposal are summarized below:

- Provides a potential dry year yield of more than 149,000 acre-feet per year (AFY).
- Reduces summertime peaking on MWD's Rialto Pipeline, which allows additional low TDS SWP supplies to be blended at the Weymouth and Diemer filtration plants.
- Delivers SWP supplies to Chino Basin area via East Branch/Rialto Pipeline to meet SARWQCB Basin Plan salinity objectives.
- Improves the water quality of the Chino Basin through well-head treatment facilities.
- Minimizes (or eliminates) MWD surface water deliveries during future drought/emergencies, the goal is to have sufficient local production to meet peak summer retail water demands.
- Allows MWD to export stored water into Upper Feeder (or Rialto Pipeline) for delivery to other member agencies.
- Provides peaking benefits, which allow MWD both short-term and long-term operation flexibility, including the ability to load shed SWP pumping during periods when energy is limited.

Mr. Ronald R. Gastelum, General Manager
The Metropolitan Water District of Southern California
January 18, 2001
Page Two

- Provides significant regional economic benefits to the entire Metropolitan service area/avoids \$250 million MWD capital expenditures and allows potential salinity benefits/energy savings of over \$7 million per year.

IEUA's current MWD purchases (fiscal year 2000-2001) exceed 60,000 AF. The adopted IEUA Urban Water Management Plan (December, 2000) forecasts MWD deliveries to the IEUA service area will increase to over 100,000 AFY by 2020. Therefore, the proposed Chino Basin Groundwater Conjunctive Use Program would enhance Metropolitan's "Financial Integrity."

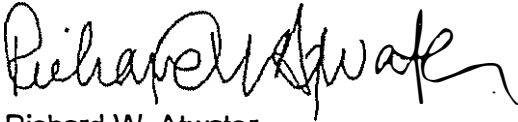
Lastly, a conjunctive use storage program with the Chino Basin has multiple benefits to MWD. Attached is a table which illustrates the type of benefits for the current MWD groundwater storage projects. We believe these multiple water supply/water quality benefits make Chino Basin storage unique in meeting the regional needs identified in MWD's adopted Integrated Water Resources Plan.

As requested on Page 6 of Metropolitan's Request for Proposal (RFP), I am informed and believe and do certify under penalty of perjury that the information contained in this proposal is true and that the supporting data is accurate and complete.

On behalf of IEUA, the Watermaster, and the Chino Basin stakeholders, I wish to express our excitement about the opportunity to work with Metropolitan. We look forward to your review of the proposal and would be pleased to meet to discuss the individual projects described in the Chino Basin proposal.

Sincerely,

INLAND EMPIRE UTILITIES AGENCY



Richard W. Atwater
Chief Executive Officer
General Manager

Enclosure

cc: Traci Stewart, Chief of Watermaster Services, CBWM
Rick Hansen, Three Valleys MWD
Don Harriger, Western MWD

MWD GROUNDWATER STORAGE PROGRAM BENEFITS

TYPE OF BENEFITS

	Drought/Dry Year Carryover	Emergency and Operational Shutdown	Seasonal Winter Storage	MWD System Peaking	Water Quality
SAN JOAQUIN VALLEY					
Semitropic	X				
Arvin/Edison	X				X
Others	X				X
COLORADO RIVER AQUEDUCT					
Desert-Coachella	X				
Cadiz	X				X
Hayfield	X				X
Lower Coachella	X				
MWD SERVICE AREA					
North Las Posas	X	X	X	X	
Raymond Basin	X	X	X	X	X
Chino Basin	X	X	X	X	X



PROPOSAL TO

METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

FOR

PARTICIPATION IN GROUNDWATER
STORAGE PROGRAMS USING
PROPOSITION 13 FUNDING

PREPARED BY

INLAND EMPIRE UTILITY AGENCY

ON BEHALF OF THE

CHINO BASIN WATERMASTER

January 19, 2001



SECTION 1.0

MINIMUM REQUIREMENTS



This section of our proposal presents Inland Empire Utility Agency's (IEUA's) program concept for requested Proposition 13 project funding and addresses the five issues (1A through 1E) identified in Metropolitan's Request for Proposal (RFP).

IEUA - in cooperation with the Chino Basin Watermaster and the stakeholders in the Chino Basin Optimum Basin Management Plan (OBMP) - proposes a program concept for project selection and implementation. This proposal describes 38 projects, each of which will meet one or more of Metropolitan's project principles. (See Table 1-1.) The projects are divided into three categories, summarized in Table 1-2 and depicted geographically on Figure 1-1.

From this menu of projects, we will work with Metropolitan to achieve the optimum combination of "firming projects" to provide dry year supplies when not available from Metropolitan and to increase Metropolitan's operational flexibility. We will give Metropolitan a performance contract, guaranteeing a specified amount of water "on demand." These projects 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.

1A. COMPLIANCE WITH METROPOLITAN'S PRINCIPLES

Metropolitan's Board of Directors has approved seven principles with which candidate projects must comply. As shown in Table 1-1, the projects we propose match well with the Board-approved principles.

TABLE 1-1
Summary of Compliance with Metropolitan's Principles

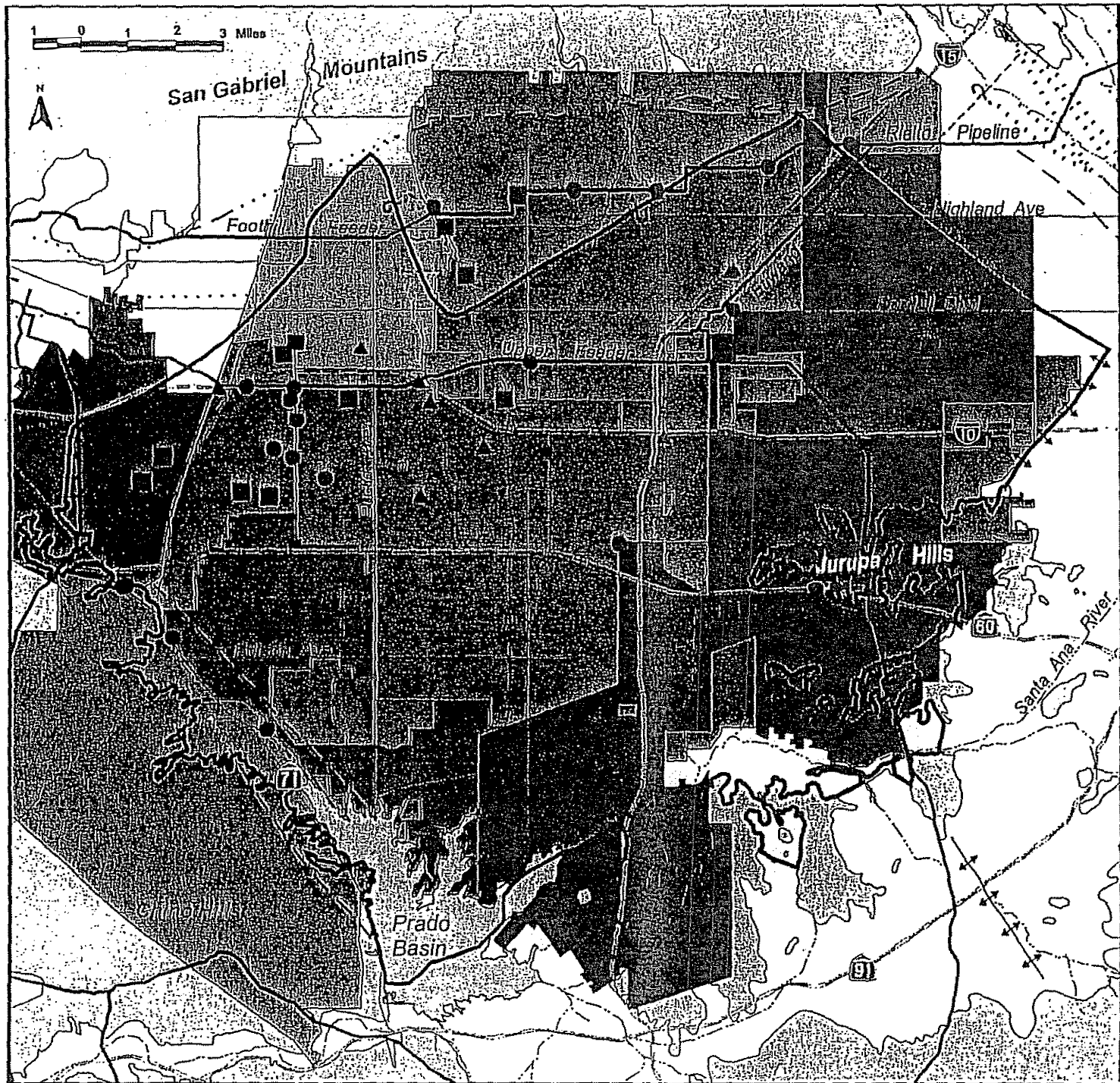
PRINCIPLE	PROJECT BENEFITS
Regional Benefits	37 of the projects will produce a dry-year yield, achieving more than 149,000 AFY at full implementation.
Project Partnerships	The proposed projects represent the consensus of the OBMP stakeholders.
Local Needs	Collectively, the projects will provide seasonal peaking benefits, dry-year yield, and improved water quality and will help balance recharge of the Basin.
Water Supply/Water Quality	36 of the projects will produce improved water quality within the Basin, and 37 of the projects will provide opportunities for Metropolitan to enhance blending of State Water Project and Colorado River water.
Metropolitan's Financial Integrity	Project implementation will not decrease Metropolitan sales to IEUA. Sales will actually increase by more than 25,000 AFY in future normal and wet years.
Overlying Demand	The regional conjunctive use program will effectively meet overlying demands via in-lieu deliveries. The complete program can actually exceed IRP goals of a 3:1 ratio.
Risk Management	By providing diversification and allowing Metropolitan to avoid the risk of stored water losses, our proposed program is virtually "risk-free."



TABLE 1-2
Summary of Projects

ITEM	CATEGORY 1	CATEGORY 2	CATEGORY 3	TOTAL
No. of Projects	13	18	7	38
Project Type	Wellhead treatment with IX	Assorted production facilities	New wells	
On-line Date ¹ Range	March 2002- November 2003	March 2002- June 2003	March 2002- June 2003	
Range of Dry Year Yield Increase Per Project (AFY)	1,450 AFY to 13,441 AFY	1,600 AFY to 11,000 AFY	2,900 AFY to 5,000 AFY	
Total Dry Year Yield Increase (AFY)	73,491	52,925	22,900	149,316
Water Quality Improvement Projects	13	16	7	36
Metropolitan's Benefits				
Blending	\$38,160,000	\$28,170,000	\$12,670,000	\$79,000,000
Deferral of R.P. Expansion	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000
Peaking Capacity	\$6,614,000	\$4,763,000	\$2,061,000	\$13,438,000
Estimated Cost	\$48,744,000	\$23,839,000	\$7,500,000	\$80,083,000
Grant Request (50%)	\$24,372,000	\$11,920,000	\$7,500,000	\$40,042,000
MWD Unit Cost of Water ²	\$159	\$110	\$194	--
MWD Benefit (\$/AF) ³	\$1,163	\$1,222	\$1,459	--

- 1 Reflects schedule if Metropolitan can fund prior to August 2001.
- 2 Calculated using Metropolitan's preferred methodology. More details are provided in Section 3E.
- 3 Includes value of water at \$435/AF.



Legend

- Proposed Projects by Category**
- Category 1
 - Category 2
 - ▲ Category 3
- Water Service Areas**
- City of Chino
 - City of Chino Hills
 - City of Claremont
 - City of Norco
 - City of Ontario
 - City of Pomona
 - City of Upland
 - Cucamonga County Water District
 - Fontana Water Company
 - Jurupa Community Services District
 - Monte Vista Water District
 - San Antonio Water Company
 - West San Bernardino County Water District
 - Other WSA
- Chino Basin Hydrologic Boundary**
- Imported Water Pipeline
 - Fault
(dashed where approximate, dotted where concealed, quarled where uncertain, large dots where groundwater barrier)
 - Groundwater Divide
 - Waterways & Reservoirs
 - Consolidated Bedrock

Figure 1-1
Proposed Project Locations
and Water Service Areas
in the Chino Basin



Date: January 2001



1B. CONSTRUCTION OF SUBSTANTIVE NEW FACILITIES

All of the proposed projects include construction of substantive new facilities that will provide local redundancy to Metropolitan's supplies during times of drought or emergency and will allow Metropolitan increased flexibility to meet the needs of other parts of its service area. All projects will be configured so that new capacity can be used in lieu of taking water from the Rialto Pipeline. The projects will also provide peaking benefits and possible deferral of major new delivery facilities, such as double-barreling of the Rialto Pipeline. In addition, the projects provide a quantifiable benefit to Metropolitan in terms of enhanced blending capability at the Weymouth and Diemer Water Treatment Plants.

1C. METROPOLITAN REQUIREMENTS

All of the proposed projects will comply with the Metropolitan Water District Act and all other applicable laws, specifically any required state financial accounting standards and Metropolitan audit requirements.

1D. ENVIRONMENTAL CERTIFICATION

Tables 2-1, 2-2, and 2-3 in Section 2 include environmental certification information. All 38 proposed projects fall under the Program Environmental Impact Report (EIR) prepared for the OBMP. As specific projects move forward, additional review will be required. It is anticipated that most of the projects will qualify for a negative Declaration or a Categorical Exemption. All projects are expected to meet California Environmental Quality Act (CEQA) requirements.

1E. AGREEMENT EXECUTION

We understand that projects shall not be existing or under construction prior to agreement execution. We also understand that Metropolitan considers that projects that have entered Design-Build contracts are considered under construction.



SECTION 2.0

PROJECT DESCRIPTIONS



This section of our proposal presents more detailed information on the 38 projects introduced in Section 1. For each project, we address the requirements listed on Page 8 of Metropolitan's RFP. Following introductory text, we present detailed tables for the Category 1, Category 2, and Category 3 Projects (Tables 2-1, 2-2, and 2-3, respectively). These categories represent a menu of options by project type and do not represent priority.

We also present an overview map showing how the projects are configured with respect to Metropolitan's Rialto Pipeline. Following the overview map, we present 11 project location maps tied to participating agencies: City of Chino, City of Chino Hills, Cucamonga County Water District, Fontana Water Company, IEUA, Jurupa Community Services District, Monte Vista Water District, City of Ontario, City of Pomona, San Antonio Water Company, and the City of Upland.

2A MANAGEMENT INFORMATION

IEUA is the sponsoring agency in conjunction with the Watermaster stakeholders. Because the proposed projects comply with the OBMP, they will meet AB 3030 and other requirements for groundwater management plans.

2B PROJECT PARTICIPANTS/PARTICIPATING AGENCIES

The 11 participating agencies are identified in the second paragraph above.

2C PROJECT SCHEDULE

As shown in Table 2-1, 2-2, and 2-3, the on-line date for the 38 projects ranges from November 2001 to November 2003. This assumes funding available in August of this year. If funding could be made available sooner, the on-line dates would range from August 2001 through July 2003 (see Table 1-2).

2D COST FACTORS

The three tables also present cost information. This information, discussed in more detail in Sections 3E(iii) and 3E(iv), was developed using Metropolitan's Economic Analysis Worksheet. Costs assume a 50 percent capital contribution from Metropolitan. Operation costs were averaged for the range of projects based on "typical" costs for treatment, pumping, and replenishment. Treatment costs (for Category 1 projects only) were assumed at \$85/AF. Well pumping (all categories) was assumed at \$60/AF. Replenishment (all categories) was assumed at \$90/AF. Replenishment costs assume Metropolitan would be responsible for the replenishment obligation and that \$90/AF reflects the cost of pumping SWP water through



the East Branch. All other costs associated with the projects were assumed to be borne by the local agencies.

2E MAPS

As stated above, project maps are provided at the end of this section showing locations of proposed projects, primary facilities and proposed user sites, and other requested information.

2F WATER SUPPLY/DISTRIBUTION AND WATER QUALITY ISSUES

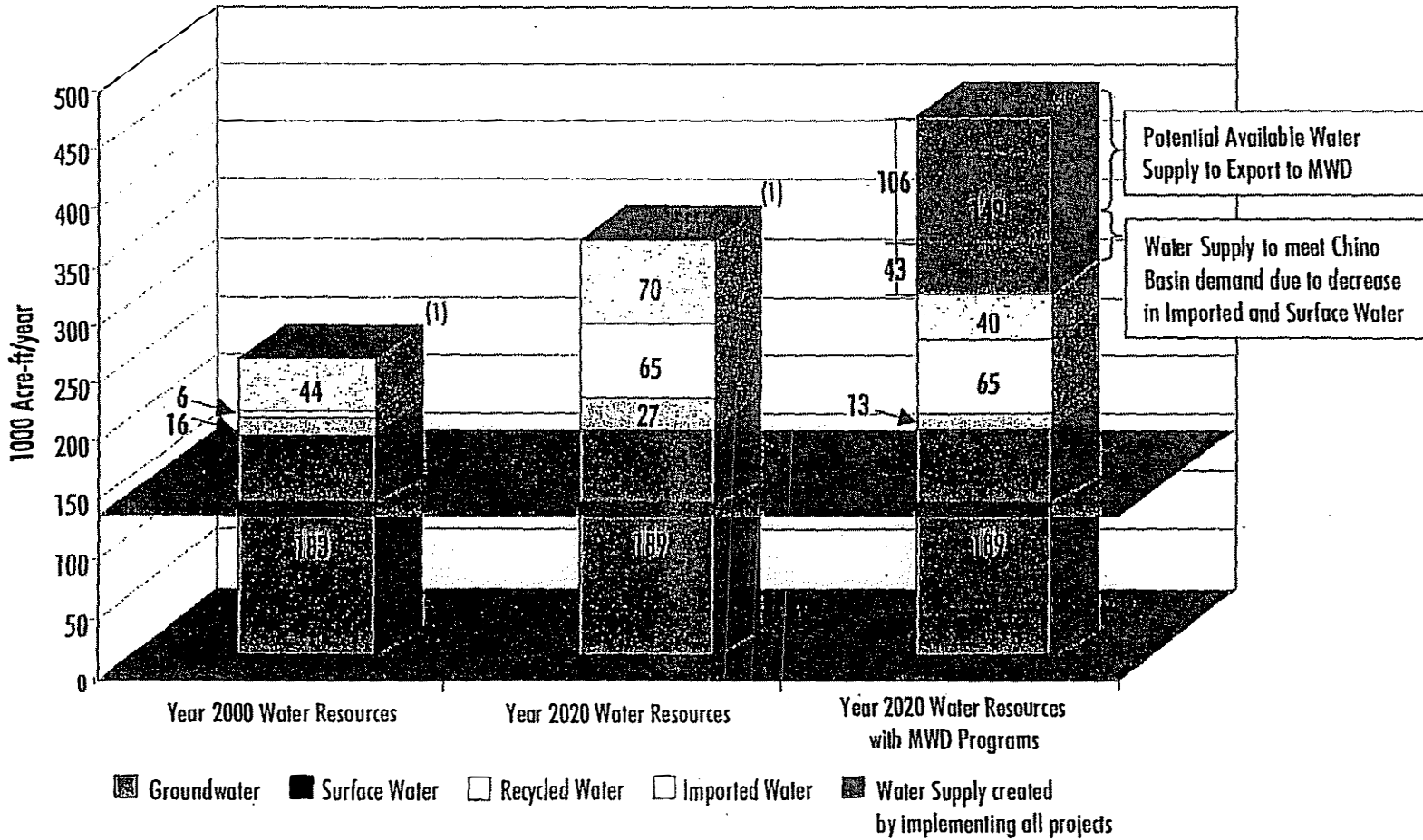
IEUA's strategic location relative to Metropolitan's service area enables the Program Concept presented in this proposal to offer you unusual flexibility and exciting conjunctive use opportunities.

The Chino Basin is one of the largest groundwater basins in Southern California with about 5 million acre-feet (MAF) of water in the Basin and an unused storage capacity of about 1 MAF. Through the cooperative program envisioned by IEUA, the Watermaster, and the OBMP stakeholders, these twin resources - groundwater and unused storage capacity - can be put to beneficial use.

Figure 2-1 on the following page shows the mix of resources needed to meet the 2020 demand with and without the projects identified in this proposal. The figure also shows the current resources mix to meet existing demand, based on IEUA's Urban Water Management Plan 2000 (adopted December 7, 2000). Figure 2-1 also shows additional water that could be available within the Upper and Lower Feeder service area during dry years. By 2020, up to an additional 100,000 acre-feet of water could be available for potential export to Metropolitan. During wet years, the projects would be utilized and the Basin would take additional deliveries of water to offset any excess pumping that occurred during dry periods.

An additional benefit to Metropolitan – as California grapples with a serious energy crises – would be the ability to shed electrical load by reducing State Water Project pumping during critical periods when energy supplies are limited.

Figure 2-1
Chino Basin Water Resource Mix



(1) IEUA Urban Water Management Plan Year 2000



SECTION 2 PROJECT DESCRIPTIONS
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

TABLE 2-1
Summary of Category I Projects

Project No.	Project Title/Lead Agency/ Part Agency	Dry Year Yield (AF)	Estimated Milestones	Cost Factors
1	Nitrate Removal Water Treatment Plant City of Chino (preservation of existing well capacity)	13,441	Design (mo.) 3 CEQA Ongoing Construction (mo.) 18 Online Date ¹ 05/03	Grant (50%) \$2,156,500 Capital \$4,313,000 O&M (\$/AF) ² Financing ³
2	Reservoir 2A Wellhead Treatment Facility Cucamonga County Water District	6,300	Design (mo.) 9 CEQA ND-1 ⁴ Construction (mo.) 12 Online Date ¹ 05/03	Grant (50%) \$3,561,000 Capital \$7,122,000 O&M (\$/AF) ² Financing ³
3	Reservoir 3 Wellhead Treatment Facility Cucamonga County Water District	9,700	Design (mo.) 9 CEQA ND-1 ⁴ Construction (mo.) 12 Online Date ¹ 05/03	Grant (50%) \$3,397,000 Capital \$6,794,000 O&M (\$/AF) ² Financing ³
4	Reservoir 3A Wellhead Treatment Facility Cucamonga County Water District	3,500	Design (mo.) 6 CEQA ND-1 ⁴ Construction (mo.) 10 Online Date ¹ 12/02	Grant (50%) \$925,000 Capital \$1,850,000 O&M (\$/AF) ² Financing ³
5	Wellhead Ion-Exchange Treatment #1 Fontana Water Company	3,700	Design (mo.) 4 CEQA ND-1 ⁴ Construction (mo.) 8 Online Date ¹ 08/02	Grant (50%) \$2,000,000 Capital \$4,000,000 O&M (\$/AF) ² Financing ³
6	Wellhead Ion-Exchange Treatment #2 Fontana Water Company	6,000	Design (mo.) 4 CEQA ND-1 ⁴ Construction (mo.) 8 Online Date ¹ 08/02	Grant (50%) \$3,200,000 Capital \$6,400,000 O&M (\$/AF) ² Financing ³
7	Wellhead Ion-Exchange Treatment Jurupa Community Service District	4,000	Design (mo.) 4 CEQA (mo.) 3 Construction (mo.) 12 Online Date ¹ 08/02	Grant (50%) \$2,500,000 Capital \$5,000,000 O&M (\$/AF) ² Financing ³
8	Wellhead Ion-Exchange for 2 Wells at Plant 4 Monte Vista Water District	4,700	Design (mo.) 6 CEQA (mo.) 7 Construction (mo.) 9 Online Date ¹ 11/02	Grant (50%) \$1,075,000 Capital \$2,150,000 O&M (\$/AF) ² Financing ³
9	Wellhead Ion-Exchange Treatment at Well 2 Monte Vista Water District	1,450	Design (mo.) 3 CEQA (mo.) 7 Construction (mo.) 6 Online Date ¹ 05/02	Grant (50%) \$437,500 Capital \$875,000 O&M (\$/AF) ² Financing ³
10	Wellhead Ion-Exchange & Transmission Line City of Ontario	5,000	Design (mo.) 12 CEQA ND-1 ⁴ Construction (mo.) 15 Online Date ¹ 11/03	Grant (50%) \$1,750,000 Capital \$3,500,000 O&M (\$/AF) ² Financing ³



SECTION 2 PROJECT DESCRIPTIONS
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Project No.	Project Title/Lead Agency/Agency	Dry Year Yield (AFD)	Schedule Milestones	Cost Factors
11	Anion Exchange Plant Expansion & Upgrade City of Pomona	10,000	Design (mo.) 6 CEQA NR ⁵ Construction (mo.) 12 Online Date ¹ 01/03	Grant (50%) \$850,000 Capital \$1,700,000 O&M (\$/AF) ² Financing ³
12	Retrofit well and Wellhead Ion-Exchange Treatment San Antonio Water Company Ontario, Upland, MWD	3,000	Design (mo.) 4 CEQA (mo.) 5 Construction (mo.) 6 Online Date ¹ 03/02	Grant (50%) \$1,020,000 Capital \$2,040,000 O&M (\$/AF) ² Financing ³
13	Wellhead Ion-Exchange Treatment City of Upland	2,700	Design (mo.) 4 CEQA ND-1 ⁴ Construction (mo.) 8 Online Date ¹ 08/02	Grant (50%) \$1,500,000 Capital \$3,000,000 O&M (\$/AF) ² Financing ³

¹ Based on fund availability August, 2001

² As described in Section 2-D

³ Remaining capital will be paid by each local agency

⁴ Negative Declaration

⁵ Not Required



TABLE 2-2
Summary of Category 2 Projects

Project No.	Project Description	Dry Year Yield (AFY)	Schedule Milestones		Cost Factors	
			Activity	Month	Category	Amount
1	Benson/Palo Verde ASR City of Chino/MVWD (New production)	5,040	Design (mo.)	3	Grant (50%)	\$719,000
			CEQA (mo.)	7	Capital	\$1,438,000
			Construction (mo.)	18	O&M (\$/AF) ²	
			Online Date ¹	05/03	Financing ³	
2	State/Benson ASR City of Chino (Preservation of existing GW)	4,480	Design (mo.)	3	Grant (50%)	\$238,000
			CEQA (mo.)	7	Capital	\$476,000
			Construction (mo.)	18	O&M (\$/AF) ²	
			Online Date ¹	05/03	Financing ³	
3	Phillips/ Central ASR City of Chino (Preservation of existing GW)	6,160	Design (mo.)	3	Grant (50%)	\$1,001,000
			CEQA (mo.)	7	Capital	\$2,002,000
			Construction (mo.)	18	O&M (\$/AF) ²	
			Online Date ¹	05/03	Financing ³	
4	Interagency Connection & Distribution City of Chino Chino Hills, MWD, Ontario	5,377	Design (mo.)	9	Grant (50%)	\$2,630,500
			CEQA (mo.)	6	Capital	\$5,261,000
			Construction (mo.)	9	O&M (\$/AF) ²	
			Online Date ¹	02/03	Financing ³	
5	Well 13 Blending station City of Chino Hills (Enables more desalted water to Chino & Ontario)	2,100	Design (mo.)	1	Grant (50%)	\$45,000
			CEQA	ND-1	Capital	\$90,000
			Construction (mo.)	1	O&M (\$/AF) ²	
			Online Date ¹	11/01	Financing ³	
6	Well No. 36 Cucamonga County Water District	2,500	Design (mo.)	2	Grant (50%)	\$425,000
			CEQA	ND-1 ⁴	Capital	\$850,000
			Construction (mo.)	4	O&M (\$/AF) ²	
			Online Date ¹	03/02	Financing ³	
7	CCWD/MWD Chino Basin Groundwater Use Project Cucamonga County Water District	11,000	Design (mo.)	6	Grant (50%)	\$1,973,500
			CEQA	ND-2 ⁴	Capital	\$3,947,000
			Construction (mo.)	12	O&M (\$/AF) ²	
			Online Date ¹	02/03	Financing ³	
8	Cucamonga Basin Recharge Project Cucamonga County Water District	4,000	Design (mo.)	6	Grant (50%)	\$1,300,000
			CEQA	MND-6 ⁵	Capital	\$2,600,000
			Construction (mo.)	18	O&M (\$/AF) ²	
			Online Date ¹	05/03	Financing ³	
9	Reactivate MWD Connections Inland Empire Utility Agency	-	Design (mo.)	N/A	Grant (50%)	\$275,000
			CEQA	NR	Capital	\$550,000
			Construction (mo.)	N/A	O&M (\$/AF) ²	
			Online Date ¹	07/02	Financing ³	
10	Rehabilitate or New Well (ASR) - Plant I Monte Vista Water District	2,167	Design (mo.)	6	Grant (50%)	\$500,000
			CEQA (mo.)	6	Capital	\$1,000,000
			Construction (mo.)	12	O&M (\$/AF) ²	
			Online Date ¹	03/03	Financing ³	

Groundwater Storage Programs



SECTION 2 PROJECT DESCRIPTIONS
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

No.	Part Agency	Dry Year Yield (AF)	Schedule Milestones	Cost Factors
11	Rehabilitate or New Well (ASR) - Plant 9 Monte Vista Water District	2,167	Design (mo.) CEQA (mo.) Construction (mo.) Online Date ¹	6 Grant (50%) 6 Capital 12 O&M (\$/AF) ² 03/03 Financing ³
12	Rehabilitate or New Well (ASR) - Plant 12 Monte Vista Water District	2,167	Design (mo.) CEQA (mo.) Construction (mo.) Online Date ¹	6 Grant (50%) 6 Capital 12 O&M (\$/AF) ² 03/03 Financing ³
13	Rehabilitate or New Well (ASR) - Plant 17 Monte Vista Water District	2,167	Design (mo.) CEQA (mo.) Construction (mo.) Online Date ¹	6 Grant (50%) 6 Capital 12 O&M (\$/AF) ² 03/03 Financing ³
14	Well 15 Blending Station City of Ontario	2,000	Design (mo.) CEQA Construction (mo.) Online Date ¹	6 Grant (50%) ND-1 ⁴ Capital 9 O&M (\$/AF) ² 12/02 Financing ³
15	Jurupa Connection City of Ontario JCSD, SAWPA	-	Design (mo.) CEQA Construction (mo.) Online Date ¹	6 Grant (50%) ND-1 ⁴ Capital 6 O&M (\$/AF) ² 09/02 Financing ³
16	Chino II Desalter Transmission Facilities City of Ontario JCSD, SAWPA	-	Design (mo.) CEQA Construction (mo.) Online Date ¹	N/A Grant (50%) N/A Capital 6 O&M (\$/AF) ² 12/02 Financing ³
17	Well No. 36 City of Pomona	1,600	Design (mo.) CEQA Construction (mo.) Online Date ¹	6 Grant (50%) ND ⁴ Capital 12 O&M (\$/AF) ² 02/03 Financing ³
18	Booster 16A&B & Pipeline City of Pomona	-	Design (mo.) CEQA Construction (mo.) Online Date ¹	6 Grant (50%) ND ⁴ Capital 4 O&M (\$/AF) ² 07/02 Financing ³

¹ Based on Fund Availability August, 2001

² As described in Section 2-D

³ Remaining capital will be paid by each local agency

⁴ Negative Declaration

⁵ Mitigated Negative Declaration



TABLE 2-3
Summary of Category 3 Projects

No.	Agency/Part Agency	Dry Year Firm (AFY)	Schedule Milestones		Cost Factors	
1	2 New Wells Cucamonga County Water District	5,000	Design (mo.)	3	Grant (50%)	\$750,000
			CEQA	ND-1 ¹	Capital	\$1,500,000
			Construction (mo.)	8	O&M (\$/AF) ³	
			Online Date ²	08/02	Financing ⁴	
2	New Well - Plant 28 Monte Vista Water District	2,900	Design (mo.)	2	Grant (50%)	\$500,000
			CEQA	Approved	Capital	\$1,000,000
			Construction (mo.)	12	O&M (\$/AF) ³	
			Online Date ²	11/02	Financing ⁴	
3	New Well #1 City of Ontario	3,000	Design (mo.)	Complete	Grant (50%)	\$500,000
			CEQA	ND-1 ¹	Capital	\$1,000,000
			Construction (mo.)	12	O&M (\$/AF) ³	
			Online Date ²	09/02	Financing ⁴	
4	New Well #2 City of Ontario	3,000	Design (mo.)	9	Grant (50%)	\$500,000
			CEQA	ND-1 ¹	Capital	\$1,000,000
			Construction (mo.)	12	O&M (\$/AF) ³	
			Online Date ²	06/03	Financing ⁴	
5	New Well #3 City of Ontario	3,000	Design (mo.)	9	Grant (50%)	\$500,000
			CEQA	ND-1 ¹	Capital	\$1,000,000
			Construction (mo.)	12	O&M (\$/AF) ³	
			Online Date ²	06/03	Financing ⁴	
6	New Well #4 City of Ontario	3,000	Design (mo.)	9	Grant (50%)	\$500,000
			CEQA	ND-1 ¹	Capital	\$1,000,000
			Construction (mo.)	12	O&M (\$/AF) ³	
			Online Date ²	06/03	Financing ⁴	
7	New Well San Antonio Water Company Ontario, Upland, MWD	3,000	Design (mo.)	6	Grant (50%)	\$500,000
			CEQA (mo.)	4	Capital	\$1,000,000
			Construction (mo.)	6	O&M (\$/AF) ³	
			Online Date ²	03/02	Financing ⁴	

¹ Negative Declaration

² Based on fund availability August, 2001

³ As described in Section 2-D

⁴ Remaining capital will be paid by each local agency



DRAWINGS/MAPS

Groundwater Storage Programs

INLAND EMPIRE UTILITY AGENCY



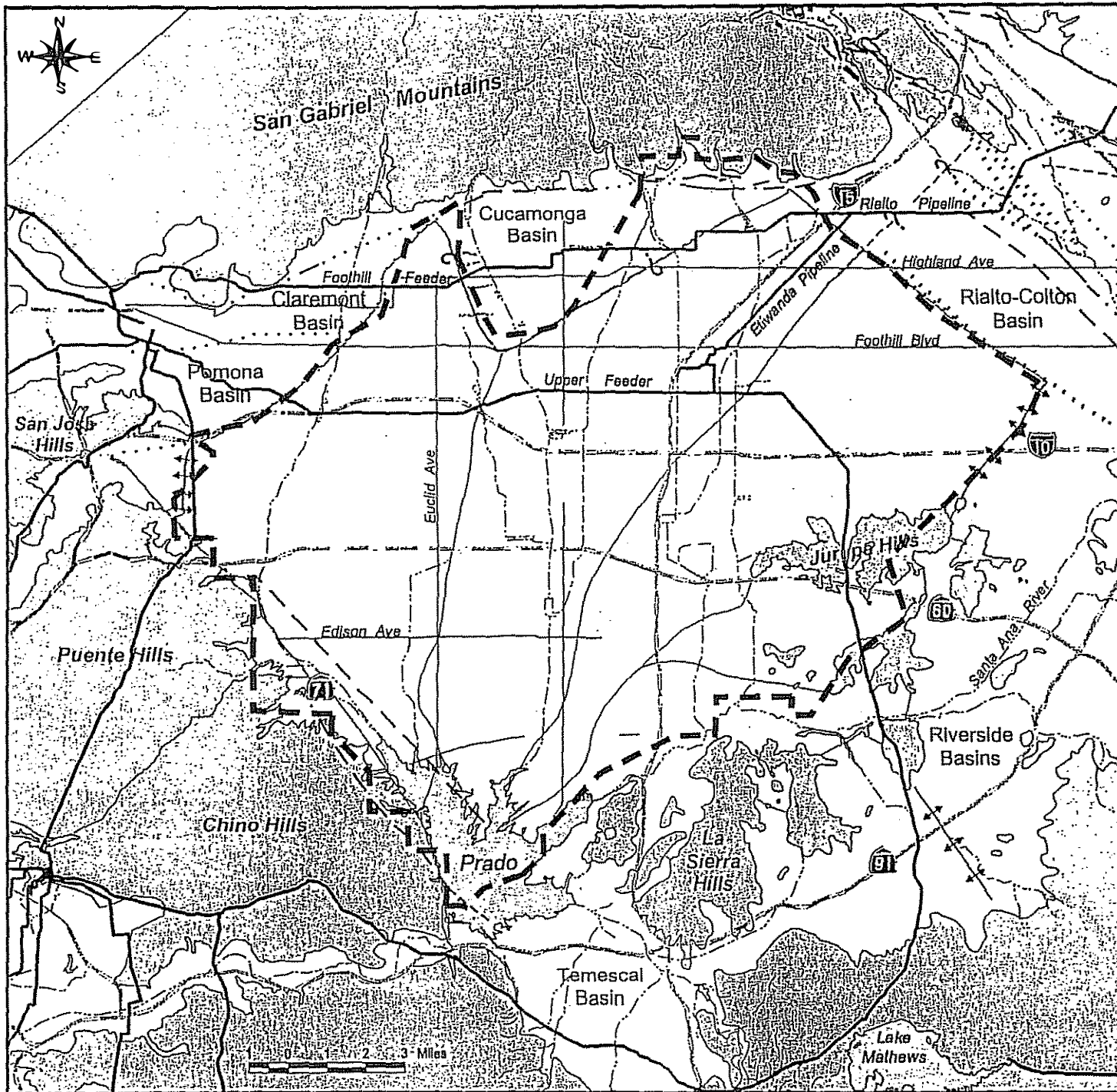
PROJECT DRAWING LIST

The first drawing shows Metropolitan's Rialto/Etiwanda/Upper Feeder Service Area. The subsequent drawings show the location of proposed projects, primary facilities, and proposed user sites including interties and points of connection. Most of the major purveyors in the Chino Basin Area have existing interconnections to Metropolitan's water system and, by overproducing in dry years, can provide immediate dry year yield to Metropolitan. Agencies in the Chino Basin that do not have a direct connection to Metropolitan's system also can provide water through an exchange. Fontana Water Company would use existing interconnections through Cucamonga County Water District for water supply. Jurupa Community Service District would use an existing or new intertie with the City of Ontario, and San Antonio Water Company would use an existing or a new point of connection with the City of Upland water distribution system. The drawings are presented in the following order:

CATEGORIES

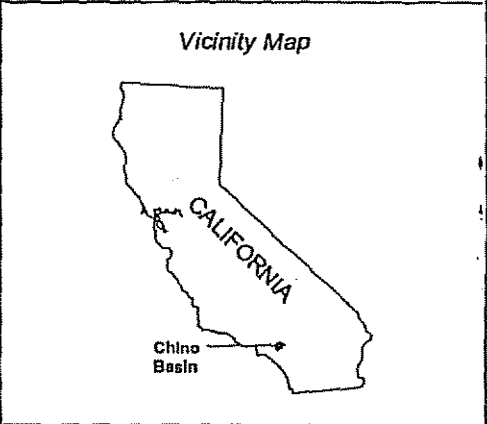
	1	2	3
1. MWD/Rialto/Etiwanda/Upper Feeder Service Area	N/A	N/A	N/A
2. City of Chino Projects	1	4	-
3. City of Chino Hills Project	-	1	-
4. Cucamonga County Water District Projects	3	3	1
5. Fontana Water Company Projects	2	-	-
6. IEUA Project	-	1	-
7. Jurupa Community Service District Project	1	-	-
8. Monte Vista Water District Projects	2	4	1
9. City of Ontario Projects	1	3	4
10. City of Pomona Projects	1	2	-
11. San Antonio Water Company Projects	1	-	1
12. City of Upland Project	1	-	-

N/A - Not Applicable



Legend

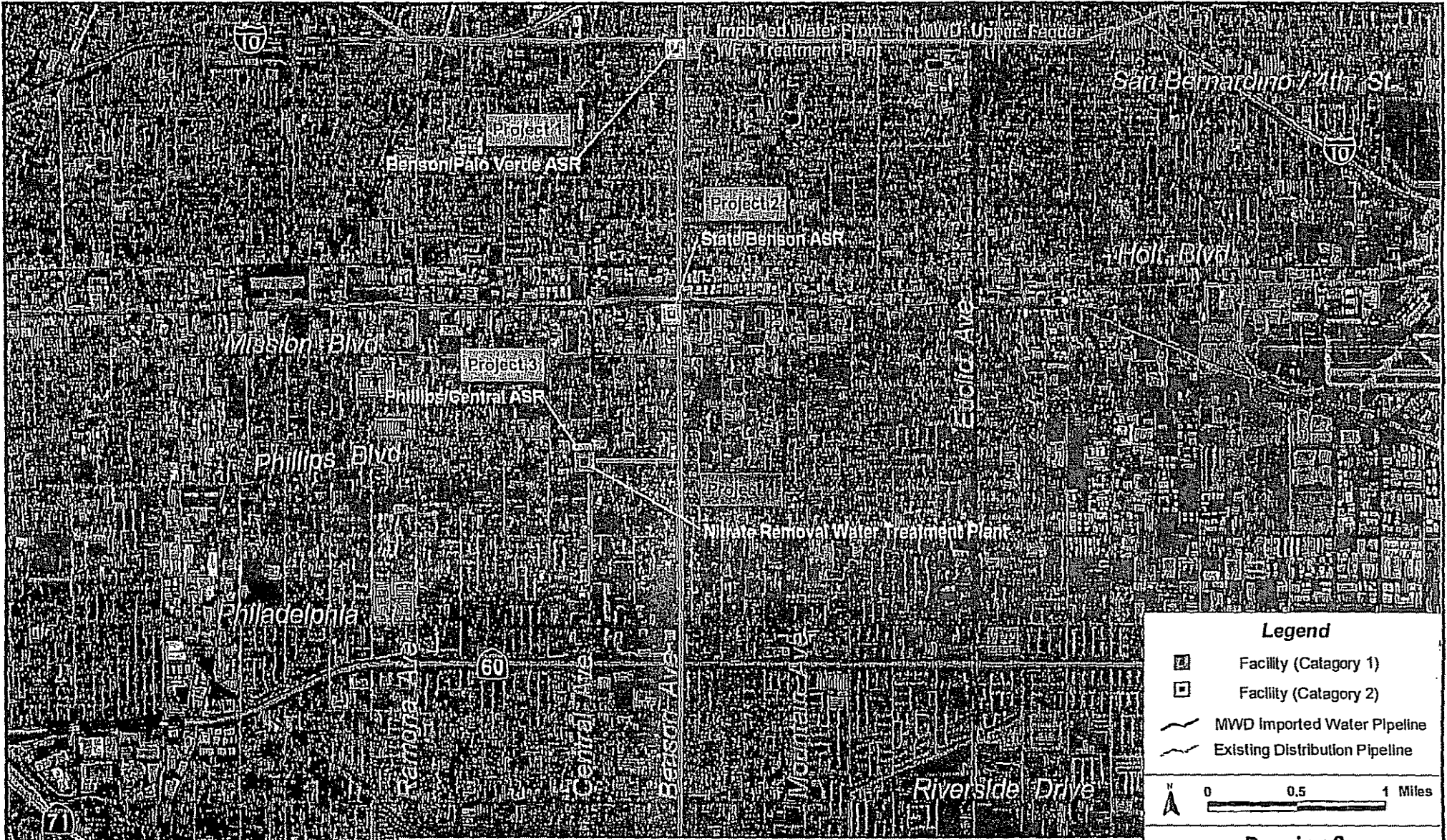
- Chino Basin Adjudicated Boundary
- Hydrologic Chino Basin
- Management Zone Boundaries
- Imported Water Pipeline
- Fault
 - Dashed Where Approximate
 - Dotted Where Concealed
 - Queried Where Uncertain
 - Large Dots Where Groundwater Barrier (Suspected Fault)
- Groundwater Divide
- Waterways & Reservoirs
- Consolidated Bedrock



Drawing 1 Chino Basin and MWD Pipelines



Date: January 2001




Legend

- Facility (Category 1)
- Facility (Category 2)
- MWD Imported Water Pipeline
- Existing Distribution Pipeline

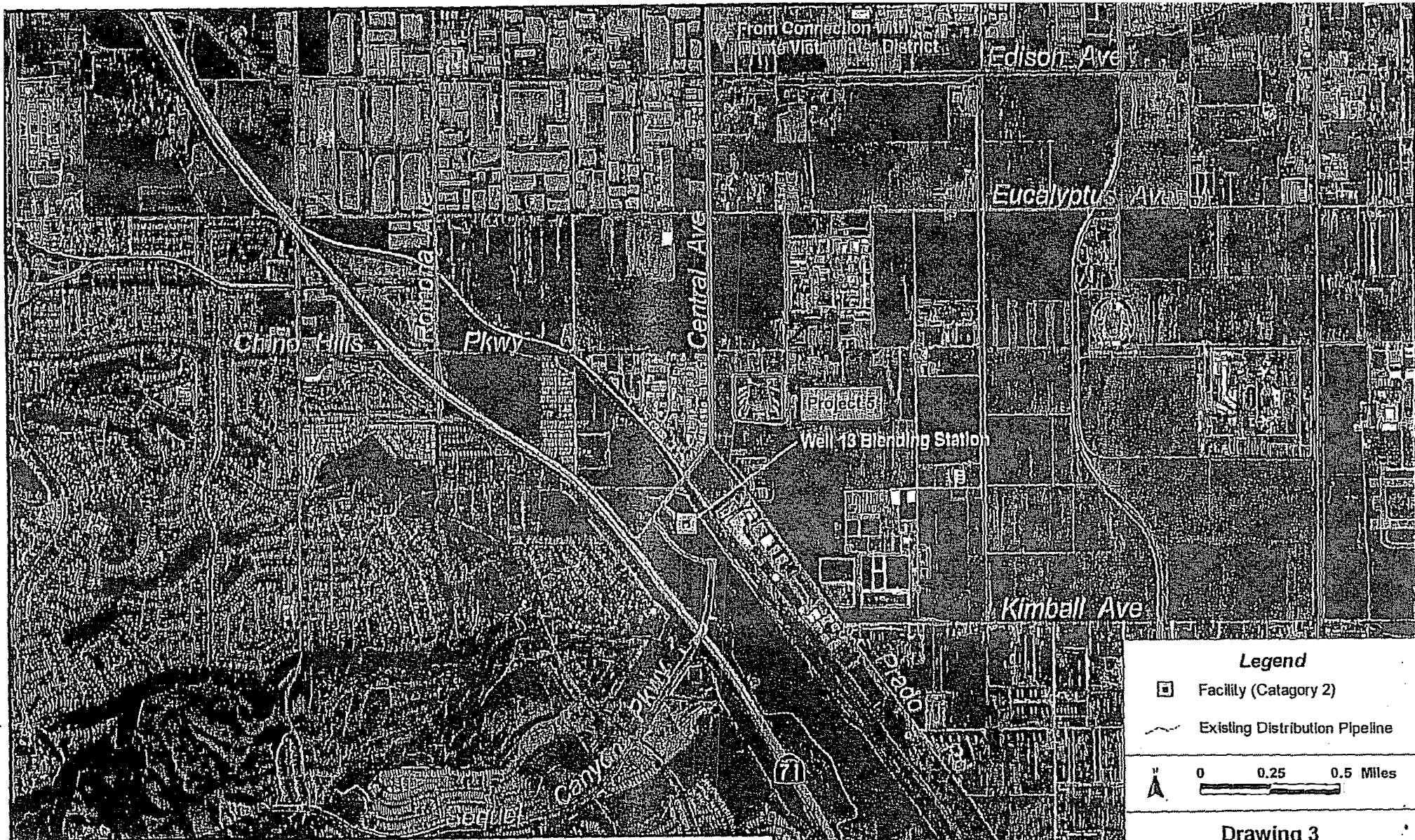
N 0 0.5 1 Miles



Drawing 2
Proposed Project Locations
 City of Chino

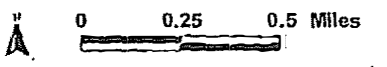
Water Supply Plan for City of Chino (acres-feet/year)				
Purveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells	10,000	6,000	10,000	6,000
Proposed MWD Projects	0	0	0	6,000
OEMP Desalter No. 1	1,680	6,550	1,680	6,550
WFA/JPA Treatment Plant	4,020	3,200	4,020	3,200
Reclaimed Water	100	2,300	100	2,300
Total	15,800	18,050	15,800	23,050


Inland Empire
 UTILITIES AGENCY

Prepared by: Wildermuth Environmental January 2001



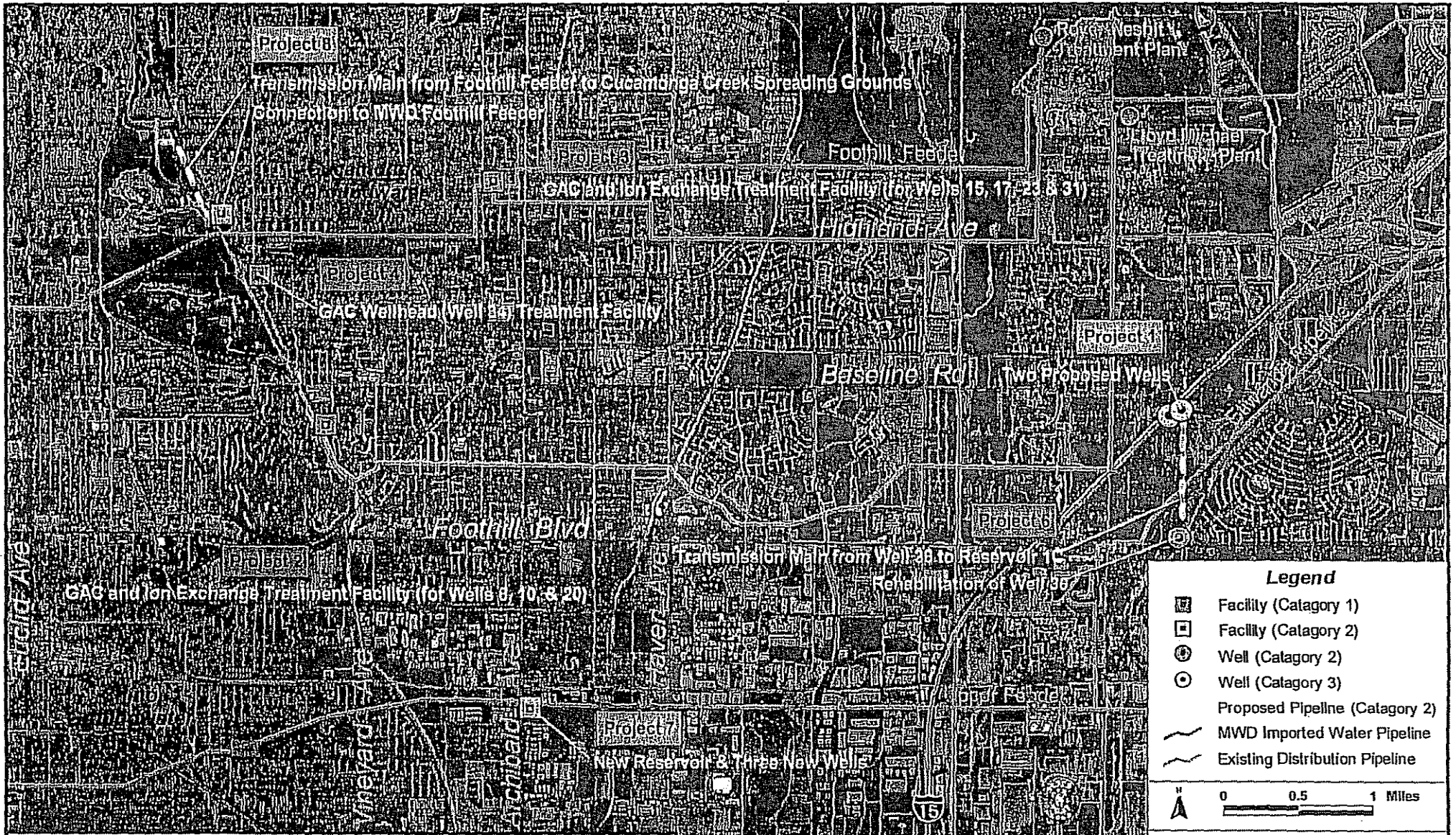
- Legend**
-  Facility (Category 2)
 -  Existing Distribution Pipeline



Drawing 3
Proposed Project Locations
City of Chino Hills



Water Supply Plan for City of Chino Hills (arce-feet/year)				
Purv or Source ey	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells	3610	3610	3610	3610
OBMP Desalter No. 1	1,120	7540	1,120	7540
Reclaimed Water	400	2610	400	2610
MWD Supply (Chino GW)	12510	9480	12510	9480
			17640	25340



Legend

- Facility (Category 1)
- Facility (Category 2)
- Well (Category 2)
- Well (Category 3)
- Proposed Pipeline (Category 2)
- MWD Imported Water Pipeline
- Existing Distribution Pipeline

0
0.5
1 Miles

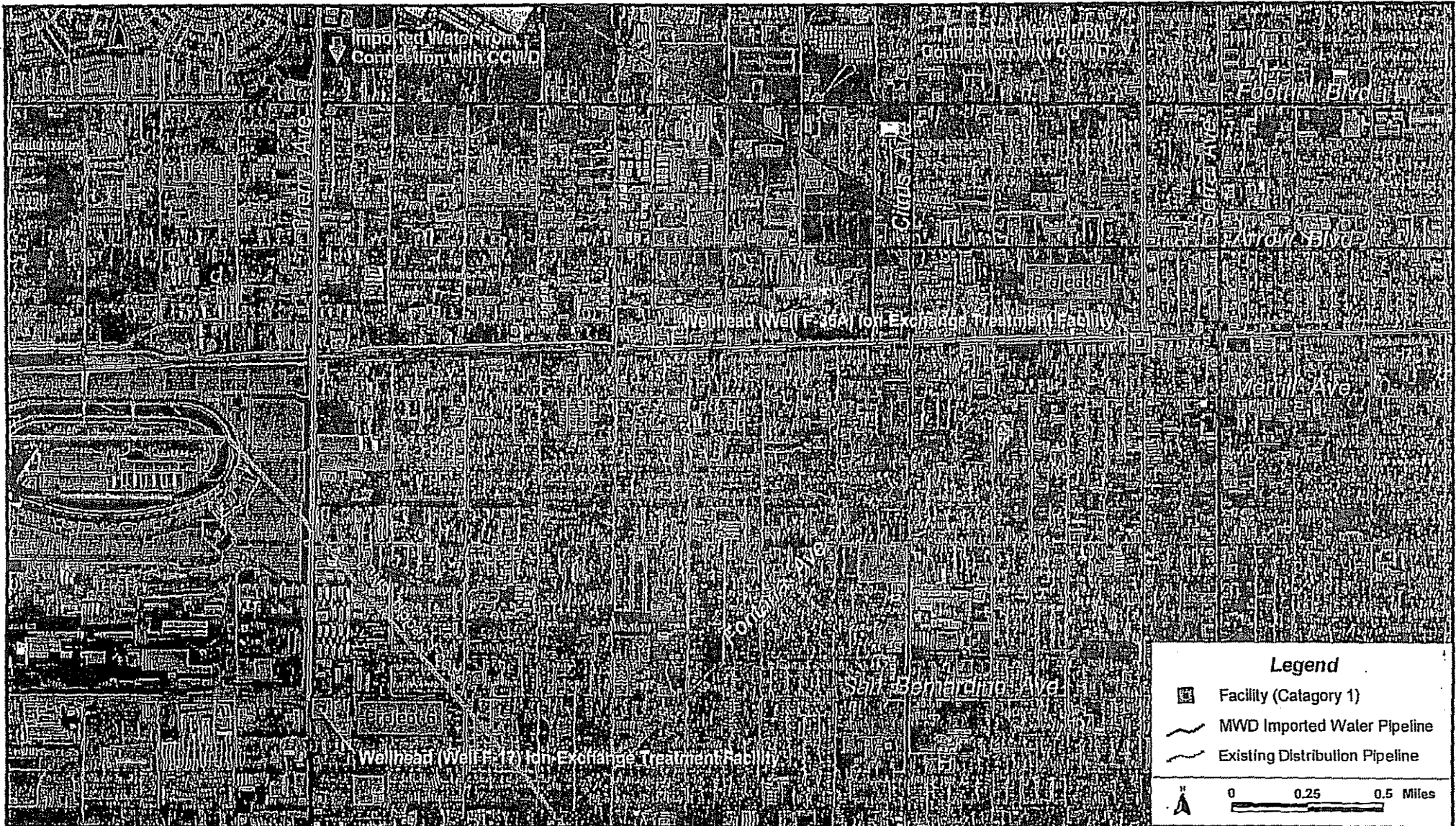
Water Supply Plan for CCWD (arcs-feet/year)

Purveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells	8,000	10,160	8,000	10,160
Other groundwater basins	12,650	12,390	12,650	12,390
Reclaimed Water	0	4,804	0	4,804
CCWD Bridge Water Treatment Plant	1,000	1,000	1,000	1,000
CCWD Lloyd Michael Treatment Plant	21,710	33,096	21,710	33,096
CCWD Royer-Nesbit Treatment Plant	6,000	6,000	6,000	6,000
Deer Creek	550	550	550	550
	49,910	68,000	49,910	110,000

Drawing 4
Proposed Project Locations
Cucamonga County Water District

Inland Empire
UTILITIES AGENCY

Prepared by: Wildermuth Environmental January 2001



Water Supply Plan for FWC (acres-feet/year)				
Purveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells	16,700	24,800	16,700	24,800
Other Groundwater Basins	12,700	12,700	12,700	12,700
Reclaimed Water	0	3,370	0	3,370
Supply from CCWD - Purchased Water	10,000	5,000	10,000	0
Fontana Water Treatment Plant	0	15,230	0	15,230
Sandhill Treatment Plant	7,400	0	7,400	0
Total	46,800	61,100	46,800	65,800

Legend

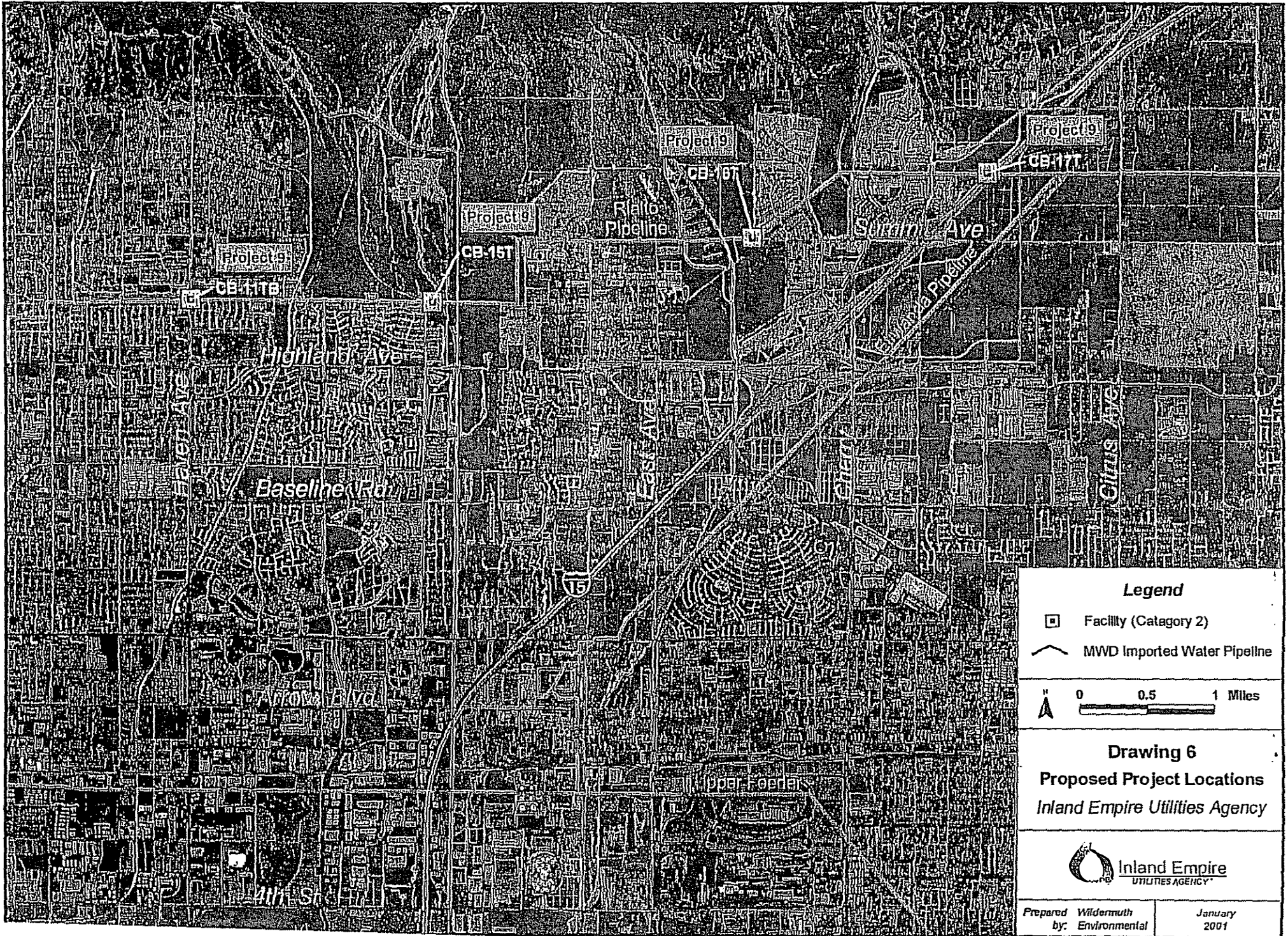
- Facility (Category 1)
- MWD Imported Water Pipeline
- Existing Distribution Pipeline

0 0.25 0.5 Miles



Drawing 5
Proposed Project Locations
Fontana Water Company

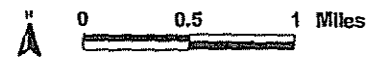
Inland Empire
UTILITIES AGENCY

Prepared by: *WilderMuth Environmental* January 2001



Legend

-  Facility (Category 2)
-  MWD Imported Water Pipeline






Drawing 6
Proposed Project Locations
Inland Empire Utilities Agency





Legend

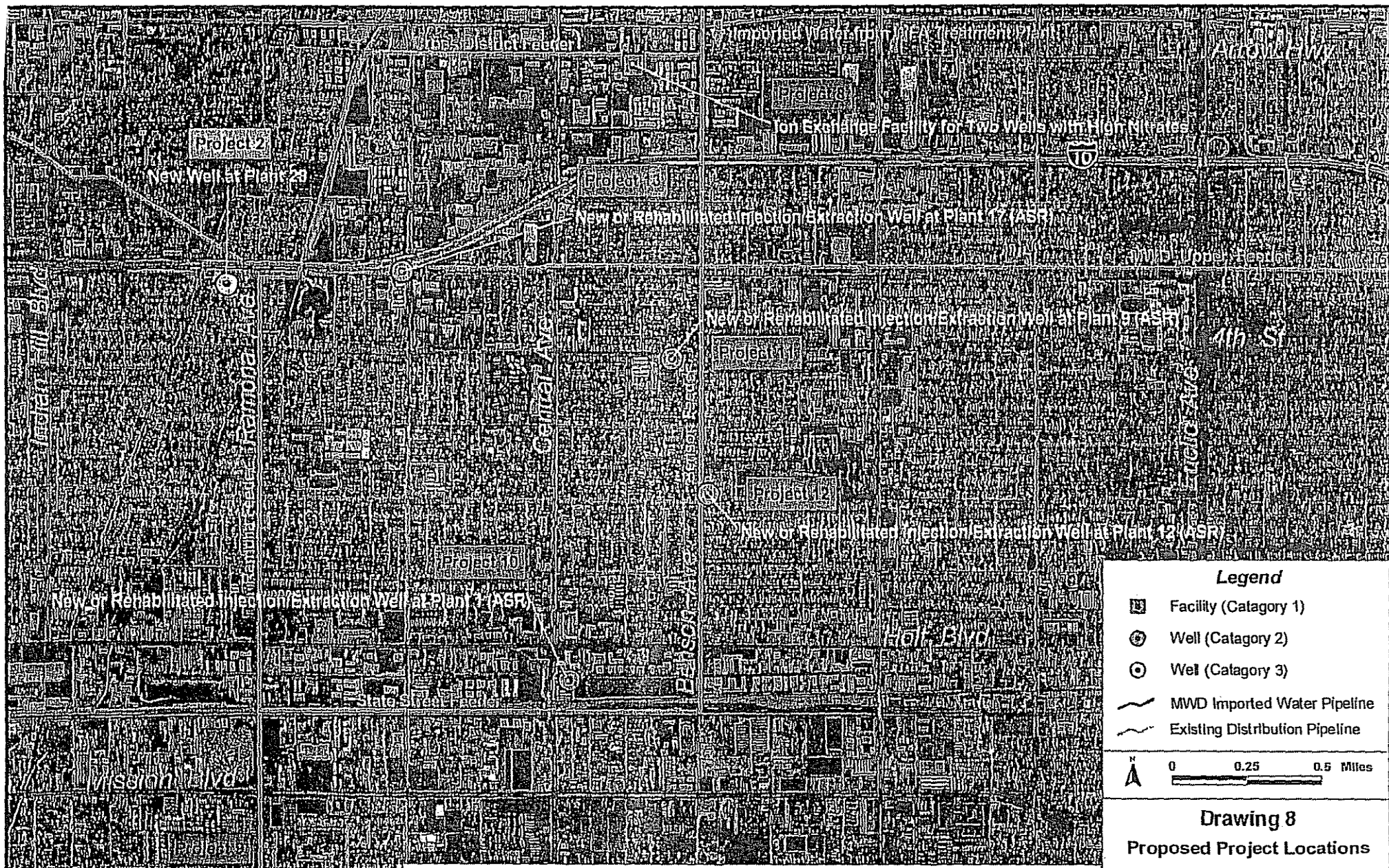
-  Facility (Category 1)
-  Existing Distribution Pipeline


0
0.25
0.5 Miles

Drawing 7
Proposed Project Locations
 Jurupa Community Services District



Water Supply Plan for JCSD (arcs-feet/year)				
Purveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells – potable	12,475	17,715	12,475	17,715
Chino Basin Wells – non-potable	50	850	50	850
Proposed MWD Projects	16,625	29,065	16,625	32,065
Other groundwater basins	500	4,500	500	4,500
SAWPA Desalter (8 mgd Plant)	3,600	5,000	3,600	5,000
Imported Water from City of Ontario	0	0	0	0
	16,625	29,065	16,625	32,065



Legend

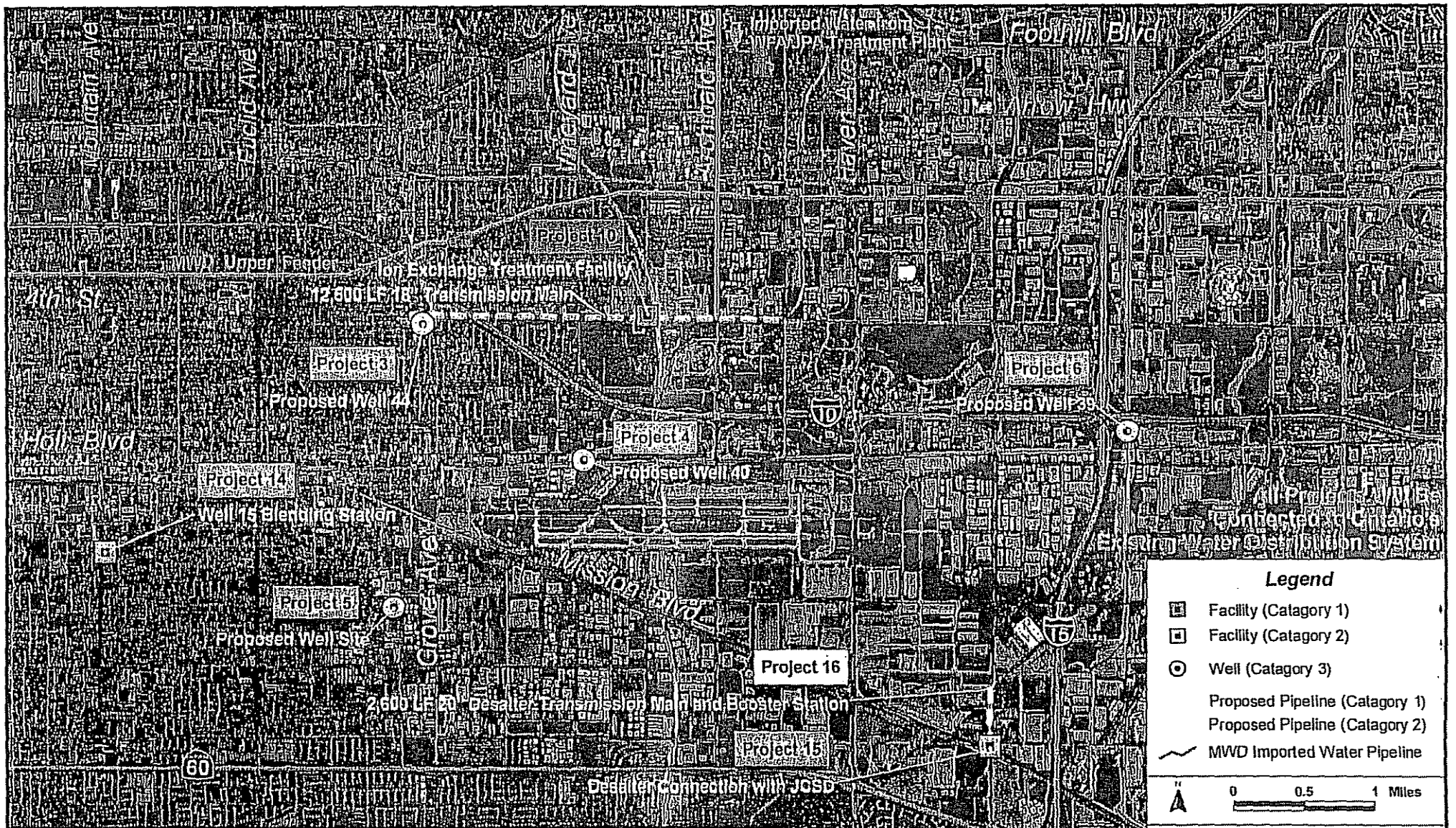
- Facility (Category 1)
- Well (Category 2)
- Well (Category 3)
- MWD Imported Water Pipeline
- Existing Distribution Pipeline

0 0.25 0.5 Miles

Drawing 8
Proposed Project Locations
 Monte Vista Water District

Water Supply Plan for MVWD (ac-ft/year)				
Purveyor Source	Projected Water Supply		Proposed MVWD Projects	
	2000	2020	2000	2020
China Basin Wells	9,980	23,160	9,980	5,442
Proposed MVWD Project	14,087	8,890	14,087	8,890
WFAJPA Treatment Plant	14,087	8,890	14,087	8,890
Total	24,067	32,050	24,067	32,050

Prepared by: Wildermuth Environmental January 2001



Legend

- Facility (Category 1)
- Facility (Category 2)
- Well (Category 3)
- Proposed Pipeline (Category 1)
- Proposed Pipeline (Category 2)
- MWD Imported Water Pipeline

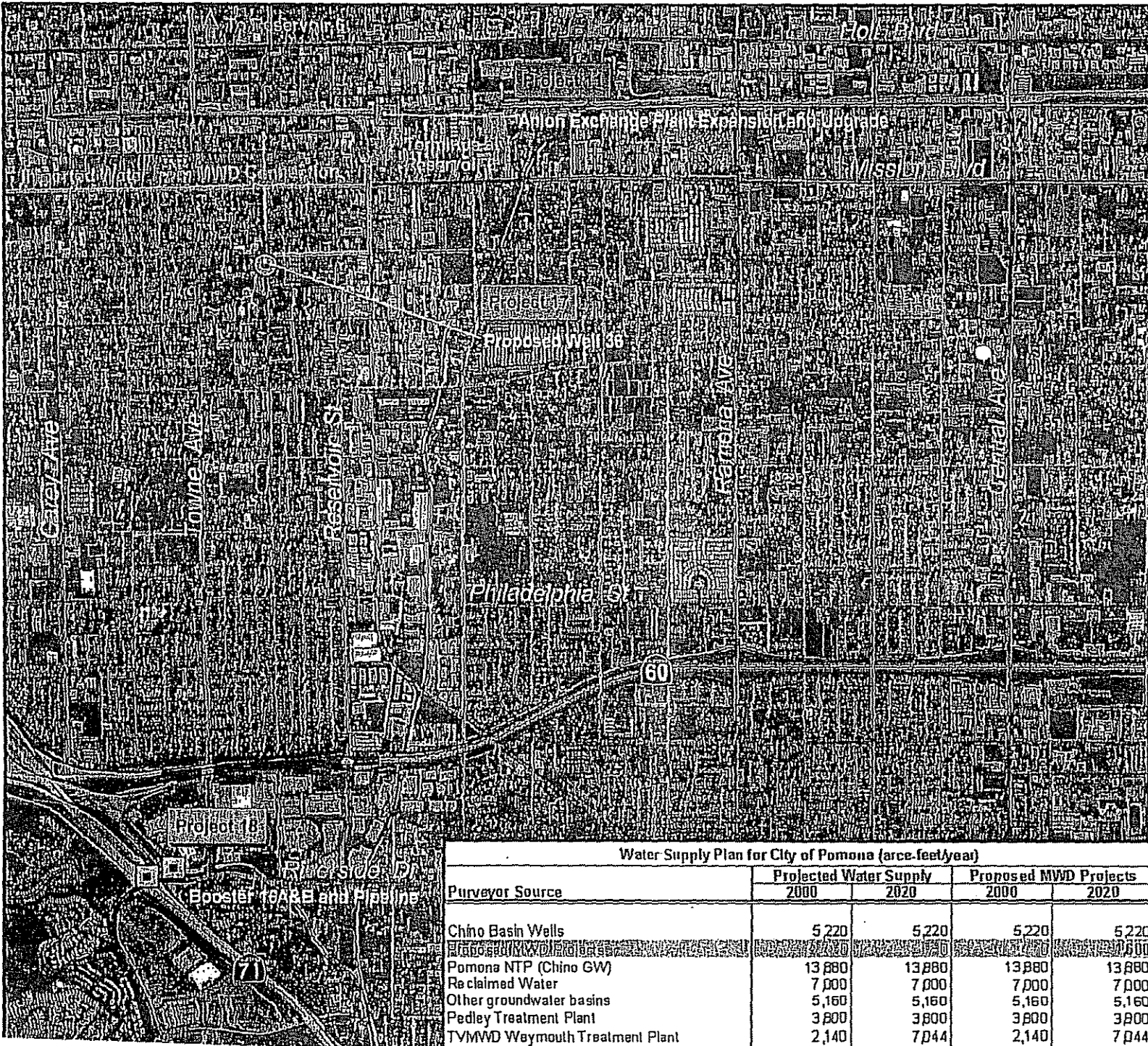
0 0.5 1 Miles

Water Supply Plan for City of Ontario (arce-feet/year)





Purveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells	34,720	32,950	34,720	32,950
WFAJPA Treatment Plant	6,590	20,630	6,590	20,630
Reclaimed Water	840	3,360	840	3,360
Supply from SAWC (Chino GW)	850	850	850	850
OBMP Desalter No. 2	0	12,710	0	12,710
Total	43,000	70,500	43,000	69,500


Drawing 9
Proposed Project Locations
City of Ontario





Legend


-  Facility (Category 1)
-  Facility (Category 2)
-  Well (Category 2)
-  Existing Distribution Pipeline


 0 0.25 0.5 Miles

Water Supply Plan for City of Pomona (acft. feet/year)

Purveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells	5,220	5,220	5,220	5,220
Pomona NTP (Chino GW)	13,880	13,880	13,880	13,880
Reclaimed Water	7,000	7,000	7,000	7,000
Other groundwater basins	5,160	5,160	5,160	5,160
Pedley Treatment Plant	3,800	3,800	3,800	3,800
TVMWD Weymouth Treatment Plant	2,140	7,044	2,140	7,044
Total	37,200	42,104	37,200	43,704

Drawing 10
Proposed Project Locations
City of Pomona



Inland Empire
 UTILITIES AGENCY




Prepared by: *Wildermuth Environmental* January 2001

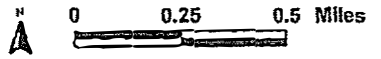


Water Supply Plan for City of Upland (acre-feet/year)

Purveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells	2,429	3,050	2,429	3,050
Supply from SAWC (non-Chino GW)	4,920	4,520	4,920	4,520
Supply from SAWC (San Antonio Canyon TP)	2,411	2,690	2,411	2,690
Supply from WECWC (Chino GW)	0	1,500	0	1,500
Supply from WECWC (other GW basins)	4,650	4,650	4,650	4,650
WFA Treatment Plant	7,590	7,590	7,590	7,590
	22,000	24,000	22,000	26,700

Legend

-  Facility (Category 1)
-  MWD Imported Water Pipeline
-  Existing Distribution Pipeline



Drawing 12
Proposed Project Locations
City of Upland



Prepared by: Wildermuth Environmental January 2001



SECTION 3.0
DETAILED INFORMATION
FOR SCORING



3A. REGIONAL BENEFIT

Since February 1998, the Chino Basin stakeholders have met twice per month to develop the Optimum Basin Management Program (OBMP). Development of the OBMP required three parallel processes: institutional, engineering, and financial. The institutional process defined the management agenda, directed the engineering and financial processes, and built institutional support for OBMP implementation. The engineering process developed planning data and management elements, and evaluated the technical and economic financing plans for the management elements. The financial process developed alternative financing plans for the OBMP through its evolution.

In June 1998, the stakeholders began the process of developing management goals for the OBMP that address the issues, needs, and interests of the Chino Basin producers. The four management goals of the OBMP are as follows:

- Enhance Basin Water Supplies
- Protect and Enhance Water Quality
- Enhance Management of the Basin
- Equitably Finance the OBMP

3A(i) Dry-Year Yield for Regional Benefit

The proposed projects will enhance Metropolitan's dry-year yield while providing a regional benefit for Chino Basin agencies. This additional dry-year yield is realized through increased groundwater production capacity, expanded ASR (Aquifer Storage and Recovery) capabilities, increased wellhead treatment capacity, and enhanced water-wheeling potential. Each of the 38 proposed projects provides Metropolitan with increased dry year yield capacity while providing the facilities necessary to implement a regional conjunctive use program. Such a program would provide Chino Basin agencies with increased water supply reliability, redundancy and future drought protection.

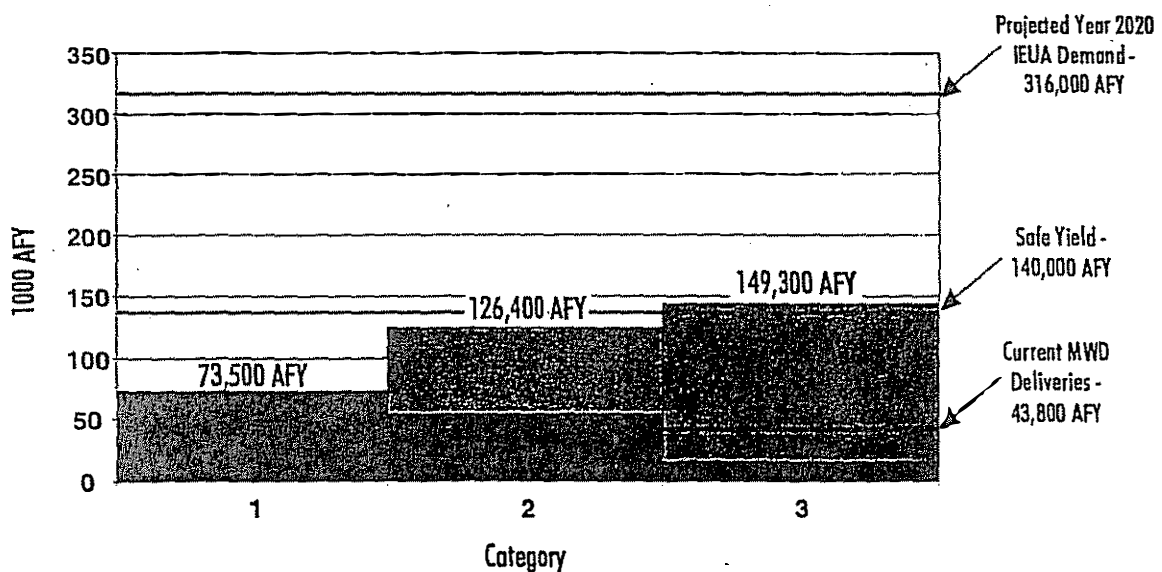
The dry year yield potential of the proposed projects can be summarized via four types of projects. These project types include groundwater production facilities, ASR facilities, wellhead treatment facilities, and transmission and interconnection improvements. The groundwater production projects include the construction of new wells and appurtenant facilities. The construction of new wells will provide an increase in groundwater production capacity necessary to meet demands during periods of reduced Metropolitan supply. New ASR facilities, including new injection wells and modifications to existing ones, will enhance replenishment capabilities and the ability to implement a regional conjunctive use program. ASR facilities also provide a water quality benefit.



The construction of new wellhead treatment facilities will enable the use of previously inactive wells taken off-line due to poor groundwater quality, thus providing increased basin production capacity. The proposed wellhead treatment facilities include new ion-exchange (IX) facilities, modifications to existing IX facilities, and blending stations. Finally, improvements to existing agency interconnections and construction of new transmission capacity will enhance the ability to wheel water between agencies, thus increasing the water supply reliability and water system redundancy necessary to increase Metropolitan's dry year yield.

Currently, Metropolitan deliveries to the IEUA service area have exceeded 50,000 AFY during the past several years and are projected to increase to approximately 100,000 AFY in 2020. The projected year 2020 IEUA total water demand is approximately 316,000 AFY, which constitutes an increase in approximately 74,000 AFY from current demands. This 30 percent increase in water demand will to a large extent be met through an increase in interruptible imported water deliveries and recycled water. Implementing the proposed projects will enable Metropolitan to meet this increase in imported water demand during dry periods, thereby providing Metropolitan with an increase in dry year yield. Figure 3A-1 summarizes the dry-year yield benefit provided to Metropolitan through the implementation of Category 1, 2, and 3 projects.

FIGURE 3A-1
Dry Year Yield Benefits





Implementation of all of these projects, when combined with the safe yield, will provide dry year reliability. Because prolonged use of these local supplies would exceed the Basin's safe yield, Metropolitan can be assured that these projects would only be used during dry years and that Metropolitan's deliveries would not be reduced in normal and wet years.

3A(ii) Seasonal Nature of Project Production

The proposed projects will be constructed with the flexibility of operating year-round. The facilities and provisions necessary to achieve year-round production will be constructed, which will reduce the impact of not being able to produce during periods of reduced imported water deliveries. The facilities have been sized for operation during critical peak dry year periods. This ensures that the projects can reliably reduce imported water deliveries, even during peak or critical dry periods.

3A(iii) Institutional Arrangements for Curtailing Firm Deliveries

In order for any regional project to be successfully implemented, coherence between participating agencies must be formed and maintained. The agencies identifying the proposed projects have previously worked together under the guidance of the Chino Basin Watermaster to develop the historic Peace Agreement. The Peace Agreement provides the framework for the collaborative effort of Chino Basin agencies to implement the proposed projects.

The specific institutional arrangements required for those projects involving transmission and interconnection improvements are covered by the intent of the Peace Agreement. Final institutional arrangements among the participating agencies, the Watermaster, and Metropolitan would be required to define an appropriate delivery schedule to efficiently distribute both in-lieu or direct Metropolitan deliveries.

3A(iv) Ability To Sustain Production During a Three-year Shortage

The Chino Basin is the largest basin available for conjunctive use in Southern California (5 million AF of storage). Members of the Chino Basin appropriative pool already conduct interagency storage account transfers and the construction of the proposed facilities would enhance this capability. At the end of the 1999/2000 fiscal year, the total volume of groundwater in the storage accounts was approximately 170,000 AF. Assuming a worst-case scenario, the total volume of groundwater available in the Chino Basin is more than adequate to supplement approximately three years of imported supply. Implementation of all of the projects presented in this proposal, would make available approximately 149,000 AF — more than what Metropolitan would provide over a three-year period (approximately 129,000 AF).



The construction of the proposed facilities would also enhance the recharge capability of the Chino Basin agencies. During periods of surplus imported supply (wet years), the Chino Basin storage account could be replenished via direct or in-lieu deliveries and/or recharged via direct or in-lieu spreading facilities or injection wells (e.g., ASR), such as those proposed. Also, the Chino Basin Watermaster is currently developing a recharge master plan intended to further the recharge capacity of the Chino Basin and in turn, increase the Basin's ability to sustain production during a three-year shortage of imported supply.

3A(v) Incorporation of Change in Basin Operations into Management Plan

Any changes in Basin operations would be documented accordingly. The projects being submitted under this proposal are consistent with the goals of the OBMP. As previously stated, the basin management plan submitted under the OBMP provides the basis for future projects to ensure regional support and enhancement of Chino Basin resources. Any project and subsequent policy issues have already been addressed in the OBMP and the Programmatic EIR (certified by IEUA in July 2000). Changes to the existing adjudication are not necessary. It is inherent that the proposed projects benefit the members of the Chino Basin while providing Metropolitan with increased dry year yield.



3B. PROJECT PARTNERSHIPS

Many agencies are involved in water management within the Chino Basin. IEUA is working in cooperation with each of these agencies to achieve water supply reliability, water quality, and watershed management goals for the Santa Ana River Watershed and the Southern California region. We present our Program Concept to Metropolitan with confidence because our proposed projects represent a high level of interagency cooperation and support.

3B(i) Local and Regional Support

IEUA serves the Cities of Chino, Chino Hills, Montclair, Ontario, and Upland, as well as Monte Vista Water District, Cucamonga County Water District, and Fontana Water Company. Approximately 700,000 people reside in the Agency's 242 square-mile service area. These agencies and the people they represent support wise water management, as exemplified by the 38 projects named in this proposal.

IEUA also has a representative on the Chino Basin Watermaster Board. The Watermaster was established in 1978 in a judgment entered in the Superior Court of California. The Watermaster has the responsibility for developing and implementing the Chino Basin OBMP. In July 2000, the Watermaster's planning process culminated in the adoption of a "Peace Agreement." The Peace Agreement outlines the schedule and actions for implementing the OBMP. The Watermaster and the OBMP stakeholders are in concurrence with the concepts and projects presented herein.

The proposed projects will benefit all Chino Basin agencies. They will be implemented to meet the goals of the OBMP and to confirm the Basin's ability and desire to participate in a regional conjunctive use project. Committees in the Chino Basin met to develop a list of projects to be submitted under this proposal. These 38 projects are part of a collective effort to enhance the management of the Chino Basin and provide a regional conjunctive use benefit. The projects are supported by the historic Peace Agreement to collectively manage the Basin. Our proposal is being submitted from all of the agencies in the Chino Basin through IEUA as a representative agency.

3B(ii) CEQA Status

Tables 2-1, 2-2, and 2-3 in Section 2 include environmental certification information. All 38 proposed projects fall under the Program Environmental Impact Report (EIR) prepared for the OBMP. As specific projects move forward, additional review will be required. It is anticipated that most of the projects will qualify for a negative Declaration or a Categorical Exemption. All projects are expected to meet California Environmental Quality Act (CEQA) requirements.



3B(iii) Potential Planning Uncertainties

The projects presented in this proposal have an unusually low degree of planning uncertainties. These projects were developed as part of a regional program to collectively and efficiently manage the resources of the Chino Basin. The Peace Agreement confirms the Basin's interest in providing such a regional benefit. The development of the OBMP and the effort behind implementing the Peace Agreement are the bases for the planning effort of the proposed projects.

3B(iv) Endorsements Needed for Project Approval

The 1978 judgment requires that the Watermaster develop a management plan for the Chino Groundwater Basin that meets water quality and water quantity objectives for the region, and approval of the projects identified in this proposal would be through the Watermaster. As already stated, the Watermaster and the OBMP stakeholders concur with the concepts presented in this proposal.

3B(v) Community Reaction

Community reaction should be positive. Any attempt to improve the quality and availability of good-quality drinking water would be perceived as favorable.

Flows that otherwise would be lost will remain within the Basin, contributing to yield maintenance. In addition, the projects will help keep the poor quality rising groundwater from creating adverse environmental impacts associated with prolonged inundation of sensitive wetland habitats in the Prado Basin.

The projects will also help recover poor quality groundwater. When poor quality groundwater is withdrawn, treated, and reused, the water returning to the groundwater table will be of higher quality. This should have an immediate positive impact on downstream sources (the Santa Ana River) and ultimately have a beneficial water quality impact within the Basin itself.

3B(vi) Metropolitan Actions

As described in Section 2C, the schedule for the proposed projects could be accelerated. We are ready to go! Since the Programmatic EIR has been completed per the OBMP, it is hoped that Metropolitan would be able to accelerate the funding schedule.



3B(vii) Project Status

The 38 projects listed in this proposal have evolved from the OBMP Phase 1 Report (August 1999) and the Program EIR (May 2000). A recharge master plan is now underway. In addition, the OBMP stakeholders have met to identify the range of Category 1, Category 2, and Category 3 projects to increase dry year yield, improve water quality, and accomplish the other objectives described in this proposal.

As stated in Section 1, all of the proposed projects include construction of substantive new facilities that will provide local redundancy to Metropolitan's supplies during times of drought or emergency and will allow Metropolitan increased flexibility to meet the needs of other parts of its service area. All projects will be configured so that new capacity can be used in lieu of taking water from the Rialto Pipeline. This not only provides Metropolitan with water supply benefits, but has a quantifiable benefit in terms of enhanced blending capability at the Weymouth and Diemer Water Treatment Plants.

The projects are also available to provide flow to local agencies during periods of high demand when the hydraulic capacity of the Rialto Pipeline is exceeded. This supply redundancy will allow Metropolitan to possibly defer costly expansion of the Rialto Pipeline.

The schedules for the various projects are summarized in Tables 2-1, 2-2, and 2-3 in Section 2. As shown in the tables, the on-line date for the 38 projects ranges from November 2001 to November 2003. This assumes funding available in August of this year. If funding could be made available sooner, the on-line dates would be accelerated by approximately four months (see Table 1-2).



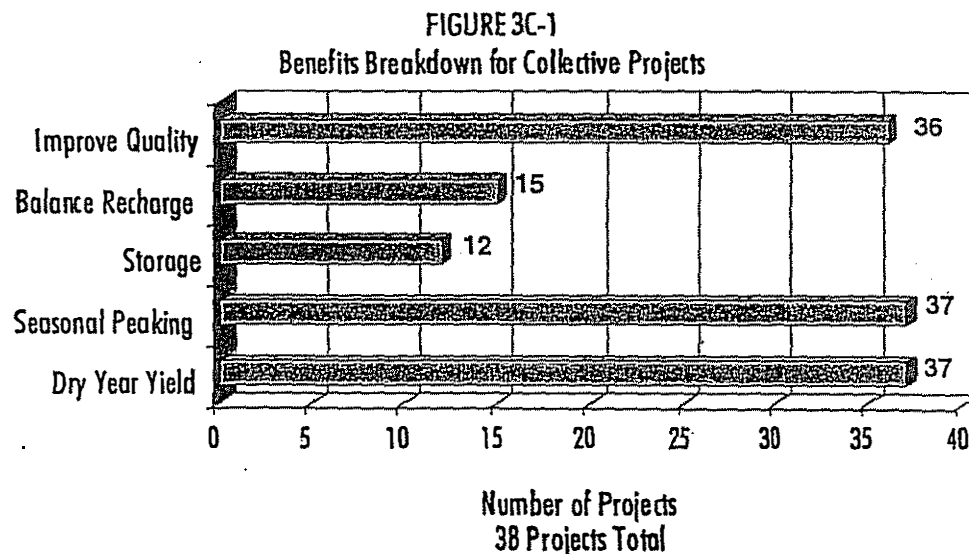
3C. LOCAL NEEDS ADDRESSED

3C(i) Addressing the Needs of Local Proponents

The proposed projects meet the interests and needs of the Chino Basin agencies, as defined in the OBMP. As previously stated, the OBMP presents the foundation for future water resources development and recommends facilities that would optimize the Chino Basin's water resources and conjunctive use potential. The following section summarizes how the local needs of the project proponents are addressed through the implementation of the proposed projects.

The needs of the local proponents are addressed through a regional management approach of the Chino Basin service area. Implementation of the proposed projects will be coordinated with the OBMP effort to ensure efficient water resources management. The projects will enable local agencies to maximize the beneficial use of local groundwater supplies, providing the region with new local water sources and a "drought-proofing" strategy.

Figure 3C-1 summarize the benefits realized through the implementation of the proposed projects shown in Table 3C-1. The local benefits include improved water quality, balanced recharge capabilities, enhanced storage capabilities, increased seasonal peaking abilities, and





SECTION 3 DETAILED INFORMATION FOR SCORING

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

TABLE 3C-1
Summary of Projects

Project Name	Description	Quantity New Yield (AFY)	Project Cost
Category 1			
Nitrate Removal Water Treatment Plant / City of Chino (Chino)	Reclaim poor water quality GW for beneficial use	13,441	\$4,313,000
Reservoir 2A Wellhead Treatment Facility / Cucamonga County Water District (CCWD)	Construct GAC treatment facility for 3 wells	6,300	\$7,122,000
Reservoir 3 Wellhead Treatment Facility / CCWD	Construct GAC treatment facility for 4 wells	9,700	\$6,794,000
Reservoir 3A Wellhead Treatment Facility / CCWD	Construct GAC treatment facility	3,500	\$1,850,000
Wellhead Ion-Exchange (IX) #1 / Fontana Water Company (FWC)	Facilities for high nitrate and TDS and distribution	3,700	\$4,000,000
Wellhead IX #2 / FWC	Wellhead treatment facilities for high nitrate and TDS and distribution	6,000	\$6,400,000
Wellhead IX / Jurupa Community Service District	Treat 3,500 gpm well water with nitrates and connection to Ontario	4,000	\$5,000,000
Wellhead IX for 2 Wells at Plant 4 / Monte Vista Water District (MVWD)	Nitrate removal and new production of 4,700 AFY	4,700	\$2,150,000
Wellhead IX at Well 2 / MVWD	Nitrate removal and new production of 1,450 AFY	1,450	\$875,000
Wellhead IX & Transmission Line / City of Ontario (Ontario)	Construct approx. 12,500 LF of 18" main and an ion-exchange treatment facility	5,000	\$3,500,000
Anion Exchange Plant Expansion & Upgrade / City of Pomona (Pomona)	Modify existing 15 MGD plant to treat nitrate	10,000	\$1,700,000
Retrofit Well & Wellhead IX / San Antonio Water Company (SAWC)	Facilities for high nitrates w/ future connection to Ontario, Upland or other MWD user agency	3,000	\$2,040,000
Wellhead IX / City of Upland	Construct treatment facilities for 3 high nitrate wells	2,700	\$3,000,000
TOTAL		73,491	\$48,744,000
Category 2			
Benson/Palo Verde ASR / Chino & MVWD	Construct high volume well - convey WFA water to site for injection and production (new production)	5,040	\$1,438,000
State/Benson ASR / Chino	Modifications to existing GW production facilities (preservation of existing GW)	4,480	\$476,000
Phillips/Central ASR / Chino	Modifications to existing GW production facilities	6,160	\$2,002,000
West Chino Basin Interagency Connection & Distribution / Chino	Enable regional distribution of Chino Basin Groundwater. Interconnections between water systems	5,377	\$5,261,000



SECTION 3 DETAILED INFORMATION FOR SCORING

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Project Name	Description	Quantity New Yield (AFY)	Project Cost
Well 13 Blending Station / City of Chino Hills	Well 13 Nitrate Blending Station	2,100	\$90,000
Well No. 36 / CCWD	Rehabilitate existing well and install new pumping & discharge line to Reservoir 1C.	2,500	\$850,000
CCWD/MWD Chino Basin Groundwater Use / CCWD	Expansion of existing facilities at Res. #1 to deliver ground water into MWD system	11,000	\$3,947,000
Cucamonga Basin Recharge Project / CCWD	Increase water production capabilities from new gw sources w/in Chino Basin to deliver gw to MWD	4,000	\$2,600,000
Reactivate MWD Connect. / IEUA	Facilities to reactivate dismantled MWD connections	n/a	\$550,000
Rehabilitate or Build New Well (ASR) - Plant 1 / MVWD	Construct an injection/extraction well near Benson Feeder where GW nitrate levels are high	2,167	\$1,000,000
Rehabilitate or Build New Well (ASR) - Plant 9 / MVWD	Construct an injection/extraction well near Benson Feeder where GW nitrate levels are high	2,167	\$1,000,000
Rehabilitate or Build New Well (ASR) - Plant 12 / MVWD	Construct an injection/extraction well near Benson Feeder where GW nitrate levels are high	2,167	\$1,000,000
Rehabilitate or Build New Well (ASR) - Plant 17 / MVWD	Construct an injection/extraction well near Ramona Feeder where GW nitrate levels are high	2,167	\$1,000,000
Well 15 Blending Station / City of Ontario (Ontario)	Blend 34 mg/l nitrate water with water from well (1660 gpm) prior to entering distribution system	2,000	\$200,000
Jurupa Desalter II Connection / Ontario	Construct 18" interconnection between Ontario and JCSD dist. System (participating agencies: JCSD and SAWPA)	n/a	\$75,000
Chino II Desalter Transmission Facilities / Ontario	Construct approx. 2,600 LF of 20" pipeline (participating agencies: JCSD and SAWPA)	n/a	\$850,000
Well No. 36 / Pomona	High nitrate well that will connect anion's exchange plant	1,600	\$400,000
Booster 16A&B and Pipeline / Pomona	Provide backup to existing booster No.12	n/a	\$1,100,000
TOTAL		52,925	\$23,839,000
Category 3			
2 New Wells / CCWD)	Construct 2 wells at District's Res. 1C site	5,000	\$1,500,000
New Well - Plant 28 / MVWD	Construct new well - water to be used at a nitrate blending station	2,900	\$1,000,000
New Well #1 / Ontario	Construct & equip well	3,000	\$1,000,000
New Well #2 / Ontario	Construct & equip well	3,000	\$1,000,000
New Well #3 / Ontario	Construct & equip well	3,000	\$1,000,000
New Well #4 / Ontario	Construct & equip well	3,000	\$1,000,000
New Well / SAWC	Construct and equip new well with future connection to Ontario, Upland or other MWD user agency	3,000	\$1,000,000
TOTAL		22,900	\$7,500,000
GRAND TOTAL		149,316	\$80,083,000

Groundwater Storage Programs



3C(ii) Protecting the Interests of Non-Participating Entities

As part of the OBMP development, the Chino Basin stakeholders adopted several core values as a guide for future basin management. Each of the 38 projects submitted under this proposal addresses the following core values: water quality, long view, increased local supplies, groundwater storage/conjunctive use, and cost of groundwater supplies. As described below, the proposed projects address these core values, while balancing the use of imported/local supplies to increase water reliability.

- *Water quality.* All producers in the Chino Basin desire to produce water of a quality that is safe and suitable for the intended beneficial use. Increased wellhead treatment capacity as well as blending facilities will ensure compliance with this core value.
- *Long view.* Each of the Chino Basin producers desires a long-term and stable planning environment to develop local water resources management projects. The producers, independently and through the Chino Basin Watermaster, strive to take the long view in their planning assumptions and decisions to ensure a stable and robust management program. The proposed projects were identified with this core value in mind and represent the forward thinking necessary to implement a regional conjunctive use program.
- *Increased local supplies.* All producers are dependent on high-quality imported water for direct uses and for groundwater replenishment. Because imported supplies may be less available during dry periods, the producers will strive to minimize their dependency on imported water and to increase use of local supplies during drought. The proposed projects address this core value by adding additional groundwater production capacity, thereby reducing dependency on imported supplies and increasing local water system redundancy, thus providing Metropolitan with an increase in dry-year yield.
- *Groundwater storage/conjunctive use.* Unused groundwater storage capacity in the Chino Basin is a precious natural resource. The producers will manage the unused storage capacity to maximize the water quality and reliability and minimize the cost of water supply for all producers. The groundwater storage core value was administered to encourage the development of a regional conjunctive use program. The proposed projects will enable such a project to be implemented.
- *Cost of groundwater supplies.* The producers are committed to finding ways to subsidize the cost of using poor quality groundwater in a cost-effective and efficient manner. Increased groundwater production and wellhead treatment capacity will increase Metropolitan's dry-year yield and with Metropolitan's assistance, will provide an affordable and additional reliable water resource during periods of drought.



3D. WATER SUPPLY OR WATER QUALITY IMPACTS

As discussed throughout this proposal, the water supply and water quality impacts of the proposed projects would be positive.

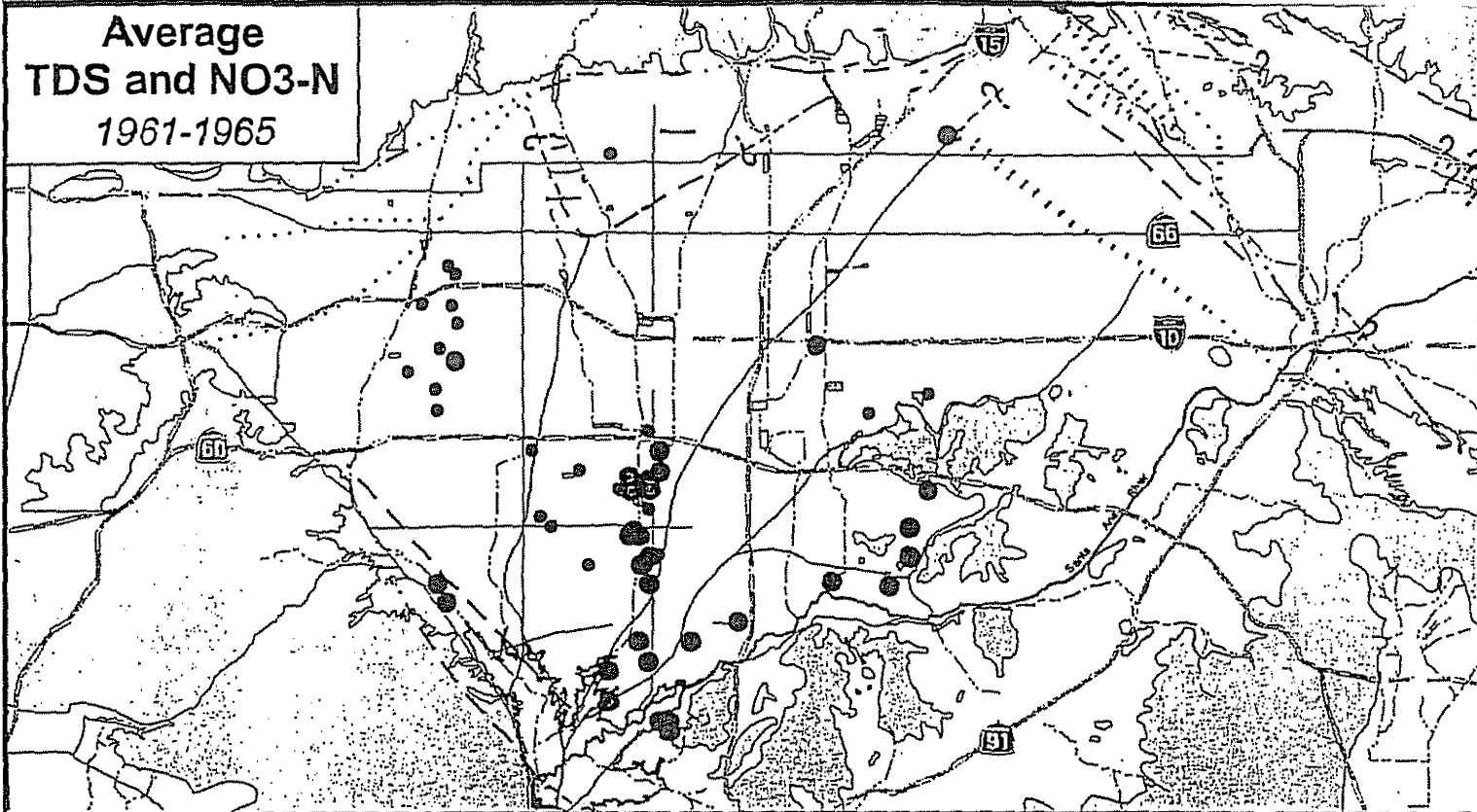
3D(i) Water Supply/Quality Impacts within the Basin

OBMP related water quality studies show that high concentrations of Total Dissolved Solids (TDS) and nitrates exists in the southern portion of the Basin. Figure 3D-1 shows the past and most recent water quality data throughout the Basin. It is apparent that groundwater quality has been deteriorating greatly with time. As shown on Figure 3C-1, 36 of the 38 projects presented in this proposal would have a water quality benefit to the Basin. These projects involve pumping and treating groundwater from various locations throughout the Basin to achieve drinking water standards. Groundwater pumped from the Basin, treated, reused and returned to the Basin will ultimately have a beneficial impact on water quality by lowering TDS and nitrate levels before returning water to the Basin. Although not all of these projects are exactly similar to other Metropolitan storage programs, they still provide Metropolitan with the same end results: a dry year supply. They also provide other regional benefits.

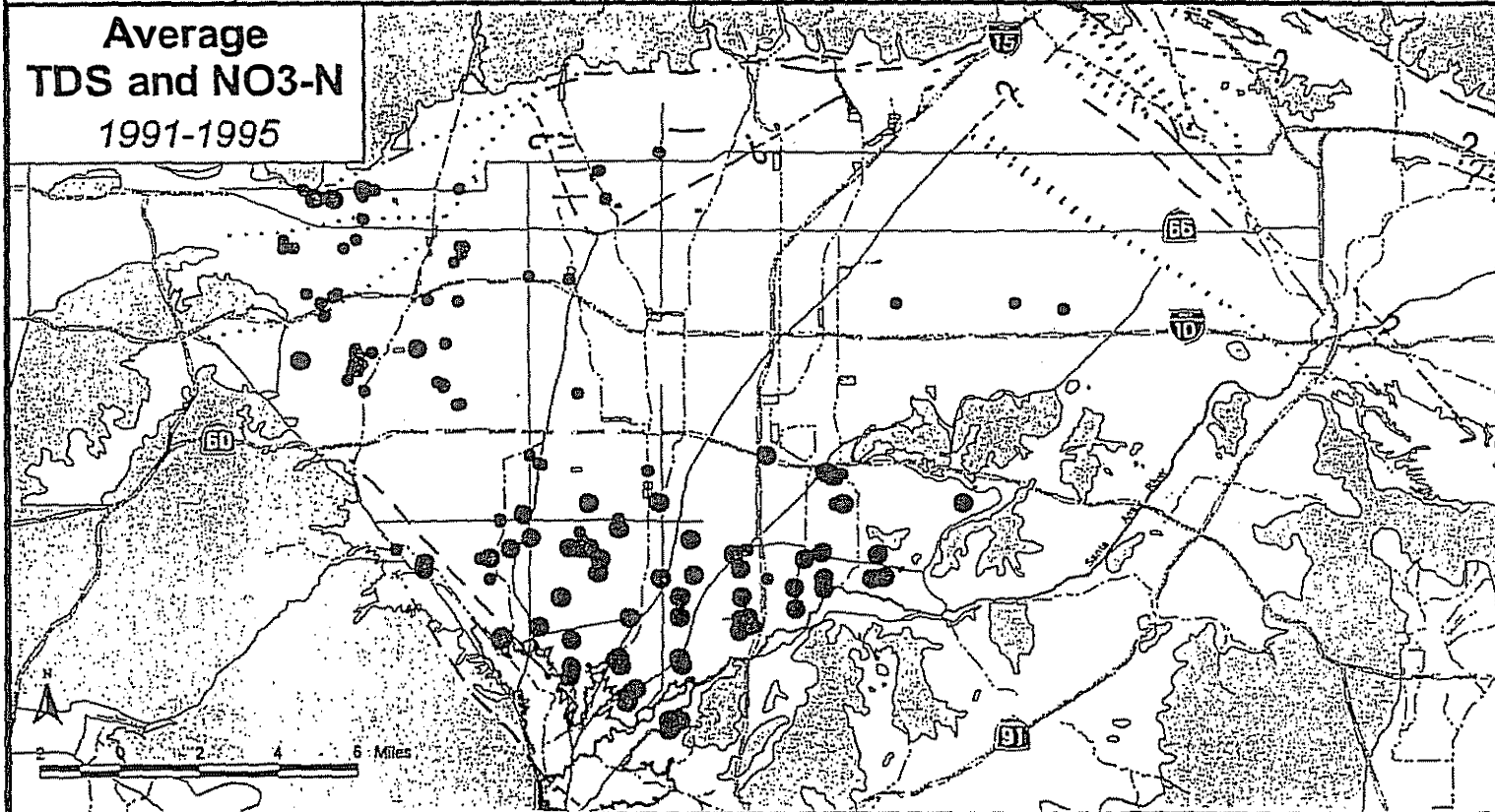
From a perspective of water supply, our approach provides Metropolitan dry year supply in advance of placing any water in storage. Depending on the total amount of financing from Metropolitan, we can make available more than 149,000 AF. Metropolitan can use these supplies not only for long-term dry-year yield, but on a short-term basis when there is a high demand for water, and/or energy is limited.

Given the State's current energy crisis, it may become necessary for Metropolitan to stop pumping. Chino Basin supply availability could allow Metropolitan to reduce pumping of State Water Project supplies by more than 149,000 AF. By the ability to shed electrical load at critical periods when energy supplies are limited, Metropolitan could save millions of dollars in energy costs and help prevent rolling blackouts.

**Average
TDS and NO3-N
1961-1965**



**Average
TDS and NO3-N
1991-1995**



Legend

- Well with Average NO3-N > 10 m/L
- Well with Average TDS > 500 m/L
- Hydrologic Chino Basin
- Management Zone Boundary

Figure 3D-1
Impaired Groundwater
in the Chino Basin
TDS and NO3-N

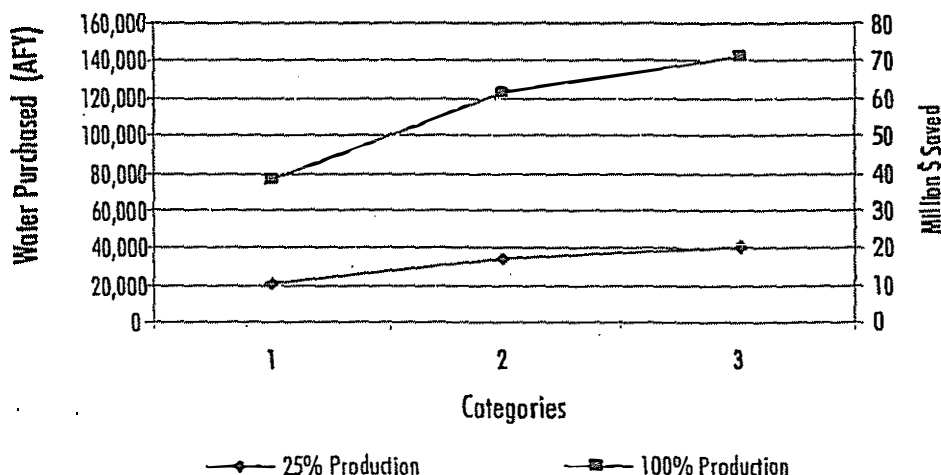


Date: January 2001



Implementation of the proposed projects could provide Metropolitan an additional water quality benefit. The recently-completed Salinity Management Study Final Report (June 1999) indicated a benefit of \$95 million for every 100 mg/L of TDS reduction in Metropolitan's water supply. Thus, if the proposed projects are implemented, additional State Project water would be available for blending at the Weymouth and Diemer Water Filtration Plants. Figure 3D-2 quantifies the water quality savings benefit for the Category 1, 2, and 3 projects at 100 percent and 25 percent production levels.

FIGURE 3D-2
Water Quality Benefits



The cumulative projected dry-year yield for the 38 projects is more than 149,000 AFY, which exceeds the amount of imported water currently used within the Basin. This assumes that all of the projects are completed and reach 100 percent of their projected production. It may be more accurate to assume that not all of the projects will be in full production all of the time. However, even if only 25 percent of production is achieved, Metropolitan would realize substantial water quality benefits.

3D(ii) Potential Negative Impacts

No negative impacts are anticipated. Construction of the proposed projects will improve water quality and increase water supply availability for the Chino Basin.



3D(iii) Anticipated Regulatory Requirements

The Department of Health Services (DOHS) requires permits for all water sources. The local agencies will obtain the required new water supply permits from DOHS.

The Final Program EIR for the OBMP shows that it is necessary to maintain the production capacity of the Basin to prevent a loss in safe yield. Without implementing measures to maintain the safe yield, approximately 40,000 AFY would flow out of the Basin and into the Santa Ana River. A number of these projects achieve the goals of the OBMP and are therefore included in the Draft EIR. However, further environmental regulatory requirements will be necessary for each separate project.

3D(iv) Status and Schedule

It is estimated to take approximately two to four months for a new water source permit to be approved by the DOHS. The status and schedule for acquiring other regulatory approvals varies for each independent project and will be addressed as the projects proceed.



3E. POTENTIAL IMPACT TO METROPOLITAN'S FINANCIAL INTEGRITY

This section discusses a potential implementation and financial plan for the Chino Basin groundwater storage projects that contribute within Metropolitan's service area.

3E(i) Effects on Purchase of Imported Surface Water

Funding of the submitted projects will reduce Metropolitan's imported water more than 149,000 AF in dry years. These "firming" projects for the Chino Basin would provide flexibility and reliability for Metropolitan's system by allowing the Basin to be self-sufficient when imported supplies are unavailable (drought or emergency periods).

Participating agencies would commit to the purchase of fixed amounts of imported water supply from Metropolitan and would not affect purchase of imported surface water supplies. Depending on the level of supplies available, Metropolitan would have the flexibility to determine water delivery to the Chino Basin. During dry or drought years, Metropolitan would request the agencies to produce water within the Basin to meet overlying demand in lieu of surface delivery. Following the end of the drought periods, the resultant Chino Basin replenishment obligation would be handled at least in part in the same manner.

The Chino Basin, with an unused storage capacity of about 1 MAF, is located in a strategic position for the Metropolitan distribution system. Construction of the project facilities would meet the demand in the Chino Basin and also have the ability to export extra pumping capacity into Metropolitan's system. Aside from reducing imported water demand within the Chino Basin to provide Metropolitan dry year yield, Metropolitan would be able to utilize the facilities beyond the internal needs of the Basin. In the future, Metropolitan would have the ability to pump portions of this water back into the system, to increase water deliveries and improve water quality. The projects submitted for funding would make available increased groundwater pumping in the Basin and allow future development of these supplies for other Metropolitan service areas.

The proposed projects would provide the needed redundancy and flexibility to Metropolitan's system. The local dry year projects would provide regional savings and increase reliability resulting from the development of local resources.

The facilities would provide short term "firming" supply for dry year yield. As future water demands increase in the Chino Basin, the demand for direct delivery of imported water for the Chino Basin is projected to increase from about 50,000 acre-feet in 2000 to 100,000 acre-feet by 2020, as indicated in IEUA's Urban Water Management Plan Year 2000 Update. This increase in demand will require more imported water from Metropolitan to meet the region's needs.



If funded, these projects would sustain water production during shortage and enhance recharge capability and allow the Basin to be managed conjunctively. The following list shows the benefits from implementing Chino Basin projects:

- (1) Provide more than 149,000 AFY dry year supply.
- (2) Reduce summertime peaking on Metropolitan's Rialto Pipeline.
- (3) Deliver more State Water Project supplies to the Weymouth and Diemer plants via the East Branch/Rialto Pipeline to meet Basin Plan Salinity Objectives.
- (4) Minimize (or eliminate) Metropolitan's surface water deliveries during future droughts/emergencies.
- (5) Allow Metropolitan to possibly export water into the Upper and Lower Feeder service areas for other Member Agencies.

3E(ii) Mitigation of Negative Impacts

No negative impacts are anticipated to result from construction of the proposed projects. The conjunctive use programs would not result in adverse water quality impact on the Chino Basin nor to Metropolitan. Development of these local resources reduces the demand on Metropolitan's system and therefore reduces the need for additional investment in regional infrastructure. The development of the local projects would defer the time when Metropolitan would need to expand the Rialto Pipeline. Metropolitan will have the flexibility to dictate the amount of imported water to service the Basin through the transmission line during crucial periods such as droughts or in cases of emergency.

3E(iii) Project Financing

This proposal present 38 projects for funding consideration. These projects have been categorized into three groups: Category 1, Category 2, and Category 3. This subsection discusses a potential implementation and financing plan for the proposed projects. A 6 percent interest rate and an amortization period of 20 years with an inflation rate on costs of 3 percent is presented along with a discussion of Proposition 13 funding needed to prioritize and equitably finance the facilities discussed in this proposal.

The Chino Basin stakeholders and applicants have agreed and are submitting 38 projects for 50 percent Proposition 13 funding. The remaining funding would be developed by the respective project sponsoring agency through local financing payment using various local resources.



3E(iv) Cost Per Acre-Foot Dry-Year Yield

Modifications to the economic analysis methodology provided in Metropolitan's RFP were done to accurately reflect the cost and funding required on the proposed projects. The modifications provide a financial approach using an overall menu of projects on a category basis. Financial analyses were done for Categories 1, 2, and 3, rather than per each of the 38 projects. This approach was taken to meet the format and page requirement of Metropolitan's RFP. Economic analysis worksheets have been developed for each Category 1, 2, and 3 project, and are available upon request.

These programs provide flexibility and redundancy in Metropolitan's system. This would give Metropolitan the ability to provide water services in a more efficient and reliable way to its service area. For example, if, during a dry year, Chino Basin overpumps an extra 20,000 AFY above the allotted safe yield (140,000 AFY), or 160,000 AFY, the overproduction would need to be replenished. Therefore, during wet years and normal years, an additional 20,000 AFY of imported water would need to be provided by Metropolitan to meet this replenishment obligation. The Chino Basin agencies will have the ability to take extra water "in-lieu" of pumping the groundwater. The economic analysis methodology spreadsheet has been modified to reflect these types of operating conditions.

The economic analyses assume takes from Chino Basin at five-year interval starting in year 2005. Puts to storage would occur the following year for the same total annual take capacity. Category 1 economic analyses assume Metropolitan would provide 50 percent capital funding from Proposition 13, an \$85/AF O&M cost for wellhead treatment, \$60/AF pumping cost associated with takes from storage, and a \$90/AF replenishment cost, which corresponds to put to storage. Categories 2 and 3 assume that Metropolitan would provide 50 percent capital funding as well as pumping and replenishment costs.

Table 3E-1 summarizes the project cost per acre-foot of dry year yield for the three categories.

TABLE 3E-1
Project Cost per Acre-Foot Dry-Year Yield

PROJECT DESCRIPTION	COST PER ARCE-FOOT OF DRY YEAR YIELD
Category 1	\$159
Category 2	\$110
Category 3	\$194



3E(iv) Cost Per Acre-Foot Dry-Year Yield

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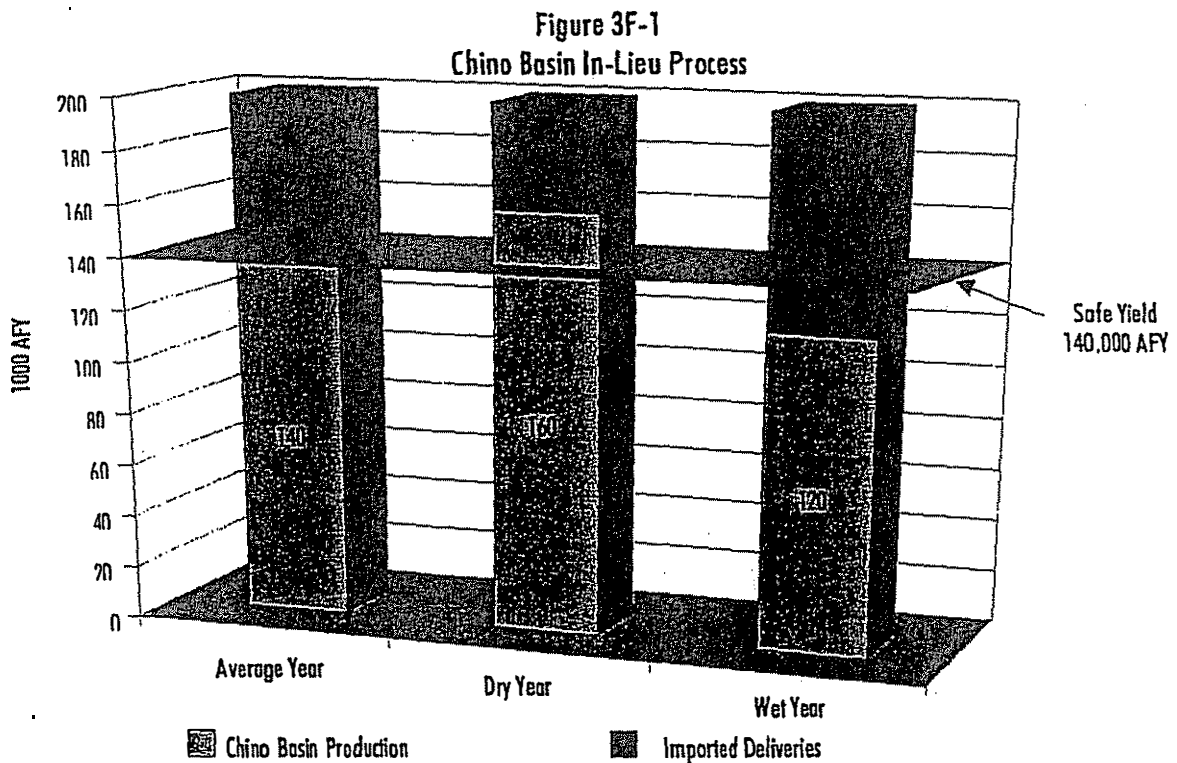
3F. DESCRIBE HOW PROJECTS WILL MEET OVERLYING DEMAND

3F(i) Storage Within a Four-year Period

The Chino Basin is the largest basin available for conjunctive use in Southern California. The Basin has 5 MAF of storage of which 1 MAF is unused. Currently, water agencies have approximately 170,000 AF of storage in excess of the Basin's safe yield. The OBMP Peace Agreement has approved 500,000 AF for additional dry year storage. This storage capacity would be sufficient to accommodate several years of imported deliveries. The proposed projects would enable the basin to be recharged during periods of surplus imported supply via direct deliveries in-lieu of groundwater production.

Figure 3F-1 illustrates how the existing Chino Basin groundwater resources can be utilized in-lieu of direct imported deliveries.

This example on the figure shows that an additional 20,000 AF of groundwater could be extracted during a dry year to meet demand. Implementation of these projects would allow Chino Basin pumpers to significantly increase their dry year pumping ability. The magnitude of the Basin allows overproduction for considerably more than four years.





The Chino Basin is in a unique position to develop a regional conjunctive use program that will efficiently meet overlying demands via in-lieu deliveries. Several of the proposed projects, including injection wells and other ASR facilities, will increase the Chino Basin's "put and take" capacity, while new wells and wellhead treatment projects primarily will increase the "take" capacity of the Basin.

3F(ii) Meeting the IRP 3:1 Goal

As shown in the discussion above, the complete program presented in this proposal could actually exceed RIP goals of a 3:1 ratio.



3G RISK MANAGEMENT

The projects described in this proposal are virtually "risk free."

3G(i) Description of Project Risks

Metropolitan can be assured that high quality water supplies would be available as needed, without threat of loss of or contamination of stored supplies. Several of the proposed projects provide treatment to ensure the water produced meets all regulatory standards. Furthermore, since these projects do not require Metropolitan to prestore water in the Chino Basin, concerns over loss of or contamination of stored water would be eliminated.

3G(ii) Approach to Risk Management

Our Program Concept approach provides a menu of alternatives in-lieu of a single project. This diversification minimizes Metropolitan's risks by not putting "all of Metropolitan's eggs into one basket."

The Chino Basin stakeholders through the Peace Agreement have reached accord on the OBMP, which outlines ("requires") management of the available groundwater resource to optimize not only the local area resources, but also our regional resources.

The variety of projects we have developed accomplishes these goals both locally and regionally. Assisting the local agencies with project implementation provides Metropolitan the flexibility to utilize groundwater resources when imported supplies are short. Under the Peace Agreement, the Chino Basin agencies need Metropolitan's help to finance projects that provide the redundancy to allow them to work with Metropolitan or over produce the groundwater basin when imported supplies are not readily available.

The Chino Basin agencies look forward to entering into a cooperative agreement with Metropolitan to start the implementation of these projects that will ultimately lead to being able to produce more than 149,000 AF of water. The agencies are ready to enter into a contract with and to guarantee these supplies to Metropolitan.

3G(iii) Indemnification

The OBMP is mandated by the Court. Metropolitan is thus assured that, with the implementation of these projects, the contract supplies would be available when needed.

Exhibit D

METROPOLITAN AWARD LETTER



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Office of the General Manager

April 10, 2001

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

Chino Basin Programs
Participation in Groundwater Storage Programs Using Proposition 13 Funding

Thank you for your submittal to the Request for Proposal for Participation in Groundwater Storage Programs Using Proposition 13 Funding (RFP No. WRM-2). We are pleased to inform you that the Selection Committee has identified your proposal to be included in the shortlist to receive Prop 13 funding.

In April 2001, the Metropolitan Board of Directors directed staff to finalize agreement terms for conjunctive-use program included in the shortlist. Several milestone targets are identified in the RFP as requirements for continued consideration for funding (Table 1 - Performance Targets from RFP WRM-2). Each proposal is required to meet the targets and deadlines to receive funding. If a shortlisted proposal does not meet all of the requirements specified in the RFP, Metropolitan will have the option to disqualify such proposal and finalize agreement terms with a proposal in the waitlist.

We anticipate sending a draft agreement in the near future. As noted in the enclosed schedule, the RFP requires program agreement terms to be finalized by August 2001.

Please contact Robert Harding at (213) 217-6582 if you have any questions.

Very truly yours,

Ronald R. Gastelum
General Manager

EF:cl
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Enclosure

**REQUEST FOR PROPOSALS FOR PARTICIPATION IN GROUNDWATER
STORAGE PROJECTS USING PROPOSITION 13 FUNDS (RFP No. WRM-2)****TABLE 1
PERFORMANCE TARGETS**

Date	Target	Consequence if Target is Not Achieved
January 19, 2001	Receive Proposals	Proposal will be rejected
August 1, 2001	Finalize Agreement Terms	Proposal will be rejected
September 1, 2002	Completion and certification of all environmental documents necessary to comply with CEQA	Proposal will be rejected
September 2003	Construction Initiated	Agreements Terminated

o:\cluster10\shared\corres\prop 13 shortlist_attch.doc

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

Exhibit E is to itemize a pre-existing storage account to be rolled over into Metropolitan's 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.

Water Account	Quantity of Water Transferred (Acre-feet)	Water Rate to be Paid when called under this Agreement for firm delivery	Responsibility for Costs: Electrical and Operation & Maintenance Costs	Losses
Trust Storage Account	4,739	Untreated replenishment rate at the time the water is called under this Agreement	IEUA	None
Trust Storage Account (2003 Interim Conjunctive Use Program)	X ¹	Untreated replenishment rate at the time the water is called under this Agreement	IEUA	None

¹ Acre-feet of water stored by Metropolitan in the Chino Basin with the authorization of the Watermaster since March 1, 2003 under the 2003 Interim Conjunctive Use Program letter agreement dated April 4, 2003.

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.

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

Ion Exchange Nitrate Removal Facility	Capacity	Funding Allocation	Location
Pomona	2,000 AFY	\$1,700,000	First & San Lorenzo
Monte Vista County Water District	1,544 AFY	\$1,428,200	Palo Verde & Benson
City of Chino	1,159 AFY	\$1,072,043	Palo Verde & Benson
City of Upland	3,001 AFY	\$2,776,064	Ninth & Mountain
City of Chino Hills	1,448 AFY	\$1,338,938	Chino Hills Pkwy & Ramona
Cucamonga County Water District	3,088 AFY	\$2,856,400 ⁽¹⁾	Amethyst & Apricot
City of Ontario	1,544 AFY	\$1,428,200 ⁽¹⁾	Cucamonga & 4 th
Fontana Water Company	1,733 AFY	\$1,293,065	San Bernardino & Cherry; Juniper & Ceres
Jurupa Community Services District	2,000 AFY	\$1,494,000	Etiwanda & 60-fwy
Total Treatment Facilities Capacity :	17,517 AFY	\$15,386,910	--
Well Facilities	Capacity	Funding Allocation	Location
Monte Vista County Water District	2,419 AFY	\$1,572,581	Monte Vista & Richton
Cucamonga County Water District	6,532 AFY	\$4,245,968 ⁽¹⁾	East Avenue & I-15; Cleveland & 7 th
City of Ontario	6,532 AFY	\$4,245,968 ⁽¹⁾	3 of 5 potential sites around City of Ontario
Total Well Capacity:	15,483 AFY	\$10,064,517	--
Total Extraction Capacity (Treatment + Well Capacity):	33,000 AFY	\$25,451,427 ⁽²⁾	

1). Some of the facilities constructed by the City of Ontario and Cucamonga County Water District will be funded by Proposition 13 Funds.

2). The Total Program Cost is \$27.5 million. This exhibit estimates that \$2 million will be spent on CEQA, pre-design, and modeling plus \$48,573 in unallocated reserve funds.

The foregoing list is a preliminary list 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 A-B
STORAGE AGREEMENT

LOCAL AGENCY AGREEMENT

Dated as of March 11, 2003

By and Among

INLAND EMPIRE UTILITIES AGENCY,

and

CUCAMONGA COUNTY WATER DISTRICT

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LOCAL AGENCY AGREEMENT

This Agreement is entered into as of March 27, 2003, by and among the Inland Empire Utilities Agency ("IEUA"), a municipal water district duly organized and existing under the laws of the State of California, , and the Local Agency ("Local Agency"), Cucamonga County Water District, duly organized and existing under the laws of the State of California

WITNESSETH:

WHEREAS, 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; and

WHEREAS, Metropolitan was subsequently 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, DWR set forth the specific terms and conditions of the grant to Metropolitan; and

WHEREAS, 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, a Request for Proposals for Participation in Groundwater Storage Programs Using Proposition 13 Funds, RFP No. WRM-2 (the "RFP"); and

WHEREAS, 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 approved by Metropolitan's Board of Directors in 1996, and the Groundwater Storage Principles adopted in connection therewith by Metropolitan's Board of Directors in January 2000; and

WHEREAS, IEUA has entered into a Groundwater Storage Project Funding Agreement (the "Metropolitan Agreement") with Metropolitan, Three Valleys Municipal Water District and Chino Basin Watermaster whereby, among other things, funding will be provided to finance the facilities listed on Exhibit A hereto (the "Local Agency Facilities") which are necessary to enhance a groundwater storage program in the Chino Basin; and

WHEREAS, IEUA desires to pass through to the Local Agency any amounts received by IEUA under the Metropolitan Agreement which are allocable to the Local Agency Facilities for use by the Local Agency to construct the Local Agency Facilities; and

WHEREAS, in exchange for such amounts, the parties hereto intend that the Local Agency assume all obligations of IEUA under the Metropolitan Agreement and all obligations relating to the Local Agency Facilities, whether such obligations are imposed by Metropolitan, DWR or another entity, such obligations including but not limited to the obligations recited in Sections III, IV, V, VII, X, XI and XII of the Metropolitan Agreement;

NOW THEREFORE, the parties hereto do agree as follows:

Section 1. Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings given in the Metropolitan Agreement.

Section 2. Effective Date; Termination Date. This Agreement shall become effective upon the Effective Date of the Metropolitan Agreement and shall terminate upon the termination of the Metropolitan Agreement.

Section 3. Funding of Local Agency Facilities. All amounts allocable to the Local Agency Facilities disbursed to IEUA under Section V of the Metropolitan Agreement shall be paid to Local Agency for construction of the Local Agency Facilities.

Section 4. Local Agency Duties Generally. Local Agency hereby accepts and agrees to perform all of IEUA's duties under the Metropolitan Agreement relating to the Local Agency Facilities, it being the intention of IEUA and Local Agency that Local Agency will be directly responsible for all aspects of constructing, operating and maintaining the Local Agency Facilities in accordance with the Metropolitan Agreement.

Section 5. Illustrative List of Local Agency Duties. Among the duties Local Agency shall perform are those set forth below in this Section. Such duties are merely illustrative of the duties Local Agency shall perform and do not limit Local Agency's responsibilities hereunder.

(a) Construction Duties. Local Agency shall perform all of IEUA's duties with respect to the construction of the Local Agency Facilities which are set forth in the Metropolitan Agreement. Such duties include but are not limited to (i) obtaining the Required Approvals applicable to the Local Agency Facilities pursuant to Section III(C) of the Metropolitan Agreement, (ii) providing for the planning and preconstruction requirements of Section IV(A) of the Metropolitan Agreement which relate to the Local Agency Facilities, (iii) providing for the construction of the Local Agency Facilities in accordance with Section IV(B) of the Metropolitan Agreement, and (iv) completing construction of the Local Agency Facilities in accordance with the timeline set forth in Section IV(B) of the Metropolitan Agreement including retaining and supervising qualified contractors.

(b) Cost Overruns. Local Agency agrees to pay for any cost overruns allocable to the Local Agency Facilities pursuant to Section V(B). In addition, Local Agency shall pay any amounts due to Metropolitan pursuant to Section V(B)(2) which are allocable to the Local Agency Facilities.

(c) Operation and Maintenance Duties. With respect to the Local Agency Facilities, Local Agency agrees to perform those certain duties listed in the Metropolitan Agreement, namely:

(i) Cause the Local Agency 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);

(ii) Provide for all repairs, renewals, and replacements necessary to the efficient operation of the Local Agency Facilities;

(iii) 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;

and

(iv) 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 of the Metropolitan Agreement.

(d) Delivery of Metropolitan Water. Watermaster and IEUA will allocate Metropolitan water supplied by Metropolitan's Storage Account (replenishment, injection or in lieu) through an annual operating plan to be approved by IEUA and Watermaster. To the extent that Local Agency is allocated Metropolitan in lieu water, rate and charges paid by the Local Agency for such in lieu deliveries shall be based upon IEUA rates and charges adopted by its Board of Directors for the Metropolitan Dry Year Storage Program from time-to-time.

(e) Groundwater and Pumping Responsibilities. Local Agency acknowledges that Metropolitan has the right to demand the pumping of stored water in the Chino groundwater basin. Local Agency shall provide for the pumping of stored water (on a pro rata basis determined by IEUA on the basis of all applicable groundwater pumpers that have agreements with IEUA similar to this Agreement) upon Metropolitan's request of a Stored Water Delivery, all in accordance with Section VII(C) of the Metropolitan Agreement, and consistent with Exhibit B hereto. Local Agency shall be reimbursed by Metropolitan for operation and maintenance expenses incurred when pumping stored water upon Metropolitan's demand, all in accordance with Section VII(D) of the Metropolitan Agreement.

(f) Recordkeeping, Reporting, Inspection and Audit Duties. Local Agency shall perform all of IEUA's recordkeeping, reporting, inspection and audit duties which relate to the Local Agency Facilities, all in accordance under Section X of the Metropolitan Agreement.

(g) Indemnity. Local Agency shall immediately reimburse IEUA for any amounts expended for compliance with Section XI of the Metropolitan Agreement which are allocable or which in any way relate to the Local Agency Facilities.

(h) Insurance. Local Agency shall be responsible for providing and paying for all insurance with respect to the Local Agency Facilities required by Section XII of the Metropolitan Agreement.

Section 6. Representations, Warranties and Covenants. Local Agency represents, warrants and covenants as follows:

(a) Power and Authority. That it is a 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 a party or by which it is bound.

(b) Authorization: Valid Obligation. That all proceedings required to be taken by or on behalf of Local Agency 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.

(c) No Litigation. To the best of Local Agency's 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 Chino 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.

(d) Compliance with Laws. In the performance of its obligations hereunder, Local Agency and its contractors and subcontractors will comply with all applicable laws, regulations and ordinances, including, without limitation, those listed in Section IX of the Metropolitan Agreement.

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

(e) Compliance with DWR Requirements. The Plans will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter. During the performance of its obligations herein, Local Agency will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter.

(f) No Construction. That construction of the Local Agency Facilities and related work (including planning activities) did not commence prior to the Effective Date.

(g) Capacity. Local Agency and its contractors, subcontractors and its 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.

(h) Oversight and Supervision of Construction. Local Agency will oversee and supervise all contractors and keep control of all work and provisions of services and materials in connection with the Program.

(i) Maintain Ownership of Program Property. Local Agency 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.

(j) Protection of Others' Rights. Local Agency 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 extractions of groundwater) to protect such rights.

Section 7. Miscellaneous.

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

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

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

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

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

If to IEUA: Inland Empire Utilities Agency
9400 Cherry Avenue, Bldg. A
Fontana, California 92335
Attention: Richard W. Atwater, General Manager

With a copy to: Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: Douglas Brown

If to Watermaster: Chino Basin Watermaster
8632 Archibald Avenue, Suite 109
Rancho Cucamonga, California 91730
Attention: John Rossi, Chief Executive Officer

If to Local Agency: Cucamonga County Water District
10440 Ashford Street
Rancho Cucamonga, CA 91729
Attention: Robert A. DeLoach, General Manager/CEO

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

(f) Merger of Prior Agreements. This Agreement and the exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof.

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

IN WITNESS WHEREOF, IEUA has executed this Agreement with the approval of its governing body, Watermaster has executed this Agreement with the approval of its governing body, and Local Agency has executed this Agreement in accordance with the authorization of its governing body.

INLAND EMPIRE UTILITIES AGENCY

By: 
General Manager

CUCAMONGA COUNTY WATER DISTRICT

By: 
General Manager/Chief Executive Officer

EXHIBIT A

LOCAL AGENCY FACILITIES

CUCAMONGA COUNTY WATER DISTRICT

AMOUNT OF FUNDING CCWD WILL RECEIVE:

\$7,102,368

FOR THE FOLLOWING FACILITIES

NORTH CENTRAL IX TREATMENT PLANT - 1,500 gpm

Reservoir 3 - Apricot Street & Amethyst Avenue - northeast corner
Ion Exchange for Nitrates (plus other possible technologies - e.g. granular activated carbon for DBCPs)

WELLS TO BE TREATED:

15, 17, 31 (wells 13, 23, 26, 33 also available)

WATER LINES INSTALLED:

100 ft. 16" waterline on site
17,000 ft. 6" pipeline to connect treatment plant with existing non-reclaimable waste water (NRW) line

CCWD NEW WELLS TO BE INSTALLED:

RESERVOIR 1C SITE

East Avenue & I-15 Freeway
2 - 2,000 gpm wells

RESERVOIR 1B SITE

Cleveland Avenue & 7th Street
1 - 2,000 gpm well

EXHIBIT B

PERFORMANCE TARGETS

Example

Cucamonga County Water District

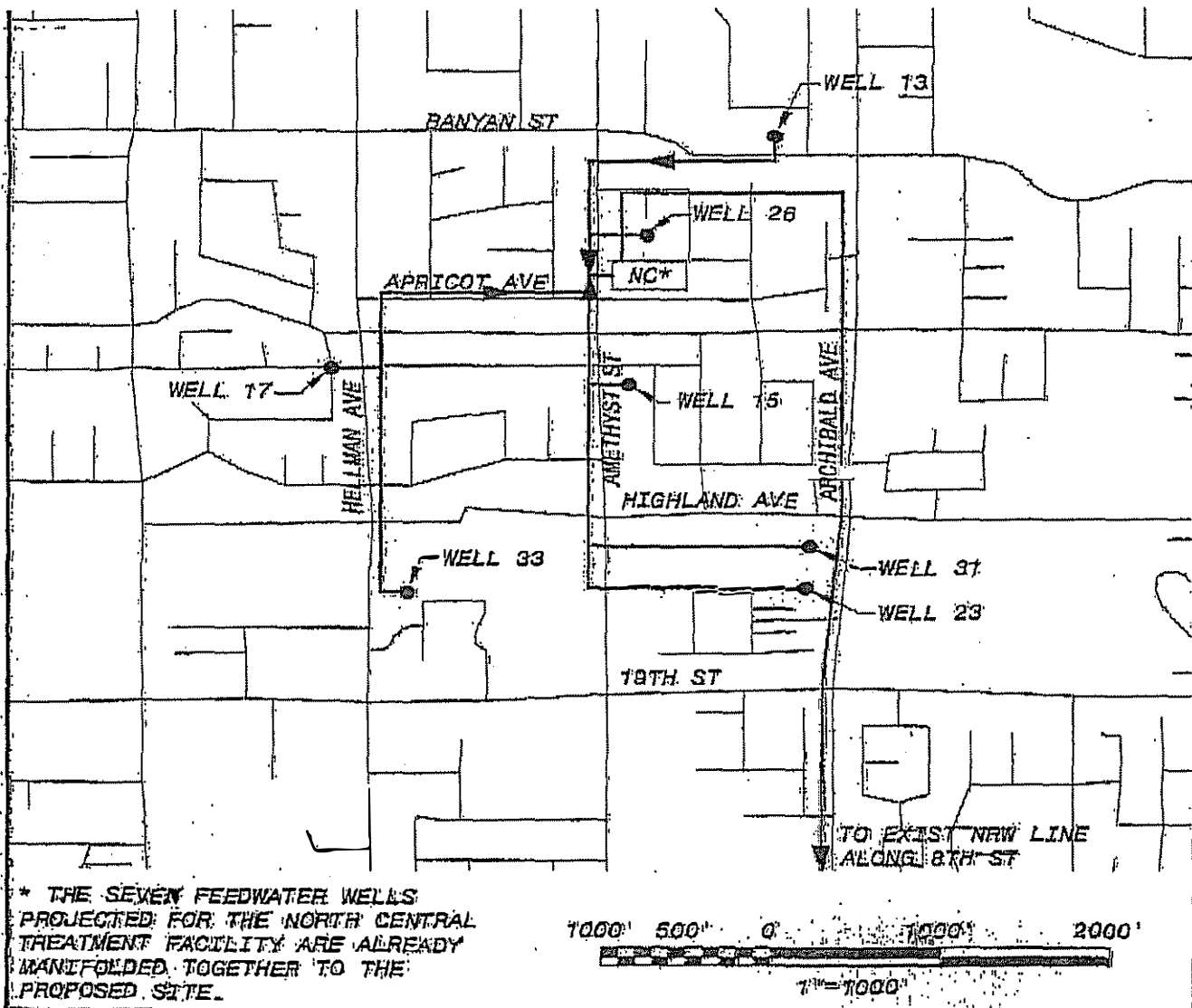
Dry Year Shift obligation of 9,620 AF over 12-month period

- 9,620 AF reduced imported water reduction**
- 9,620 AF pumped from MWD storage account**
- 9,620 AF increase in CCWD overall local supply production**
- all three criteria must be met plus or minus 10 percent**

Failure to perform would result in CCWD being charged a rate equal to two times the Tier 2 MWD full service untreated rates or comparable rate in the future in effect at such time for each AF of the Dry Year Shift obligation not met

CUCAMONGA COUNTY WATER DISTRICT

North Central Water Treatment Facility



CUCAMONGA COUNTY WATER DISTRICT

New Wells to Be Installed

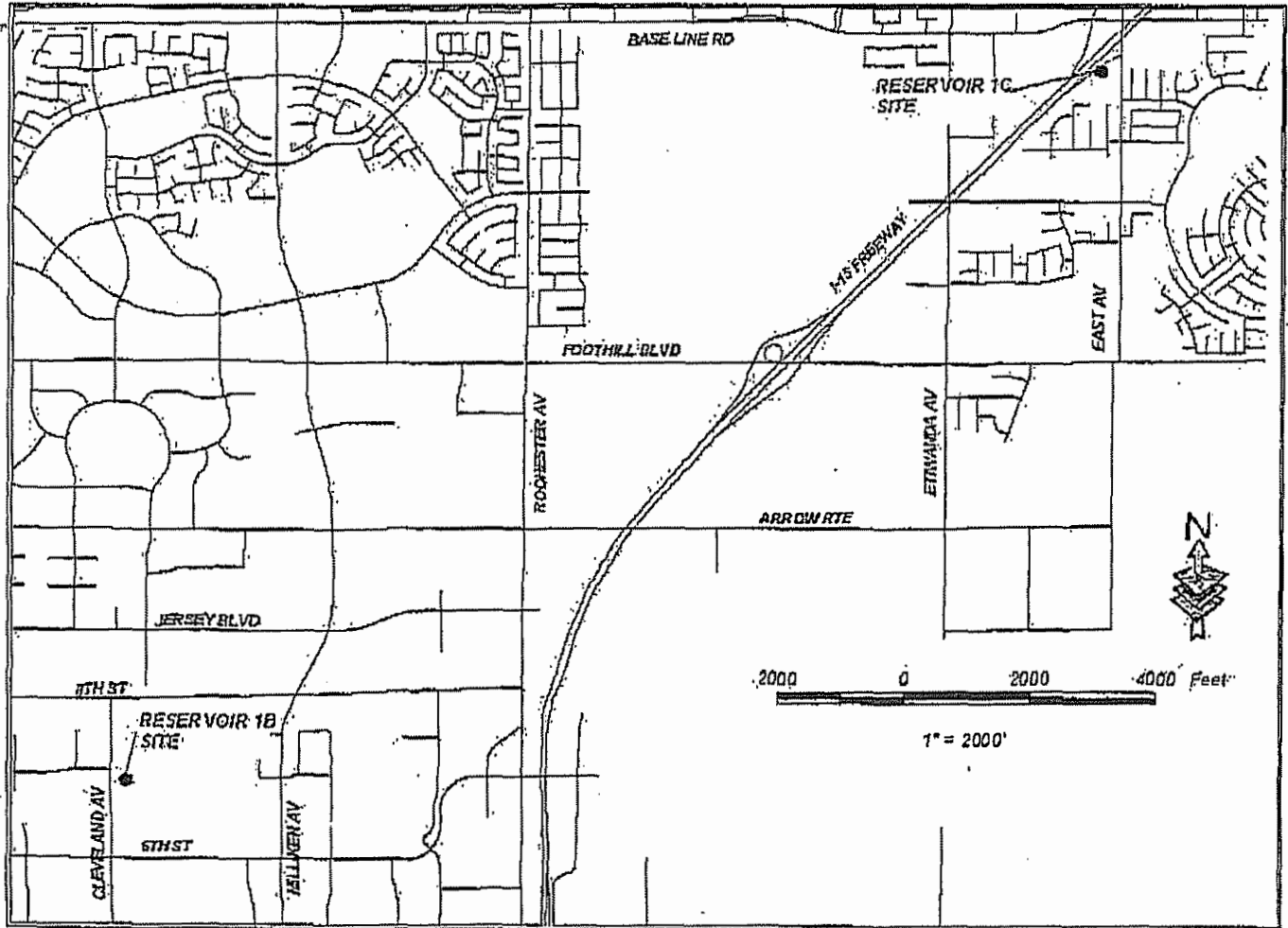


EXHIBIT B

PERFORMANCE TARGETS

Example

Cucamonga County Water District

Dry Year Shift obligation of 9,620 AF over 12-month period

- 9,620 AF reduced imported water reduction
- 9,620 AF pumped from MWD storage account
- 9,620 AF increase in CCWD overall local supply production
- all three criteria must be met plus or minus 10 percent

Failure to perform would result in MVWD being charged a rate equal to two times the Tier 2 MWD full service untreated rates or comparable rate in the future in effect at such time for each AF of the Dry Year Shift obligation not met

LOCAL AGENCY AGREEMENT

Dated as of April 17, 2003

By and Among

INLAND EMPIRE UTILITIES AGENCY

And

MONTE VISTA WATER DISTRICT

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LOCAL AGENCY AGREEMENT

This Agreement is entered into as of April 17, 2003, by and among the Inland Empire Utilities Agency ("IEUA"), a municipal water district duly organized and existing under the laws of the State of California, and the Monte Vista Water District, ("Local Agency"), a County Water District organized pursuant to County Water District Law; Division 12; Section 30000 et seq. of the Water Code.

WITNESSETH:

WHEREAS, 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; and

WHEREAS, Metropolitan was subsequently 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, DWR set forth the specific terms and conditions of the grant to Metropolitan; and

WHEREAS, 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 a Request for Proposals for Participation in Groundwater Storage Programs Using Proposition 13 Funds, RFP No. WRM-2 (the "RFP"); and

WHEREAS, 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 approved by Metropolitan's Board of Directors in 1996, and the Groundwater Storage Principles adopted in connection therewith by Metropolitan's Board of Directors in January 2000; and

WHEREAS, IEUA has entered into a Groundwater Storage Project Funding Agreement (the "Metropolitan Agreement") with Metropolitan, Three Valleys Municipal Water District and Chino Basin Watermaster whereby, among other things, funding will be provided to finance the Monte Vista Water District facilities listed on Exhibit A hereto (the "Local Agency Facilities") which are necessary to enhance a groundwater storage program in the Chino Basin; and

WHEREAS, IEUA desires to pass through to the Local Agency funding received by IEUA under the Metropolitan Agreement which are allocable to the Local Agency Facilities for use by the Local Agency to construct the Local Agency Facilities; and

WHEREAS, in exchange for such funding, the parties hereto intend that the Local Agency assume all obligations of IEUA under the Metropolitan Agreement and all obligations relating to the Local Agency Facilities, whether such obligations are imposed by Metropolitan, DWR or another entity, such obligations including but not limited to the obligations recited in Sections III, IV, V, VII, X, XI and XII of the Metropolitan Agreement;

NOW THEREFORE, the parties hereto do agree as follows:

Section 1. Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings given in the Metropolitan Agreement.

Section 2. Effective Date; Termination Date. This Agreement shall become effective upon the Effective Date of the Metropolitan Agreement and shall terminate 25 years following the effective date.

Section 3. IEUA Duties. In exchange for the Local Agency duties and obligations established under the provisions of this Agreement, IEUA shall reimburse the Local Agency an amount equal to \$3,107,012 for project related expenditures associated with the construction of one or more of the Local Agency Facilities listed on Exhibit A. IEUA acknowledges and agrees that the Local Agency Facilities shall be comprised of one or more of the facilities listed in Exhibit A. Payment by IEUA to the Local Agency shall be in accordance with the provisions of the Metropolitan Agreement. IEUA further agrees to fund all costs necessary to reactivate that portion of the existing brine disposal system, commonly know as West Edison Non-Reclaimable Waste Line, necessary to permit brine disposal from the joint City of Chino/MVWD Ion Exchange Facility located at the Palo Verde Street and Benson Avenue site to the West Edison Non-Reclaimable Waste Line. IEUA's obligation to fund all costs necessary to reactivate the West Edison Non-Reclaimable Waste Line shall be exclusive of and in addition to IEUA's payment to the Local Agency of the \$3,107,012. IEUA further agrees that it will complete all necessary improvements to permit reactivation of this portion of the West Edison Non-Reclaimable Waste Line by no later than December 2006, or as mutually agreed to by IEUA and the Local Agency.

Section 4. Local Agency Duties Generally. Local Agency hereby accepts and agrees to perform all of IEUA's duties under the Metropolitan Agreement relating to the Local Agency Facilities, it being the intention of IEUA and Local Agency that Local Agency will be directly responsible for all aspects of constructing, operating and maintaining the Local Agency Facilities in accordance with the Metropolitan Agreement. Local Agency shall only be required to increase its overall local groundwater production capacity in an amount equal to that percentage of 4,000 acre feet that equals the percentage of IEUA payment to the Local Agency of the \$3,107,102.

Section 5. Illustrative List of Local Agency Duties. Among the duties Local Agency shall perform are those set forth below in this Section. Such duties are merely illustrative of the duties Local Agency shall perform and do not limit Local Agency's responsibilities hereunder.

(a) Construction Duties. Local Agency shall perform all of IEUA's duties with respect to the construction of the Local Agency Facilities which are set forth in the Metropolitan Agreement.

Such duties include but are not limited to (i) obtaining the Required Approvals applicable to the Local Agency Facilities pursuant to Section III(C) of the Metropolitan Agreement, (ii) providing for the planning and preconstruction requirements of Section IV(A) of the Metropolitan Agreement which relate to the Local Agency Facilities, (iii) providing for the construction of the Local Agency Facilities in accordance with Section IV(B) of the Metropolitan Agreement, and (iv) completing construction of the Local Agency Facilities in accordance with the timeline set forth in Section IV(B) of the Metropolitan Agreement including retaining and supervising qualified contractors.

(b) Cost Overruns. Local Agency agrees to pay for any cost overruns allocable to the Local Agency Facilities pursuant to Section V(B). In addition, Local Agency shall pay any amounts due to Metropolitan pursuant to Section V(B)(2) which is allocable to the Local Agency Facilities. Should bids for construction of the Local Agency Facilities exceed the Approved Budget by more than five percent (5%), IEUA will review such cost increase with the Local Agency to determine the appropriate way to proceed with the program and the Local Agency may authorize a cost share, to change the scope of the project, or to discontinue the project, all in accordance with Section V(B)(2) of the Metropolitan Agreement.

(c) Operation and Maintenance Duties. With respect to the Local Agency Facilities, Local Agency agrees to perform those certain duties listed in the Metropolitan Agreement, namely:

(i) Cause the Local Agency 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);

(ii) Provide for all repairs, renewals, and replacements necessary to the efficient operation of the Local Agency Facilities;

(iii) 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; and

(iv) 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 of the Metropolitan Agreement.

(d) Delivery of Metropolitan Water. Watermaster and IEUA will allocate Metropolitan water supplied by Metropolitan's Storage Account (replenishment, injection or in lieu) through an annual operating plan to be approved by IEUA and Watermaster. To the extent that Local Agency is allocated Metropolitan in lieu water, rate and charges paid by the Local Agency for such in lieu deliveries shall be based upon IEUA rates and charges adopted its Board of Directors for the Metropolitan Dry Year Storage Program from time-to-time.

(e) Groundwater and Pumping Responsibilities. Local Agency acknowledges and agrees that Metropolitan has the right to demand the pumping of stored water in the Chino groundwater basin in the maximum amount indicated herein. Local Agency shall reduce its imported water and provide for the pumping of stored water upon Metropolitan's request of a Stored Water Delivery, all in accordance with Section VII(C) of the Metropolitan Agreement, and consistent with Exhibit B hereto; provided, that the maximum amount in any given year shall not exceed that percentage of the

amount in Exhibit B that equals the percentage of IEUA payment to the Local Agency of the \$3,107,012. Local Agency shall be reimbursed by Metropolitan for operation and maintenance expenses incurred when pumping stored water upon Metropolitan's demand, all in accordance with Section VII(D) of the Metropolitan Agreement.

(f) Recordkeeping, Reporting, Inspection and Audit Duties. Local Agency shall perform all of IEUA's recordkeeping, reporting, inspection and audit duties which relate to the Local Agency Facilities, all in accordance under Section X of the Metropolitan Agreement.

(g) Indemnity. Local Agency shall immediately reimburse IEUA for any amounts expended for compliance with Section XI of the Metropolitan Agreement which are allocable or which in any way relate to the Local Agency Facilities.

(h) Insurance. Local Agency shall be responsible for providing and paying for all insurance with respect to the Local Agency Facilities required by Section XII of the Metropolitan Agreement.

Section 6. Representations, Warranties and Covenants. Local Agency represents, warrants and covenants as follows:

(a) Power and Authority. [NOT APPLICABLE TO EVERYONE] That it is a County Water District organized pursuant to County Water District Law, Division 12, Section 30000 et seq. of the California Water Code; 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 a party or by which it is bound.

(b) Authorization: Valid Obligation. That all proceedings required to be taken by or on behalf of Local Agency 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.

(c) No Litigation. To the best of Local Agency's 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 Chino 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.

(d) Compliance with Laws. In the performance of its obligations hereunder, Local Agency and its contractors and subcontractors will comply with all applicable laws, regulations and ordinances, including, without limitation, those listed in Section IX of the Metropolitan Agreement.

Local Agency and its contractors and subcontractors will give written notice of its obligations under this clause to labor organizations with which they have a collective bargaining or other agreement. Local Agency and its contractors will include the nondiscrimination and

compliance provisions of this clause in all contracts and subcontracts let for the construction of the Local Agency Facilities.

(e) Compliance with DWR Requirements. The Plans will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter. During the performance of its obligations herein, Local Agency will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter.

(f) No Construction. That construction of the Local Agency Facilities and related work (including planning activities) did not commence prior to the Effective Date.

(g) Capacity. Local Agency and its contractors, subcontractors and its 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.

(h) Oversight and Supervision of Construction. Local Agency will oversee and supervise all contractors and keep control of all work and provisions of services and materials in connection with the Program.

(i) Maintain Ownership of Program Property. Local Agency 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. Without the written consent of IRUA, which consent shall not unreasonably be withheld, IRUA shall have the burden of persuasion with respect to the unreasonableness of any proposed Local Agency action regarding the property. Local Agency shall use reasonable efforts to avoid material legal injury to third parties and to comply with lawful regulatory agency requirements in the construction and operation of MVWD Local Agency Facilities.

Section 7. Miscellaneous.

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

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

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

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

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MWWD GM OFFICE

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

If to IEUA:	Inland Empire Utilities Agency 9400 Cherry Avenue, Bldg. A Fontana, California 92335 Attention: Treasurer
With a copy to:	Stradling Yocca Carlson & Rauth 660 Newport Center Drive, Suite 1600 Newport Beach, California 92660 Attention: Douglas Brown
If to Watermaster:	Chino Basin Watermaster 8632 Archibald Avenue, Suite 109 Rancho Cucamonga, California 91730 Attention: Executive Director
If to Local Agency:	Monte Vista Water District Post Office Box 71 Montclair, California 91763 Attention: General Manager

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

(f) Manner of Prior Agreements. This Agreement and the Exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof.

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

IN WITNESS WHEREOF, IEUA has executed this Agreement with the approval of its governing body, Watermaster has executed this Agreement with the approval of its governing body, and Local Agency has executed this Agreement in accordance with the authorization of its governing body.

INLAND EMPIRE UTILITIES AGENCY

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

MONTE VISTA WATER DISTRICT

By: Robb D. Quinsey
Robb D. Quinsey, President
Board of Directors

By: Mark N. Kinsey
Mark N. Kinsey
General Manager

EXHIBIT A

MONTE VISTA WATER DISTRICT

LOCAL AGENCY FACILITIES

1. Groundwater Production Well generally located at the intersection of Richton Street and Monte Vista Avenue, City of Montclair.
2. Joint City of Chino/Monte Vista Groundwater Production Well and Ion-Exchange Facility located at Palo Verde and Benson Avenue, City of Montclair.
3. Aquifer Storage and Recovery Well located at Monte Vista Water District Plant 9 Site, 5617 San Bernardino Street, City of Montclair.
4. Aquifer Storage and Recovery Well located at Monte Vista Water District Plant 12 Site on the corner of G Street and Benson Avenue, City of Montclair.
5. Ion-Exchange Facility at Monte Vista Water District Plant 2/Well 2 Site, 4775 Grand Avenue, City of Montclair.

 IBUA

 Local Agency

EXHIBIT B

PERFORMANCE TARGETS

MONTE VISTA WATERDISTRICT

Dry Year Shift obligation of 4,000 AF over 12-month period

- 4,000 AF reduced imported water reduction
 - 4,000 AF pumped from Metropolitan Water District storage account
 - 4,000 AF increase in Monte Vista Water District overall local supply production
- all three criteria must be met plus or minus 10 percent

Failure to perform would result in Monte Vista Water District being charged a rate equal to two times the Metropolitan Tier 2 rates in effect at such time for each acre-foot of the Dry Year Shift obligation not met.

BIA IEUA
10 Local Agency

3 Orig: J. Gleason
/ XC: City Clerk

LOCAL AGENCY AGREEMENT

This Agreement is entered into as of May 6, 2003, the Effective Date of the Metropolitan Agreement by the Inland Empire Utilities Agency, a municipal water district duly organized and existing under the laws of the State of California ("IEUA"), and the City of Chino, a general law city duly organized and existing under the laws of the State of California ("Chino").

WITNESSETH

WHEREAS, 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; and

WHEREAS, The Metropolitan Water District of Southern California ("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 the service area of Metropolitan. In a letter dated October 13, 2000, DWR set forth the specified terms and conditions of this grant to Metropolitan; and

WHEREAS, on September 20, 2000, Metropolitan sent a letter to its 26-member public agencies requesting their presentation to Metropolitan of a list of groundwater storage projects to be considered for funding by Prop 13 Funds. On November 1, 2000, Metropolitan delivered to those member public agencies that indicated an interest in the Prop 13 groundwater storage programs, a Request for Proposals for Participation in Groundwater Storage Programs Using Proposition 13 Funds, RFP No. WRM-2 (the "RFP"); and

WHEREAS, Metropolitan anticipated that such Proposals would result in the storage of water that Metropolitan would import from the State Water Project and the Colorado River. This stored water then could be pumped by the member agency, or sub-agency, with a corresponding reduction in requirements for 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 constitute a part of a larger effort of Metropolitan to meet water supply demands in Southern California, as set forth in the Integrated Water Resources Plan approved by Metropolitan's Board of Directors in 1996, and the Groundwater Storage Principles adopted in connection therewith by Metropolitan's Board of Directors in January 2000; and

WHEREAS, IEUA entered into a Groundwater Storage Project Funding Agreement (the "Metropolitan Agreement") with Metropolitan, and the Three Valleys Municipal Water District and Chino Basin Watermaster effective as of March 1, 2003, a copy of which is attached hereto as Exhibit C, pursuant to which funding will be provided from Prop 13 and other Metropolitan funds to finance the facilities listed on Exhibit A hereto as "Local Agency Facilities," which are deemed necessary to enhance a groundwater storage program in the Chino Basin; and

WHEREAS, IEUA desires to pass through to the Local Agency any funds received by IEUA under the Metropolitan Agreement which are allocable to the Local Agency Facilities for use by any Local Agency to construct such Local Agency Facilities; and

WHEREAS, such Local Agency Facilities intended for construction and use by Chino consist of the Benson and Palo Verde well, intended to be jointly financed, constructed and operated by Chino and the Monte Vista Water District ("MVWD") pursuant to the funding of such Local Agency Facilities under the Metropolitan Agreement; and

WHEREAS, the operation of such well requires a brine disposal facility to be operated by IEUA, which shall consist of either the reactivation of the existing West Edison Brine Line, or the construction of new line in Benson Avenue for brine discharge to the NRW System in Phillips Boulevard.

WHEREAS, in exchange for such funding, the parties to the Metropolitan Agreement intended that each Local Agency would assume all obligations of IEUA under the Metropolitan Agreement relating to such Local Agency Facilities intended for construction and operation by that Local Agency, whether imposed by Metropolitan, DWR or another entity, including but not limited to the obligations recited in Sections III, IV, V, VII, X, XI and XII of the Metropolitan Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings give them in the Metropolitan Agreement.

Section 2. Effective Date; Termination Date. This Agreement shall become effective upon the Effective Date of the Metropolitan Agreement and shall terminate upon the termination of the Metropolitan Agreement. However, in the event that not all of the Local Agencies for which funding is provided for those Local Agency Facilities described in Exhibit A of the Metropolitan Agreement execute a Local Agency Agreement substantially similar to this Agreement, the Metropolitan Agreement is not intended to terminate, but remain in full force and effect, with any uncommitted funding reallocated to other participating Local Agencies for other Local Agency Facilities, whether or not described in Exhibit A to the Metropolitan Agreement, which serve the same Metropolitan storage objectives. In any event, the full amount of Prop 13 Funds and other Metropolitan Funds provided for such Local Agency Facilities under the Metropolitan Agreement shall be provided for other such Local Agency Facilities to be constructed and operated by participating Local Agencies.

Section 3. Funding of Local Agency Facilities. All amounts allocated to the Local Agency Facilities disbursed to IEUA under Section V and Exhibit A of the Metropolitan Agreement shall be paid to the identified Local Agency for construction of the Local Agency Facilities.

Section 4. Local Agency Duties-Generally. Chino agrees to perform all of IEUA's duties under the Metropolitan Agreement relating to those Local Agency Facilities intended to be constructed and used by Chino pursuant to such Metropolitan Agreement funding (the "Chino Facilities"), it being the intention of IEUA and Chino that Chino will be directly responsible for all aspects of constructing, operating and maintaining the Chino Facilities in accordance with such duties.

Section 5. Local Agency Duties-Illustrative List. The following duties are illustrative of those agreed to be performed by Chino, but do not limit Chino's responsibilities hereunder.

(a) Construction Duties. Perform all of IEUA's duties with respect to the construction of the Chino Facilities. Such duties include but are not limited to (i) obtaining the Required Approvals applicable to the Facilities pursuant to Section III(C) of the Metropolitan Agreement, (ii) providing for the planning and pre-construction requirements of Section IV(A) of the Metropolitan Agreement which relate to the Chino Facilities, (iii) providing for the construction of the Chino Facilities in accordance with Section IV(B) of the Metropolitan Agreement, and (iv) completing construction of the Chino Facilities in accordance with the timeline set forth in Section IV(B) of the Metropolitan Agreement including retaining and supervising qualified contractors.

(b) Cost Overruns. Pay for all cost overruns allocable to the Chino Facilities pursuant to Section V(B) of the Metropolitan Agreement, and any amounts due to Metropolitan pursuant to Section V(B)(2) of such Agreement. Should bids for construction of the Chino Facilities exceed the Approved Budget required by the Metropolitan Agreement by more than 5 percent, IEUA will review such cost increase with Chino to determine the appropriate way to proceed with the program and Chino thereafter may authorize payment of an additional share of such bid costs, or a change in the scope of the project to reduce such costs to the amount provided in the Approved Budget, or a discontinuation of Chino Facilities construction, in accordance with Section V(B)(2) of the Metropolitan Agreement.

(c) Operation and Maintenance. Perform the following duties imposed on IEUA in the Metropolitan Agreement:

(i) Maintain and operate the Chino Facilities in as good and efficient condition as upon their construction, ordinary and reasonable wear and depreciation excepted, and in compliance with industry standards including any DWR standards and requirements;

(ii) Provide for all repairs, renewals, and replacements necessary for such maintenance and operation; and

(iii) Operate the Chino Facilities, combined with the existing infrastructure of Chino, at Operational Capacity Thresholds necessary to meet performance targets as outlined in Exhibit G of the Metropolitan Agreement upon call by Metropolitan for Stored Water Delivery.

(d) Delivery of Metropolitan Water. Watermaster and IEUA will allocate Metropolitan water supplied by Metropolitan's Storage Account (replenishment, injection or in lieu) through an annual operating plan approved by IEUA and Watermaster. To the extent that Chino is allocated Metropolitan in lieu water in such plan, rates and charges to be paid by Chino for such in-lieu deliveries of such water shall be based upon IEUA rates and charges adopted by its Board of Directors for the Metropolitan Dry Year Storage Program from time to time.

(e) Groundwater and Pumping Responsibilities. Chino agrees that Metropolitan has the right to demand that Chino pump stored water from the Chino Basin groundwater in compliance with any applicable rule or regulation of the Chino Basin Watermaster. Chino shall pump such stored water on a pro rata basis determined by IEUA on the basis of all applicable groundwater pumpers that have agreements with IEUA substantially similar to this Agreement upon Metropolitan's request of a Stored Water Delivery in accordance with Section VII(C) of the Metropolitan Agreement, and Exhibit B hereto. Chino shall be reimbursed by Metropolitan for operation and maintenance expenses incurred when pumping stored water upon Metropolitan's demand, in accordance with Section VII(D) of the Metropolitan Agreement.

(f) Record Keeping, Reporting, Inspection and Audit Duties. Chino shall perform all of IEUA's record keeping, reporting, inspection and audit duties which relate to the Local Agency Facilities, in accordance with Section X of the Metropolitan Agreement.

(g) Indemnity. Chino immediately shall reimburse IEUA for any amounts expended for compliance with Section XI of the Metropolitan Agreement which are allocable to the Local Agency Facilities.

(h) Insurance. Chino shall be responsible for providing and paying for all insurance with respect to the Chino Facilities required by Section XII of the Metropolitan Agreement.

Section 6. Representations, Warranties and Covenants. Chino and IEUA represent, warrant, and covenant as follows:

(a) Power and Authority. That Chino is a general law city and IEUA is a Municipal Water District, both duly organized and validly existing under the laws of the State of California; that they have 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 them and the performance of their obligations hereunder will not violate or constitute an event of default under the terms or provisions of any agreement, document or instrument to which they are a party or by which they are bound.

(b) Authorization: Valid Obligation. That all proceedings required to be taken by or on behalf of Chino and IEUA to authorize them to make, deliver and carry out the terms of this Agreement have been duly and properly taken, and that this Agreement is their 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.

(c) No Litigation. To the best of the knowledge of Chino and IEUA, there is no litigation, proceeding or investigation pending or threatened, to which they are or would be party, or which relates to the Chino Basin, directly or indirectly, which, individually or in the aggregate, if adversely determined, might materially and adversely affect their ability to perform their obligations under this Agreement, or which raises a question as to the validity of this Agreement, or any action to be taken hereunder.

(d) Compliance with Laws. In the performance of its obligations hereunder, Chino and IEUA and its contractors and subcontractors will comply with all applicable laws, regulations and ordinances, including, without limitation, those listed in Section IX of the Metropolitan Agreement.

(e) No Construction. That construction of the Local Agency Facilities and related work (including planning activities) did not commence prior to the Effective Date.

(f) Capacity. Chino and its contractors, subcontractors and its 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.

(g) Oversight and Supervision of Construction. Chino will oversee and supervise all contractors and keep control of all work and provisions of services and materials in connection with the Program.

(h) Maintain Ownership of Program Property. Chino 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 Chino Facilities, without the written consent of IEUA.

(i) Protection of Others' Rights. Chino and IEUA 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 extractions of groundwater) to protect such rights.

Section 7. Miscellaneous.

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

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

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

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

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

If to IEUA: Inland Empire Utilities Agency
9400 Cherry Avenue, Bldg. A
Fontana, CA 92335
Attention: Treasurer

With a copy to: Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660
Attention: Douglas Brown

If to Chino: City of Chino
Public Works Department
13220 Central Avenue
P.O. Box 667
Chino, CA 91708-0667
Attention: Director of Public Works

With a copy to: Jimmy L. Gutierrez
A Professional Corporation
12616 Central Avenue
Chino, CA 91710

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

(f) Merger of Prior Agreements. This Agreement and the exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof.

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

IN WITNESS WHEREOF, IEUA and CHINO have executed this Agreement with the approval of their respective governing body.

INLAND EMPIRE UTILITIES AGENCY

By: Richard M. Swartz
General Manager

CITY OF CHINO

By: [Signature]
City Manager

ATTEST:

Anna J. Carner 6/2/13
City Clerk

EXHIBIT A

LOCAL AGENCY FACILITIES

CHINO

AMOUNT OF FUNDING CHINO WILL RECEIVE:

\$1,072,075

FOR THE FOLLOWING FACILITIES:

Joint City of Chino/Monte Vista Water District groundwater production well and associated water treatment facilities located at Palo Verde Boulevard and Benson Avenue, City of Montclair.

CITY OF CHINO

FACILITIES TO BE CONSTRUCTED

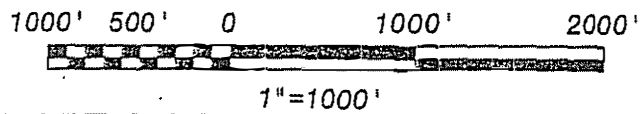
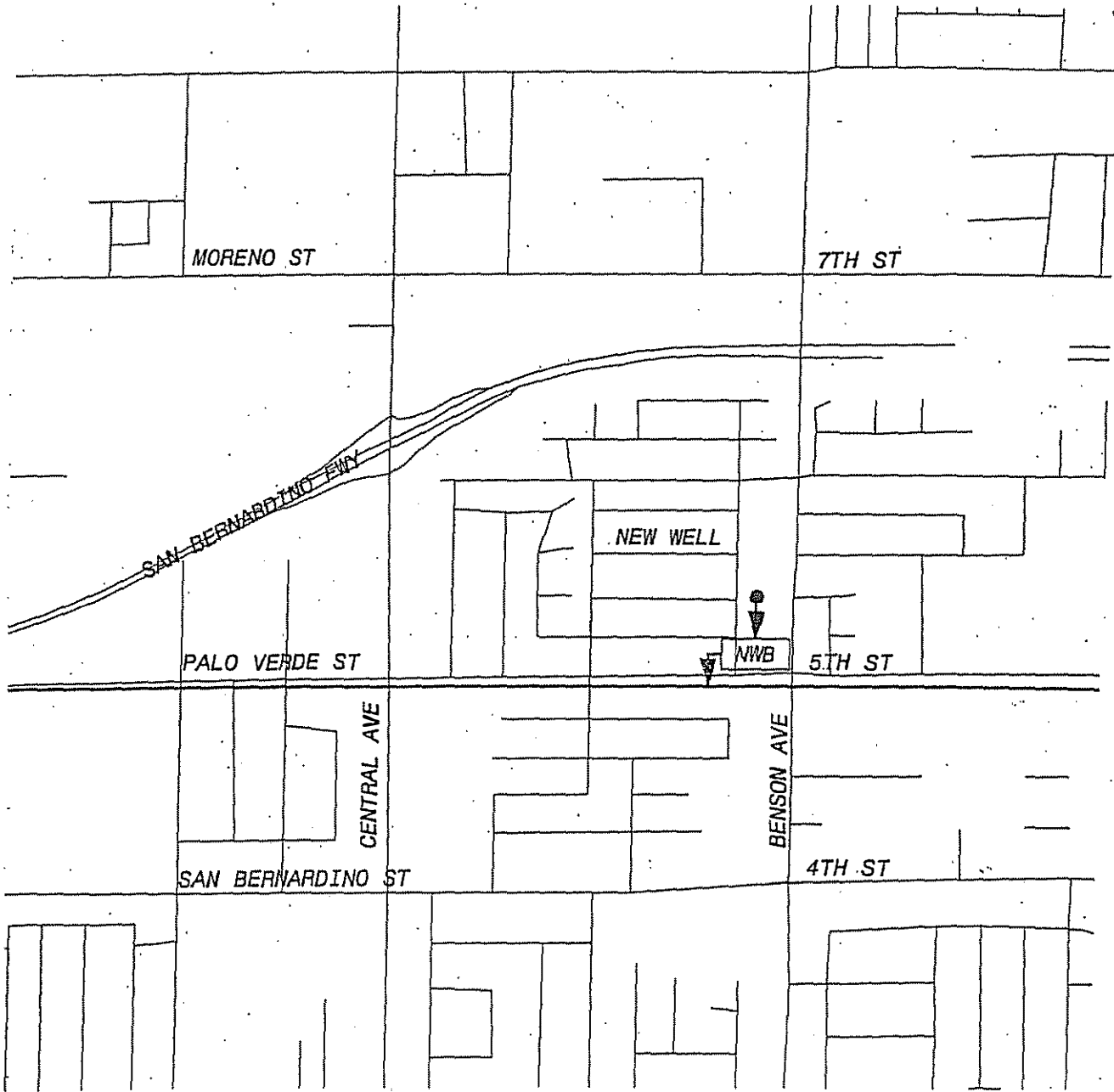


EXHIBIT B

PERFORMANCE TARGETS

CHINO

Dry Year Shift obligation of 1,159 AF over 12-month period

1,159 AF imported water reduction

1,159 AF pumped from MWD storage account

1,159 AF increase in Chino overall local supply production

all three criteria must be met plus or minus 10 percent

Failure to perform would result in Chino being charged a rate equal to two times the MWD Tier 2 rates in effect at such time for each AF of the Dry Year Shift obligation not met.

EXHIBIT C

METROPOLITAN AGREEMENT

LOCAL AGENCY AGREEMENT

Dated as of July 1, 2003

By and Among

INLAND EMPIRE UTILITIES AGENCY

And

CITY OF CHINO HILLS

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EXHIBITS

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LOCAL AGENCY AGREEMENT

This Agreement is entered into as of July 1, 2003, by and among the Inland Empire Utilities Agency ("IEUA"), a municipal water district duly organized and existing under the laws of the State of California, and the Monte City of Chino Hills, ("Local Agency").

WITNESSETH:

WHEREAS, 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; and

WHEREAS, Metropolitan was subsequently 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, DWR set forth the specific terms and conditions of the grant to Metropolitan; and

WHEREAS, 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 a Request for Proposals for Participation in Groundwater Storage Programs Using Proposition 13 Funds, RFP No. WRM-2 (the "RFP"); and

WHEREAS, 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 approved by Metropolitan's Board of Directors in 1996, and the Groundwater Storage Principles adopted in connection therewith by Metropolitan's Board of Directors in January 2000; and

WHEREAS, IEUA has entered into a Groundwater Storage Project Funding Agreement (the "Metropolitan Agreement") with Metropolitan, Three Valleys Municipal Water District and Chino Basin Watermaster whereby, among other things, funding will be provided to finance the City of Chino Hills facilities listed on Exhibit A hereto (the "Local Agency Facilities") which are necessary to enhance a groundwater storage program in the Chino Basin; and

WHEREAS, IEUA desires to pass through to the Local Agency funding received by IEUA under the Metropolitan Agreement which are allocable to the Local Agency Facilities for use by the Local Agency to construct the Local Agency Facilities; and

WHEREAS, in exchange for such funding, the parties hereto intend that the Local Agency assume all obligations of IEUA under the Metropolitan Agreement and all obligations relating to the Local Agency Facilities, whether such obligations are imposed by Metropolitan, DWR or another entity, such obligations including but not limited to the obligations recited in Sections III, IV, V, VII, X, XI and XII of the Metropolitan Agreement;

NOW THEREFORE, the parties hereto do agree as follows:

Section 1. Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings given in the Metropolitan Agreement.

Section 2. Effective Date; Termination Date. This Agreement shall become effective upon the Effective Date of the Metropolitan Agreement and shall terminate 25 years following the effective date.

Section 3. IEUA Duties. In exchange for the Local Agency duties and obligations established under the provisions of this Agreement, IEUA shall reimburse the Local Agency an amount equal to \$1,338,938 for project related expenditures associated with the construction of one or more of the Local Agency Facilities listed on Exhibit A. IEUA acknowledges and agrees that the Local Agency Facilities shall be comprised of one or more of the facilities listed in Exhibit A. Payment by IEUA to the Local Agency shall be in accordance with the provisions of the Metropolitan Agreement in Exhibit C.

Section 4. Local Agency Duties Generally. Local Agency hereby accepts and agrees to perform all of IEUA's duties under the Metropolitan Agreement relating to the Local Agency Facilities, it being the intention of IEUA and Local Agency that Local Agency will be directly responsible for all aspects of constructing, operating and maintaining the Local Agency Facilities in accordance with the Metropolitan Agreement. Local Agency shall only be required to increase its overall local groundwater production capacity in an amount equal to that percentage of 1,448 acre feet that equals the percentage of IEUA payment to the Local Agency of the \$1,338,938.

Section 5. Illustrative List of Local Agency Duties. Among the duties Local Agency shall perform are those set forth below in this Section. Such duties are merely illustrative of the duties Local Agency shall perform and do not limit Local Agency's responsibilities hereunder.

(a) Construction Duties. Local Agency shall perform all of IEUA's duties with respect to the construction of the Local Agency Facilities which are set forth in the Metropolitan Agreement. Such duties include but are not limited to (i) obtaining the Required Approvals applicable to the Local Agency Facilities pursuant to Section III(C) of the Metropolitan Agreement, (ii) providing for the planning and preconstruction requirements of Section IV(A) of the Metropolitan Agreement which relate to the Local Agency Facilities, (iii) providing for the construction of the Local Agency Facilities in accordance with Section IV(B) of the Metropolitan Agreement, and (iv) completing construction of the Local Agency Facilities in accordance with the timeline set forth in Section IV(B) of the Metropolitan Agreement including retaining and supervising qualified contractors.

(b) Cost Overruns. Local Agency agrees to pay for any cost overruns allocable to the Local Agency Facilities pursuant to Section V(B). In addition, Local Agency shall pay any amounts due to Metropolitan pursuant to Section V(B)(2) which is allocable to the Local Agency Facilities. Should bids for construction of the Local Agency Facilities exceed the Approved Budget by more than five percent (5%), IEUA will review such cost increase with the Local Agency to determine the appropriate way to proceed with the program and the Local Agency may authorize a cost share, to change the scope of the project, or to discontinue the project, all in accordance with Section V(B)(2) of the Metropolitan Agreement.

(c) Operation and Maintenance Duties. With respect to the Local Agency Facilities, Local Agency agrees to perform those certain duties listed in the Metropolitan Agreement, namely:

(i) Cause the Local Agency 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);

(ii) Provide for all repairs, renewals, and replacements necessary to the efficient operation of the Local Agency Facilities;

(iii) 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; and

(iv) 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 of the Metropolitan Agreement.

(d) Delivery of Metropolitan Water. Watermaster and IEUA will allocate Metropolitan water supplied by Metropolitan's Storage Account (replenishment, injection or in lieu) through an annual operating plan to be approved by IEUA and Watermaster. To the extent that Local Agency is allocated Metropolitan in lieu water, rate and charges paid by the Local Agency for such in lieu deliveries shall be based upon IEUA rates and charges adopted its Board of Directors for the Metropolitan Dry Year Storage Program from time-to-time.

(e) Groundwater and Pumping Responsibilities. Local Agency acknowledges and agrees that Metropolitan has the right to demand the pumping of stored water in the Chino groundwater basin in the maximum amount indicated herein. Local Agency shall reduce its imported water and provide for the pumping of stored water upon Metropolitan's request of a Stored Water Delivery, all in accordance with Section VII(C) of the Metropolitan Agreement, and consistent with Exhibit B hereto; provided, that the maximum amount in any given year shall not exceed that percentage of the amount in Exhibit B that equals the percentage of IEUA payment to the Local Agency of the \$1,338,938. Local Agency shall be reimbursed by Metropolitan for operation and maintenance expenses incurred when pumping stored water upon Metropolitan's demand, all in accordance with Section VII(D) of the Metropolitan Agreement.

(f) Recordkeeping, Reporting, Inspection and Audit Duties. Local Agency shall perform all of IEUA's recordkeeping, reporting, inspection and audit duties which relate to the Local Agency Facilities, all in accordance under Section X of the Metropolitan Agreement.

(g) Indemnity. Local Agency shall immediately reimburse IEUA for any amounts expended for compliance with Section XI of the Metropolitan Agreement which are allocable or which in any way relate to the Local Agency Facilities.

(h) Insurance. Local Agency shall be responsible for providing and paying for all insurance with respect to the Local Agency Facilities required by Section XII of the Metropolitan Agreement.

Section 6. Representations, Warranties and Covenants. Local Agency represents, warrants and covenants as follows:

(a) Power and Authority The City of Chino Hills 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 a party or by which it is bound.

(b) Authorization; Valid Obligation. That all proceedings required to be taken by or on behalf of Local Agency 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.

(c) No Litigation. To the best of Local Agency's 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 Chino 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.

(d) Compliance with Laws. In the performance of its obligations hereunder, Local Agency and its contractors and subcontractors will comply with all applicable laws, regulations and ordinances, including, without limitation, those listed in Section IX of the Metropolitan Agreement.

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

(e) Compliance with DWR Requirements. The Plans will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter. During the performance of its obligations herein, Local Agency will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter.

(f) No Construction. That construction of the Local Agency Facilities and related work (including planning activities) did not commence prior to the Effective Date.

(g) Capacity. Local Agency and its contractors, subcontractors and its 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.

(h) Oversight and Supervision of Construction. Local Agency will oversee and supervise all contractors and keep control of all work and provisions of services and materials in connection with the Program.

(i) Main in Ownership of Program Property. Local Agency 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. Without the written consent of IEUA, which consent shall not unreasonably be withheld, IEUA shall have the burden of persuasion with respect to the unreasonableness of any proposed Local Agency action regarding the property. Local Agency shall use reasonable efforts to avoid material legal injury to third parties and to comply with lawful regulatory agency requirements in the construction and operation of MVWD Local Agency Facilities.

Section 7. Miscellaneous.

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

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

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

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

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

If to IEUA: Inland Empire Utilities Agency
6075 Kimball Ave, Bldg. A
Chino, California 91710
Attention: Treasurer

With a copy to: Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: Douglas Brown

If to Watermaster: Chino Basin Watermaster
8632 Archibald Avenue, Suite 109
Rancho Cucamonga, California 91730
Attention: Executive Director

If to Local Agency: City of Chino Hills
2001 Grand Avenue
Chino Hills, California 91709
Attention: General Manager

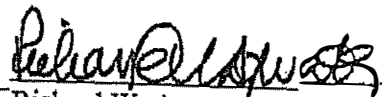
or to such other address as either party may from time to time specify in writing to the other party. Any notice shall be deemed delivered when actually delivered, if such delivery is in person, upon deposit with the U.S. Postal Service, if such delivery is by certified mail, upon deposit with the overnight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

(f) Merger of Prior Agreements. This Agreement and the Exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof.

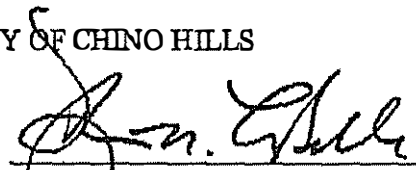
(g) Time of the Essence. Time is of the essence in the performance of this Agreement.

IN WITNESS WHEREOF, IEUA has executed this Agreement with the approval of its governing body, Watermaster has executed this Agreement with the approval of its governing body, and Local Agency has executed this Agreement in accordance with the authorization of its governing body.

INLAND EMPIRE UTILITIES AGENCY

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

CITY OF CHINO HILLS

By: 
Doug La Belle
City Manager

LOCAL AGENCY AGREEMENT

Dated as of July 31, 2003

By and Between

THREE VALLEYS MUNICIPAL WATER DISTRICT

And

THE CITY OF POMONA, CALIFORNIA

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EXHIBITS

Exhibit A City of Pomona - Local Agency Facilities..... A-1
Exhibit B City of Pomona - Performance Target.....B-1

LOCAL AGENCY AGREEMENT

This Agreement is entered into as of July 31, 2003, by and between Three Valleys Municipal Water District ("TVMWD"), a municipal water district duly organized and existing under the laws of the State of California, and the City of Pomona ("Local Agency"), a charter city of the State of California.

WITNESSETH:

WHEREAS, 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; and

WHEREAS, Metropolitan Water District of Southern California ("Metropolitan") was subsequently 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, DWR set forth the specific terms and conditions of the grant to Metropolitan; and

WHEREAS, 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, a Request for Proposals for Participation in Groundwater Storage Programs Using Proposition 13 Funds, RFP No. WRM-2 (the "RFP"); and

WHEREAS, 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 approved by Metropolitan's Board of Directors in 1996, and the Groundwater Storage Principles adopted in connection therewith by Metropolitan's Board of Directors in January 2000; and

WHEREAS, TVMWD has entered into a Groundwater Storage Project Funding Agreement (the "Metropolitan Agreement") with Metropolitan, Inland Empire Utilities Agency and Chino Basin Watermaster whereby, among other things, funding will be provided to finance the City of Pomona facilities listed on Exhibit A hereto (the "Local Agency Facilities") which are necessary to enhance a groundwater storage program in the Chino Basin; and

WHEREAS, TVMWD desires to pass through to the Local Agency funding received under the Metropolitan Agreement which are allocable to the Local Agency Facilities for use by the Local Agency to construct the Local Agency Facilities; and

WHEREAS, in exchange for such funding, the parties hereto intend that the Local Agency assume all obligations of TVMWD under the Metropolitan Agreement and all obligations relating to the Local Agency Facilities, whether such obligations are imposed by Metropolitan, DWR or another entity, such obligations including but not limited to the obligations recited in Sections III, IV, V, VII, X, XI and XII of the Metropolitan Agreement;

NOW THEREFORE, the parties hereto do agree as follows:

Section 1. Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings given in the Metropolitan Agreement.

Section 2. Effective Date; Termination Date. This Agreement shall become effective upon the Effective Date of the Metropolitan Agreement and shall terminate upon the termination of the Metropolitan Agreement.

Section 3. Funding of Local Agency Facilities. All amounts allocable to the Local Agency Facilities disbursed by Metropolitan under Section V of the Metropolitan Agreement shall be paid to Local Agency for construction of the Local Agency Facilities.

Section 4. Local Agency Duties Generally. Local Agency hereby accepts and agrees to perform all of TVMWD's duties under the Metropolitan Agreement relating to the Local Agency Facilities, it being the intention of TVMWD and Local Agency that Local Agency will be directly responsible for all aspects of constructing, operating and maintaining the Local Agency Facilities in accordance with the Metropolitan Agreement.

Section 5. Illustrative List of Local Agency Duties. Among the duties Local Agency shall perform are those set forth below in this Section. Such duties are merely illustrative of the duties Local Agency shall perform and do not limit Local Agency's responsibilities hereunder.

(a) Construction Duties. Local Agency shall perform all of TVMWD's duties with respect to the construction of the Local Agency Facilities which are set forth in the Metropolitan Agreement. Such duties include but are not limited to (i) obtaining the Required Approvals applicable to the Local Agency Facilities pursuant to Section III(C) of the Metropolitan Agreement, (ii) providing for the planning and preconstruction requirements of Section IV(A) of the Metropolitan Agreement which relate to the Local Agency Facilities, (iii) providing for the construction of the Local Agency Facilities in accordance with Section IV(B) of the Metropolitan Agreement, and (iv) completing construction of the Local Agency Facilities in

accordance with the timeline set forth in Section IV(B) of the Metropolitan Agreement including retaining and supervising qualified contractors.

(b) Cost Overruns. Local Agency agrees to pay for any cost overruns allocable to the Local Agency Facilities pursuant to Section V(B). In addition, Local Agency shall pay any amounts due to Metropolitan pursuant to Section V(B)(2) which is allocable to the Local Agency Facilities. Should bids for construction of the Local Agency Facilities exceed the Approved Budget by more than five percent (5%), TVMWD will review such cost increase with Local Agency to determine the appropriate way to proceed with the program and Local Agency may authorize use of Local Agency funds, to change the scope of the project, or to discontinue the project, all in accordance with Section V(B)(2) of the Metropolitan Agreement.

(c) Operation and Maintenance Duties. With respect to the Local Agency Facilities, Local Agency agrees to perform those certain duties listed in Section VI(B) of the Metropolitan Agreement, namely:

(i) Cause the Local Agency 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);

(ii) Provide for all repairs, renewals, and replacements necessary to the efficient operation of the Local Agency Facilities;

(iii) 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; and

(iv) 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 of the Metropolitan Agreement.

(d) Delivery of Metropolitan Water.

(i) Direct Replenishment (e.g. by injection or spreading) water delivered into the Chino Basin for the Metropolitan Storage Account shall be allocated as prescribed by the Chino Basin Watermaster's Storage and Recovery Policies.

(ii) In-lieu Replenishment water delivered to Local Agency shall be made only from TVMWD service connections receiving untreated water from Metropolitan. Local Agency shall be responsible to pay for the quantity of in-lieu water delivered assessed at the applicable surcharge on the treated water. Said surcharge in dollars per acre-foot shall be the difference between the rate adopted by TVMWD for non-interruptible treated water and the rate adopted by Metropolitan for non-interruptible untreated water at the time of delivery.

(e) Groundwater and Pumping Responsibilities. Local Agency acknowledges and agrees that Metropolitan has the right to demand the pumping of Metropolitan's stored water in

the Chino groundwater basin in the maximum amount indicated herein. Local Agency shall reduce its imported water and provide for the pumping of stored water upon Metropolitan's request of a Stored Water Delivery, all in accordance with Section VII(C) of the Metropolitan Agreement, and consistent with Exhibit B hereto; provided, that the maximum amount in any given year shall not exceed that percentage of the amount in Exhibit B that equals the percentage of payment to the Local Agency of the \$1,700,000. Local Agency shall be reimbursed by Metropolitan for operation and maintenance expenses incurred when pumping stored water upon Metropolitan's demand (including the operating and maintenance costs associated with the ion exchange facilities), all in accordance with Section VII(D) of the Metropolitan Agreement. Local Agency shall pay TVMWD for Stored Water Deliveries based upon TVMWD rates and charges adopted by its Board of Directors for the Metropolitan Dry Year Storage Program from time to time.

(f) Recordkeeping, Reporting, Inspection and Audit Duties. Local Agency shall perform all of TVMWD's recordkeeping, reporting, inspection and audit duties which relate to the Local Agency Facilities, all in accordance with Section X of the Metropolitan Agreement.

(g) Indemnity. Local Agency shall immediately reimburse TVMWD for any amounts expended for compliance with Section XI of the Metropolitan Agreement which are allocable or which in any way relate to the Local Agency Facilities.

(h) Insurance. Local Agency shall be responsible for providing and paying for all insurance with respect to the Local Agency Facilities required by Section XII of the Metropolitan Agreement.

Section 6. Representations, Warranties and Covenants. Local Agency represents, warrants and covenants as follows:

(a) Power and Authority. That Local Agency is a charter city, 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 a party or by which it is bound.

(b) Authorization; Valid Obligation. That all proceedings required to be taken by or on behalf of Local Agency 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.

(c) No Litigation. To the best of Local Agency's 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 Chino 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.

(d) Compliance with Laws. In the performance of its obligations hereunder, Local Agency and its contractors and subcontractors will comply with all applicable laws, regulations and ordinances, including, without limitation, those listed in Section IX of the Metropolitan Agreement.

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

(e) Compliance with DWR Requirements. The Plans will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter. During the performance of its obligations herein, Local Agency will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter.

(f) No Construction. That construction of the Local Agency Facilities and related work (including planning activities) did not commence prior to the Effective Date.

(g) Capacity. Local Agency and its contractors, subcontractors and its 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.

(h) Oversight and Supervision of Construction. Local Agency will oversee and supervise all contractors and keep control of all work and provisions of services and materials in connection with the Program.

(i) Maintain Ownership of Program Property. Local Agency 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 without the written consent of TVMWD, which consent shall not unreasonably be withheld. TVMWD shall have the burden of persuasion with respect to the unreasonableness of any proposed Local Agency action regarding the property. Local Agency shall use reasonable efforts to avoid material legal injury to third parties and to comply with lawful regulatory agency requirements in the construction and operation of Local Agency Facilities.

Section 7. Miscellaneous.

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

(b) Partial Invalidity. If any one or more of the covenants or agreements provided in this Agreement to be performed should be determined to be invalid or contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining

covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

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

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

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

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

If to Local Agency: City of Pomona
505 S. Garey Av.
Box 660
Pomona, CA 91769
Attention: Utilities Services Director


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

(f) Merger of Prior Agreements. This Agreement and the Exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof.

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

IN WITNESS WHEREOF, TVMWD has executed this Agreement with the approval of its governing body, and Local Agency has executed this Agreement in accordance with the authorization of its governing body.

THREE VALLEYS MUNICIPAL WATER
DISTRICT

By: 
Richard W. Hansen
General Manager/Chief Engineer

CITY OF POMONA

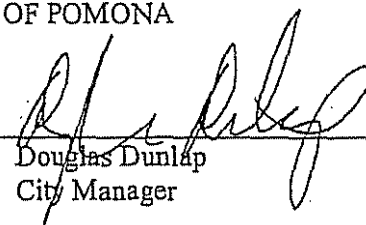
By: 
Douglas Dunlap
City Manager

EXHIBIT A

CITY OF POMONA

LOCAL AGENCY FACILITIES

The Anion Exchange Plant (AEP) has been in service since 1992 and has an existing treatment and blending capacity of 15 MGD. The AEP receives high nitrate groundwater from 12 or more extraction wells, all of which are located in the Chino Basin, Management Zone 1. The majority of the facility is housed under a prefabricated metal roof, with expanded metal sides to provide security.

This local project involves expansion of the AEP to increase treatment/blending capacity to approximately 17 to 18 MGD. The plant expansion will be completed within the confines of the existing site and will include, at a minimum, additional vessels, additional waste brine storage tanks, new salt storage tanks, and upsizing of the brine disposal pipeline.

EXHIBIT B

PERFORMANCE TARGETS

CITY OF POMONA

Dry Year Shift obligation of 2,000 AF over 12-month period

2,000 AF reduced demand on imported water
2,000 AF pumped from Metropolitan Water District storage account
2,000 AF increase in City of Pomona overall local supply production

All three criteria must be met plus or minus 10 percent

City of Pomona shall be responsible for any applicable Nonperformance Penalty assessed to TVMWD and resulting from the failure to meet the above-stated targets in accordance with Section XIII(B) of the Metropolitan Agreement.

LOCAL AGENCY AGREEMENT

This Agreement is entered into as of January 1, 2003, by and among the Inland Empire Utilities Agency ("IEUA"), a municipal water district duly organized and existing under the laws of the State of California, ~~Chino Basin Watermaster ("Watermaster"), a court-created entity existing under the laws of the State of California, and the Local Agency ("Local Agency"), a Municipality~~ duly organized and existing under the laws of the State of California

WITNESSETH:

WHEREAS, 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; and

WHEREAS, Metropolitan was subsequently 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, DWR set forth the specific terms and conditions of the grant to Metropolitan; and

WHEREAS, 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 for the Request for Proposals for Participation in Groundwater Storage Programs Using Proposition 13 Funds, RFP No. WRM-2 (the "RFP"); and

WHEREAS, 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 approved by Metropolitan's Board of Directors in 1996, and the Groundwater Storage Principles adopted in connection therewith by Metropolitan's Board of Directors in January 2000; and

WHEREAS, simultaneous with the execution of this Agreement, IEUA is entering into a Groundwater Storage Project Funding Agreement (the "Metropolitan Agreement") with Metropolitan, Three Valleys Municipal Water District and Chino Basin Watermaster whereby, among other things, funding will be provided to finance the facilities listed on Exhibit A hereto (the

"Local Agency Facilities") which are necessary to enhance a groundwater storage program in the Chino Basin; and

WHEREAS, IEUA desires to pass through to Local Agency any amounts received by IEUA under the Metropolitan Agreement which are allocable to the Local Agency Facilities for use by Local Agency to construct the Local Agency Facilities; and

WHEREAS, in exchange for such amounts, the parties hereto intend that Local Agency assume all obligations of IEUA under the Metropolitan Agreement and all obligations relating to the Local Agency Facilities, whether such obligations are imposed by Metropolitan, DWR, or another entity, such obligations including but not limited to the obligations recited in Sections III, IV, V, VII, X, XI and XII of the Metropolitan Agreement;

NOW THEREFORE, the parties hereto do agree as follows:

Section 1. Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings given in the Metropolitan Agreement.

Section 2. Effective Date; Terminate Date. This Agreement shall become effective upon the Effective Date of the Metropolitan Agreement and shall terminate upon the termination of the Metropolitan Agreement.

Section 3. Funding of Local Agency Facilities. All amounts allocable to the Local Agency Facilities disbursed to IEUA under Section V of the Metropolitan Agreement shall be paid to Local Agency for construction of the Local Agency Facilities.

Section 4. Local Agency Duties Generally. Local Agency hereby accepts and agrees to perform all of IEUA's duties under the Metropolitan Agreement relating to the Local Agency Facilities, it being the intention of IEUA and Local Agency that Local Agency will be directly responsible for all aspects of constructing, operating and maintaining the Local Agency Facilities in accordance with the Metropolitan Agreement.

Section 5. Illustrative List of Local Agency Duties. Among the duties Local Agency shall perform are those set forth below in this Section. Such duties are merely illustrative of the duties Local Agency shall perform and do not limit Local Agency's responsibilities hereunder.

(a) Construction Duties. Local Agency shall perform all of IEUA's duties with respect to the construction of the Local Agency Facilities which are set forth in the Metropolitan Agreement. Such duties include but are not limited to (i) obtaining the Required Approvals applicable to the Local Agency Facilities pursuant to Section III(C) of the Metropolitan Agreement, (ii) providing for the planning and preconstruction requirements of Section IV(A) of the Metropolitan Agreement which relate to the Local Agency Facilities, (iii) providing for the construction of the Local Agency Facilities in accordance with Section IV(B) of the Metropolitan Agreement, and (iv) completing construction of the Local Agency Facilities in accordance with the timeline set forth in Section IV(B) of the Metropolitan Agreement including retaining and supervising qualified contractors.

(b) Cost Overruns. Local Agency agrees to pay Δ for any cost overruns allocable to the Local Agency Facilities Δ pursuant to Section V(B). In addition, Local Agency shall pay Δ any amounts due to Metropolitan pursuant to Section V(B)(2) which are allocable to the Local Agency

Facilities. ^A 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 and Metropolitan and IEUA may mutually agree to a cost share, to change in scope of the project, or to discontinue the project, all in accordance with Section V(B)(2) of the Metropolitan Agreement.

(c) Operation and Maintenance Duties. With respect to the Local Agency Facilities, Local Agency agrees to perform those certain duties listed in Section IV(B) of the Metropolitan Agreement, namely:

(i) Cause the Local Agency 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);

(ii) Provide for all repairs, renewals, and replacements necessary to the efficient operation of the Local Agency Facilities;

(iii) 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;

(iv) Certify the amount of water in the Metropolitan Storage Account pursuant to the Operating Committee accounting; and

(v) 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 of the Metropolitan Agreement.

(d) Delivery of Metropolitan Water. Watermaster and IEUA will allocate Metropolitan water supplied by Metropolitan's Trust Storage Account (replenishment, injection or in lieu) through an annual operating plan to be approved by IEUA and Watermaster. To the extent that Local Agency is allocated Metropolitan in lieu water, rate and charges paid by the Local Agency for such in lieu deliveries shall be based upon IEUA rates and charges adopted its Board of Directors for the Metropolitan Dry Year Storage Program from time-to-time.

(e) Groundwater and Pumping Responsibilities. Local Agency acknowledges that Metropolitan has the right to demand the pumping of stored water in the Chino groundwater basin. Local Agency shall provide for the pumping of stored water (on a pro rata basis determined by IEUA on the basis of all applicable groundwater pumpers that have agreements with IEUA similar to this Agreement) upon Metropolitan's request of a Stored Water Delivery, all in accordance with Section VII(C) of the Metropolitan Agreement, and consistent with Exhibit B hereto. Local Agency shall be reimbursed by Metropolitan for operation and maintenance expenses incurred when pumping stored water upon Metropolitan's demand, all in accordance with Section IV(D) of the Metropolitan Agreement.

(f) Recordkeeping, Reporting, Inspection and Audit Duties. Local Agency shall perform all of IEUA's recordkeeping, reporting, inspection and audit duties which relate to the Local Agency Facilities, all in accordance under Section X of the Metropolitan Agreement.

△

(g) Indemnity. Local Agency shall immediately reimburse IEUA for any amounts expended for compliance with Section XI of the Metropolitan Agreement which are allocable or which in any way relate to the Local Agency Facilities.

△

(h) Insurance. Local Agency shall be responsible for providing and paying for all insurance with respect to the Local Agency Facilities required by Section XII of the Metropolitan Agreement.

Section 6. Representations, Warranties and Covenants. Local Agency represents, warrants and covenants as follows:

(a) Power and Authority. That it is a general law city, 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 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 a party or by which it is bound.

(b) Authorization; Valid Obligation. That all proceedings required to be taken by or on behalf of Local Agency 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.

(c) No Litigation. To the best of Local Agency's 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.

(d) Compliance with Laws. In the performance of its obligations hereunder, Local Agency and its contractors and subcontractors will comply with all applicable laws, regulations and ordinances, including, without limitation, those listed in Section XII of the Metropolitan Agreement.

Local Agency and its contractors and subcontractors will give written notice of its obligations under this clause to labor organizations with which they have a collective bargaining or other agreement. Local Agency and its contractors will include the nondiscrimination and

compliance provisions of this clause in all contracts and subcontracts let for the construction of the Local Agency Facilities.

(e) Compliance with DWR Requirements. [APPLICABLE TO CCWD ONLY] The Plans will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter. During the performance of its obligations herein, Local Agency will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter.

(f) No Construction. That construction of the Local Agency Facilities and related work (including planning activities) did not commence prior to the Effective Date.

(g) Capacity. Local Agency and its contractors, subcontractors and its 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.

(h) Oversight and Supervision of Construction. Local Agency will oversee and supervise all contractors and keep control of all work and provisions of services and materials in connection with the Program.

(i) Maintain Ownership of Program Property. Local Agency 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.

(j) Protection of Others' Rights. Local Agency 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 extractions of groundwater) to protect such rights.

~~Section 7. Watermaster Acknowledgment. Watermaster acknowledges that the groundwater storage program contemplated by the Metropolitan Agreement and this Agreement is intended to implement Program Element 8 of the Optimum Basin Management Program.~~

Section 8. Miscellaneous.

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

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

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

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

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

If to IEUA: Inland Empire Utilities Agency
9400 Cherry Avenue, Bldg. A
Fontana, California 92335
Attention: Treasurer

With a copy to: Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: Douglas Brown

If to Watermaster: Chino Basin Watermaster
8632 Archibald Avenue, Suite 109
Rancho Cucamonga, California 91730
Attention: _____

If to Local Agency: [Local Agency]
City of Upland
460 N. Euclid
Upland, CA 91786
Attention: Rob Turner

With a copy to: City Attorney
P.O. Box 460
Upland, CA 91785

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

(f) Merger of Prior Agreements. This Agreement and the exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof.

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

IN WITNESS WHEREOF, IEUA has executed this Agreement with the approval of its governing body, Watermaster has executed this Agreement with the approval of its governing body, and Local Agency has executed this Agreement in accordance with the authorization of its governing body.

INLAND EMPIRE UTILITIES AGENCY

By: Richard A. Swartz
President General Manager

~~CHINO BASIN WATERMASTER~~

~~By: _____~~

[LOCAL AGENCY]

By: John V. Pomeroy
Mayor

ATTEST: Stephanie O'Reilly
CITY CLERK

APPROVED AS TO FORM

By: William P. Curly for
JAMES MARKMAN, CITY ATTORNEY
DATE: 4.28.03

EXHIBIT A
LOCAL AGENCY FACILITIES

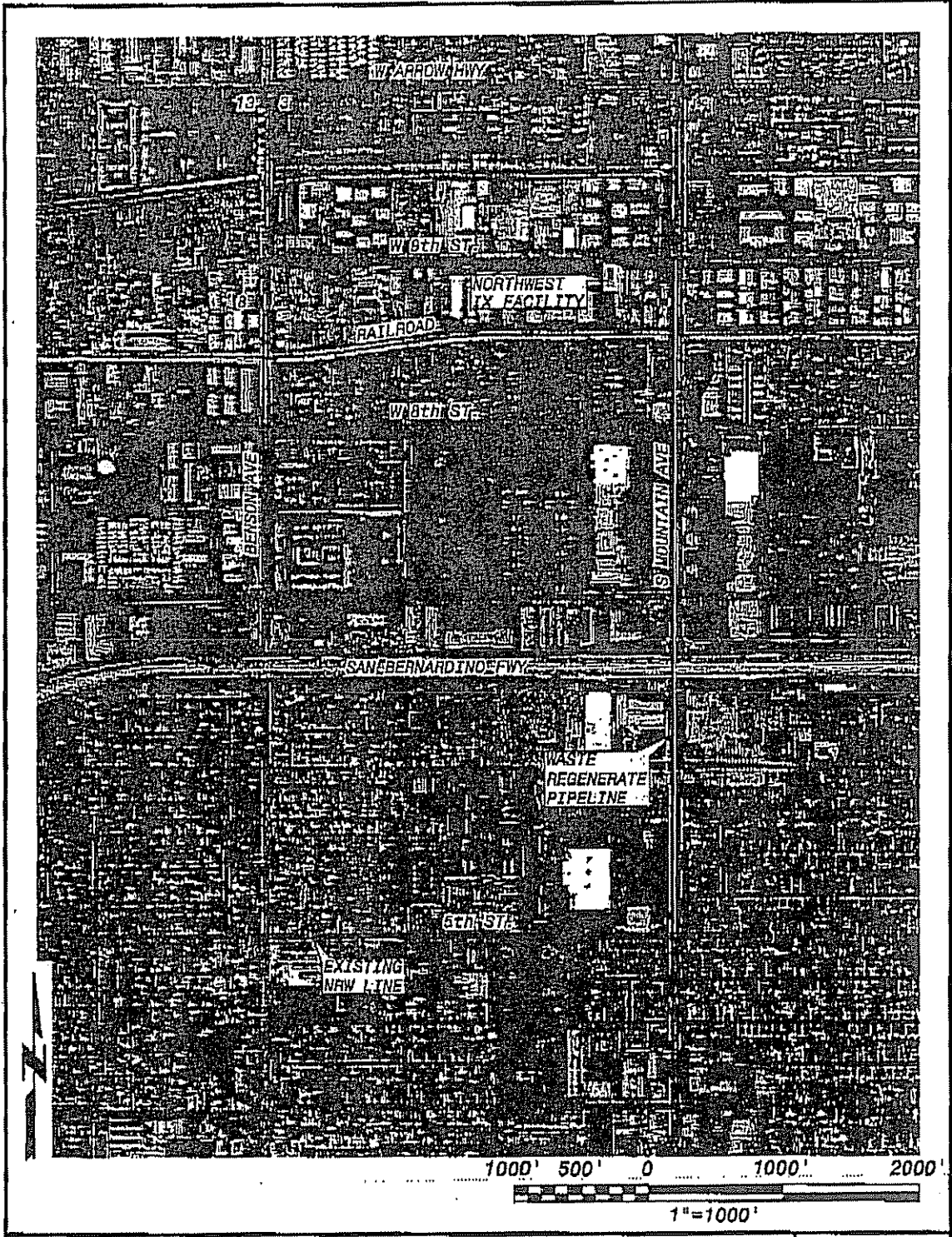
City of Upland - Northwest A IX Facility

The City of Upland has requested a single groundwater treatment facility called the Northwest A IX Facility. The location for this facility is on the south side of Ninth Street, west of Mountain Avenue, in the City of Upland. This site contains an existing reservoir, three offsite wells (Upland Well Nos. 3, 8, & 13) with dedicated pipelines to the reservoir, a pump station which delivers water to the 15th Street Reservoir, and sufficient available land for a new treatment facility.

The Northwest A IX Facility would treat water from the three offsite wells, which have an average nitrate concentration of 82 mg/L as nitrate. The IX facility will have a capacity of approximately 1,500 gpm. Treated water would be delivered to the reservoir, a 16-inch diameter distribution pipeline along Ninth Avenue, or to the pump station. Waste regenerate would be conveyed to the NRW line along Mountain Avenue by a 5,500-foot long, 6-inch diameter pipeline. Table X-X presents the locations of the major facilities associated with the Upland Northwest A IX Facility.

**Table X-X
City of Upland Northwest A IX Facility Locations**

Facility Component	Location
Northwest A IX Facility	1258 West 9 th Street
Raw Water Supply Wells	
Well No. 3	300 North Benson Avenue
Well No. 8	149 North Benson Avenue
Well No. 13	1636 West Arrow Hwy




 BLACK & VEATCH Corporation PROJECT 131314	CITY OF UPLAND NORTHWEST ION EXCHANGE FACILITY	FIGURE NO. 2-1
LOCATION MAP		

EXHIBIT B

PERFORMANCE TARGETS

CITY OF UPLAND

Drv Year Shift obligation of 3,001 AF over 12-month period

3,001 AF reduced imported water reduction

3,001 AF pumped from MWD storage account

**3,001 AF increase in City of Upland overall local supply
production**

all three criteria must be met plus or minus 10 percent

**Failure to perform would result in City of Upland being charged
a rate equal to two times the Tier 2 rates in such effect at such
time for each AF of the Drv Year Shift obligation not met**

**The funding amount for the City of Upland facilities described in
Exhibit A is \$2,776,064.**

COPY

LOCAL AGENCY AGREEMENT

Dated as of April 15, 2003

By and Among

INLAND EMPIRE UTILITIES AGENCY,

And

THE CITY OF ONTARIO

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EXHIBITS

Exhibit A City of Ontario - Local Agency FacilitiesA-1

Exhibit B City of Ontario - Performance TargetB-1

LOCAL AGENCY AGREEMENT

This Agreement is entered into as of April 15th, 2003, by and among the Inland Empire Utilities Agency ("IEUA"), a municipal water district duly organized and existing under the laws of the State of California, and the City of Ontario, ("Local Agency"), a general law city, duly organized and validly existing under the laws of the State of California.

WITNESSETH:

WHEREAS, 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; and

WHEREAS, Metropolitan was subsequently 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, DWR set forth the specific terms and conditions of the grant to Metropolitan; and

WHEREAS, 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, a Request for Proposals for Participation in Groundwater Storage Programs Using Proposition 13 Funds, RFP No. WRM-2 (the "RFP"); and

WHEREAS, 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 approved by Metropolitan's Board of Directors in 1996, and the Groundwater Storage Principles adopted in connection therewith by Metropolitan's Board of Directors in January 2000; and

WHEREAS, IEUA has entered into a Groundwater Storage Project Funding Agreement (the "Metropolitan Agreement") with Metropolitan, Three Valleys Municipal Water District and Chino Basin Watermaster whereby, among other things, funding will be provided to finance the City of Ontario's facilities listed on Exhibit A hereto (the "Local Agency Facilities") which are necessary to enhance a groundwater storage program in the Chino Basin; and

WHEREAS, IEUA desires to pass through to the Local Agency funding received by IEUA under the Metropolitan Agreement which are allocable to the Local Agency Facilities for use by the Local Agency to construct the Local Agency Facilities; and

WHEREAS, in exchange for such funding, the parties hereto intend that the Local Agency assume all obligations of IEUA under the Metropolitan Agreement and all obligations relating to the Local Agency Facilities, whether such obligations are imposed by Metropolitan, DWR, or another entity, such obligations including but not limited to the obligations recited in Sections III, IV, V, VII, X, XI and XII of the Metropolitan Agreement;

NOW THEREFORE, the parties hereto do agree as follows:

Section 1. Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings given in the Metropolitan Agreement.

Section 2. Effective Date; Termination Date. This Agreement shall become effective upon the Effective Date of the Metropolitan Agreement and shall terminate 25 years following the effective date.

Section 3. IEUA Duties. In exchange for the Local Agency duties and obligations established under the provisions of this Agreement, IEUA shall reimburse the Local Agency an amount equal to \$5,674,168 for project related expenditures associated with the construction of one or more of the Local Agency Facilities listed on Exhibit A. IEUA acknowledges and agrees that the Local Agency Facilities shall be comprised of one or more of the facilities listed in Exhibit A. Payment by IEUA to the Local Agency shall be in accordance with the provisions of the Metropolitan Agreement.

Section 4. Local Agency Duties Generally. Local Agency hereby accepts and agrees to perform all of IEUA's duties under the Metropolitan Agreement relating to the Local Agency Facilities, it being the intention of IEUA and Local Agency that Local Agency will be directly responsible for all aspects of constructing, operating and maintaining the Local Agency Facilities in accordance with the Metropolitan Agreement. Local Agency shall only be required to increase its overall local groundwater production capacity in an amount equal to that percentage of 8.076 acre feet that equals the percentage of IEUA payment to the Local Agency of the \$5,674,168.

Section 5. Illustrative List of Local Agency Duties. Among the duties Local Agency shall perform are those set forth below in this Section. Such duties are merely illustrative of the duties Local Agency shall perform and do not limit Local Agency's responsibilities hereunder.

(a) Construction Duties. Local Agency shall perform all of IEUA's duties with respect to the construction of the Local Agency Facilities which are set forth in the Metropolitan Agreement. Such duties include but are not limited to (i) obtaining the Required Approvals applicable to the Local Agency Facilities pursuant to Section III(C) of the Metropolitan Agreement, (ii) providing for the planning and preconstruction requirements of Section IV(A) of the Metropolitan Agreement which relate to the Local Agency Facilities, (iii) providing for the construction of the Local Agency Facilities in accordance with Section IV(B) of the Metropolitan Agreement, and (iv) completing construction of the Local Agency Facilities in accordance with the timeline set forth in Section IV(B) of the Metropolitan Agreement including retaining and supervising qualified contractors.

(b) Cost Overruns. Local Agency agrees to pay for any cost overruns allocable to the Local Agency Facilities pursuant to Section V(B). In addition, Local Agency shall pay any amounts due to Metropolitan pursuant to Section V(B)(2) which is allocable to the Local Agency Facilities. Should bids for construction of the Local Agency Facilities exceed the Approved Budget by more than five percent (5%), IEUA will review such cost increase with the Local Agency to determine the appropriate way to proceed with the program and the Local Agency may authorize a cost share, to change the scope of the project, or to discontinue the project, all in accordance with Section V(B)(2) of the Metropolitan Agreement.

(c) Operation and Maintenance Duties. With respect to the Local Agency Facilities, Local Agency agrees to perform those certain duties listed in the Metropolitan Agreement, namely:

(i) Cause the Local Agency 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);

(ii) Provide for all repairs, renewals, and replacements necessary to the efficient operation of the Local Agency Facilities;

(iii) 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; and

(iv) 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 of the Metropolitan Agreement.

(d) Delivery of Metropolitan Water. Watermaster and IEUA will allocate Metropolitan water supplied by Metropolitan's Storage Account (replenishment, injection or in lieu) through an annual operating plan to be approved by IEUA and Watermaster. To the extent that Local Agency is allocated Metropolitan in lieu water, rate and charges paid by the Local Agency for such in lieu deliveries shall be based upon IEUA rates and charges adopted its Board of Directors for the Metropolitan Dry Year Storage Program from time-to-time.

(e) Groundwater and Pumping Responsibilities. Local Agency acknowledges and agrees that Metropolitan has the right to demand the pumping of stored water in the Chino groundwater basin in the maximum amount indicated herein. Local Agency shall reduce its imported water and provide for the pumping of stored water upon Metropolitan's request of a Stored Water Delivery, all in accordance with Section VII(C) of the Metropolitan Agreement, and consistent with Exhibit B hereto; provided, that the maximum amount in any given year shall not exceed that percentage of the amount in Exhibit B that equals the percentage of IEUA payment to the Local Agency of the \$5,674,168. Local Agency shall be reimbursed by Metropolitan for operation and maintenance expenses incurred when pumping stored water upon Metropolitan's demand, all in accordance with Section VII(D) of the Metropolitan Agreement.

(f) Recordkeeping, Reporting, Inspection and Audit Duties. Local Agency shall perform all of IEUA's recordkeeping, reporting, inspection and audit duties which relate to the Local Agency Facilities, all in accordance under Section X of the Metropolitan Agreement.

(g) Indemnity. Local Agency shall immediately reimburse IEUA for any amounts expended for compliance with Section XI of the Metropolitan Agreement which are allocable or which in any way relate to the Local Agency Facilities.

(h) Insurance. Local Agency shall be responsible for providing and paying for all insurance with respect to the Local Agency Facilities required by Section XII of the Metropolitan Agreement.

Section 6. Representations, Warranties and Covenants. Local Agency represents, warrants and covenants as follows:

(a) Power and Authority. That it is a general law city, 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 a party or by which it is bound.

(b) Authorization; Valid Obligation. That all proceedings required to be taken by or on behalf of Local Agency 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.

(c) No Litigation. To the best of Local Agency's 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 Chino 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.

(d) Compliance with Laws. In the performance of its obligations hereunder, Local Agency and its contractors and subcontractors will comply with all applicable laws, regulations and ordinances, including, without limitation, those listed in Section IX of the Metropolitan Agreement.

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

(e) Compliance with DWR Requirements. The Plans will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter. During the performance of its obligations herein, Local Agency will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter.

(f) No Construction. That construction of the Local Agency Facilities and related work (including planning activities) did not commence prior to the Effective Date.

(g) Capacity. Local Agency and its contractors, subcontractors and its 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.

(h) Oversight and Supervision of Construction. Local Agency will oversee and supervise all contractors and keep control of all work and provisions of services and materials in connection with the Program.

(i) Maintain Ownership of Program Property. Local Agency 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 without the written consent of IEUA, which consent shall not unreasonably be withheld. IEUA shall have the burden of persuasion with respect to the unreasonableness of any proposed Local Agency action regarding the property. Local Agency shall use reasonable efforts to avoid material legal injury to third parties and to comply with lawful regulatory agency requirements in the construction and operation of Local Agency Facilities.

Section 7. Miscellaneous.

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

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

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

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

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

If to IEUA: Inland Empire Utilities Agency
9400 Cherry Avenue, Bldg. A
Fontana, California 92335
Attention: Treasurer

With a copy to: Stradling Yocca Carlson & Rauth
 660 Newport Center Drive, Suite 1600
 Newport Beach, California 92660
 Attention: Douglas Brown

If to Watermaster: Chino Basin Watermaster
 8632 Archibald Avenue, Suite 109
 Rancho Cucamonga, California 91730
 Attention: _____

If to Local Agency: City Of Ontario
 303 B Street
 Ontario, California 91763
 Attention: Gregory Devereaux, City Manager

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

(f) Merger of Prior Agreements. This Agreement and the Exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof.

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

IN WITNESS WHEREOF, IEUA has executed this Agreement with the approval of its governing body, Watermaster has executed this Agreement with the approval of its governing body, and Local Agency has executed this Agreement in accordance with the authorization of its governing body.

INLAND EMPIRE UTILITIES AGENCY

By: *Richard A. Waters*
 President

CITY OF ONTARIO

By: *Gregory C. Devereaux*
 Gregory C. Devereaux
 City Manager

EXHIBIT A

CITY OF ONTARIO

LOCAL AGENCY FACILITIES

1. Ion-Exchange Facility located at John Galvin Park, south side of Forth Street between Cucamonga Avenue and Grove Avenue.
2. Three Aquifer Storage and Recovery Wells located at three of the five following locations:
 - 2.1 North side of Concours Avenue, west of Milliken Avenue.
 - 2.2 Southeast corner of Grove Avenue and 7th Street.
 - 2.3 Memorial Grove Park near the intersection of Grove Avenue and "G" Street.
 - 2.4 Northeast corner of Jurupa Street and Dupont Street.
 - 2.5 Northeast corner of Belmont Street and Grove Avenue.

EXHIBIT B

PERFORMANCE TARGETS

CITY OF ONTARIO

Dry Year Shift obligation of 8,076 AF over 12-month period

- 8,076 AF reduced imported water reduction
 - 8,076 AF pumped from Metropolitan Water District storage account
 - 8,076 AF increase in City of Ontario's overall local supply production
- all three criteria must be met plus or minus 10 percent

Failure to perform would result in City of Ontario being charged a rate equal to two times the Metropolitan Tier 2 rates in effect at such time for each acre-foot of the Dry Year Shift obligation not met.

LOCAL AGENCY AGREEMENT

Dated as of January 12, 2004

By and Among

INLAND EMPIRE UTILITIES AGENCY,

And

THE CITY OF ONTARIO AND JURUPA COMMUNITY SERVICES DISTRICT

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EXHIBITS

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LOCAL AGENCY AGREEMENT

This Agreement is entered into as of January ____, 2004, by and among the Inland Empire Utilities Agency ("IEUA"), a municipal water district duly organized and existing under the laws of the State of California, and the City of Ontario and Jurupa Community Services District (the latter two collectively the "Local Agencies"), a General Law City, and a Community Services District, respectively, both of which are duly organized and existing under the laws of the State of California.

WITNESSETH:

WHEREAS, 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 Sub account; and,

WHEREAS, Metropolitan was subsequently 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, DWR set forth the specific terms and conditions of the grant to Metropolitan; and,

WHEREAS, 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, a Request for Proposals for Participation in Groundwater Storage Programs Using Proposition 13 Funds, RFP No. WRM-2 (the "RFP"); and,

WHEREAS, 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 approved by Metropolitan's Board of Directors in 1996, and the Groundwater Storage Principles

adopted in connection therewith by Metropolitan's Board of Directors in January 2000;
and,

WHEREAS, IEUA has entered into a Groundwater Storage Project Funding Agreement (the "Metropolitan Agreement") with Metropolitan, Three Valleys Municipal Water District and Chino Basin Watermaster whereby, among other things, funding will be provided to finance the facilities listed on Exhibit "A" hereto (the "Local Agency Facilities") which are necessary to enhance a groundwater storage program in the Chino Basin; and,

WHEREAS, IEUA desires to pass through to the Local Agencies any amounts received by IEUA under the Metropolitan Agreement which are allocable to the Local Agency Facilities for use by the Local Agencies to construct the Local Agency Facilities;
and

WHEREAS, in exchange for such amounts, the Parties hereto intend that the Local Agencies assume the obligations specified herein of IEUA under the Metropolitan Agreement and all obligations relating to the Local Agency Facilities, whether such obligations are imposed by Metropolitan, DWR or another entity;

NOW THEREFORE, the Parties hereto do agree as follows:

Section 1. Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings given in the Metropolitan Agreement.

Section 2. Effective Date; Termination Date. This Agreement shall become effective upon the Effective Date of the Metropolitan Agreement and shall terminate upon the termination of the Metropolitan Agreement.

Section 3. Funding of Local Agency Facilities. All amounts allocable to the Local Agency Facilities disbursed to IEUA under Section V of the Metropolitan Agreement shall be paid to the Local Agencies for construction of the Local Agency Facilities.

Section 4. IEUA Duties. As between IEUA and the Local Agencies, IEUA shall have the following duties included in the Metropolitan Agreement relating to the Local Agency Facilities:

- (a) CEQA. To the extent IEUA determines the Local Agency Facilities listed in Exhibit "A" hereto are not adequately addressed in IEUA's Final Program Environmental Impact Report for the Chino Basin Watermaster Optimum Basin Management Program certified by IEUA on July 12, 2000, or Finding of Consistency (Addendum) certified by IEUA on December 18, 2002, IEUA shall undertake additional environmental review pursuant to the California Environmental Quality Act (CEQA) and prepare, adopt and certify a

- Finding of Consistency or other document(s) as appropriate under CEQA.
- (b) Permits and Approvals. IEUA shall be responsible for delivering to Metropolitan the Required Approvals specified in Section III.C. of the Metropolitan Agreement following coordination with and understandings between IEUA and the Local Agencies with respect to any Required Approvals which will be secured by the Local Agencies in connection with the construction and operation of the Local Agency Facilities.
 - (c) No Litigation. IEUA shall be responsible for the no litigation certification to Metropolitan described in Section III.D. of the Metropolitan Agreement.

Section 5. Local Agencies Duties. As between IEUA and the Local Agencies, the Local Agencies shall have the following duties included in the Metropolitan Agreement relating to the Local Facilities.

- (a) Program Planning. The Local Agencies shall provide to IEUA the Plans, Schedule and Budget as provided for in, and consistent with, Section IV.A.3 of the Metropolitan Agreement for the Local Agency Facilities listed in Exhibit "A" hereto within a sufficient amount of time to enable IEUA to deliver these items to Metropolitan by September 1, 2004. In the event of disapproval of these items by Metropolitan or DWR (Section IV.A.4.c. of the Metropolitan Agreement), the Local Agencies and IEUA shall agree upon the correction of any deficiencies prior to IEUA meeting with Metropolitan. The Local Agencies shall have responsibility for the items specified in Section IV.A.3.d. & e. of the Metropolitan Agreement.
- (b) Construction. The Local Agencies shall perform all of IEUA's duties included in Section IV.B. of the Metropolitan Agreement with respect to the construction of the Local Agency Facilities listed in Exhibit "A" hereto. The Local Agencies may let contracts for the Local Agency Facilities through addendum or change order consistent with their and IEUA's enabling authorities.
- (c) Project Construction Funding. The Local Agencies agree to pay for any cost overruns (Section V.B. of the Metropolitan Agreement) allocable to the Local Agency Facilities listed in Exhibit "A" hereto subject to prior consultation with IEUA and approval by the Local Agencies. The Local Agencies shall provide IEUA with the information and certifications necessary for IEUA to submit an invoice pursuant to Section V.C. of the Metropolitan Agreement.
- (d) Operation and Maintenance of Local Agency Facilities. With respect to the Local Agency Facilities listed in Exhibit "A" hereto, the Local Agencies shall be responsible for performing the duties set forth in Section VI.B. of the Metropolitan Agreement.

- (e) Delivery of Metropolitan Water. Watermaster and IEUA will allocate Metropolitan water supplied by Metropolitan's Storage Account (replenishment, injection or in lieu) through an annual operating plan to be approved by IEUA and Watermaster. To the extent the Local Agencies are allocated Metropolitan in lieu water, rate and charges paid by the Local Agencies for such in lieu deliveries shall be based upon IEUA rates and charges adopted its Board of Directors for the Metropolitan Dry Year Storage Program from time-to-time.
- (f) Groundwater and Pumping Responsibilities. The Local Agencies acknowledge that Metropolitan has the right to demand the pumping of stored water in the Chino groundwater basin. The Local Agencies shall provide for the pumping of stored water (on a pro rata basis determined by IEUA on the basis of all applicable groundwater pumpers that have agreements with IEUA similar to this Agreement) upon Metropolitan's request of a Stored Water Delivery, all in accordance with Section VII(C) of the Metropolitan Agreement, and consistent with Exhibit "B" hereto. The Local Agencies shall be reimbursed by Metropolitan for operation and maintenance expenses incurred when pumping stored water upon Metropolitan's demand, all in accordance with Section VII(D) of the Metropolitan Agreement.
- (g) Record Keeping, Reporting, Inspection and Audit Duties. The Local Agencies shall perform all of IEUA's record keeping, reporting, inspection and audit duties, which relate to the Local Agency Facilities, all in accordance under Section X of the Metropolitan Agreement.
- (h) Indemnity. The Local Agencies shall immediately reimburse IEUA for any amounts expended for compliance with Section XI of the Metropolitan Agreement which are allocable or which in any way relate to the Local Agency Facilities to the extent such indemnification is directly related to the Local Agencies' duties expressly specified in this Agreement.
- (i) Insurance. The Local Agencies shall be responsible for providing and paying for all insurance with respect to the Local Agency Facilities required by Section XII of the Metropolitan Agreement.

Section 6. Representations, Warranties and Covenants. The Local Agencies represent, warrant and covenant as follows:

- (a) Power and Authority. That the City of Ontario is a general law city and Jurupa Community Services District is a Community Services District, duly organized and validly existing under the laws of the State of California; that they have all necessary power and authority to enter into this Agreement and to perform their obligations hereunder on the terms set forth in this Agreement, and that the

execution and delivery hereof by them and the performance of their obligations hereunder will not violate or constitute an event of default under the terms or provisions of any agreement, document or instrument to which they are a party or by which they are a party or by which they are bound.

- (b) Authorization; Valid Obligation. That all proceedings required to be taken by or on behalf of the Local Agencies to authorize them to make, deliver and carry out the terms of this Agreement have been duly and properly taken, and that this Agreement is their 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.
- (c) No Litigation. To the best of the Local Agencies' knowledge, there is no litigation, proceeding or investigation pending or threatened, to which they are 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 their ability to perform their obligations under this Agreement, or which raises a question as to the validity of this Agreement, or any action to be taken hereunder.
- (d) Compliance with Laws. In the performance of their obligations hereunder, the Local Agencies and their contractors and subcontractors will comply with all applicable laws, regulations and ordinances, including, without limitation, those listed in Section IX of the Metropolitan Agreement.
The Local Agencies and their 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. The Local Agencies and their contractors will include the nondiscrimination and compliance provisions of this clause in all contracts and subcontracts let for the construction of the Local Agency Facilities.
- (e) No Construction. Construction of the Local Agency Facilities and related work (including planning activities), for purposes of Prop. 13 Funds eligibility, did not commence prior to the Effective Date.
- (f) Capacity. The Local Agencies and their 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.
- (g) Oversight and Supervision of Construction. The Local Agencies will oversee and supervise all contractors and keep control of all work and provisions of services and materials in connection with the Program.

- (h) Maintain Ownership of Program Property. The Local Agencies 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.

Section 7. Miscellaneous.

- (a) Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed a part of this Agreement.
- (b) Partial Invalidity. If any one or more of the covenants or agreements provided in this Agreement to be performed should be determined to be invalid or contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.
- (c) Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.
- (d) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.
- (e) Notices. Any notices required or permitted to be given hereunder shall be given in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, (c) by Federal Express or another reputable commercial overnight courier that guarantees next day delivery and provides a receipt, or (d) by telefacsimile or telecopy, and such notices shall be addressed as follows:

If to IEUA: Inland Empire Utilities Agency
9400 Cherry Avenue, Bldg. A
Fontana, California 92335
Attention: Treasurer

With a copy to: Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: Douglas Brown

If to Watermaster: Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, California 91730
Attention: John Rossi

If to Local Agency: Jurupa Community Services District
11201 Harrel Street
Mira Loma, California 91752
Attention: Carole A. McGreevy

With a copy to: John J. Schatz, Esq.
P.O. Box 7775
Laguna Niguel, California 92607

If to Local Agency: City of Ontario

Attention: _____

With a copy to: _____

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

(f) Merger of Prior Agreements. This Agreement and the exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof.

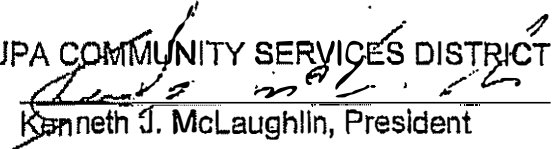
(g) Time of the Essence. Time is of the essence in the performance of this Agreement.

IN WITNESS WHEREOF, IEUA has executed this Agreement with the approval of its governing body, Watermaster has executed this Agreement with the approval of its governing body, and Local Agency has executed this Agreement in accordance with the authorization of its governing body.

INLAND EMPIRE UTILITIES AGENCY

By: _____
President

JURUPA COMMUNITY SERVICES DISTRICT

By: 
Kenneth J. McLaughlin, President

CITY OF ONTARIO

By: _____

EXHIBIT A

LOCAL AGENCY FACILITIES

City Of Ontario

Central Ion Exchange Nitrate Removal Facility at Cucamonga Avenue between Fourth Street and I Street.

5 Wells at Concoors & Milliken Ave; 1335 Holt Blvd, G Street & Dupont Ave; Jurupa Street & Dupont Ave.

Jurupa Community Services District

Roger D. Teagarden Ion Exchange Water Treatment Facility, 4150 Etiwanda Avenue, Mira Loma.

EXHIBIT B

PERFORMANCE TARGETS

Jurupa Community Services District:

Dry Year Shift obligation of 2,000 AF over 12-month period

2,000 AF reduced imported water reduction

2,000 AF pumped from MWD storage account

2,000 AF increase in MVWD overall local supply production

all three criteria must be met plus or minus 10 percent

Failure to perform would result in JCSD being charged a rate equal to two times the Tier 2 rates in effect at such time for each AF of the Dry Year Shift obligation not met

200.admin.final.localagency.dyy

COPY

**AGREEMENT BY AND BETWEEN THE CITY OF ONTARIO AND JURUPA
COMMUNITY SERVICES DISTRICT FOR INTERAGENCY WATER STORAGE,
TRANSMISSION AND DISTRIBUTION FACILITIES IN CONJUNCTION WITH
INTERIM WATER SERVICE TO THE CITY OF ONTARIO'S NEW MODEL COLONY
AND IMPLEMENTATION OF JURUPA COMMUNITY SERVICES DISTRICT'S
DRY-YEAR YIELD GROUNDWATER STORAGE PROJECT**

The Effective Date shall be the last Party to execute this Agreement which is entered into by and between the City of Ontario (**Ontario**), a General Law City, and Jurupa Community Services District (**JCSD**), a Community Services District, collectively or individually sometimes referred to hereafter as the "**Parties**" or "**Party**", respectively.

RECITALS

A. The Metropolitan Water District of Southern California (**MWD**), Inland Empire Utilities Agency (**IEUA**), Three Valleys Municipal Water District and Chino Basin Watermaster are parties to Agreement No. 49960 entitled Groundwater Storage Program Funding Agreement (the "**Storage Program**") entered into on _____, 2003, the purpose of which is to enable MWD to deliver and store imported water supplies in the Chino Basin and cause such stored water to be produced by participants in the Storage Program designated in the referenced Agreement as Operating Parties.

B. Ontario and JCSD are participating in the Storage Program as Operating Parties pursuant to a November ____, 2003 Local Agency Agreement with IEUA, which sets forth the respective rights and duties of the Parties and IEUA.

C. This Agreement sets forth certain understandings necessary to facilitate and enable the Parties' participation in the Storage Program in accordance with the Local Agency Agreement.

D. This Agreement also addresses the intent of the Parties with respect to construction and operation of water storage, transmission and/or distribution facilities to provide interim water service from JCSD to future development in Ontario's New Model Colony (NMC), and other mutually beneficial operational programs in anticipation of the potential expansion of the Storage Program and/or other cooperative arrangements that may operate independently of the Storage Program.

E. Delivery of water from JCSD to Ontario will be the interim primary water supply for Ontario's New Model Colony (NMC) during the initial stages of development. An evaluation of the JCSD system to provide this service was completed by Albert Webb Associates in November of 2003 (Webb Report). The Webb Report identified JCSD's system capabilities and infrastructure needs to provide such service.

F. Delivery of product water from the Chino Desalter Authority (CDA) facilities to Ontario via JCSD's existing water system has been established by an existing agreement between the CDA and the Parties. This Agreement sets forth certain understandings necessary to facilitate and enable the Parties to expand the CDA facilities and construct new facilities to satisfy the needs identified by the Webb Report for purposes of enabling the delivery of water between the Parties.

G. The term "interim" used herein shall refer to the period of time prior to the completion and successful operation of the East Francis Street Reservoir (permanent storage facility for the NMC) and related master-planned transmission facilities needed to convey water from that Reservoir to the NMC.

NOW, THEREFORE, in consideration of the foregoing Recitals and following provisions, the Parties agree as follows:

Section 1. Facility Descriptions. The Parties agree to expand existing facilities or construct new facilities as follows:

A. Point of Connection No. 1 (POC 1; Exhibit 1). POC 1 is a proposed CDA facility located near the intersection of Philadelphia Street and Milliken Avenue that allows for delivery of CDA water from JCSD's 1110-ft zone to Ontario. Ontario and JCSD will coordinate with CDA to provide necessary modifications to POC 1 to allow for water delivery from Ontario's 1212-ft zone to JCSD's 1110-ft zone.

B. Point of Connection No. 2 (POC 2; Exhibit 2). POC 2 will allow for the delivery of water from JCSD's 1110-ft zone to Ontario's NMC (925-ft zone). The anticipated location is near the intersection of Milliken Avenue and Riverside Drive. Improvements to JCSD's system along Galena Avenue specified in Section 1.D., herein, will allow for the connection to be located as far south on Milliken Avenue as Galena Avenue. Ontario shall be responsible for the construction of POC 2.

C. Point of Connection No. 3 (POC 3; Exhibit 3). POC 3 is a proposed CDA facility located near the intersection of Archibald Avenue and the Riverside/San Bernardino County line. The proposed CDA facilities include a booster station and 12-inch diameter pipeline along Archibald Avenue to deliver water from JCSD's 870-ft zone to Ontario's 1010-ft zone. JCSD will coordinate with CDA to provide necessary modifications to POC 3 to allow for water delivery from Ontario's 925-ft zone to JCSD's 870-ft zone.

D. Galena Avenue Improvements (Exhibit 4). There are several segments of pipeline in JCSD's 1110-ft zone (Identified in the Webb Report) along Galena Avenue that need to be constructed in order to loop the distribution system to increase the delivery capacity to Ontario and allow for POC 2 to be constructed south of Riverside Drive (collectively referred to as the "Galena Avenue Improvements"). The alignment may need to be modified to avoid delays with the timing of a CALTRANS project. Ontario shall be responsible for costs associated with these alignment changes. JCSD

shall be responsible for the construction of these facilities which will be financed through JCSD's Mello-Roos Community Facilities District No. 1.

E. Archibald Avenue and Chino 2 Desalter Pipelines Upsize (Exhibit 5). The Parties desire to increase the pipeline diameter of Ontario's future 925-ft zone pipeline from POC 3 north on Archibald Avenue to the future 24-inch pipeline planned for either Eucalyptus Avenue or Edison Avenue and the delivery capacity of the Chino 2 Desalter product line from 12 to 24 inches, to be connected to the future Archibald Avenue pipeline, to enable the exchange/delivery of water to either Party. Each Party shall bear the cost of increasing the delivery capacity for the portion of the pipelines located within each Party's respective boundary.

F. JCSD Reservoir: JCSD shall construct an 1110-ft. zone six (6) million gallon potable water storage reservoir (the New 1110 Reservoir) at the site of its other existing 1110-ft. reservoir. Ontario shall purchase three (3) million gallons of storage capacity in the New 1110 Reservoir on the basis of the New 1110 Reservoir project cost, not to include the cost of land, for purposes of providing fire flow and operational storage necessary for delivery of water to the NMC.

G. The Parties shall coordinate work activities to provide for the delivery of recycled (non-potable) water from Ontario's future system in Edison Avenue to JCSD for irrigation purposes via one or more interconnections. Construction of additional pipelines or increasing pipe sizes beyond Ontario's master planned recycled water system shall be paid for by JCSD.

Section 2. Dry Year Yield Groundwater storage Project Operational Plan.

Prior to MWD calling for water pursuant to the Storage Program, 2,000 acre-feet of potable water (from Ontario's CDA delivery) will be delivered to JCSD from the Chino Desalters and the same amount of potable imported water from MWD will be delivered to Ontario from the Agua de Lejos Treatment Plant (known as the WFA Plant). When MWD calls for water pursuant to the Storage Program, 2,000 acre-feet of water from the Chino Desalters will be delivered to Ontario instead of to JCSD via the existing Chino Basin Desalter Authority delivery system and JCSD will offset the reduced delivery of water from the Chino Desalters by producing an equivalent amount of groundwater for its own use. No new physical interconnections between the JCSD and Ontario potable water systems are required to effect the exchange of water pursuant to JCSD's and Ontario's participation in the Exchange Program.

Section 3. Dry Year Yield Groundwater Storage Project Water Cost.

Commencing on the Effective Date of this Agreement, JCSD will compensate Ontario, on a monthly or other periodic basis as may be agreed to by the Parties within thirty (30) days from the receipt of invoices from Ontario, only for the following WFA Plant charges for 2,000 acre-feet of water paid by Ontario, which charges currently include the following on per acre-foot basis:

WFA Treatment Charge	\$25.61
General Administration	\$7.37
Operations	\$4.76
Capacity Reservation Charge	\$4.32
Inland Empire Utilities Surcharge	\$8.00

The current charges which total \$50.06 per acre-foot are subject to future periodic adjustments that may be made by the WFA Board of Directors. When MWD calls for water pursuant to the Storage Program: 1) JCSD will compensate Ontario in the amount of the rate Ontario would otherwise pay for water from the WFA Plant, which amount is determined by the MWD Tier 1 water rate; and, 2) Ontario will pay for the 2,000 acre-feet of water received from the Chino Desalters at the rate in effect at the time Ontario receives such water.

Section 4. Interim Service to the NMC.

A. JCSD will provide 1,000 gallons per minute (gpm) only for purposes of meeting potential fire flow supply once POC 2 is constructed. The ability of JCSD's water system to provide fire flow supply exceeding 1,000 gallons per minute shall require completion of Chino 2 Desalter and the expansion of Chino 1 Desalter for the delivery of water to Ontario from POC 2 and POC 3, respectively.

B. Following the completion of the New 1110 Reservoir, the delivery capacity of POC 2 will increase to approximately 4,200 gpm, not including the Galena Avenue Improvements. Following the completion of the Galena Avenue Improvements, the delivery capacity will increase to approximately 7,200 gpm and will allow for POC 2 to be located as far south as Galena Avenue. The design capacity of POC 3 will be approximately 2,000 gpm.

C. Following the completion of the foregoing facilities, the total water supply from JCSD to Ontario's NMC shall not exceed approximately 3,700 gpm for maximum day demand and approximately 3,500 gpm for fire flow purposes.

D. In the event that Chino 2 Desalter is not operational for any reason, JCSD will continue to deliver water to Ontario at POC No. 2 in a volume equivalent to the then current average daily flow being delivered from Ontario to JCSD at POC 1. The delivery to JCSD at POC 1 will be at a steady flow rate. Daily demand variations at POC 2 will continue to be met utilizing Ontario's storage in the New 1110 Reservoir. Under normal operating conditions, the New 1110 reservoir level will fluctuate between seventy-five (75%) and one hundred (100%) percent, however, JCSD shall exercise best efforts to maintain the New 1110 Reservoir at a minimum of fifty (50%) capacity.

Section 5. Operation of Phase 2 Roger D. Teagarden Ion-Exchange Facility.

The Parties acknowledge that JCSD's groundwater production facilities for purposes of participation in the Storage Program include Phase 2 of the Roger D. Teagarden Ion-Exchange Facility.

Section 6. Operation of Chino 2 Desalter. The Chino 2 Desalter is presently scheduled for operation commencing November 2004 and shall be on-line prior to JCSD's obligation to produce up to 2,000 acre-feet of groundwater if MWD calls for water pursuant to the Storage Program. Once on-line, JCSD may from time-to-time notify Ontario of alternate delivery schedules from JCSD's potable water system in the event of sustained operational interruptions by the Chino 2 Desalter.

Section 7. Intent Concerning Future Cooperative Programs. The Parties have identified additional mutually beneficial future programs and arrangements to augment the reliability of their respective water systems, including but not necessarily limited to the delivery of recycled water from Ontario to JCSD through one or more future interconnections. Such potential programs and arrangements are independent of the Parties' rights and obligations set forth above, shall not operate as consideration in connection therewith, and shall be subject to the negotiation and execution of one or more future agreements.

Section 8. Attorneys' Fees. In the event of any action at law or in equity between the Parties arising from or in connection with this Agreement, the prevailing Party shall recover attorneys fees and other costs incurred in that action in addition to any other relief, and such attorneys fees and costs shall be included in and as a part of any judgment in such action. Attorneys' fees and costs shall be deemed to include expert witness fees.

Section 9. Entire Agreement. This Agreement contains the entire agreement between the Parties pertaining to the subject matter herein and supersedes all prior and contemporaneous agreements, representations, and understandings of the Parties. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by all Parties.

Section 10. Waiver. No waiver of any provision of this Agreement shall constitute or be deemed a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless it is executed in writing by the Party making the waiver.

Section 11. Assignment. Either Party may assign its respective rights and obligations under this Agreement subject to the written consent of the other Party. Each Party shall remain liable for the obligations hereunder notwithstanding such assignment.

Section 12. Captions. The captions to the paragraphs of this Agreement are inserted for convenience only and shall not affect the intent of this Agreement.

Section 13. Indemnification. The Parties shall indemnify and each hold the other Party harmless concerning any claims or actions which may arise in connection with this Agreement.

Section 14. Miscellaneous. This Agreement shall be interpreted and enforced pursuant to the internal laws of the State of California. This Agreement has been jointly drafted and shall not be construed against either Party.

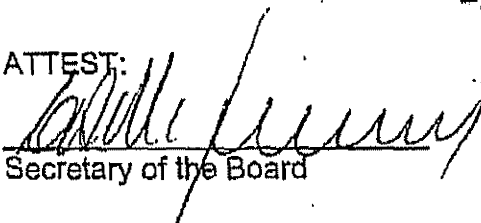
IN WITNESS WHEREOF, JCSD and Ontario have respectively executed this Agreement in Riverside and San Bernardino Counties, California.

Date: 1-12-04

JURUPA COMMUNITY SERVICES DISTRICT

By: 
Kenneth J. McLaughlin, President

ATTEST:


Secretary of the Board

Date: _____

CITY OF ONTARIO

By: _____

ATTEST:

City Clerk



Inland Empire
UTILITIES AGENCY

Memorandum

Office of the Chief Executive Officer
General Manager

DATE: April 16, 2003
TO: Board of Directors
FROM: Richard W. Atwater *RWA*
SUBJECT: Update on the MWD Dry Year Conjunctive Use Agreements

On Tuesday, April 15, 2003 Watermaster hosted a meeting with all the participants in the MWD Dry Year Yield Conjunctive Use Program. Final individual agency allocations of the \$27.5 million funding were resolved.

	<u>AF Performance</u>	<u>Funding</u>
Pomona	2,000	1,700,000
MVWD	3,963	3,000,781
Chino	1,159	1,072,043
Upland	3,001	2,776,064
Chino Hills	1,448	1,338,938
CCWD	9,620	7,102,368
Ontario	8,076	5,674,168
JCSD	2,000	1,494,000
Fontana W.C.	<u>1,733</u>	<u>1,293,065</u>
	33,000 AF	25,500,000
CEQA, Pre-design, Modeling		<u>2,000,000</u>
		\$ 27,500,000

All the retail agency agreements will be executed by May 15th, 2003.

In Addition, I have arranged for 3,000 AF of In lieu replenishment to be delivered this fiscal year for the MWD storage account (see attached letter agreement with MWD). This will allow the cities of Chino and Chino Hills under the MZ-1 subsidence interim program to reduce groundwater pumping by 1,500 AF each and transfer the pumping rights into the MWD storage account. This will save Watermaster and the two cities approximately \$1,000,000.00 in avoided MWD water purchase costs this fiscal year.

Lastly, the draft Judge Gunn "motion for approval" of the MWD storage of 100,000 AF is attached.

Dry Year Yield Project - Allocation of Funding w/ JCSD
 April 15, 2003

Revised

Agency	Total Increased Yield				Shift Performance Obligation			Funding Allocation (1)(3)			Cost Per AF Average	Wells Cost per AF	Treatment Cost Per AF
	Treatment(2) AFY	No. Wells	Yield(4) AFY	Total AFY	Treatment AFY	Well(4) AFY	Total	Wells \$	Treatment(5) \$	Total			
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	-	2,776,054	2,776,054	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	4,245,958	2,856,400	7,102,358	733	650	925
Ontario	1,600	3	7,258	8,858	1,544	6,532	8,076	4,245,958	1,428,200	5,674,158	703	650	925
Subtotal	15,321	7	18,935	32,256	19,784	15,484	35,267	10,064,516	12,699,844	22,664,360	774	650	914
Reserve for Unsubscribed Funds (6)									48,575	48,575			
JCSD (8)					2,000		2,000		1,484,000	1,484,000			
Unsubscribed (5)(7) FONTANA WATER CO.					1,733		1,733		1,283,055	1,283,055	746		
Total					17,516	15,484	33,000	10,054,516	15,435,484	25,500,000			

Criteria for Allocation of Funding:

1) Based Allocation of Grant Funds on two Factors:

- a) Utilized \$650 per AF of Well Capacity Developed
- b) Utilized \$925 per AF for Treatment Capacity Developed

2) City of Pomona was allocated \$1,700,000 for 2,000 AF of Shift Obligation per the original proposal to MYD.

3) Funds to be Allocated was reduced to \$25,500,000 (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) \$,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 MYD contract amount of \$3,000, 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. @ 69%		(1,773,787)
Funds to be Expended		<u>22,615,785</u>
Subscribed Amount		<u>22,664,360</u>
Reserve for Under-Subscribing		<u>48,575</u>
Revised Unsubscribed Account		<u>\$,293,065</u>
Revised Rate per AF		<u>746</u>

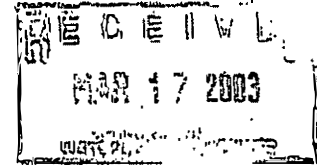
The unsubscribed pool could be reduced now to \$2,330,694 at \$704 per AF. This would eliminate uncertainty with further project changes as to funding.

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.

8) JCSD funding allocation:

Desired Participation - Treatment	\$	2,000
Value per AF		<u>747</u>
Funding Allocated	\$	<u>1,494,000</u>

Paul E. Hamrick, Director
James C. Huber, Director
Curtis W. Hummel, Director
Kenneth J. McLaughlin, Director
Jack E. Smith, Director



March 13, 2003

Mr. John Rossi
Chief Executive Officer
Chino Basin Watermaster
8632 Archibald Ave., Suite 109
Rancho Cucamonga, Ca. 91730-4665

RE: PROPOSED WATERMASTER/MWD DRY YEAR YIELD PROJECT

Dear Mr. Rossi:

As we discussed verbally today, the Jurupa Community Services District (District) would like to participate within the above referenced project. It is my understanding that there is an amount of 3,733 acre-feet within the program that has not, as yet, been picked up by any of the appropriators within the Basin.

The District would like to participate in an amount of 2,000 acre-feet, and may also be able to take the additional 1,733 acre-feet (this will depend upon pipeline capacity currently being verified), if it still remains available. It is also my understanding that approximately \$2.9 million of facilities funding is also available with the 3,733 acre-feet.

In pursuance of the District's participation, we have met with Ken Jeske of the City of Ontario and Robert DeLoach of the Cucamonga County Water District to ascertain the feasibility of a connection through either, or both, of their systems to obtain water from MWD. We have also met with Richard Atwater of IEUA, to confirm that the District's participation will not impact these agencies Tier 1/Tier 2 allocations. Both these matters are currently being worked out, and the District is confident that there is surety for the participation of the 2,000 acre-feet.

Please provide me with any relative information that may assist the District in participation of this program, or that you require from the District to enable participation.

Mr. John Rossi
Chief Executive Officer
Chino Basin Watermaster
RE: PROPOSED WATERMASTER/MWD
DRY YEAR YIELD PROJECT

March 13, 2003

Page 2

Should you have any questions, or consider it necessary to arrange a meeting,
please contact me at (909) 685-7434.

Sincerely,



Carole A. McGreevy
General Manager

Copy: Richard Atwater, IEUA
Ken Jeske, City of Ontario
Robert DeLoach, CCWD
Dave Argo, Black & Veatch
Sam Gershon, AAWA
Tom O'Neill
BOD

7020.admin.ltr.jrossi.re.mwd.dyy/jz

LOCAL AGENCY AGREEMENT

Dated as of December 15, 2003

By and Among

INLAND EMPIRE UTILITIES AGENCY

And

FONTANA WATER CO

DRAFT

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EXHIBITS

Exhibit A Fontana Water Co - Local Agency FacilitiesA-1

Exhibit B Fontana Water Co - Performance Target.....B-1

Exhibit C MWD Agreement No.49960.....C-1

DRAFT

LOCAL AGENCY AGREEMENT

This Agreement is entered into as of December 15, 2003, by and among the Inland Empire Utilities Agency ("IEUA"), a municipal water district duly organized and existing under the laws of the State of California, and the Fontana Water Co, ("Local Agency").

WITNESSETH:

WHEREAS, 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; and

WHEREAS, Metropolitan was subsequently 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, DWR set forth the specific terms and conditions of the grant to Metropolitan; and

WHEREAS, 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 a Request for Proposals for Participation in Groundwater Storage Programs Using Proposition 13 Funds, RFP No. WRM-2 (the "RFP"); and

WHEREAS, 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 approved by Metropolitan's Board of Directors in 1996, and the Groundwater Storage Principles adopted in connection therewith by Metropolitan's Board of Directors in January 2000; and

WHEREAS, IEUA has entered into a Groundwater Storage Project Funding Agreement (the "Metropolitan Agreement") with Metropolitan, Three Valleys Municipal Water District and Chino Basin Watermaster whereby, among other things, funding will be provided to finance the Fontana Water Co facilities listed on Exhibit A hereto (the "Local Agency Facilities") which are necessary to enhance a groundwater storage program in the Chino Basin; and

WHEREAS, IEUA desires to pass through to the Local Agency funding received by IEUA under the Metropolitan Agreement which are allocable to the Local Agency Facilities for use by the Local Agency to construct the Local Agency Facilities; and

WHEREAS, in exchange for such funding, the parties hereto intend that the Local Agency assume all obligations of IEUA under the Metropolitan Agreement and all obligations relating to the Local Agency Facilities, whether such obligations are imposed by Metropolitan, DWR or another entity, such obligations including but not limited to the obligations recited in Sections III, IV, V, VII, X, XI and XII of the Metropolitan Agreement;

NOW THEREFORE, the parties hereto do agree as follows:

Section 1. Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings given in the Metropolitan Agreement.

Section 2. Effective Date; Termination Date. This Agreement shall become effective upon the Effective Date of the Metropolitan Agreement and shall terminate 25 years following the effective date.

Section 3. IEUA Duties. In exchange for the Local Agency duties and obligations established under the provisions of this Agreement, IEUA shall reimburse the Local Agency an amount equal to \$1,293,065 for project related expenditures associated with the construction of one or more of the Local Agency Facilities listed on Exhibit A. IEUA acknowledges and agrees that the Local Agency Facilities shall be comprised of one or more of the facilities listed in Exhibit A. Payment by IEUA to the Local Agency shall be in accordance with the provisions of the Metropolitan Agreement in Exhibit C.

Section 4. Local Agency Duties Generally. Local Agency hereby accepts and agrees to perform all of IEUA's duties under the Metropolitan Agreement relating to the Local Agency Facilities, it being the intention of IEUA and Local Agency that Local Agency will be directly responsible for all aspects of constructing, operating and maintaining the Local Agency Facilities in accordance with the Metropolitan Agreement. Local Agency shall only be required to increase its overall local groundwater production capacity in an amount equal to that percentage of 1,733 acre feet that equals the percentage of IEUA payment to the Local Agency of the \$1,293,065.

Section 5. Illustrative List of Local Agency Duties. Among the duties Local Agency shall perform are those set forth below in this Section. Such duties are merely illustrative of the duties Local Agency shall perform and do not limit Local Agency's responsibilities hereunder.

(a) Construction Duties. Local Agency shall perform all of IEUA's duties with respect to the construction of the Local Agency Facilities which are set forth in the Metropolitan Agreement. Such duties include but are not limited to (i) obtaining the Required Approvals applicable to the Local Agency Facilities pursuant to Section III(C) of the Metropolitan Agreement, (ii) providing for the planning and preconstruction requirements of Section IV(A) of the Metropolitan Agreement which relate to the Local Agency Facilities, (iii) providing for the construction of the Local Agency Facilities in accordance with Section IV(B) of the Metropolitan Agreement, and (iv) completing construction of the Local Agency Facilities in accordance with the timeline set forth in Section IV(B) of the Metropolitan Agreement including retaining and supervising qualified contractors.

(b) Cost Overruns. Local Agency agrees to pay for any cost overruns allocable to the Local Agency Facilities pursuant to Section V(B). In addition, Local Agency shall pay any amounts due to Metropolitan pursuant to Section V(B)(2) which is allocable to the Local Agency Facilities. Should bids for construction of the Local Agency Facilities exceed the Approved Budget by more than five percent (5%), IEUA will review such cost increase with the Local Agency to determine the appropriate way to proceed with the program and the Local Agency may authorize a cost share, to change the scope of the project, or to discontinue the project, all in accordance with Section V(B)(2) of the Metropolitan Agreement.

(c) Operation and Maintenance Duties. With respect to the Local Agency Facilities, Local Agency agrees to perform those certain duties listed in the Metropolitan Agreement, namely:

(i) Cause the Local Agency 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);

(ii) Provide for all repairs, renewals, and replacements necessary to the efficient operation of the Local Agency Facilities;

(iii) 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; and

(iv) 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 of the Metropolitan Agreement.

(d) Delivery of Metropolitan Water. Watermaster and IEUA will allocate Metropolitan water supplied by Metropolitan's Storage Account (replenishment, injection or in lieu) through an annual operating plan to be approved by IEUA and Watermaster. To the extent that Local Agency is allocated Metropolitan in lieu water, rate and charges paid by the Local Agency for such in lieu deliveries shall be based upon IEUA rates and charges adopted its Board of Directors for the Metropolitan Dry Year Storage Program from time-to-time.

(e) Groundwater and Pumping Responsibilities. Local Agency acknowledges and agrees that Metropolitan has the right to demand the pumping of stored water in the Chino groundwater basin in the maximum amount indicated herein. Local Agency shall reduce its imported water and provide for the pumping of stored water upon Metropolitan's request of a Stored Water Delivery, all in accordance with Section VII(C) of the Metropolitan Agreement, and consistent with Exhibit B hereto; provided, that the maximum amount in any given year shall not exceed that percentage of the amount in Exhibit B that equals the percentage of IEUA payment to the Local Agency of the \$1,293,065. Local Agency shall be reimbursed by Metropolitan for operation and maintenance expenses incurred when pumping stored water upon Metropolitan's demand, all in accordance with Section VII(D) of the Metropolitan Agreement.

(f) Recordkeeping, Reporting, Inspection and Audit Duties. Local Agency shall perform all of IEUA's recordkeeping, reporting, inspection and audit duties which relate to the Local Agency Facilities, all in accordance under Section X of the Metropolitan Agreement.

(g) Indemnity. Local Agency shall immediately reimburse IEUA for any amounts expended for compliance with Section XI of the Metropolitan Agreement which are allocable or which in any way relate to the Local Agency Facilities.

(h) Insurance. Local Agency shall be responsible for providing and paying for all insurance with respect to the Local Agency Facilities required by Section XII of the Metropolitan Agreement.

Section 6. Representations, Warranties and Covenants. Local Agency represents, warrants and covenants as follows:

(a) Power and Authority The Fontana Water Co 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 a party or by which it is bound.

(b) Authorization; Valid Obligation. That all proceedings required to be taken by or on behalf of Local Agency 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.

(c) No Litigation. To the best of Local Agency's 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 Chino 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.

(d) Compliance with Laws. In the performance of its obligations hereunder, Local Agency and its contractors and subcontractors will comply with all applicable laws, regulations and ordinances, including, without limitation, those listed in Section IX of the Metropolitan Agreement.

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

(e) Compliance with DWR Requirements. The Plans will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter. During the performance of its obligations herein, Local Agency will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter.

(f) No Construction. That construction of the Local Agency Facilities and related work (including planning activities) did not commence prior to the Effective Date.

(g) Capacity. Local Agency and its contractors, subcontractors and its 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.

(h) Oversight and Supervision of Construction. Local Agency will oversee and supervise all contractors and keep control of all work and provisions of services and materials in connection with the Program.

(i) Maintain Ownership of Program Property. Local Agency 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. Without the written consent of IEUA, which consent shall not unreasonably be withheld, IEUA shall have the burden of persuasion with respect to the unreasonableness of any proposed Local Agency action regarding the property. Local Agency shall use reasonable efforts to avoid material legal injury to third parties and to comply with lawful regulatory agency requirements in the construction and operation of MVWD Local Agency Facilities.

Section 7. Miscellaneous.

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

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

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

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

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

If to IEUA: Inland Empire Utilities Agency
6075 Kimball Ave, Bldg. A
Chino, California 91710
Attention: Treasurer

With a copy to: Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: Douglas Brown

If to Watermaster: Chino Basin Watermaster
8632 Archibald Avenue, Suite 109
Rancho Cucamonga, California 91730
Attention: Executive Director

If to Local Agency: Fontana Water Co
8440 Nuevo Ave
Fontana, CA 92334

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

(f) Merger of Prior Agreements. This Agreement and the Exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof.

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

DRAFT

IN WITNESS WHEREOF, IEUA has executed this Agreement with the approval of its governing body, Watermaster has executed this Agreement with the approval of its governing body, and Local Agency has executed this Agreement in accordance with the authorization of its governing body.

INLAND EMPIRE UTILITIES AGENCY

By: _____
Richard W. Atwater
Chief Executive Officer/General Manager

FONTANA WATER CO

By: _____
Mike McGraw

DRAFT

EXHIBIT A

FONTANA WATER CO

LOCAL AGENCY FACILITIES

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EXHIBIT B

PERFORMANCE TARGETS

FONTANA WATER CO

Dry Year Shift obligation of 1,733 AF over 12-month period

1,733 AF reduced imported water reduction
1,733 AF pumped from Metropolitan Water District storage account
1,733 AF increase in Fontana Water Co overall local supply production
all three criteria must be met plus or minus 10 percent

Failure to perform would result in Fontana Water Co being charged a rate equal to two times the Metropolitan Tier 2 rates in effect at such time for each acre-foot of the Dry Year Shift obligation not met.

DRAFT

____ IEUA

____ Local Agency

EXHIBIT C

METROPOLITAN WATER DISTRICT

AGREEMENT NO. 49960

DRAFT

EXHIBIT B

PLEADING

Annual Operating Plan

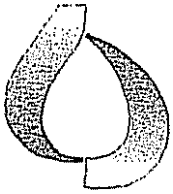
Agency Name Inland Empire Utilities Agency

CHINO BASIN WATERMASTER Annual Operating Plan

Acre-Feet	<i>ACTUAL</i>												<i>ESTIMATED</i>		Total
Fiscal Year 03-04	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June			
Conjunctive Use Plan - Storage															
Planned Storage															
Direct															
Service Connections															
CB-13T	310	424	419	-										1,152	
CB-14T	174	427	711	-										1,311	
CB-59															
	483	850	1,130	-	-	-	-	-	-	-	-	-	-	2,463	
In-Lieu															
Service Connections															
CB-12	-	-	727	1,125	2,065	1,793	121	1,010	1,000	1,000	1,579	1,579		12,000	
CB-16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	727	1,125	2,065	1,793	121	1,010	1,000	1,000	1,579	1,579		12,000	
Subtotal Storage	483	850	1,857	1,125	2,065	1,793	121	1,010	1,000	1,000	1,579	1,579		14,463	
Replenishment Deliveries															
Replenishment															
Direct															
Service Connections															
CB-13T	-	-	-	660	275	277	-	-	300	400	400	400		2,711	
CB-14T	-	-	-	707	342	245	-	-	300	200	200	200		2,194	
CB-59	-	-	-	244	1,000	904	497	363	300	1,500	1,500	1,500		7,807	
	-	-	-	1,611	1,617	1,425	497	363	900	2,100	2,100	2,100		12,713	
In-Lieu															
Service Connections															
CB-12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
CB-16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cyclic Account													10,587	10,587	
Subtotal Replenishment	-	-	-	1,611	1,617	1,425	497	363	900	2,100	2,100	12,687		23,299	
Total All Deliveries	483	850	1,857	2,736	3,682	3,219	618	1,373	1,900	3,100	3,679	14,266		37,762	

EXHIBIT C

PLEADING



Inland Empire

UTILITIES AGENCY

9400 Cherry Ave., Bldg A • Fontana, CA 92335
P.O. Box 697 • Rancho Cucamonga, CA 91729
TEL (909) 993-1600 • FAX (909) 357-3884
www.ieua.org
A Municipal Water District

Richard W. Atwater
Chief Executive Officer
General Manager

April 2, 2003

Board of Directors

John L. Anderson
President

Terry Catlin
Vice President

Angel Santiago
Secretary/Treasurer

Wyatt L. Troxel
Director

Gene Koopman
Director

Mr. John Rossi, Chief Executive Officer
Chino Basin Watermaster
8632 Archibald Ave, Suite 109
Rancho Cucamonga, CA 91730

Subject: Application for 100,000 AF Storage and Recovery Program with Metropolitan Water District and the local Agency Participants.

Dear Mr. Rossi:

On behalf of the Metropolitan Water District of Southern California, Three Valleys Municipal Water District, and each local agency participant, the Inland Empire Utilities Agency submits this letter, Form 6 and a copy of "standard" agreement with the local agencies participating in the MWD Dry Year Yield Conjunctive Use Program. IEUA's Board authorized approval of the MWD Dry Year Yield Conjunctive Use (Funding) Agreement No. 49960 on February 5, 2003. IEUA's Board also approved and authorized execution of the local agency participation agreements on March 5, and approved amendments on April 2, 2003.

This application is submitted consistent with the requirements for Regional Storage and Recovery Program Section 5.2 © provisions of the Peace Agreement and the Rules and Regulations Section 8.3. The requirements of Section 10.7 of the Rules and Regulations have been documented and are summarized below.

- (A) Metropolitan Water District of Southern California through its member agencies, IEUA and TVMWD, will provide imported water for storage and recovery via direct replenishment, injection, or in lieu.
- (B) Consistent with the Agreement between MWD, TVMWD, IEUA, and Watermaster the amounts of water placed into storage and recovered will be administered through an Operating Committee.
- (C) The schedule for recharge into the MWD account will be subject of an Annual Operating Plan consistent with the Agreement.
- (D) The recovery of MWD water from the 100,000 storage account will also be consistent with the Agreement and the Annual Operating Plan(s).

Mr. John Rossi, Chino Basin Watermaster

April 2, 2003

Page 2

- (E) The location of recharge is fully described in the CEQA documents and the Watermaster's adopted Recharge Master Plan.
- (F) The locations of new production facilities have been CEQA certified by IEUA and are fully described in the Black and Veatch preliminary design report and Exhibit H of the Agreement.
- (G) Water Level information is documented on the groundwater involving studies funded by the MWD funding agreement (\$1.6 million) by Wildermuth Environmental.

Sincerely,
INLAND EMPIRE UTILITIES AGENCY



Richard W. Atwater
Chief Executive Officer
General Manager

Enc.

Form 6

APPLICATION BY A PARTY TO THE JUDGMENT
TO
PARTICIPATE IN A STORAGE & RECOVERY PROGRAM

APPLICANT

Inland Empire Utilities Agency on behalf of
Metropolitan Water District of Southern California
Name

March 1, 2003
Date Requested

Date Approved

9400 Cherry Avenue, Bldg. A
Street Address

100,000 Acre-feet
Amount Requested

Acre-feet
Amount Approved

Fontana
City

CA
State

92335
Zip Code

Telephone: (909) 993-1740

Facsimile: (909) 428-6164

TYPE OF WATER TO BE PLACED IN STORAGE

Recycled

Imported

Both

METHOD AND LOCATION OF PLACEMENT IN STORAGE - Check and attach all that may apply

Recharge (Form 2)

In-lieu pursuant to Metropolitan Funding
Agreement

Transfer of Right to Water in Storage (Form 3)

Transfer from another Party to the Judgment (Form 5)

METHOD AND LOCATION OF RECAPTURE FROM STORAGE - Check and attach all that may apply

Pump from wells (Form 4)

Transfer to another party to the Judgment (Form 3)

FEASIBILITY PLAN TO ACCOMPLISH STORAGE & RECOVERY PROGRAM ATTACHED?

Yes No Analyzed through approval process of Funding Agreement.

WATER QUALITY AND WATER LEVELS

What is the existing water quality and what are the existing water levels in the areas that are likely to be affected?

MATERIAL PHYSICAL INJURY

Is the Applicant aware of any potential Material Physical Injury to a party to the Judgment or the Basin that may be caused by the action covered by the application? Yes No

If yes, what are the proposed mitigation measures, if any, that might reasonably be imposed to ensure that the action does not result in Material Physical Injury to a party to the Judgment or the Basin?

CEQA Compliance completed and certified by Applicant _____

ADDITIONAL INFORMATION ATTACHED Yes [X] No []

IEUA _____
Applicant

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____

Form 4

APPLICATION OR AMENDMENT TO APPLICATION
TO
RECAPTURE WATER IN STORAGE

APPLICANT

Inland Empire Utilities Agency on behalf of
Metropolitan Water District of Southern California
Name of Party

March 1, 2003
Date Requested

Date Approved

9400 Cherry Avenue, Bldg. A
Street Address

100,000 Acre-feet
Amount Requested

Acre-feet
Amount Approved

Fontana CA 92335
City State Zip Code

Max 33,000 AFY
Projected Rate of
Recapture

Projected Duration of
Recapture

Telephone: (909) 993-1740

Facsimile: (909) 428-6164

IS THIS AN AMENDMENT TO A PREVIOUSLY APPROVED APPLICATION? [] YES [X] NO
IF YES, ATTACH APPLICATION TO BE AMENDED

IDENTITY OF PERSON THAT STORED THE WATER: Metropolitan Water District of Southern California

PURPOSE OF RECAPTURE

- [] Pump when other sources of supply are curtailed
- [] Pump to meet current or future demand over and above production right
- [] Pump as necessary to stabilize future assessment amounts
- [X] Other, explain: Pump pursuant to call by Metropolitan of stored water

METHOD OF RECAPTURE (if by other than pumping) (e.g. exchange)

PLACE OF USE OF WATER TO BE RECAPTURED

Within service area of agencies participating in Metropolitan Funding Agreement (see attached shift obligation schedule)

LOCATION OF RECAPTURE FACILITIES (IF DIFFERENT FROM REGULAR PRODUCTION FACILITIES)

Facilities constructed pursuant to Metropolitan Funding Agreement

WATER QUALITY AND WATER LEVELS

What is the existing water quality and what are the existing water levels in the areas that are likely to be affected?
See Watermaster Summary and Analysis of Application and reports by Wildermuth Environmental

MATERIAL PHYSICAL INJURY

Form 4 (cont'd)

Is the Applicant aware of any potential Material Physical Injury to a party to the Judgment or the Basin that may be caused by the action covered by the application? Yes [] No [X]

If yes, what are the proposed mitigation measures, if any, that might reasonably be imposed to ensure that the action does not result in Material Physical Injury to a party to the Judgment or the Basin?

ADDITIONAL INFORMATION ATTACHED Yes [X] No []

IEUA
Applicant

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement #: _____

Dry Year Yield Project - Allocation of Funding w/ JCSD
 April 15, 2003

Revised

Agency	Total Increased Yield				Shift Performance Obligation			Funding Allocation (1)(1)(3)			Cost Per AF	Wells	Treatment
	Treatment(5) AFY	No. Wells	Well(4) AFY	Total AFY	Treatment AFY	Well(4) AFY	Total	Wells \$ 650	Treatment(6) \$ 925	Total	Average	Cost per AF	Cost Per 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	1,672,581	1,428,280	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	850	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
Subtotal	16,321	7	18,935	32,258	13,784	15,484	29,267	10,064,516	12,593,844	22,654,360	774	650	914
Reserve for Unsubscribed Funds (6)									48,575	48,575			
JCSD (8)					2,000		2,000		1,494,000	1,494,000			
Unsubscribed (6) (7)					1,733		1,733		1,293,065	1,293,065	746		
Total					17,516	15,484	33,000	#	10,064,516	15,435,484	25,500,000		

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 2,000 AF 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
Loss: CEQA, Pre-Design, etc. @ 89%	(1,773,787)
Funds to be Expended	<u>22,615,785</u>
Subscribed Amount	<u>22,664,360</u>
Reserve for Under-Subscribing	<u>48,575</u>
Revised Unsubscribed Account	<u>1,293,065</u>
Revised Rate per AF	<u>746</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.

8) JCSD funding allocation:

Desired Participation - Treatment	\$ 2,000
Value per AF	747
Funding Allocated	<u>\$ 1,494,000</u>

LOCAL AGENCY AGREEMENT

Dated as of ~~January~~ April _____, 2003

By and Among

INLAND EMPIRE UTILITIES AGENCY,

~~CHINO BASIN WATERMASTER~~

and

~~[LOCAL AGENCY] [Pomona will also have Three Valleys as signatory]~~

And

MONTE VISTA WATER DISTRICT

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EXHIBITS

Exhibit A <u>Monte Vista Water District - Local Agency Facilities</u>	A-1
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LOCAL AGENCY AGREEMENT

This Agreement is entered into as of ~~January 1~~ _____, 2003, by and among the Inland Empire Utilities Agency ("IEUA"), a municipal water district duly organized and existing under the laws of the State of California, ~~Chino Basin Watermaster ("Watermaster" and the Monte Vista Water District ("Local Agency"), a court-created entity existing under the laws of the State of California, and the Local Agency ("Local Agency"), a~~ County Water District organized pursuant to County Water District Law, Division 12, Section 30000 et seq. of the State of California, and the Local Agency ("Local Agency"), a _____ ~~duly organized and existing under the laws of the State of California~~ of the Water Code.

WITNESSETH:

WHEREAS, 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; and

WHEREAS, Metropolitan was subsequently 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, DWR set forth the specific terms and conditions of the grant to Metropolitan; and

WHEREAS, 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, a ~~for the~~ Request for Proposals for Participation in Groundwater Storage Programs Using Proposition 13 Funds, RFP No. WRM-2 (the "RFP"); and

WHEREAS, 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 approved by Metropolitan's Board of Directors in 1996, and the Groundwater Storage Principles adopted in connection therewith by Metropolitan's Board of Directors in January 2000; and

WHEREAS, ~~simultaneous with the execution of this Agreement, IEUA is entering~~ has entered into a Groundwater Storage Project Funding Agreement (the "Metropolitan Agreement") with Metropolitan, Three Valleys Municipal Water District and Chino Basin Watermaster whereby, among other things, funding will be provided to finance the Monte Vista Water District facilities listed on Exhibit A hereto (the "Local Agency Facilities") which are necessary to enhance a groundwater storage program in the Chino Basin; and

WHEREAS, IEUA desires to pass through to the Local Agency ~~any amounts~~ funding received by IEUA under the Metropolitan Agreement which are allocable to the Local Agency Facilities for use by the Local Agency to construct the Local Agency Facilities; and

WHEREAS, in exchange for such ~~amounts~~ funding, the parties hereto intend that the Local Agency assume all obligations of IEUA under the Metropolitan Agreement and all obligations relating to the Local Agency Facilities, whether such obligations are imposed by Metropolitan, DWR or another entity, such obligations including but not limited to the obligations recited in Sections III, IV, V, VII, X, XI and XII of the Metropolitan Agreement;

NOW THEREFORE, the parties hereto do agree as follows:

Section 1. Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings given in the Metropolitan Agreement.

Section 2. Effective Date; Termination Date. This Agreement shall become effective upon the Effective Date of the Metropolitan Agreement and shall terminate ~~upon~~ 25 years following the termination of the Metropolitan Agreement effective date.

Section 3. Funding of Local Agency Facilities. ~~All amounts allocable to the Local Agency Facilities disbursed to~~ IEUA ~~Duties.~~ In exchange for the Local Agency duties and obligations established under Section V of the Metropolitan provisions of this Agreement, IEUA shall be paid reimburse the Local Agency an amount equal to Local Agency for \$3,107,012 for project related expenditures associated with the construction of one or more of the Local Agency Facilities listed on Exhibit A. IEUA acknowledges and agrees that the Local Agency Facilities shall be comprised of one or more of the facilities listed in Exhibit A. Payment by IEUA to the Local Agency shall be in accordance with the provisions of the Metropolitan Agreement. IEUA further agrees to fund all costs necessary to reactivate that portion of the existing brine disposal system, commonly know as West Edison Non-Reclaimable Waste Line, necessary to permit brine disposal from the joint City of Chino/MVWD Ion Exchange Facility located at the Palo Verde Street and Benson Avenue site to the West Edison Non-Reclaimable Waste Line. IEUA's obligation to fund all costs necessary to reactivate the West Edison Non-Reclaimable Waste Line shall be exclusive of and in addition to IEUA's payment to the Local Agency of the \$3,107,012. IEUA further agrees that it will complete all necessary improvements to permit reactivation of this portion of the West Edison Non-Reclaimable Waste Line by no later than December 2006, or as mutually agreed to by IEUA and the Local Agency.

Section 4. Local Agency Duties Generally. Local Agency hereby accepts and agrees to perform all of IEUA's duties under the Metropolitan Agreement relating to the Local Agency Facilities, it being ~~the~~ the intention of IEUA and Local Agency that Local Agency will be directly responsible for all aspects of constructing, operating and maintaining the Local Agency Facilities in accordance with the Metropolitan Agreement. Local Agency shall only be required to increase its

overall local groundwater production capacity in an amount equal to that percentage of 4,000 acre feet that equals the percentage of IEUA payment to the Local Agency of the \$3,107,102.

Section 5. Illustrative List of Local Agency Duties. Among the duties Local Agency shall perform are those set forth below in this Section. Such duties are merely illustrative of the duties Local Agency shall perform and do not limit Local Agency's responsibilities hereunder.

(a) Construction Duties. Local Agency shall perform all of IEUA's duties with respect to the construction of the Local Agency Facilities which are set forth in the Metropolitan Agreement. Such duties include but are not limited to (i) obtaining the Required Approvals applicable to the Local Agency Facilities pursuant to Section III(C) of the Metropolitan Agreement, (ii) providing for the planning and preconstruction requirements of Section IV(A) of the Metropolitan Agreement which relate to the Local Agency Facilities, (iii) providing for the construction of the Local Agency Facilities in accordance with Section IV(B) of the Metropolitan Agreement, and (iv) completing construction of the Local Agency Facilities in accordance with the timeline set forth in Section IV(B) of the Metropolitan Agreement including retaining and supervising qualified contractors.

(b) Cost Overruns. Local Agency agrees to pay ^Δfor any cost overruns allocable to the Local Agency Facilities ^Δpursuant to Section V(B). In addition, Local Agency shall pay ^Δany amounts due to Metropolitan pursuant to Section V(B)(2) which ~~are~~ is allocable to the Local Agency Facilities. ^Δ Should bids for construction of the ~~Program~~ Local Agency Facilities exceed the Approved Budget by more than five percent (5%, %), IEUA ~~may~~ will review such cost increase with ~~Metropolitan~~ the Local Agency to determine the appropriate way to proceed with the program and ~~Metropolitan~~ the Local Agency may authorize ~~and IEUA may mutually agree to a~~ cost share, to change in the scope of the project, or to discontinue the project, all in accordance with Section V(B)(2) of the Metropolitan Agreement.

(c) Operation and Maintenance Duties. With respect to the Local Agency Facilities, Local Agency agrees to perform those certain duties listed in ~~Section IV(B)~~ of the Metropolitan Agreement, namely:

(i) Cause the Local Agency 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);

(ii) Provide for all repairs, renewals, and replacements necessary to the efficient operation of the Local Agency Facilities;

(iii) 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;

~~(iv) Certify the amount of water in the Metropolitan Storage Account pursuant to the Operating Committee accounting; and~~

(iv) 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 of the Metropolitan Agreement.

(d) Delivery of Metropolitan Water. Watermaster and IEUA will allocate Metropolitan water supplied by Metropolitan's Trust Storage Account (replenishment, injection or in lieu) through an annual operating plan to be approved by IEUA and Watermaster. To the extent that Local Agency is allocated Metropolitan in lieu water, rate and charges paid by the Local Agency for such in lieu deliveries shall be based upon IEUA rates and charges adopted its Board of Directors for the Metropolitan Dry Year Storage Program from time-to-time.

(e) Groundwater and Pumping Responsibilities. Local Agency acknowledges and agrees that Metropolitan has the right to demand the pumping of stored water in the Chino groundwater basin in the maximum amount indicated herein. Local Agency shall reduce its imported water and provide for the pumping of stored water ~~(on a pro-rata basis determined by IEUA on the basis of all applicable groundwater pumps that have agreements with IEUA similar to this Agreement)~~ upon Metropolitan's request of a Stored Water Delivery, all in accordance with ~~Section~~ Section VII(C) of the Metropolitan Agreement, and consistent with ~~Exhibit~~ Exhibit B hereto; provided that the maximum amount in any given year shall not exceed that percentage of the amount in Exhibit B that equals the percentage of IEUA payment to the Local Agency of the \$3,107,012. Local Agency shall be reimbursed by Metropolitan for operation and maintenance expenses incurred when pumping stored water upon Metropolitan's demand, all in accordance with ~~Section IV~~ Section VII(D) of the Metropolitan Agreement.

(f) Recordkeeping, Reporting, Inspection and Audit Duties. Local Agency shall perform all of IEUA's recordkeeping, reporting, inspection and audit duties which relate to the Local Agency Facilities, all in accordance under Section X of the Metropolitan Agreement.

(g) Indemnity. Local Agency shall immediately reimburse IEUA for any amounts expended for compliance with Section XI of the Metropolitan Agreement which are allocable or which in any way relate to the Local Agency Facilities.

(h) Insurance. Local Agency shall be responsible for providing and paying for all insurance with respect to the Local Agency Facilities required by Section XII of the Metropolitan Agreement.

Section 6. Representations, Warranties and Covenants. Local Agency represents, warrants and covenants as follows:

(a) Power and Authority. ~~That it is a general law city; [NOT APPLICABLE TO EVERYONE], duly organized and validly existing under the laws~~ That it is a County Water District organized pursuant to County Water District Law: Division 12, Section 30000 et seq. of the State of California Water Code; 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 a party or by which it is bound.

(b) Authorization; Valid Obligation. That all proceedings required to be taken by or on behalf of Local Agency 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.

(c) No Litigation. To the best of Local Agency's 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~~ Chino 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.

(d) Compliance with Laws. In the performance of its obligations hereunder, Local Agency and its contractors and subcontractors will comply with all applicable laws, regulations and ordinances, including, without limitation, those listed in Section ~~XIX~~ of the Metropolitan Agreement.

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

(e) Compliance with DWR Requirements. ~~APPLICABLE TO CCWD ONLY~~ The Plans will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter. During the performance of its obligations herein, Local Agency will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter.

(f) No Construction. That construction of the Local Agency Facilities and related work (including planning activities) did not commence prior to the Effective Date.

(g) Capacity. Local Agency and its contractors, subcontractors and its 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.

(h) Oversight and Supervision of Construction. Local Agency will oversee and supervise all contractors and keep control of all work and provisions of services and materials in connection with the Program.

(i) Maintain Ownership of Program Property. Local Agency 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 without the written consent of IEUA, which consent shall not unreasonably be withheld. IEUA shall have the burden of persuasion with respect to the unreasonableness of any proposed Local Agency action regarding the property.

~~(j) Protection of Others' Rights. Local Agency will fully protect and preserve 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 extractions of groundwater) to protect such rights. Local Agency shall use reasonable efforts to avoid material legal injury to third parties and to comply with lawful regulatory agency requirements in the construction and operation of Local Agency Facilities.~~

~~Section 7. Watermaster Acknowledgment. Watermaster acknowledges that the groundwater storage program contemplated by the Metropolitan Agreement and this Agreement is intended to implement Program Element 8 of the Optimum Basin Management Program.~~

~~Section 87. Miscellaneous.~~

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

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

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

(d) Governing Law. ~~THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.~~ This Agreement shall be governed by and construed in accordance with the laws of the State of California.

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

If to IEUA: Inland Empire Utilities Agency
9400 Cherry Avenue, Bldg. A
Fontana, California 92335
Attention: Treasurer

With a copy to: Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: Douglas Brown

If to Watermaster: Chino Basin Watermaster
8632 Archibald Avenue, Suite 109
Rancho Cucamonga, California 91730
Attention: _____

~~If to Local Agency:~~ ~~[Local Agency]~~

Attention: _____

~~With a copy to:~~

If to Local Agency: Monte Vista Water District
Post Office Box 71
Montclair, California 91763
Attention: General Manager

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

(f) Merger of Prior Agreements. This Agreement and the ~~exhibits~~ Exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof.

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

IN WITNESS WHEREOF, IEUA has executed this Agreement with the approval of its governing body, Watermaster has executed this Agreement with the approval of its governing body, and Local Agency has executed this Agreement in accordance with the authorization of its governing body.

INLAND EMPIRE UTILITIES AGENCY

By: _____
President

~~CHINO BASIN WATERMASTER~~

MONTE VISTA WATER DISTRICT

By: _____

~~[LOCAL AGENCY]~~

Robb D. Quincev. President
Board of Directors

By: _____

Mark N. Kinsev
General Manager

EXHIBIT A

MONTE VISTA WATER DISTRICT

LOCAL AGENCY FACILITIES

1. Groundwater Production Well generally located at the intersection of Richton Street and Monte Vista Avenue, City of Montclair.
2. Joint City of Chino/Monte Vista Groundwater Production Well and Ion-Exchange Facility located at Palo Verde and Benson Avenue, City of Montclair.
3. Aquifer Storage and Recovery Well located at Monte Vista Water District Plant 9 Site, 5617 San Bernardino Street, City of Montclair.
4. Aquifer Storage and Recovery Well located at Monte Vista Water District Plant 12 Site on the corner of G Street and Benson Avenue, City of Montclair.
5. Ion-Exchange Facility at Monte Vista Water District Plant 2/Well 2 Site, 4775 Grand Avenue, City of Montclair.

EXHIBIT B

PERFORMANCE TARGETS

Example

~~Monte Vista Water District~~

~~Dry Year Shift obligation of 3,000 AF over 12-month period~~

MONTE VISTA WATER DISTRICT

Dry Year Shift obligation of 4,000 AF over 12-month period

4,000 AF reduced imported water reduction

34,000 AF pumped from ~~MWD~~Metropolitan Water District storage account

34,000 AF increase in ~~MWD~~Monte Vista Water District overall local supply production

all three criteria must be met plus or minus 10 percent

Failure to perform would result in ~~MWD~~Monte Vista Water District being charged a rate equal to two times the Metropolitan Tier 2 rates in effect at such time for each AFacre-foot of the Dry Year Shift obligation not met.

EXHIBIT A
LOCAL AGENCY FACILITIES

:

EXHIBIT B

PERFORMANCE TARGETS

Example

Monte Vista Water District

Dry Year Shift obligation of 3,000 AF over 12-month period

3,000 AF reduced imported water reduction

3,000 AF pumped from MWD storage account

3,000 AF increase in MVWD overall local supply production

all three criteria must be met plus or minus 10 percent

Failure to perform would result in MVWD being charged a rate equal to two times the Tier 2 rates in effect at such time for each AF of the Dry Year Shift obligation not met

Chino Basin Conjunctive Use "Dry Year" Proposed Project With the Metropolitan Water District

Basinwide Benefits

- ✓ \$132,000 administrative costs annually paid by MWD (indexed)- total value over 25 years is over **\$4 million**.
- ✓ Storage losses (estimated at 6 percent) or at 100,000 AF of stored water this would result in 6,000 AF/Y of "free water" to the Basin parties. Value over life of 25-year agreement is over **\$50 million**.
- ✓ MWD has agreed to assist and facilitate the reactivation of replenishment connections (CB-11, CB 13, and CB-15) and a new replenishment connection on the Etiwanda Feeder that is needed to put SWP supplies in the Recharge Master Plan facilities currently under construction (e.g., Banana, RP-3, Decluz). Value to Basin- \$40 million recharge master plan construction is not fully implementable without these critical MWD connections.

Operational Benefits

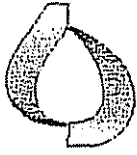
- ✓ Put amounts 2.5,000 AF (or more if approved by Watermaster) will provide free MWD supplies for the Chino Basin MZ1 subsidence interim plan of 3,000 AF of reduced pumping (net savings to Watermaster appropriate pool of over **\$1.2 million** in FY 2002/2003, FY 2003/2004, FY 2004/2005). Value- about **\$3.5 million in just the next 3 years**.
- ✓ Provides SWP blending for recycled water recharge at no cost to the basin parties (cost savings annually valued at over **\$5 million** per year to appropriate pool and regional sewage contractors).
- ✓ MZ3 Jurupa Agreement- provides assurance that inexpensive (free) SWP supplies will be available for recharge in MZ3 consistent with the Jurupa/IEUA agreement and Chino Basin Watermaster. If this replenishment supply (estimated at 2,000 to 4,000 AF) were purchased at \$233 per AF (current MWD Seasonal Storage Service

rate) it would cost the Basin appropriate pool about \$1 million per year. Value to the Basin over 25 years- probably over \$20 million.

Other Significant Benefits

- ✓ MWD funding of IEUA recycled water program (amendment to Carbon Canyon agreement is valued at increased revenue annually of \$1.5 million and a total of \$19 million).
- ✓ MWD funded facilities (\$27.5 million) serve as the foundation for all future storage and recovery projects (500,000 AF storage and recovery program approved in the Peace Agreement). Without these funded facilities the Basin would have a very difficult time marketing the additional storage and recovery program. In particular, the funding of well head treatment facilities and Watermaster's efforts to seek additional State (Prop. 50) and federal grants for Basin clean up and treating contaminated drinking water wells is critical to all storage and recovery projects.
- ✓ With these new facilities and the CDA Chino Desalters 1 and 2 and the other improvements underway in the Basin (i.e., recharge master plan) the retail utilities have a significantly greater capability to produce groundwater during shortages of imported water whether droughts or emergency outages. All retail utilities potentially benefit from increased interconnections and flexibility to utilize groundwater production to improve reliability and avoid severe customer shortages during an earthquake.
- ✓ Future funding by MWD for Chino 2 and Chino 3 Desalters (\$250 per AF rebate— value at \$25 to \$45 million over next 25 years). Additional funding for IEUA regional recycling program (\$20 to \$35 million).
- ✓ Expansion of the MWD conjunctive use program to Jurupa CSD, Norco, Fontana Water Company and others.

Total Value to the Basin: Over \$ 225 to \$350 million during the next 25 years.



Inland Empire
UTILITIES AGENCY

Date: April 2, 2003

To: Honorable Board of Directors

From: Richard W. Atwater *RWA*
Chief Executive Officer
General Manager

Subject: Metropolitan Water District (MWD) Conjunctive Use "Dry Year"
Funding Agreement with the Participating Retail Agencies

RECOMMENDATION

It is recommended that the Board approved the proposed changes to the retail agency agreements related to the use of the NRW line for brine disposal and other minor changes to the agreement proposed by Monte Vista Water District (MVWD).

BACKGROUND

Your Board approved the overall MWD/Three Valleys MWD (TVMWD)/Watermaster/IEUA agreement on February 5, 2003. MWD, TVMWD and Watermaster all have now approved the agreement. Watermaster's approval was on March 27. Attached is the final version of the agreement (the proposed new language in Section V.A has been deleted). This agreement is now ready for execution.

The Retail Agency Funding Agreements are being authorized for approval by each participating agency. Late Monday, I received the attached e-mail copy of the proposed changes to the agreement from MVWD (see attached e-mail memo and draft agreement), on behalf of the City of Upland and City of Chino requesting certain changes to the agreement. The key substantive change was the inclusion of Section 3, the provision for IEUA to be responsible for funding and ensuring that the North NRW line (West Edison Non-Reclaimable Waste Line) be reactivated by not late than December 2006. Staff recommends approval of this new language as being consistent with Board policy and the discussion at the NRW Workshop held on March 19, 2003.

PRIOR BOARD ACTION

- ✓ Board approval of MWD Agreement on February 5, 2003.
- ✓ Board approval of the draft Retail Agency Agreement(s) on March 5, 2003.

MWD Conjunctive Use "Dry Year" Funding Agreement
April 2, 2003
Page 2

IMPACT ON BUDGET

The impact on the Agency's budget is unknown at this time.

RWA:AW

03148 MWD Conjunctive Use Dry Year Funding Agreement

Richard Atwater

From: Mark Kinsey [mkinsey@mvwd.org] **Sent:** Mon 3/31/2003 4:59 PM
To: Boyd Hill (E-mail); Dave Crosley (E-mail); John V Rossi (E-mail); Ken Jeske (E-mail); Robert De Loach (E-mail); Richard Atwater

Cc:

Subject: Draft DYY Local Agency Agreement-New

Attachments:  [Draft DYY Local Agency Agreement-New.doc\(106KB\)](#)

<<Draft DYY Local Agency Agreement-New.doc>>

Attached is a draft of the local agency agreement incorporating the financial and shift (af) deal points, plus language unique to Chino, MV and Upland regarding the West Edison Brine Line.

We would like to finalize the language for this agreement so we can all sign and move forward towards implementation; 2008 will be here before we know it See you Wednesday.

Mark

<< [Draft DYY Local Agency Agreement-New.doc](#) >>



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

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.

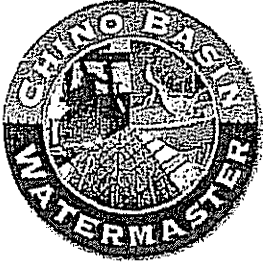
CONCLUSION

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 D

PLEADING



Chino Basin Watermaster

8632 Archibald Ave., Ste. 109, Rancho Cucamonga, CA 91730

TRANSMITTAL

Date: April 30, 2003

Number of pages including cover sheet: 35

To: Watermaster Committee Members

Mail _____

Email: See list attached

Phone: _____

Fax: See list attached

file: IEUA Notice of Application for
100,000 af Storage Account on behalf
of MWD

From: Mary Staula

Chino Basin Watermaster

8632 Archibald Avenue, Ste 109

Rancho Cucamonga, Ca. 91730-4665

Phone: 909.484.3888

Fax: 909.484.3890

REMARKS:	Enclosed	x	For your review	Per Your Request	Please comment
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Attached please find IEUA's Notice of Application for 100,000 af Storage Account. This matter will come before the Pool Committees in June and the Advisory Committee and Watermaster Board in August.

THIS TRANSMISSION IS INTENDED ONLY FOR THE PARTY TO WHOM IT IS ADDRESSED AND MAY CONTAIN PRIVILEGED AND CONFIDENTIAL INFORMATION. If you are not the intended recipient, you are hereby notified that any use, dissemination or copying of this transmission is strictly prohibited. If you have received this transmission in error, please notify us by telephone immediately.

Distribution List Name: Water Transaction Notification List - Committees and WM Board Members

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Ray Thrash	Non-Ag Pool

CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTION – STORAGE ACCOUNT

Date of Notice:

April 30, 2003

This notice is to advise interested persons that the attached application will come before the Watermaster Board on or after 90 days from the date of this notice.

NOTICE OF APPLICATION(S) RECEIVED

Date of Applications: **April 2, 2003**

Date of this notice: **April 30, 2003**

Please take notice that the following Application has been received by Watermaster:

- A. Notice of Application for 100,000 acre-feet Storage Account by IEUA on behalf of Metropolitan Water District of Southern California.

This *Application* will first be considered by each of the respective pool committees on the following dates:

Agricultural Pool: June 12, 2003

Appropriative Pool: June 12, 2003

Non-Agricultural Pool: June 12, 2003

This *Application* will be scheduled for consideration by the Advisory Committee *no earlier than ninety-days from the date of this notice and a minimum of twenty-one calendar days* after the last pool committee reviews it.

After consideration by the Advisory Committee, the *Application* will be considered by the Board.

Unless the *Application is* amended, parties to the Judgment may file *Contests* to the *Application* with Watermaster *within seven calendar days* of when the last pool committee considers it. Any *Contest* must be in writing and state the basis of the *Contest*.

Watermaster address:

Chino Basin Watermaster
8632 Archibald Ave., Suite 109
Rancho Cucamonga, CA 91730

Tel: (909) 484-3888
Fax: (909) 484-3890



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

DATE: April 30, 2003
TO: Active Parties of Chino Basin Watermaster
SUBJECT: Summary and Analysis
Notice of Application for 100,000 acre-feet Storage Account by IEUA on behalf of Metropolitan Water District of Southern California

I. INTRODUCTION

The Inland Empire Utilities Agency ("IEUA"), on behalf of the Metropolitan Water District of Southern California ("Metropolitan"), has submitted an Application under Article X of the Watermaster Rules and Regulations for a storage account in the amount of 100,000 acre-feet. This Application has been submitted in order to implement the terms of the Groundwater Storage Program Funding Agreement by and among Metropolitan, IEUA, Three Valleys Municipal Water District and the Chino Basin Watermaster (Agreement No. 49960) that was approved by the Watermaster Advisory Committee and Board on March 27, 2003.

II. ARTICLE X APPLICATION RULES AND PROCEDURES

Under Watermaster's Rules and Regulations § 10.7, any person may request Watermaster's approval of an Agreement to participate in a Storage and Recovery Program by submitting an Application to Watermaster that, at a minimum, includes the following information:

- (a) The identity of the person(s) that will Recharge, Store and Recover the water as well as its ultimate place of use;
- (b) The quantity of water to be Stored and Recovered;
- (c) The proposed schedule for the Recharge of water for storage, if any;
- (d) The proposed schedule and method for Recovery;
- (e) The location of the Recharge facilities through which the Stored Water will be recharged;
- (f) The location of the Production facilities through which the Stored Water will be recovered;
- (g) The water levels and water quality of the Groundwater in the areas likely to be affected by the Storage and Recovery, if known; and
- (h) Any other information that Watermaster requires to be included.

Watermaster shall have no obligation to process incomplete Applications. (Rules § 10.3(a).) Watermaster staff has reviewed the Application and the previously approved Funding Agreement and finds that the information required by the Rules and Regulations has been provided as reasonably required to allow Watermaster to analyze the Application for its potential to cause Material Physical Injury.

Under Rules and Regulations § 8.1(h), each Groundwater Storage Agreement shall include but not be limited to the following components [Judgment Exhibit "I" ¶ 3.]:

- (i) The quantities and the term of the storage right, which shall specifically exclude credit for any return flows;

- (ii) A statement of the priorities of the storage right as against overlying, Safe Yield uses, and other storage rights;
- (iii) The delivery rates, together with schedules and procedures for spreading, injection or in-lieu deliveries of Supplemental Water for direct use;
- (iv) The calculation of storage water losses and annual accounting for water in storage; and
- (v) The establishment and administration of withdrawal schedules, locations and methods.

Under the Rules and Regulations § 8.1(f)(ii), Watermaster may not approve an Application to store and Recover water if it is inconsistent with the terms of the Peace Agreement or will cause any Material Physical Injury to any party to the Judgment or the Basin. Any potential or threatened Material Physical Injury to any party to the Judgment or the Basin caused by the storage and Recovery of water shall be reasonably and fully mitigated as a condition of approval. In the event the Material Physical Injury cannot be mitigated, the request for storage and Recovery must be denied. (Peace Agreement § 5.2 (a) (iii).) Applications for the storage of Supplemental Water shall be processed in accordance with the provisions of Article X.

Compliance with the Peace Agreement § 5.2(c) concerning the broad mutual benefits of the allocation of 100,000 AF to Metropolitan under Agreement No. 49960 has already been the subject of Watermaster review and approval. The Application that has been submitted by IEUA merely implements this previously approved agreement and this Watermaster's review is limited to an analysis of the potential for Material Physical Injury to result from the activities described by the Application.

III. SUMMARY OF THE APPLICATION

The Application identifies the maximum quantity of the storage account at 100,000 AF. This is within the targeted 500,000 AF identified in the Peace Agreement as the Storage and Recovery Program.

The Application identifies the method of placement of water in storage as in-lieu delivery by Metropolitan. The specific amount of water to be delivered into storage will be determined according to availability by the Operating Committee under Agreement No. 49960. However, the maximum that can be placed into storage in any one year is 25,000 AF.

Recapture from storage will be accomplished by pumping from wells. A list of new wells to be constructed under is provided by the Application and can be found as Exhibit H to Agreement No. 49960. While these new facilities are constructed in order to provide the ability to recapture the water out of storage, it is recognized that the production of water out of the storage account will be determined by the Operating Committee by looking at the gross production from the participating entities and comparing this with past pumping. Under the Application, the maximum amount that can be recaptured from storage in any one year is 33,000 AF.

Specific commitments by the appropriators to take the in lieu deliveries of water and to shift to increased groundwater pumping to accomplish the recapture of water are detailed in the Local Agency Agreements which are in the process of being approved by each of the local agencies. A schedule of the shift performance obligations for each of the participating entities is included with the Application.

As well as Form 6, the Application also includes a Recapture Form 4.

IV. SUMMARY OF ANALYSIS OF POTENTIAL TO CAUSE MATERIAL PHYSICAL INJURY

In addition to providing a summary of the Application, Watermaster's notice of the Application is required to provide a reasonable preliminary analysis of the potential for the activities described in the Application to result in Material Physical Injury (Rules § 10.10)

In December 2002, Wildermuth Environmental performed an initial review of the proposed project descriptions within the Groundwater Storage Program Funding Agreement, including the facilities and operating plans, to determine consistency with the Chino Basin Optimum Basin Management Program (OBMP) and the OBMP Program Environmental Report (OBMP PEIR), and to answer three specific questions:

Will the proposed project cause groundwater levels to rise unacceptably, causing high groundwater problems to structures?

Will the proposed projects adversely impact groundwater quality?

Will the proposed project adversely impact Santa Ana River quality?

Wildermuth Environmental is currently completing a more detailed report based on more specific information that has been developed since December. This report will be available in advance of consideration of the Application by Watermaster.

The proposed Application would result in a temporary increase in the storage in the Chino Basin by as much as 100,000 acre-ft. Water would be put into storage by taking imported water through surface water treatment plants and reducing groundwater pumping during *put* years. The stored water would be recovered by reducing the use of imported water during dry years and increasing groundwater production.

OBMP PEIR Figure 4.5-51 shows the projected steady state groundwater elevations for full OBMP implementation. The OBMP PEIR Figure 4.5-53 illustrates the change in groundwater levels that is expected to occur in the Chino Basin by implementation of the OBMP. The time frame that this change in groundwater level was projected to occur was over 100s of years. The changes in groundwater levels range from zero just north of the OBMP desalters and increase to about 60 to 80 feet under the Montclair and Fontana areas. The change in storage associated with the OBMP is about 200,000 acre-ft – 100,000 acre-ft greater than the storage described by the Application.

Will the proposed project cause groundwater levels to rise unacceptably high causing high groundwater problems to structures?

No. The modeling work done for the PEIR estimated the cumulative effect of OBMP projects. Based on these model projections (refer to Figure 4.5-53 of OBMP PEIR), it was estimated that implementation of the OBMP could cause groundwater levels to rise: up to 40 to 60 feet throughout the northern half of the basin; up to 60 to 80 feet under the Montclair and Fontana areas; and possibly as much as 200 feet under the Montclair and Upland basins. Under each recharge basin, the depth to groundwater will be 200 feet or greater after implementation of the OBMP. Groundwater levels north of the desalter well fields will remain 100 feet or more below the ground surface with the storage associated with the Application, and in most cases 200 feet or more.

Will the proposed projects adversely impact groundwater quality?

No. The modeling work done for the OBMP PEIR (refer to Figure 4.5-55 of OBMP PEIR) estimated the cumulative changes in direction and speed of groundwater movement from the implementation the OBMP. As mentioned above, the increase in groundwater storage associated with the ultimate OBMP implementation is about 200,000 acre-ft or twice that being proposed in the Application. The modeling results showed that the relative displacement of known water quality anomalies is similar for *with* and *without* OBMP conditions. That is, the storage associated with the Application will not significantly redirect or accelerate the movement of known water quality anomalies.

Water quality degradation from temporary increases in groundwater levels flushing contaminants from the vadose zone was not explicitly investigated in the OBMP PEIR. The safe storage capacity was defined in the OBMP as the unused storage space that can be used without significant water quality impacts and was estimated to be about 500,000 acre-ft (WEI, 1999). The proposed DYYP use of 100,000 acre-ft is well within the safe storage.

Will the proposed project adversely impact Santa Ana River quality?

No, as long as Watermaster conducts recharge operations in the basin as described in the OBMP Peace Agreement, and Watermaster and IEUA implement the OBMP desalter projects that maintain hydraulic control. Groundwater outflow, if allowed to occur, would degrade the Santa Ana River because the groundwater quality in the lower Chino Basin is poorer than the River. Per the Peace Agreement, Watermaster must consider balancing recharge and discharge in each management zone and subarea when making decisions regarding the location and magnitude of artificial recharge. This would apply to all discretionary recharge activities of the Watermaster and other entities that desire to recharge the Chino Basin. One of the goals of the OBMP is to maximize the yield of the Chino Basin by reducing groundwater outflow to the Santa Ana River and, where possible, to maximize recharge of the Santa Ana River into the Chino Basin. The modeling work done for the OBMP PEIR showed that outflow of groundwater from the Chino Basin to the Santa Ana River would decrease with ultimate OBMP implementation. That is, with balancing discretionary recharge and the construction of the OBMP desalters, the outflow of groundwater from the Chino Basin to the Santa Ana River will decrease even though the storage in the basin increases 200,000 acre-ft. This is demonstrated graphically in OBMP PEIR Figure 4.5-51.

EXHIBIT E

PLEADING



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

NOTICE OF AVAILABILITY OF CHINO BASIN DRY-YEAR YIELD MODELING REPORT July 23, 2003

Watermaster is pleased to announce the availability of the Chino Basin Dry-Year Yield Modeling Report prepared by Wildermuth Environmental, Inc. under a subcontract with Black & Veatch Corp. for the Chino Basin Watermaster and the Inland Empire Utilities Agency. This Report constitutes Watermaster's analysis of the potential for Material Physical Injury to be caused to any party or to the Chino Basin from the implementation of the terms of the Groundwater Storage Program Funding Agreement (Agreement No. 49960) ("Funding Agreement") that was executed by IEUA, Three Valleys Municipal Water District, Watermaster and the Metropolitan Water District of Southern California ("Metropolitan") on June 19, 2003.

On April 2, 2003 Inland Empire Utilities Agency ("IEUA") submitted an Application under Article X of the Watermaster Rules and Regulations for a 100,000 acre-foot storage account in Watermaster's Storage and Recovery Program. This storage account will be used to implement the terms of the Funding Agreement. Pursuant to Watermaster's Rules and Regulations § 10.10, Watermaster provided Notice of this Application on April 30, 2003. This Notice included the Application and supporting materials as well as a staff report which summarized the Application, the Article X procedures relative to applications to participate in the Storage and Recovery Program, and a brief summary and analysis of the potential for Material Physical Injury to any person or the Basin due to the 100,000 acre-foot account. This analysis of the potential for Material Physical Injury was based upon the previous CEQA analyses of the project, and a preliminary analysis performed by Wildermuth Environmental.

Both the Application and the Notice of the Application anticipated that a fuller Material Physical Injury analysis would be made available to the parties prior to consideration of the Application by Watermaster. In fact, the Application itself makes prospective reference to reports that were anticipated to be prepared by both Wildermuth Environmental and Black & Veatch.¹ During preparation of the analysis, however, it became apparent that a comprehensive analysis of Basin conditions would be necessary and beneficial not only for the analysis of the 100,000 acre-foot storage account, but also to assess other OBMP activities.

Watermaster's analysis of the potential for Material Physical Injury to be caused to any party or the Basin due to the 100,000 acre-foot account is now available for review by the parties. Because of the voluminous nature of the Report, Watermaster will only be serving this notice of availability to the parties. Copies of the Report are available from Watermaster and will be provided to any party who requests a copy. In order to avoid confusion, Watermaster has also included the original IEUA Application as well as Watermaster's April 30, 2003 summary and analysis with this distribution.

¹ The facilities design report from Black & Veatch is still under preparation, and should be available to the parties prior to the August pool meetings. However, Black & Veatch participated in the preparation of the Wildermuth Environmental analysis and all of the information from the facilities design report that was required for this analysis was incorporated into section seven of the Wildermuth Environmental report.

The Application and Watermaster's analysis will first be considered by the Pools at their August 14, 2003 meetings. Under the Watermaster Rules and Regulations, consideration by the Advisory Committee and Board cannot occur less than 21 days after consideration by the last pool to consider the Application. Due to the extensive nature of the Material Physical Injury analysis and the fact that none of the parties have previously seen this analysis, Watermaster will provide an extra month for review of the report and agendaize final approval of the Application for the October 23, 2003 Advisory Committee and Board meetings.

The nature of the Funding Agreement requires that IEUA is the appropriate entity to act as applicant for the Application. The Funding Agreement broadly articulates the business deal terms by which the Chino Basin parties have committed 100,000 acre-feet of storage space from the Storage and Recovery Program for Metropolitan's use, in exchange for certain financial items of benefit. However, specific terms relating to the delivery of water into storage and the withdrawal of water from storage are primarily governed by the terms of the "Local Agency Agreements" between IEUA, Three Valleys and the local agencies. It is through these Local Agency Agreements that the local agencies have committed to construct the facilities funded through the Funding Agreement. It is also through the Local Agency Agreements that the local agencies have committed to shift their production and extraction upon instruction from IEUA and Three Valleys in such a manner that water deliveries and extractions from the storage account can be accomplished. Metropolitan is not a party to the Local Agency Agreements. Because of this, any conditions that Watermaster may place on approval of the storage account, will necessarily be implemented by the local agencies through IEUA and Three Valleys. For these reasons, IEUA rather than Metropolitan is the appropriate entity to act as the applicant under Article X of the Rules and Regulations.

Under the Funding Agreement, the schedule and location for all storage and extraction to and from the storage account will be formulated on a yearly basis depending on water needs of the parties and availability from Metropolitan through the Annual Operating Plan. (Funding Agreement VI.A.3.a.) Under the Funding Agreement, the Annual Operating Plan must provide sufficient information to allow Watermaster to assess the potential impacts from the operation of the storage account on the Basin and the Judgment parties. (Funding Agreement VI.A.3.b.) Watermaster reserves the right under the Funding Agreement to approve the Annual Operating Plan in accordance with the Judgment and the OBMP and reserves the right to require modification of the Annual Operating Plan if necessary. (Funding Agreement VI.A.3.c-d.)

Because it is not possible at this time to determine the specific nature of water deliveries and withdrawals for each year for the twenty-five year term of the Agreement, Watermaster's current analysis of the potential for Material Physical Injury is framed in terms of the gross deliveries of a maximum of 25,000 acre-feet in put years, and a maximum withdrawal rate of 33,000 acre-feet with shift commitments in particular locations depending on obligations as described in the Local Agency Agreements.

Watermaster's approval of the Application will therefore be conditioned upon a yearly approval of the Annual Operating Plan. By this method Watermaster will be able to ensure that the ongoing implementation of the program does not result in Material Physical Injury to a party or to the Basin. As described above, such yearly approval by Watermaster is explicitly provided for under the Funding Agreement.

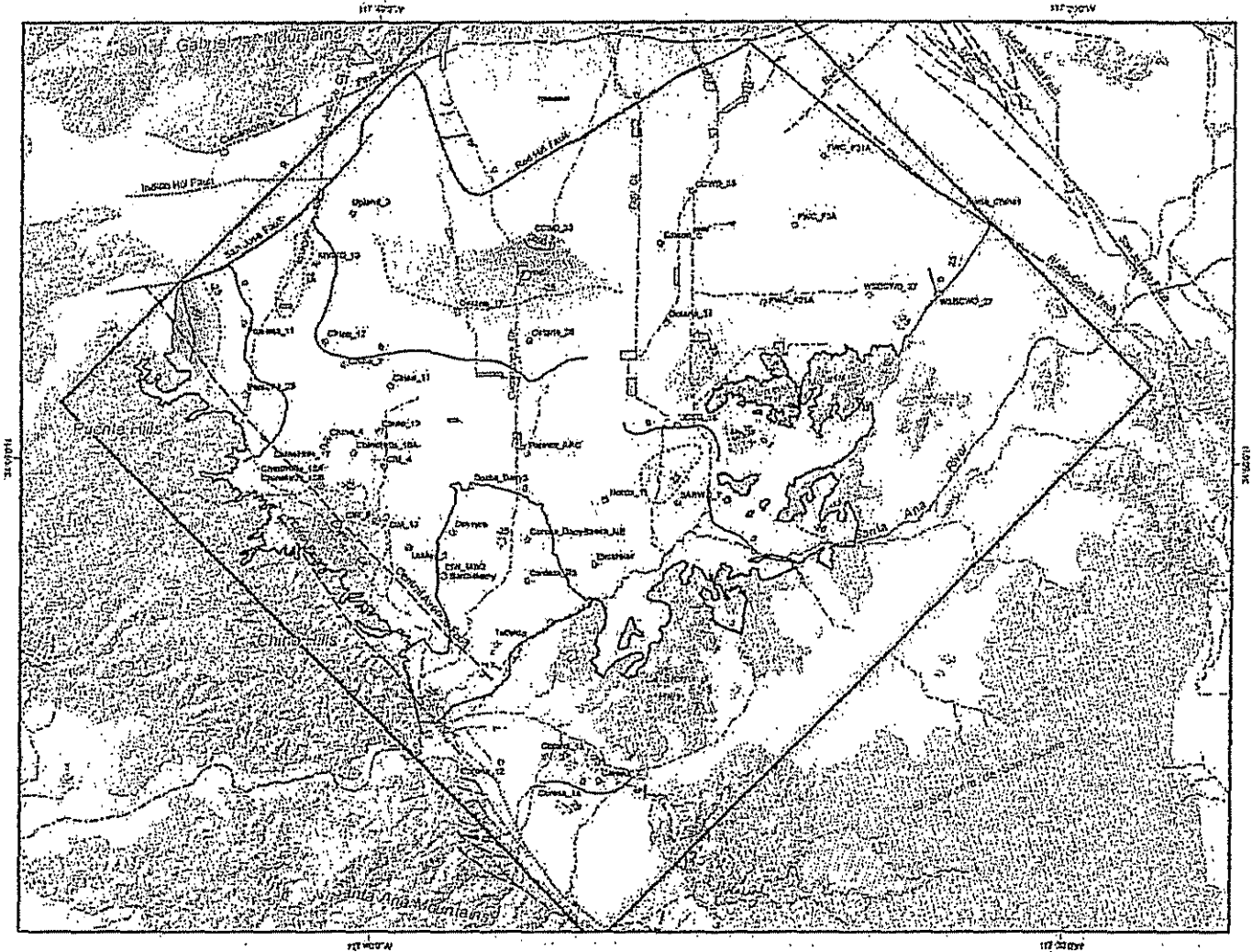
If there are no Contests to the Application, then under § 10.17 of the Rules and Regulations, Watermaster may approve or conditionally approve the Application based upon the record as created at the Pools. This record will consist of the Application and supporting material submitted with the Application, the Funding Agreement as well as materials submitted in support of the Funding Agreement, Watermaster staff reports, and Watermaster's full analysis of the potential for Material Physical Injury.



Inland Empire
UTILITIES AGENCY

OPTIMUM BASIN MANAGEMENT PROGRAM

Chino Basin Dry-Year Yield Program Modeling Report



Prepared for:

**Chino Basin Watermaster &
Inland Empire Utilities Agency**

under a Subcontract Agreement with:

Black & Veatch Corp.

Prepared by:

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July 21, 2003

Chino Basin Watermaster
Attention: John Rossi
8632 Archibald Avenue, Suite 109
Rancho Cucamonga, CA 91730-4665

Inland Empire Utilities Agency
Attention: Richard Atwater
6075 Kimball Avenue
Chino, CA 91710

Subject: Transmittal of Optimum Basin Management Program, Chino Basin Dry-Year Yield Program, Modeling Report, July 2003.

Gentlemen:

The Chino Basin Watermaster (CBWM), the Inland Empire Utilities Agency (IEUA), and the Metropolitan Water District of Southern California (Metropolitan) have developed a groundwater storage and recovery program for the Chino Basin. This effort was consummated in June 2003 with the signing of an agreement among these agencies to implement a 100,000 acre-ft dry-year yield program.

The Black and Veatch Corporation was the lead consultant in the development of the facility and related operating plans for the dry-year yield program. Starting in February of 2002, Black and Veatch developed a series of preliminary dry-year yield plans with the participating water agencies. These plans were subsequently refined through an exhaustive series of meetings and engineering studies. The investigation reported herein is an assessment of the potential groundwater-related impacts from the proposed dry-year yield facility and operating plans. Black and Veatch is preparing a report that describes the facility and operating plans for the CBWM-IEUA-Metropolitan 100,000 acre-ft dry-year yield program. The Black and Veatch report will be available in late July or early August of 2003. Transmitted herewith is our report entitled *Optimum Basin Management Program, Chino Basin Dry-Year Yield Program, Modeling Report, July 2003* that describes the potential impacts of the proposed 100,000 acre-ft dry-year yield program on Chino Basin groundwater resources. The facilities and related operating plans assumed in the Wildermuth Environmental (WEI) investigation were provided by Black and Veatch and will be documented in their forthcoming report. The new groundwater production facilities that could be constructed for the 100,000 acre-ft dry-year yield program are shown and analyzed in Section 7 of this report.

WEI developed and applied a series of simulation models to project the impacts of storing 100,000 acre-ft of water via in-lieu recharge and the subsequent removal of this water from storage. The impacts evaluated in this investigation include groundwater-level impacts during the put, hold, and take periods; the losses of water from increases in groundwater storage; and the change in direction and speed of known water quality anomalies. CBWM requested that WEI determine if the proposed dry-year yield program would cause or threaten material physical injury to a party to the Chino Judgment or to the Chino Basin as is required by the OBMP Peace Agreement. Based on the investigations reported herein, WEI concluded that there will be no physical material injury from the 100,000 acre-ft dry-year yield program to either a party to the Chino Judgment or to the Chino Basin.

July 21, 2003

We appreciate the opportunity to work with the CBWM, IEUA, Metropolitan, and the water purveyors in Chino Basin area on this very important project. Please call me if you have any questions regarding this report or if we can be of further assistance.

Sincerely,

Wildermuth Environmental, Inc.

A handwritten signature in black ink, appearing to read "Mark J. Wildermuth". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

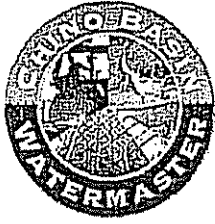
Mark J. Wildermuth, MS, PE
President, Principle Engineer

Cc: Michael Fife, Hatch and Parent
David Argo, Black and Veatch

Due to the voluminous nature of the Chino Basin Dry-Year Yield Program Modeling Report, the text of the report is not included in this Notice of Availability. Copies of the report are available on request from Watermaster.

EXHIBIT F

PLEADING



CHINO BASIN WATERMASTER

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Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

JOHN V. ROSSI
Chief Executive Officer

STAFF REPORT

DATE: August 14, 2003
TO: Pool Committee Members
SUBJECT: Approval of IEUA/MWD Groundwater Storage Account

SUMMARY

Issue – Approval of Storage Account for IEUA/MWD Groundwater Storage Program

Recommendations – Staff recommends that the Pools forward the Application to the Advisory Committee and Board for approval conditioned upon yearly approval of the Annual Operating Plan as described by the Funding Agreement. Such yearly approval to follow the normal Watermaster approval process and not require a new Article X Application.

Fiscal Impact – Approval of this item has no additional financial impact

BACKGROUND

On April 2, 2003 Inland Empire Utilities Agency ("IEUA") submitted an Application under Article X of the Watermaster Rules and Regulations for a 100,000 acre-foot storage account in Watermaster's Storage and Recovery Program. This storage account will be used to implement the terms of the Groundwater Storage Program Funding Agreement (Agreement No. 49960) ("Funding Agreement") that was executed by IEUA, Three Valleys Municipal Water District, Watermaster, and the Metropolitan Water District of Southern California ("Metropolitan") on June 19, 2003

Pursuant to Watermaster's Rules and Regulations § 10 10, Watermaster provided Notice of this Application on April 30, 2003. This Notice included the Application and supporting materials as well as a staff report which summarized the Application, the Article X procedures relative to applications to participate in the Storage and Recovery Program, and a brief summary and analysis of the potential for Material Physical Injury to any person or the Basin due to the 100,000 acre-foot account. This analysis for the potential for Material Physical Injury was based upon the previous CEQA analysis for the project, and a preliminary analysis performed by Wildermuth Environmental.

On July 23, 2003, Watermaster provided further Notice of the availability of the complete Material Physical Injury analysis performed by Wildermuth Environmental under a subcontract with Black & Veatch. Copies of the full report have been provided to all parties who requested them and copies were made available at the July 24, 2003 Advisory Committee and Board Meetings. In addition, copies were sent via overnight mail to the Special Referee and her Technical Assistant and to Mr. Brommenschenkel on behalf of the Agricultural Pool.

Pursuant to Watermaster's Rules and Regulations § 10 11, upon completion of Watermaster's summary and analysis, Watermaster Staff shall place the Application on the first available Pool Committee Agenda for each of the respective Pool Committees for consideration.

Because it is not possible at this time to determine the specific nature of annual water deliveries and withdrawals for the twenty-five year term of the Agreement, Watermaster's current analysis of the potential for Material Physical Injury is framed in terms of the maximum gross deliveries of 25,000 acre-feet in put years, and a maximum withdrawal rate of 33,000 acre-feet with shift commitments in particular locations depending on obligations as described in the Local Agency Agreements.

Watermaster's approval of the Application will therefore be conditioned upon a yearly approval of the Annual Operating Plan. While this yearly approval will utilize the material developed in the current analysis by Wildermuth Environmental, it will also ensure that the ongoing implementation of the program does not result in Material Physical Injury to a party or to the Basin. As described above, such yearly approval by Watermaster is explicitly provided for under the Funding Agreement.

Since such yearly approvals will take place within the overall framework of the Funding Agreement and the physical parameters analyzed by the Wildermuth report, it is not necessary that a new Article X Application be submitted every year. Rather, the approval of the Annual Operating Plan can take place through the normal Watermaster approval process. Such approval will preserve for all parties an opportunity to object under the procedures described in the Judgment and the Rules and Regulations if they believe that the Program is causing Material Physical Injury.

If there are no Contests to the Application, then under §10.17 of the Rules and Regulations, Watermaster may approve or conditionally approve the Application based upon the record as created at the Pools. This record will consist of the Application and supporting material submitted with the Application, the Funding Agreement as well as materials submitted in support of the Funding Agreement, Watermaster staff reports, and Watermaster's full analysis of the potential for Material Physical Injury.

EXHIBIT G

PLEADING



CHINO BASIN WATERMASTER

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JOHN V. ROSSI
Chief Executive Officer

STAFF REPORT

DATE: October 23, 2003
TO: Advisory Committee Members
Watermaster Board Members
SUBJECT: MWD/IEUA GROUNDWATER STORAGE ACCOUNT

SUMMARY

Issue – Approval of Storage Account for IEUA/MWD Groundwater Storage Program

Recommendations – Staff recommends that the Advisory Committee and Watermaster Board Members approve the MWD/IEUA groundwater storage account. No party has filed a contest to this application and therefore the Advisory Committee and Watermaster Board Members may approve or conditionally approve the application without holding a hearing.

Fiscal Impact – Approval of this item has not additional financial impact.

BACKGROUND

On April 2, 2003 Inland Empire Utilities Agency ("IEUA") submitted an Application under Article X of the Watermaster Rules and Regulations for a 100,000 acre-foot storage account in Watermaster's Storage and Recovery Program. This storage account will be used to implement the terms of the Groundwater Storage Program Funding Agreement (Agreement No. 49960) ("Funding Agreement") that was executed by IEUA, Three Valleys Municipal Water District, Watermaster, and the Metropolitan Water District of Southern California ("Metropolitan") on June 19, 2003.

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On July 23, 2003, Watermaster provided further Notice of the availability of the complete Material Physical Injury analysis performed by Wildermuth Environmental under a subcontract with Black & Veatch. Copies of this report have been made to all parties who requested them, and copies were made available at the July 24, 2003 Advisory Committee and Board Meetings. In addition, copies were sent via overnight mail to the Special Referee and her technical assistants and to Mr. Brommenschenkel on behalf of the Agricultural Pool.

Pursuant to Watermaster's Rules and Regulations § 10.11, upon completion of Watermaster's summary and analysis, Watermaster Staff shall place the Application on the first available Pool Committee Agenda for each of the respective Pool Committees for consideration.

Because it is not possible at this time to determine the specific nature of water deliveries and withdrawals for each year for the twenty-five year term of the Agreement, Watermaster's current analysis of the potential for Material Physical Injury is framed in terms of the gross deliveries of a maximum of 25,000 acre-feet in put years, and a maximum withdrawal rate of 33,000 acre-feet with shift commitments in particular locations depending on obligations as described in the Local Agency Agreements.

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 July 23, 2003 I served the following:

NOTICE OF AVAILABILITY OF CHINO BASIN DRY-YEAR YIELD MODELING REPORT

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:
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 July 23, 2003 in Rancho Cucamonga, California.



Mary Staula
Chino Basin Watermaster

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