

CHINO BASIN WATERMASTER

Case No. RCV 51010

Chino Basin Municipal Water District v. The City of Chino

FEE EXEMPT

FILED  
SUPERIOR COURT  
COUNTY OF SAN BERNARDINO

PROOF OF SERVICE

AUG 28 2006

I declare that:

BY *Kronica Rivera* DEPUTY

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 August 28, 2006 I served the following:

**1) NOTICE OF SPECIAL REFEREE WORKSHOP: COMMENT CLARIFICATION**

☒ 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:

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I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed on August 28, 2006 in Rancho Cucamonga, California.

  
PAULA S. MOLTER  
Chino Basin Watermaster

# Monte Vista

*Dedicated to Quality, Service and Innovation*

August 18, 2006

RECEIVED

Mark N. Kinsey  
GENERAL MANAGER

Mr. Ken Manning, Chief Executive Officer  
CHINO BASIN WATERMASTER  
9641 San Bernardino Road  
Rancho Cucamonga, California 91730

AUG 22 2006

CHINO BASIN WATERMASTER

**Special Referee Workshop: Comment Clarification**

Dear Mr. Manning:

Monte Vista Water District is submitting the following to clarify its comments made during the Referee's hearing on the Peace II Non-Binding Term Sheet. The Term Sheet proposes a fundamental change in operation of the Chino Basin for "hydraulic control" not contemplated at the time of the Judgment or Peace I. Under the Judgment, the Chino Basin has at all times been operated for "safe yield."

Under "hydraulic control" groundwater levels will be lowered by permitting production in excess of Basin "safe yield" in order to prevent outflow to the Santa Ana River. "Hydraulic control" is required to support water quality objectives established by the Santa Regional Water Quality Control Board in 2004, under the concept of maximum beneficial use.

"Hydraulic control" will permit wastewater discharge to the Chino Basin under the less stringent water quality objectives. The relaxed objectives allow the use of recycled water for recharge and landscape irrigation that would otherwise require additional levels of treatment and salt mitigation. Stated another way, the primary benefit of "hydraulic control" is avoided treatment and salt mitigation costs required to permit recycled water use within the Chino Basin.

"Hydraulic control" represents a paradigm shift in the benefits conferred under the Physical Solution because those benefits did not occur under operation for "safe yield." Accordingly, the shift in benefits must be examined in the context of costs incurred by the parties under the Physical Solution. Paragraph 1 of Exhibit I of the Judgment requires that economic considerations of the parties be considered on an equal par with water quantity and quality considerations in implementing the Physical Solution.

Mr. Ken Manning  
August 18, 2006

To address this item, Section I.E. of the Term Sheet requires a cost/benefit comparison to determine if the allocation of assessments and other costs is proportional to the benefits conferred on individual parties under both Peace I and those of "hydraulic control." A similar analysis was required by Exhibit H, paragraph 8 of the Judgment to evaluate the costs and benefits under operation for "safe yield."

The Section I.E. Term Sheet cost/benefit comparison will be compromised if the economic analysis of benefits under "hydraulic control" required by Section I.A of the Term Sheet is incomplete. To ensure completeness, two separate items are necessary. First, a different no project scenario should be established to calculate the net benefits and avoided costs of "hydraulic control." The no project scenario used in the draft economic analysis incorrectly assumes the parties would construct the future desalters necessary to provide for hydraulic control but choose to not receive the resulting benefits of recycled water use and "new yield" through induced inflow. A more representative no project scenario would be to limit the construction and operation of the desalters to a capacity of 24 million gallons per day.

Secondly, the draft economic analysis should be revised to include the following additional benefits of "hydraulic control":

- Avoided treatment and salt mitigation costs that otherwise would be necessary to comply with anti-degradation standards.
- Avoided storage losses.
- Recycled water benefits of both recharge and landscape irrigation.

As a minor note, in the calculation of "new yield," the economic analysis should adjust the assumed purchase price of recycled water for Watermaster replenishment purposes from \$69 to the likely purchase price from Inland Empire Utilities Agency.

Thank you for the opportunity to submit these remarks into the hearing record.

Sincerely,

**Monte Vista Water District**



Mark N. Kinsey  
General Manager

cc: Board of Directors, Monte Vista Water District  
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