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7
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9 Committee

10
11 SUPERIOR COURT OF THE STATE OF CALIFORNIA
12 COUNTY OF SAN BERNARDINO

13 CHINO BASIN MUNICIPAL WATER
14 DISTRICT,

15 Plaintiff,

16 v.

17 CITY OF CHINO, ET AL.,

18 Defendants.

Case No. RCVRS 51010

Judgment Entered On January 27, 1978, as
Amended

**DECLARATION OF ROBERT W.
BOWCOCK**

Filed Concurrently With Motion By Non-
Agricultural (Overlying) Pool Committee
For Court Review Of Watermaster Actions.

Date: April 16, 2010

Time: 10:30 a.m.

Dept.: Dept. C-1

Chino, California

Assigned for All Purposes to the
Honorable STANFORD E. REICHERT

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1 three distinct pools – the Appropriative Pool, the Agricultural Pool and the Non-Agricultural Pool
2 - and formalized them. The three pools continue to have distinct and, in some cases, conflicting
3 interests. Until about November 2008, a Special Referee appointed by the Court actively
4 supervised the Watermaster Board and staff, and made reports and recommendations to the Court
5 regarding Watermaster activities.

6 6. The Non-Agricultural Pool (the “Non-Ag Pool”), is the smallest of the three pools
7 established by the Judgment. Attached hereto as Exhibit A is a list of the members of the
8 Watermaster Board, printed from the Watermaster website. The Non-Ag Pool has only 1 member
9 on the 9-member Watermaster Board. Exhibit A. Attached hereto as Exhibit B is a list of the
10 members of the Advisory Committee, printed from the Watermaster website. The Non-Ag Pool
11 has only 3 members on the 39-member Advisory Committee. Exhibit B. Attached hereto as
12 Exhibit C is Appendix G-1 from the 2008-2009 Annual Report of Watermaster. According to
13 Appendix G-1, the Non-Ag Pool produced only about 4% of the overall volume of water. Exhibit
14 C. Attached hereto as Exhibit D is the Summary Budget of Watermaster for 2009-2010.
15 According to the Summary Budget, the Non-Ag Pool was budgeted about 2% of financial
16 assessments of Watermaster for 2009-2010. Exhibit D.

17 7. In addition to the Non-Agricultural Pool, the other small pool within the 3-pool
18 Watermaster system is the Agricultural Pool. The Agricultural Pool has 2 members on the 9-
19 member Watermaster Board, and 7 members on the 39-member Advisory Committee. Exhibits A
20 and B. The Agricultural Pool produced about 26% of the overall volume of water in the most
21 recent year. Exhibit C.

22 8. The Appropriative Pool is the largest of the three pools established by the
23 Judgment. Including the Inland Empire Utilities Agency, a municipal water district that is also a
24 member of the Appropriative Pool, members of the Appropriative Pool control 4 positions on the
25 Watermaster Board. Exhibit A. The Appropriative Pool has 26 members on the 39-member
26 Advisory Committee, according to the membership list posted on the Watermaster website.
27 Exhibit B. For the most recent year, the Appropriative Pool produced about 70% of the overall
28 volume of water. Exhibit C. As a result of an agreement entered into between the Appropriative

1 Pool and the Agricultural Pool to settle various disputes between them, the Appropriative Pool
2 currently pays all of the Agricultural Pool's financial assessments. According to the budget for
3 the 2009-2010 fiscal year, the Appropriative Pool was budgeted about 98% of the financial
4 assessments of Watermaster. Exhibit D.

5 **The Peace II Agreement**

6 10. By Order entered on December 21, 2007, this Court authorized Watermaster to
7 proceed in accordance with the so-called "Peace II Agreement". The Peace II Agreement
8 includes as an attachment a Purchase and Sale Agreement For the Purchase of Water by
9 Watermaster from Overlying (Non-Agricultural) Pool dated September 27, 2007 (the "Peace II
10 Option Agreement"). Exhibit E.

11 11. Pursuant to Section C of the Peace II Option Agreement, the members of the Non-
12 Ag Pool granted to the Watermaster for the benefit of the Appropriative Pool an option to
13 purchase water (the "Non-Ag Storage Water") that the Non-Ag Pool members held in storage on
14 June 30, 2007 (the "Peace II Option"). The Appropriative Pool was entitled to exercise the option
15 as follows:

16 **C. Notice.** Within twenty-four months of the final Court approval of
17 this Agreement ("Effective Date"), and only with the prior approval of the
18 Appropriative Pool, Watermaster will provide written **Notice of Intent to**
19 **Purchase** the Non-Agricultural (Overlying) Pool water pursuant to Section 5.3(a)
20 of the Peace Agreement, which therein identifies whether such payment will be in
connection with Desalter Replenishment or a Storage and Recovery Program.
(emphasis in original).

21 Exhibit E at § C.

22 **The Option Price**

23 12. The Peace II Option price was approximately \$215 per acre foot, payable in four
24 annual installments. Exhibit E at § D. Attached hereto as Exhibit F are the current and historical
25 price schedules for various kinds of water, as published by the Metropolitan Water District of
26 Southern California (the "MWD"), showing the so-called Replenishment Rate (untreated). When
27 first granted, on September 21, 2007, the Peace II Option price represented an approximate 8%
28 discount from the MWD Replenishment Rate then in effect. The MWD Replenishment Rate on

1 December 22, 2007 was \$335 per acre-foot. Exhibit F. If the Appropriative Pool had exercised
2 the Peace II Option on December 22, 2007 (the day after it became effective), the Appropriative
3 Pool could have realized an immediate benefit of approximately \$700,000 - \$800,000.

4 13. The MWD Replenishment Rate increased to \$258 per acre foot on January 1,
5 2008, to \$294 per acre foot on January 1, 2009, and to \$366 per acre-foot on September 1, 2009.
6 Exhibit E. By September 1, 2009, the fixed option price for the Non-Ag Storage Water
7 represented a 41% discount from the MWD Replenishment Rate. If the Appropriative Pool had
8 exercised the Peace II Option on September 1, 2009, the Appropriative Pool could have realized a
9 benefit of approximately \$5,800,000.

10 The Auction

11 14. In 2008, in the course of my service as Chair of the Non-Ag Pool, and as member
12 of the Watermaster Board and Advisory Committee, I learned that the Appropriative Pool had
13 decided to pursue a public auction of the Non-Ag Storage Water, and that the Appropriative Pool
14 proposed to make the water available to investors who would pay more than the MWD
15 Replenishment Rate. At one or more of the Pool, Advisory and Board meetings that I attended,
16 Watermaster staff, counsel, or both, stated that the auction process would allow the Non-Ag Store
17 Water to be physically transported outside the Chino Basin for consumptive use elsewhere. At
18 one or more of such meetings, Watermaster CEO Ken Manning announced that Watermaster and
19 the Appropriative Pool were targeting outside investors, including investment funds
20 headquartered in Colorado, Texas and New York City, as bidders at the auction. I learned from
21 such meetings that the Appropriative Pool had established a minimum bid of \$600 per acre-foot
22 for the auction. See Exhibit G (Daily Bulletin). Watermaster CEO Ken Manning stated that he
23 expected to receive bids up to \$1,000 per acre-foot, representing a potential profit to the
24 Appropriative Pool of approximately \$30,000,000. See Exhibit G (L.A. Times). Watermaster
25 staff or counsel stated that a portion of the proceeds would be used by the Appropriative Pool to
26 pay the option price under the Peace II Option Agreement. See also Exhibit I at § II.A.
27 Watermaster staff and counsel stated the auction was scheduled to occur on November 4, 2009.
28 See also Exhibit G (Daily Bulletin, L.A. Times).

The Form of Notice

15. Attached hereto as Exhibit H is a staff report included in the agenda package for the August 13, 2009 meeting of the Appropriative Pool, as printed from the Watermaster website. According to the staff report, on August 13, 2009, Watermaster staff presented to the Appropriative Pool a document that was described as a "form of the Notice". Exhibit H. Attached hereto as Exhibit I are minutes of the August 13, 2009 meeting of the Appropriative Pool, as printed from the Watermaster website. According to the minutes, the Watermaster CEO stated that "as part of the Peace II Agreement in the purchase of the Overlying Non-Agricultural water one of the requirements was to issue an official notice of intent to Purchase." Exhibit I at § II.A. At the same meeting, according to the minutes, Watermaster counsel Michael Fife stated:

Staff has proposed to put the purchase date out as far as possible and still be in compliance with the Purchase and Sale Agreement due to not knowing the exact date of the auction; the proposed date is December 18, 2009. Counsel Fife stated that the primary issue is that the notice has to identify how the water will be used.

Exhibit I at § II.A. At this meeting, according to the minutes, the Appropriative Pool voted to use 2,652 acre-feet of the Non-Ag Storage Water for Desalter Replenishment and 36,000 acre feet for the "auction process". Exhibit I at § II.A. 16.

16. Attached hereto as Exhibit J is a staff report that was included in the agenda package for the August 27, 2009 meeting of the Watermaster Board, as printed from the Watermaster website. According to the staff report, on August 27, 2009, the Watermaster staff again described the document in question as a "form of the Notice". Exhibit J. Attached hereto as Exhibit K are minutes of the August 27, 2009 meeting of the Watermaster Board, as printed from the Watermaster website. According to the minutes, on August 27, Watermaster CEO Ken Manning reminded the Board of the deadline to deliver the written Notice of Intent to Purchase:

Mr. Manning stated one of the provisions of the Peace II Agreement is to provide a Notice of Intent to Purchase regarding the purchase of the 38,652 acre-feet of water from the Non-Agricultural Pool which needs to be approved prior to the actual purchase. The Notice of Intent to Purchase must be filed by December 21, 2009; the notice is dated December 18, 2009 which will allow enough time to get the process started.

1 Exhibit K at § II.A. The minutes indicate that, at the August 27 Board meeting, there was
2 substantial discussion about the proposed use of the water. Exhibit K at § II.A. The minutes
3 reflect that the use of the Non-Ag Storage Water as proposed by the Appropriative Pool was
4 rejected by the Watermaster Board. Exhibit K at § II.A. The minutes state that the Board
5 "refer[red] the 2,652 acre-feet back to the Appropriative Pool for further consideration and a
6 separate motion". Exhibit K at § II.A.

7 17. Attached hereto as Exhibit L is a staff report included in the agenda package for
8 the October 1, 2009 meeting of the Appropriative Pool, as printed from the Watermaster website.
9 On October 1, 2009, the Appropriative Pool considered the proposed uses sent back by the
10 Watermaster Board. Exhibit L. Attached hereto as Exhibit M are minutes of the meeting of the
11 Appropriative Pool, as printed from the Watermaster website. According to the minutes of that
12 meeting, there was disagreement among members of the Appropriative Pool about how some of
13 the Non-Ag Storage Water should be used. Exhibit M at § II.A. Watermaster staff recommended
14 that the water in question be used for Desalter Replenishment. Exhibits L & M. The Fontana
15 Water Company wanted to use the water for a different purpose. Exhibits L & M. According to
16 the minutes of that meeting, the Appropriative Pool voted to "table the item for 30 days for
17 further discussion and possible Watermaster staff recommendations". Exhibit M at § II.A.

18 **Written Acknowledgements That Notice Was Not Given**

19 18. Attached hereto as Exhibit N is a staff report included in the agenda package for
20 the November 5 meeting of the Appropriative Pool, as printed from the Watermaster website. On
21 November 5, 2009, Watermaster staff submitted a report to the Appropriative Pool reminding the
22 Appropriative Pool of the need to deliver the written Notice of Intent to Purchase. Exhibit N.
23 The staff report read, in part, as follows:

24 Under the Purchase and Sale Agreement, Watermaster, at the direction of the
25 Appropriative Pool, is to issue a Notice of Intent to Purchase to the Non-
26 Agricultural Pool within 24 months after Court approval of the Peace II
Documents. Thus the Notice of Intent to Purchase must be issued by December
21, 2009.

27 Exhibit N at p. 1. The staff report made the following recommendation:

28 Staff recommends that the Appropriative Pool direct Watermaster to issue the

1 Notice of Intent to Purchase prior to December 21, 2009 and place the water
2 purchased in storage pursuant to the proposed Plan.

3 Exhibit N at p. 2.

4 19. Attached hereto as Exhibit Q are minutes of the November 5, 2009 meeting of the
5 Appropriative Pool. At the November 5, 2009 meeting, Watermaster staff announced that the
6 auction, scheduled for November 4, had been postponed due to concerns by potential bidders
7 about "recovery issues". Exhibit Q at § VII.1; see also Exhibit P (Daily Bulletin). At the
8 November 5, 2009 meeting, the Appropriative Pool considered a so-called "Plan B". Exhibit Q at
9 § VII.1. Plan B provided in part as follows:

10 (1) By December 21, 2009, Watermaster, under the direction of the
11 Appropriative Pool, will send the Notice of Intent to Purchase pursuant to the
12 Purchase and Sale Agreement.

13 ...

14 (4) Watermaster shall hold the Purchased Water Account in trust for the
15 members of the Appropriative Pool, and shall allocate the water held in the
16 Purchased Water Account according to direction from the Appropriative Pool.

17 ...

18 (8) If the water in the Purchased Water Account has not been utilized in a
19 Storage and Recovery Program or Desalter Replenishment within 3 years from the
20 date it is placed into the storage account, then the Appropriative Pool may elect to
21 distribute the water according to the same formula used to allocate the cost of
22 purchasing the water from the Non-Agricultural Pool.

23 Exhibit N at final page. According to the meeting minutes, Plan B was approved by the
24 Appropriative Pool on November 5, 2009. Exhibit Q at § VII.1.

25 20. Attached hereto as Exhibit Q are pages from the respective agenda packages for
26 the November 19, 2009 meeting of the Advisory Committee and the November 29, 2009 meeting
27 of the Watermaster Board. On November 19, 2009, staff submitted to both the Advisory
28 Committee and the Watermaster Board a revised version of Plan B for the Advisory Committee's
and the Board's information. Exhibit Q. The revised Plan B, in the form included in both agenda
packages, stated that:

By December 21, 2009, Watermaster, under the direction of the Appropriative
Pool, will send the Notice of Intent to Purchase pursuant to the Purchase and Sale
Agreement.

1 Exhibit Q at § II.A.2 & final page. Because Plan B was provided by Watermaster staff as a
2 report, rather than a business item, neither the Advisory Committee nor the Watermaster Board
3 approved Plan B.

4 Verbal Confirmation That Notice Not Given

5 21. I attended the October 22, 2009 and December 17, 2009 meetings of the
6 Watermaster Board. In addition, I attended other ad hoc committee meetings and informal
7 meetings relating to Watermaster matters in 2009. At one or more of these meetings, I heard
8 Watermaster counsel, Michael Fife, and the current chair of the Appropriative Pool, Mark Kinsey,
9 state that the written Notice of Intent to Purchase would be given to the Non-Ag Pool on the last
10 possible date, or words to that effect. From July 2009 to the present, I have attended several
11 meetings relating to Watermaster matters, portions of which I have been asked to leave, by
12 members of the Appropriative Pool, so that the members of the Appropriative Pool could
13 confidentially discuss matters relating to the Non-Ag Storage Water and the auction. Other than a
14 meeting on February 4, 2010, to my recollection, Watermaster staff and Watermaster counsel
15 were not asked to leave the confidential sessions, and, upon information and belief, remained in
16 the meetings for the duration of the confidential sessions.

17 January 2010 Meetings

18 22. I attended the January 7, 2010 meeting of the Appropriative Pool. At that
19 meeting, David Penrice, representing Aqua Capital Management LP, a member of the Non-Ag
20 Pool, asked Watermaster staff and counsel whether and when the written Notice of Intent to
21 Purchase had been provided. Following the question, Watermaster CEO Ken Manning and
22 Watermaster counsel Michael Fife looked at each other, then conferred privately with one
23 another for an extended period of time, and then the Watermaster CEO stated "We will have to
24 get back to you".

25 23. As Chair of the Non-Ag Pool, I called a special meeting of the Non-Ag Pool on
26 January 18, 2010, and asked Watermaster staff and counsel to attend. Attached hereto as Exhibit
27 R is a transcript of the January 18, 2010 meeting of the Non-Ag Pool, as prepared by
28 Watermaster staff from a tape recording of the meeting. During the January 18 meeting,

1 Watermaster CEO Ken Manning and Watermaster counsel Michael Fife stated that the agenda
2 package for the August 27 meeting of the Watermaster Board constituted the notice of exercise
3 of the Peace II Option, and that the existence of the agenda package was disclosed by an August
4 21 e-mail announcing the August 27 meeting of the Watermaster Board. Exhibit R at p. 4.
5 During the meeting, Watermaster counsel Michael Fife also stated that a formal written Notice of
6 Intent to Purchase was unnecessary because there was "no indication at any time that this option
7 was not to be exercised". Exhibit R at p. 4. In addition, Watermaster counsel Michael Fife
8 stated that: "Watermaster's books have been changed. The 38,000 and change acre-feet of
9 water have been moved out of the Non-Agricultural Pool's storage accounts." Exhibit R at p. 11.

10 Watermaster Staff Tenders Checks

11 24. Section D of the Peace II Option Agreement required the Appropriative Pool to
12 pay the first installment of the option price for the Non-Ag Storage Water within 30 calendar days
13 after the Notice of Intent to Purchase was given. Exhibit E at § D. On or about January 15, 2010,
14 Watermaster staff tendered to me checks made payable to various members of the Non-Ag Pool,
15 as the first installment of the option price for the Non-Ag Storage Water. I returned all of the
16 checks to Watermaster staff on or about the same date.

17 Secondary Option

18 25. Section H of the Peace II Option Agreement contains a secondary option in favor
19 of the Appropriative Pool that governs if the Appropriative Pool does not deliver the written
20 Notice of Intent to Purchase by December 21, 2009. Exhibit E at § H. The secondary option
21 provides that if the Appropriative Pool does not exercise the Peace II Option, then the Non-Ag
22 Storage Water will be available on the terms therein for purchase by the Appropriative Pool at
23 92% of the current MWD Replenishment Rate. Exhibit E at § H. As stated above, the current
24 MWD Replenishment Rate is \$366 per acre-foot, of which 92% is \$336.72 per acre-foot. See ¶
25 13 above. If the secondary option were to become operative, then the Non-Ag Pool would
26 receive an incremental benefit of about \$112 per acre-foot. If the secondary option were to
27 become operative, and if the auction were to result in prices up to \$1,000 per acre-foot, as
28 publicly stated by the Watermaster CEO (see ¶ 14 above), then the Appropriative Pool might

1 realize a benefit of about \$663 per acre-foot, or about \$25,500,000 in the aggregate.

2 Written Notice

3 26. I have reviewed the Peace II Option Agreement. Vulcan did not receive the
4 written Notice of Intent to Purchase described in the Peace II Option Agreement.

5 27. The Appropriative Pool never requested an extension of the December 21, 2009
6 deadline for delivery of the written Notice of Intent to Purchase. Watermaster staff and counsel
7 have expressly denied that any neglect, mistake or inadvertence occurred. Exhibit R at p. 13.

8 The August 27 Agenda Package

9 28. Attached hereto as Exhibit T is a copy of an e-mail which Watermaster staff
10 provided to the Non-Ag Pool in paper form on February 4, 2010. I have reviewed my saved e-
11 mails, and have not found a copy of this e-mail. Exhibit T states as follows:

12 The Advisory Committee for Thursday, August 27, 2009 at 9:00 a.m. and the
13 Watermaster Board for Thursday, August 27, 2009 at 11:00 agendas and packages
14 are now available on our ftp site (address below) for your review and/or
download.

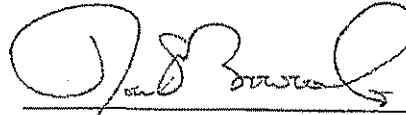
15 29. Upon information and belief, the Watermaster website was organized and
16 accessible on August 21, 2009 in generally the same manner it is organized and accessible today.
17 Attached hereto as Exhibits U, V, W and X, respectively, are (U) a screen print of the home page
18 of the Watermaster website, as it appeared on March 12, 2010; (V) a screen print of the folders
19 list on the ftp page of the Watermaster website, as it appeared on March 12, 2010; (W) a screen
20 print of the files list within the relevant folder on the ftp page of the Watermaster website, as it
21 appeared on March 12, 2010; and (X) a complete copy of the agenda package for the August 27
22 meeting of the Watermaster Board, as printed from the Watermaster website. Any person who
23 might have received the August 21 e-mail, would have had to navigate to the Watermaster's ftp
24 site (Exhibit U), then find the correct folder within the ftp site among numerous folders (Exhibit
25 V), then find the correct agenda package (which was a different document than the agenda itself)
26 among numerous pdf files (Exhibit W), and then open up the correct agenda package (which is
27 currently posted on the Watermaster website as a 39.50MB file), and if the recipient had then
28 printed or scrolled through the 144 pages of the agenda package (Exhibit X), the recipient would

1 have found in about the middle of the agenda package a one-page document attached to a staff
2 report which described the document as a "form of notice" being submitted for Watermaster
3 Board consideration.

4 Water Held In Trust

5 30. Attached hereto as Exhibit Y are pages from the Rules and Regulations of
6 Watermaster including the cover page and Section 7.1 thereof. The Rules and Regulations
7 require that "Watermaster shall obtain Court approval prior to acquiring any water rights in trust
8 for the benefit of the parties to the Judgment". Exhibit Y, § 7.1(e).

9 I declare under penalty of perjury under the laws of the State of California that the
10 foregoing is true and correct. Executed at Claremont, California on March 15, 2010.

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14 Robert W. Bowcock
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EXHIBIT A

EXHIBIT B

ADVISORY COMMITTEE
CALENDAR YEAR 2010

<u>Member</u>	<u>Association</u>	<u>Agency / Representing</u>
DeLoach, Robert, Chair	Appropriative	Cucamonga Valley Water District
Bowcock, Bob, Vice-Chair	Non-Agricultural	Vulcan Materials Company (Calmat Division)
Koopman, Gene, 2nd Vice-Chair	Dairy	Milk Producers Council
Arbelbide, Steve	Non-Agricultural	California Steel Industries (CSI)
Sage, Kevin	Non-Agricultural	Vulcan Materials Company (Calmat Division)
deBoom, Nathan	Dairy	Ag Resources
Feenstra, Robert	Dairy	Ag Resources
Hettinga, Peter	Dairy	
Vanden Heuvel, Rob	Dairy	Milk Producers Council
Durrington, Glen	Crops	
Pierson, Jeff	Crops	
Hall, Pete	State	State of California, CIM
Mackamul, Nate	State	State of California
Novak, Jennifer	State	State of California
Curtis, Aaron	Appropriative	Fontana, City of
Atwater, Rich	Appropriative	Inland Empire Utilities Agency
Araiza, A.W. "Butch"	Appropriative	West San Bernardino County Water District
Bauer, Patrick	Appropriative	Arrowhead Water Company
Brokaw, Justin	Appropriative	Marygold Mutual Water Company
Crosley, Dave	Appropriative	Chino, City of
DeLoach, Robert	Appropriative	Cucamonga Valley Water District
Horst, Eldon	Appropriative	Jurupa Community Services District
Jeske, Ken	Appropriative	Ontario, City of
Kinsey, Mark	Appropriative	Monte Vista Water Company
Kinsey, Mark	Appropriative	Monte Vista Irrigation Company
Krause, Phil	Appropriative	San Bernardino, County (Prado Shooting Park)
La, Anthony	Appropriative	City of Upland
La, Anthony	Appropriative	West End Consolidated Water Company
Malpezzi, Michael B.	Appropriative	Reliant Energy
Moorrees, Charles	Appropriative	San Antonio Water Company
Kruger, Bill	Appropriative	Chino Hills, City of
Pepper, Henry	Appropriative	Pomona, City of
Rodriguez, Arnold	Appropriative	Santa Ana River Water Company
Schenk, Joe	Appropriative	Norco, City of
Snay, Kyle	Appropriative	Southern California Water Company
Swift, Josh	Appropriative	Fontana Water Company
Young, Robert	Appropriative	Fontana Union Water Company
	Appropriative	Niagara Bottling Company
	Appropriative	Nicholson Trust

EXHIBIT C

HISTORY OF TOTAL ANNUAL GROUNDWATER PRODUCTION BY POOL (ACRE-FEET)

Production Year	Appropriative	Agricultural	Non-Agricultural	Total
74-75	70,312	96,567	8,878	175,757
75-76	70,312	95,349	6,356	171,917
76-77	72,707	91,450	3,198	173,355
77-78	60,659	83,934	10,082	154,675
78-79	60,597	73,688	7,427	141,712
79-80	63,834	69,369	7,363	140,566
80-81	70,726	68,040	5,650	144,416
81-82	66,731	65,117	5,684	137,532
82-83	63,481	56,759	2,395	122,635
83-84	70,558	59,033	3,208	132,799
84-85	76,912	55,543	2,415	134,870
85-86	80,859	52,081	3,193	136,113
86-87	84,662	59,847	2,559	147,068
87-88	91,579	57,865	2,956	152,400
88-89	93,617	46,762	3,619	143,998
89-90	101,344	48,420	4,856	154,620
90-91	86,658 ⁵	48,085	5,407	140,150
91-92	91,982 ⁶	44,682	5,240	141,904
92-93	86,367 ⁷	44,092	5,464	135,923
93-94	80,798 ⁸	44,298	4,586	129,682
94-95	93,419 ⁹	55,022	4,327	152,768
95-96	101,606 ^{10,11}	43,639	5,424	150,669
96-97	110,163 ¹¹	44,809	6,309	161,281
97-98	97,435 ¹²	43,345	4,955	145,735
98-99	107,723	47,538	7,006	162,267
99-00	120,645	44,403	7,774	172,822
00-01	113,437 ^{11,14}	39,954	8,084	161,475
01-02	121,489 ^{11,15}	39,494	5,548	166,531
02-03	120,557 ^{11,16}	38,487 ¹¹	4,853	163,897
03-04	136,834 ¹⁷	41,978	2,915	181,727
04-05	127,811 ¹⁸	34,450	2,327	164,588
05-06	124,315 ¹⁹	33,900	3,026	161,241
06-07	130,826 ²⁰	37,295	3,369	171,491
07-08	103,076 ²¹	30,910	3,440	137,427
08-09	84,716 ²²	32,143	4,394	121,253

¹ Includes 3,945 AF of mined water pumped by Edison as agent for IEUA.

² Does not include 7,674.3 AF exchanged with MWDSC.

³ Does not include 6,423.6 AF exchanged with MWDSC.

⁴ Does not include 16,377.1 AF exchanged with MWDSC.

⁵ Does not include 14,929.1 AF exchanged with MWDSC.

⁶ Does not include 12,202.4 AF exchanged with MWDSC.

⁷ Does not include 13,657.3 AF exchanged with MWDSC.

⁸ Does not include 20,194.7 AF exchanged with MWDSC.

⁹ Does not include 4,221.9 AF exchanged with MWDSC.

¹⁰ Does not include 6,167.2 AF exchanged with MWDSC.

¹¹ Reflects corrected production after reporting errors were accounted for.

¹² Does not include 4,275.4 AF exchanged with MWDSC.

¹³ Does not include 216.5 AF exchanged with MWDSC.

¹⁴ Does not include 7,989 AF Desalter production or 99.8 AF Dept. of Toxic Substances Control (DTSC) production.

¹⁵ Does not include 9,458 AF Desalter production or 80.8 AF Dept. of Toxic Substances Control (DTSC) production.

¹⁶ Does not include 10,439 AF Desalter production or 79.1 AF Dept. of Toxic Substances Control (DTSC) production.

¹⁷ Does not include 10,605 AF Desalter production or 79.1 AF Dept. of Toxic Substances Control (DTSC) production.

¹⁸ Does not include 9,854 AF Desalter production or 80.7 AF Dept. of Toxic Substances Control (DTSC) production.

¹⁹ Does not include 16,476 AF Desalter production or 79.5 AF Dept. of Toxic Substances Control (DTSC) production.

²⁰ Does not include 26,356 AF Desalter production or 79.3 AF Dept. of Toxic Substances Control (DTSC) production.

²¹ Does not include 26,972 AF Desalter production or 81.1 AF Dept. of Toxic Substances Control (DTSC) production.

²² Does not include 32,920 AF Desalter production or 82.6 AF Dept. of Toxic Substances Control (DTSC) production.

EXHIBIT D



CHINO BASIN WATERMASTER

2009/2010 APPROVED BUDGET

CHINO BASIN WATERMASTER SUMMARY BUDGET 2009-2010

	FY 07-08 June Actual	FY 08-09 December Actual	FY 08-09 Amended Budget	FY 09-10 Proposed Budget	Current vs. Proposed
Ordinary Income					
4000 Mutual Agency Revenue	\$237,370	\$0	\$148,410	\$148,410	\$0
4110 Appropriative Pool Assessments	7,480,676	7,993,307	7,860,411	7,185,411	-675,000
4120 Non-Agricultural Pool Assessments	122,298	172,817	132,237	155,427	23,190
4730 Prorated Interest Income	186,184	60,829	174,368	191,540	17,172
Total Income	8,061,582	8,227,982	8,315,426	7,680,789	-634,637
Administrative Expenses					
6010 Salary Costs	486,402	297,801	484,302	487,838	3,536
6020 Office Building Expense	91,236	41,986	102,000	102,500	500
6030 Office Supplies & Equip.	39,086	10,381	50,500	46,500	-4,000
6040 Postage & Printing Costs	89,126	34,653	87,380	84,300	-3,080
6050 Information Services	139,480	66,989	144,000	148,500	4,500
6060 WMM Special Contract Services	96,138	38,797	98,000	98,000	0
6080 Insurance Expense	15,414	15,706	17,730	16,730	-1,000
6110 Dues and Subscriptions	17,453	10,286	16,750	17,000	250
6150 Field Supplies & Equipment	554	864	2,500	2,800	300
6170 Vehicle Maintenance Costs	18,443	14,541	39,200	37,800	-1,400
6190 Conferences & Seminars	24,172	13,523	26,500	26,500	0
6200 Advisory Committee Expenses	17,065	7,667	19,181	18,078	-1,103
6300 Watermaster Board Expenses	37,819	21,913	42,020	43,823	1,803
6500 Education Fund Expenditures	375	0	375	375	0
8300 Appropriative Pool Administration	20,280	11,496	24,006	23,069	-939
8400 Agricultural Pool Administration	137,820	64,372	134,820	200,114	65,294
8500 Non-Agricultural Pool Administration	6,561	2,412	7,695	6,677	-1,018
9400 Depreciation Expense	25,131	0	0	0	0
9500 Allocated G&A Expenditures	-506,732	-204,742	-448,902	-488,230	-39,328
Total Administrative Expenses	754,824	448,648	848,059	872,374	24,315
General OBMP Expenditures					
6900 Optimum Basin Mgmt Program	2,282,059	603,285	1,785,421	1,399,372	-386,049
6950 Cooperative Efforts	10,000	0	10,000	10,000	0
9501 Allocated G&A Expenditures	177,356	60,562	137,959	148,448	10,489
Total General OBMP Expenditures	2,469,415	663,847	1,933,380	1,557,820	-375,560

CHINO BASIN WATERMASTER SUMMARY BUDGET 2009-2010

	FY 07-08	FY 08-09	FY 08-09	FY 09-10	Current
	June	December	Amended	Proposed	vs.
	Actual	Actual	Budget	Budget	Proposed
7000 OBMP Implementation Projects					
7101 Production Monitoring	104,920	63,293	107,515	107,047	-468
7102 In-Line Meter Installation/Maintenance	24,844	24,714	87,931	56,179	-31,752
7103 Groundwater Quality Monitoring	98,466	95,584	210,458	214,362	3,904
7104 Groundwater Level Monitoring	189,377	218,154	372,538	366,956	-5,582
7105 Recharge Basin Water Quality Monitoring	13,527	2,433	46,717	43,912	-2,805
7107 Ground Level Monitoring	275,165	123,949	651,468	550,059	-101,409
7108 Hydraulic Control Monitoring Program	193,337	244,213	713,949	567,022	-146,927
7109 Recharge & Well Monitoring Program	33,157	0	0	9,152	9,152
7200 OBMP Pgm Element 2 - Comp Recharge	918,727	509,652	1,245,266	1,478,560	233,294
7300 OBMP Pgm Element 3 & 5 - Water Supply Plan - Desalter	131,340	56,084	108,477	96,003	-12,474
7400 OBMP Pgm Element 4 - Mgmt Zone Strategies	147,404	137,989	272,516	91,985	-180,530
7500 OBMP Pgm Element 6 & 7 - Coop Efforts/Salt Mgmt	111,259	21,588	76,411	163,727	87,316
7600 OBMP Pgm Element 8 & 9 Storage Mgmt/Conj Use	93,140	387,503	61,909	29,550	-32,359
7700 Inactive Well Protection Program	295	0	6,296	5,066	-1,230
7690 Recharge Improvement Debt Payment	1,368,373	511,894	1,261,594	1,131,233	-130,361
9502 Allocated G&A Expenditures	322,589	144,179	310,943	339,782	28,839
Total OBMP Implementation Projects	4,025,921	2,541,229	5,533,987	5,250,595	-283,392
Total Expenses	7,250,160	3,663,724	8,315,426	7,660,789	-654,637
Net Ordinary Income	811,422	4,574,257	0	0	0
Other Income					
4210 Approp Pool-Replenishment	3,393,110	6,427,596	0	0	0
4220 Non-Ag Pool-Replenishment	9,256	10,047	0	0	0
4230 Groundwater Recharge Activity	0	0	0	0	0
Total Other Income	3,402,366	6,437,643	0	0	0
Other Expense					
5010 Groundwater Recharge	3,325,123	0	0	0	0
Total Other Expense	3,325,123	0	0	0	0
Net Other Income	77,244	6,437,643	0	0	0
9800 From / (To) Reserves	-913,796	-11,011,900	0	0	0
Net Income	-\$25,130	\$0	\$0	\$0	\$0

EXHIBIT E

September 21, 2007

Attachment "G"

PURCHASE AND SALE AGREEMENT FOR
THE PURCHASE OF
WATER BY WATERMASTER
FROM OVERLYING (NON-AGRICULTURAL) POOL

THIS AGREEMENT (Agreement) is dated 27th day of September, 2007, regarding the Chino Groundwater Basin.

RECITALS

WHEREAS, the Peace Agreement expressly authorized a transfer of water from the Overlying (Non-Agricultural) Pool to Watermaster for use as replenishment for the Desalters and for use in connection with a Storage and Recovery Program;

WHEREAS, Watermaster is evaluating its replenishment needs under the Judgment and several Storage and Recovery opportunities;

WHEREAS, Watermaster desires to purchase and the Overlying (Non-Agricultural) Pool desires to sell, all of the Non-Agricultural Pool water held in storage as of June 30, 2007;

WHEREAS, Watermaster is proposing an amendment to the Overlying (Non-Agricultural) Pool Pooling Plan set forth in Exhibit "G" to the Judgment whereby members of the Pool may offer water for purchase by Watermaster and thence the members of the Appropriative Pool under the process set forth therein;

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

A. Peace Agreement Transfer. This purchase and sale agreement is in accordance with Section 5.3(e) of the Peace Agreement that provides that "parties to the Judgment with rights within the Non-Agricultural (Overlying) Pool shall have the additional rights to Transfer their rights to Watermaster for the purposes of Replenishment for a Desalter or for a Storage and Recovery Program."

B. Quantity. The quantity of water being made available to Watermaster by the Non-Agricultural (Overlying) Pool on a one-time basis ("Storage Transfer Quantity") is equivalent to the total quantity of water held in storage by the members of the Overlying (Non-Agricultural) Pool held in storage on June 30, 2007 ("Storage Quantity"), less a ten percent dedication for the purpose of Desalter Replenishment, less the quantity of water transferred pursuant to paragraph I below ("Special Transfer Quantity").

September 21, 2007

C. **Notice.** Within twenty-four months of the final Court approval of this Agreement ("Effective Date"), and only with the prior approval of the Appropriative Pool, Watermaster will provide written Notice of Intent to Purchase the Non-Agricultural (Overlying) Pool water pursuant to Section 5.3(a) of the Peace Agreement, which therein identifies whether such payment will be in connection with Desalter Replenishment or a Storage and Recovery Program.

D. **Payment.** Commencing thirty (30) calendar days from the Notice of Intent to Purchase ("Payment Date") Watermaster will pay to the Non-Agricultural Overlying Pool for each acre-foot of the Storage Transfer Quantity in accordance with the following schedule as the schedule is adjusted for inflation by the consumers price index ("cpi") for San Bernardino County from May 31, 2006 until the Payment Date.:

1. \$215 times 1/4 of the Storage Transfer Quantity on the Payment Date.
2. \$220 times 1/4 of the Storage Transfer Quantity on the first anniversary of the Payment Date.
3. \$225 times 1/4 of the Storage Transfer Quantity on the second anniversary of the Payment Date
4. \$230 time 1/4 of the Storage Transfer Quantity on the third anniversary of the Payment Date.

However, all payments provided for herein, including inflation adjustments, are subject to an express price cap and will not exceed ninety-two (92) percent of the then prevailing MWD replenishment rate in any year.

E. **Dedication to Desalter Replenishment.** Upon Watermaster's issuance of its written Notice of Intent to Purchase, and Watermaster's tender of its initial payment on the Payment Date, ten (10) percent of the Storage Quantity will be dedicated for replenishment of Desalter production without compensation. Watermaster will receive but will not pay for this dedication.

F. **Use and Distribution.** Watermaster will take possession of the water made available pursuant to this Agreement and make use of and distribute the water made available in a manner consistent with Section 5.3(e) of the Peace Agreement.

G. **Condition Precedent.** This Agreement and the Parties performance hereunder are expressly conditioned upon Court approval of this Agreement.

H. **Early Termination.** This Agreement will expire and be of no further force and effect if: Watermaster does not issue its Notice of Intent to Purchase in accordance with Paragraph D above within twenty-four (24) months of Court approval. Upon Watermaster's failure to satisfy the condition subsequent, the rights of the Non-Agricultural (Overlying) Pool will remain unaffected and without prejudice as result of their having executed this Agreement except that in the event of Early Termination, the Storage Transfer Quantity, will then be made available for purchase by Watermaster and thence the members of the Appropriative Pool in accordance with Paragraph 9.(iv) of Amended Exhibit G, the Overlying (Non-Agricultural) Pool,

September 21, 2007

Pooling Plan, including the requirement of a ten percent dedication towards Desalter replenishment.

L. One Time Transfer in Furtherance of the Physical Solution and in Aid of Desalter Replenishment ("Special Transfer Quantity"). In consideration of the Overlying (Non-Agricultural) Pool members' irrevocable commitment made herein and it the Peace II Measures Watermaster will purchase and immediately make available the quantity of 8,530 acre-feet (less a ten percent dedication to Watermaster for Desalter Production) to the San Antonio Water Company (SAWCO) and Vulcan Materials, a member of the Overlying (Non-Agricultural) Pool under terms established as between those parties. This One Time Transfer is in addition to and without prejudice to the discretionary rights of the members of the Overlying (Non-Agricultural) Pool to make available and Watermaster and members of the Appropriative Pool to purchase water as Physical Solution transfers. No member of the Appropriative Pool, other than SAWCO assumes any responsibility for the purchase of this Special Transfer Quantity from Vulcan.

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

Dated:

NON-AGRICULTURAL OVERLYING POOL

By _____

Attachment H

EXHIBIT F



THE METROPOLITAN WATER DISTRICT of SOUTHERN CALIFORNIA

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Water Rates and Charges

Historical Water Rates

	2009 Effective 1/1/2009	2009 Effective 9/1/2009	Effective 1/1/2010
<u>Tier 1 Supply Rate</u> (dollars per acre-foot)	\$109	\$101	\$101
<u>Delta Supply Surcharge</u> (dollars per acre-foot)	\$0	\$69	\$69
<u>Tier 2 Supply Rate</u> (dollars per acre-foot)	\$250	\$250	\$280
<u>Water Supply Surcharge</u> (dollars per acre-foot)	\$25	\$0	\$0
<u>System Access Rate</u> (dollars per acre-foot)	\$143	\$154	\$154
<u>Water Stewardship Rate</u> (dollars per acre-foot)	\$25	\$41	\$41
<u>System Power Rate</u> (dollars per acre-foot)	\$110	\$119	\$119
Full Service Untreated Volumetric Cost (\$/AF)			
Tier 1	\$412	\$484	\$484
Tier 2	\$528	\$564	\$594
<u>Replenishment Water Rate: untreated</u> (dollars per acre-foot)	\$294	\$366	\$366
<u>Interim Agricultural Water Program: untreated</u> (dollars per acre-foot)	\$322	\$394	\$416
<u>Treatment Surcharge</u> (dollars per acre-foot)	\$167	\$217	\$217
Full Service Treated Volumetric Cost (\$/AF)			
Tier 1	\$579	\$701	\$701
Tier 2	\$695	\$781	\$811
<u>Treated Replenishment Water Rate</u> (treated dollars per acre-foot)	\$436	\$558	\$558
<u>Treated Interim Agricultural Water Program</u> (dollars per acre-foot)	\$465	\$587	\$615
<u>Readiness-to-Serve Charge</u> (millions of dollars)	\$92	\$92	\$114
<u>Capacity Charge</u> (dollars per cubic foot second)	\$6,800	\$6,800	\$7,200

Definitions

Tier 1 Supply Rate - recovers the of cost of maintaining a reliable amount of supply.

Delta Supply Surcharge - recovers the additional supply costs that Metropolitan faces along with other costs due to the pumping restrictions on the State Water Project. The Delta Supply Surcharge will replace the Water Supply Surcharge effective with the 2009/10 rates.

Tier 2 Supply Rate - set at Metropolitan's cost of developing additional supply to encourage efficient use of local resources.

Water Supply Surcharge - recovers the cost of additional water transfers necessary as a result of pumping restrictions in the Sacramento-San Joaquin River Delta.

System Access Rate – recovers a portion of the costs associated with the delivery of supplies.

System Power Rate – recovers Metropolitan's power costs for pumping supplies to Southern California.

Water Stewardship Rate – recovers the cost of Metropolitan's financial commitment to conservation, water recycling, groundwater clean-up and other local resource management programs.

Replenishment Water Rate – a discounted rate for surplus system supplies available for the purpose of replenishing local storage.

Treated Replenishment Water Rate – a discounted rate for surplus system supplies available for the purpose of replenishing local storage.

Interim Agricultural Water Rate – discounted rate for surplus system supplies available for the purpose of growing agricultural, horticultural, or floricultural products.

Treated Interim Agricultural Water Program Rate – discounted rate for surplus system supplies available for the purpose of growing agricultural, horticultural, or floricultural products.

Treatment Surcharge – recovers the costs of treating imported water.

Readiness-to-Serve Charge - a fixed charge that recovers the cost of the portion of system capacity that is on standby to provide emergency service and operational flexibility.

Capacity Charge – the capacity charge recovers the cost of providing peak capacity within the distribution system.

Page updated: June 11, 2009



THE METROPOLITAN WATER DISTRICT of SOUTHERN CALIFORNIA

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Historical Water Rates

[Current Water Rates](#)

[1/2003 to 12/2007](#)

[7/1994 to 12/2002](#)

Year	2008	1/08 - 12/08
Tier 1 Supply Rate (\$/af)	73	
Tier 2 Supply Rate (\$/af)	171	
System Access Rate (\$/af)	143	
System Power Rate (\$/af)	110	
Water Stew. Rate (\$/af)	25	
Full Service Untreated Volumetric Cost (\$/af)	Tier 1 351 Tier 2 449	
Full Service Treated Volumetric Cost (\$/af)	Tier 1 508 Tier 2 606	
Replenishment Water Rate (\$/af)	Untreated 258 Treated 390	
Interim Agricultural Program (\$/af)	Untreated 261 Treated 394	
Treatment Surcharge (\$/af)	157	
Readiness to Serve Charge (\$M)	82	
Capacity Charge (\$/cfs)	6,800	
Peaking Surcharge (\$/cfs)	_____	

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Year	1/03 - 12/03	1/04 - 12/04	1/05 - 12/05	1/06 - 12/06	2007 1/07 - 12/07
Tier 1 Supply Rate (\$/af)	73	73	73	73	73
Tier 2 Supply Rate (\$/af)	154	154	154	169	169
System Access Rate (\$/af)	141	163	152	152	143
System Power Rate (\$/af)	89	60	81	81	90

Water Stew. Rate (\$/af)		23	30	25	25	25
Full Service	Tier 1	326	326	331	331	331
Untreated Volumetric Cost (\$/af)	Tier 2	407	407	412	427	427
Full Service Treated Volumetric Cost (\$/af)	Tier 1	408	418	443	453	478
	Tier 2	489	499	524	549	574
Replenishment Water Rate (\$/af)	Untreated	233	233	238	238	238
	Treated	290	300	325	335	360
Interim Agricultural Program (\$/af)	Untreated	236	236	241	241	241
	Treated	294	304	329	339	364
Treatment Surcharge (\$/af)		82	92	112	122	147
Readiness to Serve Charge (\$M)		80.0	80	80	80	80
Capacity Charge (\$/cfs)		6,100	6,100	6,800	6,800	6800
Peaking Surcharge (\$/cfs)		18,300	-----	-----	-----	-----

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Dollars Per Acre Foot

Year	Full Service		Interim Agricultural Program		Replenishment Water Rate Storage Service		Shift Seasonal Storage Service		Wheeling	
	Untreated	Treated	Untreated	Treated	Untreated	Treated	Untreated	Treated	Firm	Interruptible
FY 94-95	335	412	222	275	222	275	222	275	N/A	N/A
7/95 - 12/96	344	426	231	289	229	286	229	286	N/A	N/A
1/97 - 12/97	349	431	236	294	233	290	233	290	262	141
1/98 - 12/98	349	431	236	294	233	290	244	301	262	141
1/99 - 12/99	349	431	236	294	233	290	255	312	*	*
1/00 - 12/00	349	431	236	294	233	290	266	323	*	*
1/01 - 12/01	349	431	236	294	233	290	277	334	*	*
1/02 - 12/02	349	431	236	294	233	290	288	345	*	*

Note: Reclaimed column deleted since each program is contractual and effective rates may vary.

*As available service only, determined on a case by case basis.

Connection Maintenance Charge: \$50.00 per cubic feet per second of capacity per month, not to exceed a maximum charge per connection of \$5,000 per month.

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Page updated: June 11, 2009

EXHIBIT G

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Leftover water becomes a commodity

Watermaster to auction 36,000 acre-feet in blocks

Mediha Fejzagic DiMartino, Staff Writer

Created: 10/03/2009 07:36:45 AM PDT

RANCHO CUCAMONGA - As gusts of Santa Anas sweep across thirsty Southern California terrain, the Chino Basin Watermaster is getting ready to auction off a surplus of water.

Up for sale are 36,000 acre-feet of water, left over after businesses such as Sunkist Growers moved out of the area. Watermaster officials said they hope to net \$30 million and use the money to improve Chino Basin's water-collecting infrastructure.

"Water is the new gold," said Ken Manning, Watermaster's chief executive officer.

He sees water as a commodity, but not everyone agrees.

"Each drought there is an evolution in how water is banked, traded and moved from areas of abundance to areas of need," said Wes Danskin, research hydrologist for the U.S. Geological Survey.

The auction will be Nov. 4 at the Watermaster office in Rancho Cucamonga. The water will be

sold in four blocks, each containing 9,000 acre-feet of water. An acre-foot is 325,851 gallons and is enough to supply two typical households for a year.

The reserve price is set at \$600 per acre-foot.

"We don't think we'll have trouble getting that," Manning said. "The market is very good compared to five years ago."

Water rights in Chino Basin are divided among three types of users and are non-transferrable among the entities. They can sell them to someone else in the same category.

"They can pump as much as they need," Manning said. "They have the overlying right (the right of the owner of the land to take water from the ground underneath for use on his overlying land). If they relocate, the water right shifts to the agency that serves the customer. Just because someone buys the farm, they don't get the water rights unless they will have another farm in the same place."

Most water rights - about 70 percent - belong to agencies who serve the retail customer, such as local cities, Cucamonga Valley Water District or Fontana Water Company, Manning said.

Agricultural concerns such as farms and dairies also have a share, as do the businesses that have been pumping water since before 1978.

"What's happened over last 30 years is that those businesses either have transferred,

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changed or moved out," Manning said. "There aren't as many businesses utilizing their water rights."

Sunkist's water rights went to the city of Ontario, which is not using all the water allotted for the now-closed citrus distributor.

"Water is stranded, sitting in the basin and is not available for others to use," Manning said. "In 1978, the court never anticipated that dynamic taking place."

Watermasters usually do not hold any water rights in the basins they manage and therefore have no water to sell.

That changed in December 2007, when San Bernardino Superior Court approved a purchase agreement and gave the Watermaster an option to acquire up to 40,000 acre-feet of water stored in the basin. The court also mandated that proceeds of any sale be used for the public good.

The member agencies comprising the Watermaster decided that sale receipts should be used to cover the costs of a court-required expansion of the basin's recharge facilities — basins that trap rain runoff and sink the water into the basin.

"Demands are going up," Manning said. "We could take (into the recharge basin) more water in a shorter period of time."

Because of the lack of rainfall and problems at the Sacramento-San Joaquin River Delta, the area

is not receiving enough water to supply its needs every year.

"We need to be gulping instead of sipping," Manning said.

Currently, the Watermaster oversees 26 recharge facilities and wants to build four or five more. Modernization of some of the existing facilities, such as San Sevaline in Fontana, is in the plans as well as installing eight to 10 more injection wells throughout the basin. The improvements should be completed by 2015.

The cost of the project will be \$100 million to \$150 million. Manning plans to match money earned in the auction with state and federal grants as well as some stimulus money.

"We are generating money to offset future rate increases," he said. "We could probably go to court and get an approval to use this water to offset the overproduction, but that would be like buying the fish. All that does is it satisfies our needs for today. I proposed we buy the fishing pole and use the money to build facilities that will guarantee future generations will have water."

The auction is considered to be first of its kind in the state. Water sales traditionally are negotiated.

"It's an interesting approach," said Tim Brick, chairman of the board of Metropolitan Water District. "A lot of people are watching how will it develop."

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Some potential bidders are excited about the auction.

"It's transparent," said John Rossi, general manager at the Western Municipal Water District, a wholesale agency that supplies water to the Temecula region. "Everyone will have the same opportunity to bid for the water. An auction is a smart way to get the fairest price. The more value they get, the more infrastructure is built."

Rossi's agency is looking forward to owning and storing water in the nearby basin, should it make a winning bid.

"It's an interesting opportunity," he said. "We can leave it there until we need it. It's very valuable."

The agency has not had any recent requests for new connections, but it's planning for the future.

"When development starts up again, we are concerned about having enough water for all new demand," Rossi said.

Planning to bid are also "local big real estate developers" whom Manning declined to identify. Before construction of a development can commence, a water agency has to issue a "will serve" letter.

"The 36,000 (acre-feet) can provide water for 70,000 families for a year or 5,000 families for 35 years," Manning said. "The law says you need to show you have water for five years. This would support a considerable development in Southern California."

Hoping to use water as a hedge against inflation, large investment groups and Fortune 500 companies that regularly invest in commodities are also knocking on the Watermaster's door.

"It's easy to predict that the price of water will go up," Manning said. "MWD's wholesale rates are set to go up 15 to 20 percent for the year. For an investor this makes a pretty easy decision. Water is a commodity like gas, electricity or lumber that people are buying or selling."

Meredith McKenzie, a lecturer for Cal Poly Pomona's Urban and Regional Planning Department, considers the Watermaster's auction a very good business strategy since so many districts are in need of water. But she questions labeling water as a commodity.


"Water is a natural resource, basic to life itself," McKenzie said. "We have a water shortage problem statewide. How do we guarantee that every person has access to potable water when you are looking at it from a commodity point of view?"

Brick agreed.

"Open auction, where people are bidding against each other, it's an unusual way to go," he said. "Water is a natural resource. I'm concerned with it being treated as a commodity. There are broader values associated with it. It's more than just a commodity."


Manning agrees that selling water at a time

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when most agencies are short on water seems counterintuitive.


"Selling water in a drought, on the surface, it seems like we are not doing the right thing," he said. "In reality we are. This way I can maximize the value of water. It's a smart move on all (the member) agencies' part. It's very exciting. These are opportunities of management of water other people dream about."

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UTILITIES

Water to be auctioned by Chino Basin Watermaster

The auction is bound to raise the price. Putting water up for bid seems to be a first in California.

By Bettina Boxall

September 24, 2009

Need more water? If you've got \$30 million or so, you can bid for it at an auction this fall.

In what officials believe is a first for the state, a Southern California water agency is planning to auction off enough water to supply about 70,000 homes for a year.

Water sales are not uncommon in California, especially when supplies are tight, as they are in the current drought.

But putting water up for bid in an auction -- which is bound to drive up the price -- appears to be unprecedented in the state.

"Water in general has always been a very low-priced commodity, and I think the reality is, it's going to start catching up with other utilities. It's going to fluctuate with markets," said Ken Manning, chief executive of Chino Basin Watermaster, a quasi-public entity that manages the basin. "Whether that's right or wrong, I don't know. I just know where it's going."

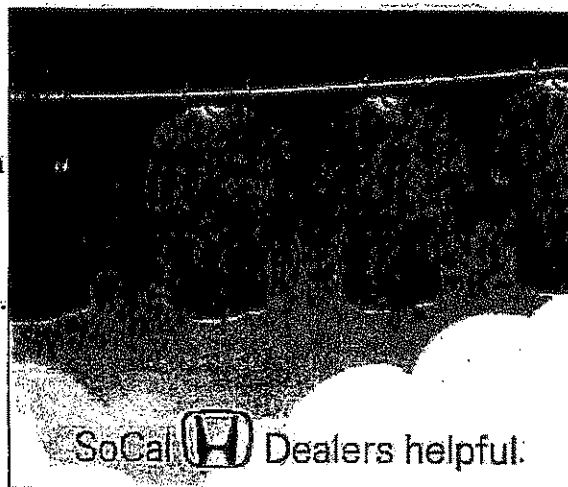
The Chino Basin, most of which lies in western San Bernardino County, is one of the largest groundwater basins in Southern California.

Pumping rights were settled in a 1978 state court judgment that divvied them up among local farms, industry and water agencies.

Some of the businesses, including a Sunkist packing plant, have since closed operations and don't need all of their supplies.

So in a court-approved deal, the companies are selling the unused water to Chino Basin Watermaster.

The water agency, in turn, intends to auction the supplies at a much higher price and use the proceeds to pay for new facilities to replenish the aquifer.



The town of Prescott Valley, Ariz., helped blaze the water-bidding trail two years ago when it auctioned off permanent rights to a small block of its water for about \$67 million.

The buyer was a New York investment firm that is marketing the water options to developers, who will need the supplies to get approval for any new residential projects in the area.

"You have to get creative," Assistant Town Atty. Colleen Auer said. "We knew if we sat in a typical backroom deal with the development community, there was no guarantee we would get the best price."

Prescott Valley, which was experiencing explosive growth until the real estate bust, is planning to spend the money on new water infrastructure.

Michael Hanemann, a resource economics professor at UC Berkeley, called water auctions "an idea that makes sense" but wasn't sure whether they would take off as a trend.

Water "is a limited resource and we need to be aware of that. Putting a price on that is good. It makes the real value of the water transparent," he said. "Raising the price, while unpleasant, is telling us something we need to know."

Manning said that three categories of potential bidders are surfacing: local water agencies, Southland developers who under state law have to demonstrate there is enough water to supply new projects, and private investment groups that deal in natural resources.

Chino Basin Watermaster will offer a total of 36,000 acre-feet, sold in four blocks, in the online auction to be held Nov. 4. An acre-foot is roughly a year's supply for two Southern California households.

Manning anticipates that the water will fetch \$800 to \$1,000 an acre-foot, or roughly \$30 million. Underground storage in the basin will cost another \$30 million.

"We think we're offering a reliable product. It's in the ground. So it will demand a higher price," he said.

Federal officials estimate that about 600,000 acre-feet -- slightly less than Los Angeles residents, combined, use in a year -- will change hands in California water sales in 2009 thanks to a supply shortage caused by the statewide drought and environmental restrictions on pumping water from Northern California.

The sellers are typically agricultural irrigation districts that leave some of their land unplanted for a year and negotiate short-term, individual deals with other farm districts or municipal water agencies that need water.

Supplies sold through the state's Drought Water Bank this year are going for \$275 an acre-foot plus conveyance costs, which can amount to an additional \$150 or more per acre-foot, depending on how far the water is piped.

Under following agreements with the Palo Verde Irrigation District in southeastern California, the Metropolitan Water District of Southern California is paying roughly \$210 and \$410 an acre-foot, including transport, for two separate large blocks of water.

The higher rate is for drought supplies.

When the Mojave Water Agency looked for more long-term supplies for Victorville and the other high

desert towns it serves, it pursued a different tack.

It is buying a portion of a state water contract from a Kings County farm enterprise for \$73.5 million.

The deal, which is awaiting state approval, would entitle the Mojave district to an additional 14,000 acre-feet a year.

Kirby Brill, the agency's general manager, said it took a while to find a state contractor willing to give up water not just for a season or two, but forever.

"Everybody's just hanging on to what they have to sustain their operation. We're never going to have a real loose, EBay type of water market in California," he said. "There are so many hurdles."

bettina.boxall@latimes.com

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EXHIBIT H



CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: August 13, 2009
TO: Pool Members
SUBJECT: Notice of Intent to Purchase

Background

Section C of the *Purchase and Sale Agreement for the Purchase of Water by Watermaster from Overlying (Non-Agricultural) Pool* (Attachment "G" to Watermaster Resolution 07-05) says:

"C. Notice. Within twenty-four months of the final Court approval of this Agreement ("Effective Date"), and only with the prior approval of the Appropriative Pool, Watermaster will provide written Notice of Intent to Purchase the Non-Agricultural (Overlying) Pool water pursuant to Section 5.3(a) of the Peace Agreement, which therein identifies whether such payment will be in connection with Desalter Replenishment or a Storage and Recovery Program."

Final Court approval of the Agreement ("Effective Date") was obtained through the December 21, 2007 Order approving the Peace II Measures.

Explanation of Notice

Watermaster staff has prepared a form of the Notice to satisfy the requirements of section C.

Section D of the Purchase and Sale Agreement requires that the payment schedule to the Non-Agricultural Pool will commence thirty days after the Notice of Intent to Purchase ("Payment Date"). Staff has proposed that the date of the Notice be December 18, 2009 as that is the last business day before the deadline for the Notice. Given that the current date of the auction is unknown, this date will provide maximum opportunity for the Pool to have received the proceeds of the auction prior to the required Payment Date and will provide maximum flexibility in the event that the auction is not completed as anticipated.

At the July 30, 2009 Appropriative Pool meeting, staff provided an accounting of the amount of water available for purchase under the Purchase and Sale Agreement. This amount is 38,600 acre-feet. Planning for the auction to date has presumed a purchase amount of 36,000 acre-feet. Staff requires a recommendation from the Pool as to whether the full amount (38,600) should be purchased for the purpose of the auction, or whether the Pool would prefer to utilize a portion of the water for some other purpose such as desalter replenishment or a separate storage and recovery program.

Recommendation

Staff Recommendation: (1) consider and approve form of Notice of Intent to Purchase; (2) consider and recommend to staff intended purpose of full amount purchased from Non-Agricultural Pool.



CHINO BASIN WATERMASTER

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Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

KENNETH R. MANNING
Chief Executive Officer

NOTICE OF INTENT TO PURCHASE

Pursuant to Section C of the *Purchase and Sale Agreement for the Purchase of Water by Watermaster from Overlying (Non-Agricultural) Pool*, Watermaster hereby provides notice to the Overlying (Non-Agricultural) Pool that Watermaster intends to tender purchase of the Storage Transfer Quantity pursuant to the terms of the Purchase and Sale Agreement for use in a Storage and Recovery Agreement.

On _____ the Appropriative Pool provided approval for the issuance of this notice. The date of issuance of this notice is December 18, 2009.

EXHIBIT I

Minutes
CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
August 13, 2009

The Joint Appropriative and Non-Agricultural Pool Meeting were held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on August 13, 2009 at 10:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Ken Jeske	City of Ontario
Mark Kinsey	Monte Vista Water District
Robert DeLoach	Cucamonga Valley Water District
Robert Tock	Jurupa Community Services District
Mike McGraw	Fontana Water Company
Robert Young	Fontana Union Water Company
Charles Moorrees	San Antonio Water Company
Raul Garibay	City of Pomona
Ron Craig	City of Chino Hills
Dave Crosley	City of Chino
J. Arnold Rodriguez	Santa Ana River Water Company
Anthony La	City of Upland

NON-AGRICULTURAL POOL MEMBERS PRESENT

Kevin Sage	Vulcan Materials Company (Calmat Division)
Mohamed El Amamy	City of Ontario

Watermaster Board Members Present

Jim Curatalo	Cucamonga Valley Water District
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Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Asst. General Manager
Ben Pak	Senior Project Engineer
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Brownstein, Hyatt, Farber & Schreck
Scott Slater	Brownstein, Hyatt, Farber & Schreck
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

David De Jesus	Three Valleys Municipal Water District
Marty Zvirbulis	Cucamonga Valley Water District
Doug La Belle	City of Chino Hills Consultant
Josh Swift	Fontana Water Company
John Mura	City of Chino Hills
Eunice Ulloa	Chino Basin Water Conservation District
Marv Shaw	Inland Empire Utilities Agency
Ryan Shaw	Inland Empire Utilities Agency
Sandra Rose	Monte Vista Water District

Chair Jeske called the Joint Appropriative and Non-Agricultural Pool Meeting to order at 10:02 a.m.

AGENDA - ADDITIONS/REORDER

No additions or reorders were made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Joint Appropriative and Non-Agricultural Pool Meeting held July 9, 2009

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of July 2009
2. Watermaster Visa Check Detail for the month of June 2009
3. Combining Schedule for the Period July 1, 2008 through June 30, 2009
4. Treasurer's Report of Financial Affairs for the Period June 1, 2009 through June 30, 2009
5. Budget vs. Actual July 2008 through June 2009

*Motion by DeLoach, second by Garibay, and by unanimous vote – Non-Ag concurred
Moved to approve Consent Calendar item A through B, as presented*

II. BUSINESS ITEM

A. NOTICE OF INTENT TO PURCHASE

Mr. Manning stated as part of the Peace II Agreement in the purchase of the Overlying Non-Agricultural water one of the requirements was to issue an official notice of Intent to Purchase. This is the water that is the subject of the auction. Counsel Fife stated the issuance of the notice which states the first payment of the water must be tendered to the Non-Agricultural Pool within 30 days of the issuance of the notice. The intent is to use the proceeds from the auction to make that payment. Staff has proposed to put the purchase date out as far as possible and still be in compliance with the Purchase and Sale Agreement due to not knowing the exact date of the auction; the proposed date is December 18, 2009. Counsel Fife stated the primary issue is that the notice has to identify how the water will be used. The discussions have been that the auction will be for 36,000 acre-feet. The agreement in Peace II stated that the Appropriative Pool would be able to purchase all water in storage as of June 30, 2007. On June 30, 2007 there is actually 38,652 acre-feet in that account. The question is what amount the Appropriative Pool wants to use for the auction. The notice indicates the entire amount because staff has not been given direction otherwise. Mr. Manning stated in the preparation of the due diligence package which will go out as part of the auction will need to have the acre-feet of water identified. A discussion regarding this item ensued.

Motion by DeLoach, second by Crosley, and by unanimous vote – Non-Ag noted this was for information only

Moved to place the 2,652 acre-feet toward an account dedicated to desalter replenishment and the balance of 36,000 acre-feet toward the auction process and to approve the Notice of Intent to Purchase to reflect distribution of water as noted in motion, as presented

B. MEMORANDUM OF UNDERSTANDING

Mr. Manning stated this item has commonly been referenced as Plan B. Staff is looking for discussion and possible direction as to what staff is being asked to do. Staff would entertain a motion to allow staff to draft an alternative plan to the auction. Mr. Kinsey stated at the last Appropriative Pool meeting there was consensus as to the approach that would be taken in the event of a failed auction. That process would be for the Appropriative Pool to acquire the water based on pre-agreed to formula and have Watermaster hold it in trust based on the belief that it would be auctioned off at a later date within a defined time period. Mr. Kinsey inquired as to what is needed from this Pool to draft the MOU. Mr. Manning stated based upon those terms, Watermaster staff will draft an MOU based on the terms specified. A discussion regarding this matter ensued. Mr. Kinsey inquired as to how long this water might be held in trust to allow an

auction or an alternative use for the water to be developed. It was decided the water will be held for 3 years in trust and will be recorded and held separately for all accounting purposes. It was asked that the MOU be drafted and would be distributed as soon as possible for review. A discussion regarding export and storage ensued.

No motion was made.

C. MEETING SCHEDULES

Chair Jeske stated this item was put on the agenda by the Appropriative Pool chair and is a potential outcome of a series of meetings that have been informally held by Appropriators. This issue was raised a few times by various parties during the discussions regarding governance. The Pool members have spent time discussing improvements that could be recommended to the governance system to help make the processes work better. Chair Jeske noted this item and the next item regarding open meeting rules are the recommendations from those informal meetings/discussions. Chair Jeske stated this item has been discussed with the CEO of Watermaster to make sure there is no staff impact at Watermaster. Chair Jeske stated by amending the schedules of meetings which would provide some more separation between the different levels of policy making at Watermaster so there would be opportunity for discussion and/or revisions of materials that are made at one meeting prior to being submitted to the Watermaster Board. Chair Jeske stated the first recommendation would be to move the Appropriative Pool up a week. The second recommendation would be to move the Advisory Committee meeting up two weeks. A discussion regarding these recommendations ensued. Mr. Manning stated another recommendation at those informal meetings was to move Watermaster staff to the audience as well as our engineering consultant to allow four more seats for Appropriators at the table to allow for additional dialogue. Mr. Manning noted the separate and distinct agenda packets that were sent out this month for the Pools. This meeting packet change will allow for changes to be made to the individual packets to properly reflect amendments/recommendations made at prior meetings. A discussion regarding the scheduling of meeting dates including having the CEO reviewing the package agenda with the each appropriate chair ensued.

Motion by DeLoach, second by Craig, and by unanimous vote – Non-Ag concurred with the stipulation to review the schedule

Moved to change the Appropriative and Non-Agricultural Pool meeting to the first Thursday of every month at 1:00 p.m. starting at the September meeting, as presented

Motion by DeLoach, second by Kinsey, and by unanimous vote – Non-Ag concurred

Moved to recommend to the Advisory Committee members to move their meeting up one week to the third Thursday of the month starting at the October meeting, as presented

D. OPEN MEETING RULES

Chair Jeske stated part of the discussion from the informal meetings dealt with open meeting conduct through the process. Mr. Manning stated there are references throughout the Judgment and other pertinent documents regarding the Brown Act or some other source to be followed by Watermaster. There is no clear statement that Watermaster must follow the Brown Act. Chair Jeske noted during the discussions a lot more was learned about the actual Brown Act and what it pertains to which goes far beyond conducting a meeting. Several items contained in it just do not apply to Watermaster and because of our unique nature some things just can't be applied. Chair Jeske stated because of these discussions were that Watermaster should come up with its own standards for meeting rules and then run those through the process. The committee instructed staff and counsel, if needed, to begin working on open meeting rules and bring back recommendations through the open process. A discussion regarding this matter ensued. Mr. Manning stated this is perfect timing to do start on this request because staff has already

begun, as mentioned at other meetings, a Watermaster Policy Manual and this would blend in perfectly with that.

*Motion by Kinsey, second by DeLoach, and by unanimous vote – Non-Ag concurred
Moved to approve staff and counsel to begin working on open meeting rules, as presented*

E. DYY EXTENSION

Mr. Manning stated this item has been through the Watermaster process previously and is being brought back before this committee again for consideration. Last May this item was on the agenda and discussed at length and at that meeting this committee asked it be tabled to allow meetings to take place with the Metropolitan Water District (MWD) to possibly get an extension of time. This extension would allow discussions to take place regarding a different concept for storage programs within the Chino Basin. Those discussions have taken place with MWD in person and with several phone calls regarding the potential extension of time. MWD is not in the position at this time to give an extension on the existing proposal that requires Watermaster to take action on this storage approval before September 1, 2009. Staff is cognizant of the fact that there are two existing issues within the agreement between the three municipal water districts that are inconsistent with the Peace Agreement. Two items are the losses issue and the quid pro quo of storage for subsidy. Discussions have taken place with some of the parties regarding those issues and Watermaster staff feels those issues can be solved internally and discussions to do that have begun. Watermaster staff is recommending the Appropriative Pool and the Non-Agricultural Pool approve the establishment of the storage program as requested by the three municipal water districts as outlined in the May, 2009 staff report and documents and authorize staff to implement those documents prior to the September 1, 2009 deadline. Mr. Manning stated discussions will continue with MWD and the three municipal water districts. This would allow Watermaster to not jeopardize the LRP subsidies for the Desalter Authority. A lengthy discussion regarding this issue ensued. Counsel Fife noted a hearing with Judge Wade is scheduled for September 17, 2009 and any last documents that need approval could be done prior to Judge Wade retiring. Mr. Kinsey discussed conditional approval for this document from the Watermaster Board and a discussion ensued. Chair Jeske noted the issues raised during discussions are the LRP credits, storage and losses, and the quantity cap which would change the 100,000 acre-feet to 150,000 acre-feet. Mr. DeLoach formed a motion and a discussion regarding that motion ensued. Counsel Fife noted Watermaster is going to need assistance from Inland Empire Utilities Agency to work with MWD on this matter.

Motion by DeLoach, second by Crosley, and by majority vote – Non-Ag concurred – Kinsey voted no

Moved to approve the application including the extension on the program to 150,000 acre-feet with the workout to resolve these issues prior to the Watermaster Board meeting and if not worked out by that meeting, it will be worked out by the September 17, 2009 court hearing, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. August 11, 2009 Hearing

Counsel Fife stated the August 11, 2009 hearing took place and went very well. The hearing concerned the ongoing status report of the OBMP, Program Elements 7, 8, and 9, and the approval of the Watermaster's motion to approve the template Storage & Recovery Agreement. A proposed order was submitted which was worked out in advance and the judge did sign the revised order as submitted and notice was provided to the parties. Counsel Fife stated a few items did come up at the hearing because of losing Judge Wade to retirement regarding transitioning into another judge. Counsel Fife commented on Judge Wade's recommendations for the new judge transition. There is another hearing scheduled for September 17, 2009 if it is needed and can be cancelled if it is not needed. Counsel Fife

offered comment on a case management order that would be submitted to Judge Wade which would serve as a signal to the next judge. This case management order could let the court know where Watermaster is on various matters. This order will go through the Watermaster process.

2. Auction Update

Counsel Fife stated since this auction is on such a tight time frame an auction update will be kept on all the agendas so the parties know what is happening. FTI was hired and there was a workshop with FTI to cover how the auction will proceed in a logistical fashion. A due diligence package and marketing materials are now being put together that can be sent out to potential bidders. A strategy is being worked on as to how to go about the marketing of the auction with FTI. Staff is looking at the auction being held in the last week of October. A discussion regarding the auction and the bidders ensued. Mr. Manning offered comment on possible potential bidders and what the due diligence package will look like.

B. ENGINEERING REPORT

1. Recharge Master Plan Update

Mr. Wildermuth stated Wildermuth Environmental staff is working diligently on the Recharge Master Plan. A meeting with Black & Veatch took place last month to go over a plethora of supplemental water recharge projects and those will be brought back through the Watermaster process in September. Mr. Wildermuth stated with regard to the modeling work that has been being worked on to optimize recharge and pumping is almost complete. A new Material Physical Injury report has been created for Peace II so that it could be used in CEQA.

2. Balance of Recharge & Discharge Discussion

Mr. Wildermuth stated Watermaster is obligated to do the balance of recharge and discharge report every other year and Wildermuth staff will be working with Watermaster staff on trying to get a memo distributed for discussion next month. Mr. Wildermuth noted after discussions have taken place and any changes that need to be made are done, it will then be finalized. Mr. Wildermuth stated Watermaster has complete control and discretion on supplemental recharge in the Chino Basin pursuant to the Peace Agreement and there are certain issues in the Peace Agreement that Watermaster has to contend with. One of those issues is the 6,500 acre-foot MZ1 recharge commitment every year. That amount accrues annually if it is not satisfied in MZ1 area; then the balance of recharge and discharge has to be done after that.

Mr. Wildermuth stated Wildermuth Environmental produced Task 5 memorandum which talked about the projected groundwater production in the basin using the parties' projections from last year. Those projections have been analyzed to figure out what the replenishment requirements are going to be under various scenarios, including the recharge of recycled water. The last version was produced in April and it has subsequently been modified but did not get reprinted. Comments have been received from Inland Empire Utilities Agency in July from the April release and now that those have been received staff will be working to complete this task. A discussion on Mr. Wildermuth's report ensued.

C. FINANCIAL REPORT

1. Year End Project/Budget Update

Ms. Rojo advised the pools that all water activity reports had been sent out plus some have already been received back. We are looking to receive back all of the water Activity Reports by the end of the week and staff is looking forward to the holiday the assessment package workshop in early September.

3. Year End Audit Update

Ms. Rojo Stated that Watermaster's fiscal year ended June 30, 2009 and our annual audit is currently under way. If anyone has any questions or issues regarding Watermaster's financial activities, please see Ken Manning.

D. CEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated now that the state budget has been approved, it appears there is certain consensus that the water issues are taking front and center stage in Sacramento. There are five separate bills that have been developed as part of a master water plan to resolve Delta issues and water problems in the State of California. Those five bills are being reviewed starting next week with a joint committee meeting between the assembly and senate. This first meeting will be the start of a series of meetings and will take approximately four weeks to resolve. There are still discussions on what the joint committee will look like in terms of who will sit on the committee. A discussion regarding this matter ensued and Mr. Manning noted he will send out the five bills to all the parties later today.

Mr. Manning stated he had an opportunity to meet face-to-face with former Senator Mike Machado and Tom Zukerman who represent interests in the Delta. Mr. Manning commented on the topics discussed at this meeting.

2. Recharge Update

No comment was made regarding this item.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to the Appropriative and Non-Agricultural Pool Rules & Regulations, a Confidential Session may be held during the Watermaster Pool meeting for the purpose of discussion and possible action.

No confidential session was called.

VIII. FUTURE MEETINGS

August 11, 2009	9:30 a.m.	Watermaster Hearing @ San Bernardino Court
August 13, 2009	8:00 a.m.	MZ1 Technical Committee Meeting @ CBWM
August 13, 2009	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting @ CBWM
August 18, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
August 27, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
August 27, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
August 27, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM

The Appropriative Pool and Non-Agricultural Pool meeting was dismissed by Chair Jeske at 11:50 a.m.

Minutes Joint Appropriative & Non-Agricultural Pool Meeting

August 13, 2009

Secretary: _____

Minutes Approved: September 3, 2009

EXHIBIT J



CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: August 27, 2009
TO: Watermaster Board Members
SUBJECT: Notice of Intent to Purchase

Background

Section C of the *Purchase and Sale Agreement for the Purchase of Water by Watermaster from Overlying (Non-Agricultural) Pool* (Attachment "G" to Watermaster Resolution 07-05) says:

"C. Notice. Within twenty-four months of the final Court approval of this Agreement ("Effective Date"), and only with the prior approval of the Appropriate Pool, Watermaster will provide written Notice of Intent to Purchase the Non-Agricultural (Overlying) Pool water pursuant to Section 5.3(a) of the Peace Agreement, which therein identifies whether such payment will be in connection with Desalter Replenishment or a Storage and Recovery Program."

Final Court approval of the Agreement ("Effective Date") was obtained through the December 21, 2007 Order approving the Peace II Measures.

Explanation of Notice

Watermaster staff has prepared a form of the Notice to satisfy the requirements of section C.

Section D of the *Purchase and Sale Agreement* requires that the payment schedule to the Non-Agricultural Pool will commence thirty days after the Notice of Intent to Purchase ("Payment Date"). Staff has proposed that the date of the Notice be December 18, 2009 as that is the last business day before the deadline for the Notice. Given that the current date of the auction is unknown, this date will provide maximum opportunity for the Pool to have received the proceeds of the auction prior to the required Payment Date and will provide maximum flexibility in the event that the auction is not completed as anticipated.

At the July 30, 2009 Appropriative Pool meeting, staff provided an accounting of the amount of water available for purchase under the Purchase and Sale Agreement. This amount is 38,652 acre-feet. Planning for the auction to date has presumed a purchase amount of 36,000 acre-feet. At the August 13, 2009 Appropriative Pool meeting the pool directed the 36,000 acre-feet of the purchase quantity would be used for the auction and the remaining 2,652 acre-feet would be dedicated to Desalter replenishment.

Recommendation

Staff recommends approval of the Notice of Intent to Purchase as directed by the Appropriative Pool.



CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

KENNETH R. MANNING
Chief Executive Officer

NOTICE OF INTENT TO PURCHASE

Pursuant to Section C of the *Purchase and Sale Agreement for the Purchase of Water by Watermaster from Overlying (Non-Agricultural) Pool*, Watermaster hereby provides notice to the Overlying (Non-Agricultural) Pool that Watermaster intends to tender purchase of the Storage Transfer Quantity pursuant to the terms of the Purchase and Sale Agreement for the following uses: 36,000 acre-feet for use in a Storage and Recovery Agreement, and 2,652 acre-feet for use as Desalter replenishment.

On August 13, 2009 the Appropriative Pool provided approval for the issuance of this notice. The date of issuance of this notice is December 18, 2009.

EXHIBIT K

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING
August 27, 2009

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on August 27, 2009 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair
Don Galleano
Jim Curatalo
David DeJesus
Robert Young
Michael Camacho
Kevin Sage
Geoff Vanden Heuvel
Paul Hofer

City of Upland
Western Municipal Water District
Cucamonga Valley Water District
Three Valleys Municipal Water District
Fontana Water Company
Inland Empire Utilities Agency
Vulcan Materials Company
Agricultural Pool
Agricultural Pool

Watermaster Staff Present

Kenneth R. Manning
Sheri Rojo
Ben Pak
Danielle Maurizio
Sherri Lynne Molino

Chief Executive Officer
CFO/Asst. General Manager
Senior Project Engineer
Senior Engineer
Recording Secretary

Watermaster Consultants Present

Scott Slater
Michael Fife
Mark Wildermuth

Brownstein, Hyatt, Farber & Schreck
Brownstein, Hyatt, Farber & Schreck
Wildermuth Environmental Inc.

Others Present

Bob Kuhn
Ken Jeske
Marv Shaw
Scott Burton
Marty Zvirbulis
Mark Kinsey
Dave Crosley
Ron Craig
Raul Garibay
Eldon Horst
Robert Tock
Charles Moorrees
Robert Young
Mike McGraw
Josh Swift
Anthony La
Bob Feenstra
Jeff Pierson
John Bosler
Eunice Ulloa
Terry Catlin
Ryan Shaw
Patrick Shields
Rich Atwater

Three Valleys Municipal Water District
City of Ontario
City of Ontario
City of Ontario
Cucamonga Valley Water District
Monte Vista Water District
City of Chino
City of Chino Hills
City of Pomona
Jurupa Community Services District
Jurupa Community Services District
San Antonio Water Company
Fontana Union Water Company
Fontana Water Company
Fontana Water Company
City of Upland
Ag Pool - Dairy
Ag Pool - Crops
Cucamonga Valley Water District
Chino Basin Water Conservation District
Inland Empire Utilities Agency
Inland Empire Utilities Agency
Inland Empire Utilities Agency
Inland Empire Utilities Agency

August 27, 2009

Minutes Watermaster Board Meeting

Tom Crowley
Doug La Belle
Phil Rosentrater

West Valley Water District
City of Chino Hills, Representative
Western Municipal Water District

The Watermaster Board Meeting was called to order by Chair Willis at 11:00 a.m.

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

Mr. Manning stated there is a revised staff letter for Business Item IIC on the back table; this is different than the staff letter that was distributed yesterday under separate cover from the meeting packet.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Watermaster Board Meeting on July 23, 2009
2. Minutes of the Special Watermaster Board Meeting on July 30, 2009

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of July 2009
2. Watermaster Visa Check Detail for the month of June 2009
3. Combining Schedule for the Period July 1, 2008 through June 30, 2009
4. Treasurer's Report of Financial Affairs for the Period June 1, 2009 through June 30, 2009
5. Budget vs. Actual July 2008 through June 2009

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** — The lease and/or purchase of 765 AF from San Antonio Water Company to the City of Ontario. This lease is made first from San Antonio's net under-production in Fiscal Year 2008-09, with any remainder to be recaptured from storage. Date of application: June 30, 2009

*Motion by DeJesus, second by Camacho, and by unanimous vote
Moved to approve Consent Calendar A through C, as presented*

II. BUSINESS ITEM

A. NOTICE OF INTENT TO PURCHASE

Mr. Manning stated one of the provisions of the Peace II Agreement is to provide a Notice of Intent to Purchase regarding the purchase of the 38,652 acre-feet of water from the Non-Agricultural Pool which needs to be approved prior to the actual purchase. The Notice of Intent to Purchase must be filed by December 21, 2009; the notice is dated December 18, 2009 which will allow enough time to get the process started. At the Advisory Committee meeting today there was a slight variation of this notice that was passed at that meeting; that variation was passed unanimously. There was a request made by Fontana Water Company to reconsider how the 2,652 acre-feet of water, which was noted in the staff report as being dedicated to desalter replenishment is to be allocated. The decision to use the additional acre-feet as desalter replenishment was made by the Appropriative Pool. Mr. Manning reviewed the Peace II Agreement definition of how this water can be used. Mr. Manning stated Fontana Water Company is not clear on how they would like to approach this; however, they did make a request that they have some time to consider how the 2,652 acre-feet might be applied to the current cumulative unmet replenishment obligation. Mr. Manning stated the Advisory Committee took action to approve the Notice of Intent to Purchase which will take the 36,000 acre-feet now and then next month after it is referred back to the Appropriative Pool, an action will be forwarded to the Board on their recommendation on the remaining 2,652 acre-feet. A discussion regarding this matter and a possible default plan ensued. Mr. Manning stated there is a Plan B which is being discussed right now in the event of a failed auction, that would go

ahead and pay for the water and then hold it in reserve for use for a possible future sale. A discussion regarding a special assessment ensued.

*Motion by Willis, second by Camacho, and by unanimous vote
Moved to approve the Intent to Purchase to 36,000 acre-feet for use in a Storage and Recovery Agreement, and refer the 2,652 acre-feet back to the Appropriative Pool for further consideration and a separate motion, as presented*

B. DYY EXTENSION

Mr. Manning discussed the action that is being proposed today and he stated there is a current 100,000 acre-foot Dry Year Yield Program agreement with Metropolitan Water District (MWD). An expansion of that DYY program to 150,000 acre feet is being negotiated and an agreement was signed by the three municipal water districts and the CDA which will expand that program to 150,000 acre-feet. Part of that 150,000 acre-foot deal point was a zeroing of losses for MWD going back to September 1, 2007 and this is a very important provision for MWD. In turn for this provision MWD has agreed to provide to the CDA an LRP subsidy of \$250.00 an acre-foot that is applied to the water produced to the CDA; this provision is still in place. In May, 2009, this item was placed on the Appropriative Pool agenda; however, at that meeting there was another proposal presented by the Cucamonga Valley Water District. Due to that proposal this item was placed on hold to allow meetings to take place with MWD staff; those discussions have been continuing for several months. Mr. Manning stated there is a deadline of September 1, 2009 for this agreement whereby Watermaster has to take action. For clarification Counsel Slater stated the parties are not waiving the losses, they would be assigning a responsibility for those losses to other members of the Judgment; you are not assuming an unmet replenishment obligation because it will be distributed amongst members. Counsel Slater noted what is being told to MWD is that even though there is a loss; the members will not be financially responsible for covering it. A lengthy discussion regarding this item and especially losses ensued. Counsel Slater stated the motion that is being recommended is to assign the uniform loss and then redistribute the obligation for that to other stakeholders. Mr. Vanden Heuvel stated the uniform loss rate by default is 2% will be charged against the MWD account; however, it will be made whole by allocating that loss to the other Appropriators. Mr. Vanden Heuvel inquired about the work being done by Wildermuth Environmental on the 2% loss figure. Mr. Wildermuth stated a presentation was brought through the Watermaster process which validated the 2%.

*Motion by DeJesus, second by Curatalo, and by unanimous vote
Moved to approve the language described by Counsel Slater stating the approval by the Appropriative Pool under the section 2(b) shall occur prior to or simultaneous with the approval of an amendment to agreement 49960 as described in section 2a of the staff report and then the remainder of the language written in the staff report, as presented*

C. ACWA COMMITTEE APPOINTMENT NOMINEES FOR 2010-2011 TERM

Mr. Manning explained this item in detail.

No motion was made regarding this item.

D. REGION 9 ELECTION FOR THE 2010-2011 TERM

Mr. Manning explained this item in detail. A brief discussion regarding this matter ensued.

*Motion by Vanden Heuvel, second by Willis, and by unanimous vote
Moved to approve the slate, as presented*

E. NWRA ELECTION

Mr. Manning explained this item in detail.

No motion was made regarding this item.

F. CalPERS SERVICE CREDIT PURCHASE

Mr. Manning noted this item is the final task for the action taken by this Board regarding Watermaster employees purchasing CalPERS service credit. Ms. Rojo offered further information on this item and noted there will be no cost to Chino Basin Watermaster.

*Motion by Young, second by DeJesus, and by unanimous vote
Moved to approve the CalPERS Service Credit Purchase at no cost to Chino Basin
Watermaster, as presented*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. August 11, 2009 Hearing

Counsel Slater stated what a pleasure it has been to have Jude Wade overseeing Watermaster's affairs. Counsel Slater stated the August 11, 2009 hearing took place and went well. The hearing provided a status report of the OBMP, Program Elements 7, 8, and 9, and the approval of the Watermaster's motion to approve the template Storage & Recovery Agreement. A proposed order was submitted which was worked out in advance and the judge signed the revised order as submitted. Notice was provided to the parties. Counsel Slater stated a few items were discussed at the hearing regarding Judge Wade's retirement and the transition process into another judge. Counsel Slater commented on Judge Wade's recommendations for the new judge transition and noted there is a letter on the back table from counsel to the presiding judge. This letter has not been sent and is for review only and it will be sent to the parties' legal counselors. Once all the parties are in agreement of sending a letter out and the content of the letter it will be sent out. Counsel Slater stated the other item on the back table is a proposed case management order and this order is also something that has not been sent out and is for review. Counsel Slater offered comment on the proposed case management order and how it will work with Judge Wade. Counsel Slater stated there is another hearing scheduled for September 17, 2009 if it is needed and can be cancelled if it is not needed. Counsel Slater noted comments need to be back by next Thursday so that they can be filed with the court in a timely manner.

2. Auction Update

Counsel Slater handed out a proposed internal calendar for the water auction and offered comment on it. Counsel Slater stated since this auction is on such a tight time frame an auction update will be kept on all the agendas so the parties know what is happening. FTI was hired and there was a workshop with FTI to demonstrate how the auction will proceed. A due diligence package and marketing materials are now being put together that can be sent out to potential bidders. A strategy is being worked on as to how to go implement the marketing of the auction with FTI. Staff is looking at the auction being held on November 4, 2009. Mr. Manning offered comment on possible potential bidders and what the due diligence package will look like. Mr. Manning stated at the next Appropriative Pool meeting which will be held next Thursday, Watermaster staff, counsel, and consultants are going to give a presentation to go through the marketing plan along with many of the details on how the auction will be proceeding. A discussion regarding the November 4th auction date and what the promotion of the auction might look like ensued. Counsel Slater offered comment on the possible bidding parties and market segments.

3. MOU Development

No comment was made regarding this item.

B. FINANCIAL REPORT

1. Year End Project/Budget Update

Ms. Rojo advised the pools that all Water Activity Reports have been sent out and some have already been received. We are looking to receive all of the Water Activity Reports by the end of the week. Ms. Rojo stated the assessment package workshop has now been scheduled for September 9, 2009 at 2:00 p.m.

2. Year End Audit Update

Ms. Rojo stated that Watermaster's fiscal year ended June 30, 2009 and our annual audit has been completed for the field work and the audit will be completed at their office shortly. If anyone has any questions or issues regarding Watermaster's financial activities, please see Ken Manning or feel free to contact the auditors directly.

C. ENGINEERING REPORT

Mr. Wildermuth stated Wildermuth Environmental staff is working diligently on the Recharge Master Plan. A meeting with Black & Veatch took place last month to go over a plethora of supplemental water recharge projects and those will be brought back through the Watermaster process in September. Mr. Wildermuth stated with regard to the modeling work that has been being worked on to optimize recharge and pumping is almost complete. A new Material Physical Injury report has been created for Peace II so that it could be used in CEQA. A lengthy discussion regarding Mr. Wildermuth's comments ensued. Concerns regarding purchasers following Watermaster's rules regarding export were expressed and discussed.

1. Balance of Recharge & Discharge Discussion

Mr. Wildermuth stated Watermaster is obligated to do the balance of recharge and discharge report every other year and Wildermuth staff will be working with Watermaster staff on trying to get a memo distributed for discussion next month. Mr. Wildermuth noted after discussions have taken place and any changes that need to be made are done, it will then be finalized. Mr. Wildermuth stated Watermaster has complete control and discretion on supplemental recharge in the Chino Basin pursuant to the Peace Agreement and there are certain issues in the Peace Agreement that Watermaster has to contend with. One of those issues is the 6,500 acre-foot MZ1 recharge commitment every year. That amount accrues annually if it is not satisfied in MZ1 area; then the balance of recharge and discharge has to be done after that.

Mr. Wildermuth stated Wildermuth Environmental produced Task 5 memorandum which talked about the projected groundwater production in the basin using the parties' projections from last year. Those projections have been analyzed to figure out what the replenishment requirements are going to be under various scenarios, including the recharge of recycled water. The last version was produced in April and it has subsequently been modified but did not get reprinted. Comments have been received from Inland Empire Utilities Agency in July from the April release and now that those have been received staff will be working to complete this task. A discussion on Mr. Wildermuth's report ensued.

D. CEO/STAFF REPORT

1. Legislative Update

Chair Willis stated many parties will be interested in hearing about AB1366. Mr. Manning stated AB1366 is going to the senate next week. Mr. Manning stated now that the state budget has been approved, it appears there is certain consensus that the water issues are taking front and center stage in Sacramento. There are five separate bills that have been developed as part of a master water plan to resolve Delta issues and water problems in the State of California. Those five bills are being reviewed starting next week with a joint committee meeting between the assembly and senate. This first meeting will be the start of a series of meetings and will take approximately four weeks to resolve. There are still

discussions on what the joint committee will look like in terms of who will sit on the committee.

Mr. Manning stated he had an opportunity to meet face-to-face with former Senator Mike Machado and Tom Zukerman who represent interests in the Delta. Mr. Manning commented on the topics discussed at that meeting.

2. Recharge Update

Mr. Manning stated the most recent recharge update is available on the back table. Mr. Manning reviewed the current recharge numbers.

3. Strategic Planning Conference

Mr. Manning stated the Watermaster's next Strategic Planning Conference is filling up quickly and reminded the parties to get in their registration forms. Mr. Manning stated there will be a golf tournament the first day with kick-off reception following, as done in past years and then a full day meeting the following day. The golf tournament and reception will be held at Oak Quarry Golf Course in Riverside and the conference at Etiwanda Gardens which is where it was held two years ago.

4. Watermaster Meeting Date Changes

Mr. Manning stated there has been a lot of discussion amongst the Appropriative Pool members over the last nine months and noted some members have been meeting informally. Those informal meetings have been to discuss ways that might help improve Watermaster efficiencies. One of the recommendations was for Watermaster staff and the parties to look at meeting date changes to allow more time between meetings. This will allow for meeting packages to be progressive and reflect the actions taken at the previous Pools or Advisory Committee meetings. Mr. Manning stated the Appropriative and Non-Agricultural Pool took action to change their meetings to the first Thursday of every month starting in September at 1:00 p.m. The Agricultural Pool took action to change their meetings to the second Thursday of every month starting in October at 9:00 a.m. and still at the IEUA office. The Advisory Committee took action to change their meeting to the third Thursday of every month at 9:00 a.m. and then this Board will leave its meeting on the fourth Thursday of every month at 11:00 a.m. These changes will allow one week between each of the meetings. Mr. Manning noted some dates will be changed due to holiday schedules which are coming up shortly.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

Mr. Hofer inquired if any of the information regarding the auction is confidential as it occurs. Counsel Slater stated everything is open to public scrutiny and is completely transparent. Mr. Hofer inquired if there will be a dedicated website for the water auction. Mr. Manning stated there will be a dedicated website and a link directing you to that website will be on Watermaster's current website. A discussion regarding bidders' confidentiality ensued. Counsel Slater offered comment on the auction process, potential bidders, and the on-line bidding process.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to Article 2.6 of the Watermaster Rules & Regulations, a Confidential Session may be held during the Watermaster committee meeting for the purpose of discussion and possible action.

No confidential session was called.

VIII. FUTURE MEETINGS

August 27, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
August 27, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
August 27, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM
September 3, 2009	1:00 p.m.	Appropriative & Non-Agricultural Pool Meeting @ CBWM
September 10, 2009	9:00 a.m.	MZ1 Technical Committee Meeting @ CBWM
September 15, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
September 17, 2009	9:30 a.m.	Tentative CBWM Hearing @ San Bernardino Court
September 24, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
September 24, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
September 24, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM

The Watermaster Board meeting was dismissed by Chair Willis at 12:15 p.m.

Secretary: _____

Minutes Approved: September 24, 2009

EXHIBIT L



CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730.
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: October 1, 2009
TO: Appropriative Pool
SUBJECT: Auction Water Disposition

SUMMARY

Issue – Consider request from Fontana Water Company re disposition of 2,600 AF of water purchased through the Purchase and Sale Agreement

Recommendation – Staff recommends dedicating the water to desalter replenishment

Financial Impact – unknown at this time

The *Purchase and Sale Agreement for the Purchase of Water by Watermaster from Overlying (Non-Agricultural) Pool* identifies the "Storage Transfer Quantity" as that amount held in storage by the members of the Non-Agricultural Pool as of June 30, 2007 less a ten percent dedication for the purpose of Desalter Replenishment. (Purchase and Sale Agreement Section B.) Watermaster planning for the auction of the Storage Transfer Quantity has assumed an amount of 36,000 AF. The actual amount is 38,600 AF, leaving a remainder of 2,600 AF.

Initial discussion at the Appropriative Pool indicated to Watermaster that the remainder of 2,600 AF should be dedicated to Desalter Replenishment. Following this discussion Fontana Water Company sent a letter dated August 28, 2009 requesting that the Appropriative Pool consider using the 2,600 AF for the purpose of reducing the Cumulative Unmet Replenishment Obligation (CURO). Watermaster has placed the item on the Appropriative Pool agenda pursuant to this request.

According to the Purchase and Sale Agreement, there are essentially three options for disposition of this water. The first two are the use and distribution pursuant to Section F of the Purchase and Sale Agreement. According to Section F, the purchased water may be used in a manner consistent with Section 5.3(e) of the Peace Agreement. Section 5.3(e) allows the water to be used either for Desalter Replenishment or in connection with a Storage and Recovery Program.

The third option falls under the Early Termination provision of Section H of the Purchase and Sale Agreement. Under this provision if the Notice of Intent to Purchase is not issued by December 21, 2009, then the water is distributed to members of the Appropriative Pool according to the amended Paragraph 9 of the Appropriative Pool pooling plan (Exhibit G to the Judgment). Under Exhibit G, paragraph 9, the members of the Non-Agricultural Pool may, in their discretion, make water available to Watermaster to be distributed pro-rata to members of the Appropriative Pool. It is an open question whether the Early Termination provisions of Section H can be applied to only a portion of the Storage Transfer Quantity, but regardless, utilization of this process does not appear to accomplish the goals of Fontana Water Company as stated in the August 28, 2009 letter. First, it would be up to the individual discretion of the members of the Non-Agricultural Pool whether or not to make this water available, and even if they did, the water would be distributed pro rata to the members of the Appropriative Pool. Each individual Appropriator would receive a relatively small portion of the water and whether that individual would choose to use the water in some manner to reduce the CURO is not known.

Watermaster therefore recommends that the 2,600 be used according to Section F of the Purchase and Sale Agreement for either Desalter Replenishment or for use in a Storage and Recovery Program. Since the previous Appropriative Pool discussions have indicated that as between these two options the preference of the Pool was to use it for Desalter Replenishment, Watermaster recommends this as the final disposition.

EXHIBIT M

Minutes
CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
October 1, 2009

The Joint Appropriative and Non-Agricultural Pool Meeting were held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on October 1, 2009 at 1:00 p.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Ken Jeske, Chair
Mark Kinsey
Robert DeLoach
Mike McGraw
Robert Young
Charles Moorrees
Raul Garibay
Ron Craig
Dave Crosley
Robert Tock
J. Arnold Rodriguez
Lonnie Curtis

City of Ontario
Monte Vista Water District
Cucamonga Valley Water District
Fontana Water Company
Fontana Union Water Company
San Antonio Water Company
City of Pomona
City of Chino Hills
City of Chino
Jurupa Community Services District
Santa Ana River Water Company
City of Upland

NON-AGRICULTURAL POOL MEMBERS PRESENT

Kevin Sage

Vulcan Materials Company (Calmat Division)

Watermaster Board Members Present

Michael Camacho

Inland Empire Utilities Agency

Watermaster Staff Present

Kenneth R. Manning
Sheri Rojo
Ben Pak
Danielle Maurizio
Sherri Lynne Molino

Chief Executive Officer
CFO/Asst. General Manager
Senior Project Engineer
Senior Engineer
Recording Secretary

Watermaster Consultants Present

Michael Fife
Mark Wildermuth

Brownstein, Hyatt, Farber & Schreck
Wildermuth Environmental Inc.

Others Present

David De Jesus
Marty Zvirbulis
Dave Batt
John Rossi
Josh Swift
John Mura
Eunice Ulloa

Three Valleys Municipal Water District
Cucamonga Valley Water District
San Gabriel Valley Water Company
Western Municipal Water District
Fontana Water Company
City of Chino Hills
Chino Basin Water Conservation District

Chair Jeske called the Joint Appropriative and Non-Agricultural Pool Meeting to order at 1:04 p.m.

AGENDA - ADDITIONS/REORDER

No additions or reorders were made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Joint Appropriative and Non-Agricultural Pool Meeting held September 3, 2009

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of August 2009
2. Watermaster Visa Check Detail for the month of August 2009
3. Combining Schedule for the Period August 1, 2009 through August 31, 2009
4. Treasurer's Report of Financial Affairs for the Period August 1, 2009 through August 31, 2009
5. Budget vs. Actual August 2009

*Motion by Zvirbulis, second by Tock, and by unanimous vote – Non-Ag concurred
Moved to approve Consent Calendar item A through B, as presented*

II. BUSINESS ITEM

A. CHINO BASIN REPLENISHMENT

Mr. Manning stated there is a letter from Fontana Water Company regarding the disposition of the 2,600 acre-feet of water reported in the Purchase and Sale Agreement in the meeting packet. The letter is requesting to change the usage of the 2,600 acre-feet from the original motion made by the Appropriative Pool by using it to reduce the Cumulative Unmet Replenishment Obligation (CURO). Mr. Manning stated staff is recommending keeping the original motion in place which was to dedicate the water to desalter replenishment which is in compliance with the Peace II Agreement. Mr. Manning reviewed the Purchase and Sale Agreement. A discussion regarding this matter and the reduction of the CURO ensued. Mr. Young commented on his request on behalf of Fontana Water Company. A discussion regarding safe yield, a storage and recovery program, and on the upcoming water auction ensued. It was noted this item will be tabled for 30 days for further discussion and possible Watermaster staff recommendations.

*Motion by Kinsey, second by Motion by Zvirbulis, and by unanimous vote – Non-Ag concurred
Moved to table the item for 30 days, as presented*

B. CHINO BASIN WATERMASTER 2009-2010 ASSESSMENT PACKAGE

Ms. Rojo stated there have been some exciting changes made to the 2009-2010 Assessment Package as a result of the Cumulative Unmet Replenishment Obligation (CURO). Ms. Rojo noted this package addresses the CURO and there is nothing related to Dry Year Yield. Ms. Rojo gave the Assessment Package presentation and Ms. Rojo reviewed the Phase I and Phase II debt in detail. A discussion regarding the debt service and increasing costs ensued. Ms. Rojo reviewed the separate spreadsheets in detail. A discussion regarding this item including the 2% loss calculation ensued.

*Motion by Garibay, second by Motion by Tock, and by unanimous vote – Non-Ag concurred
Moved to approve the Chino Basin Watermaster 2009-2010 Assessment Package, as presented*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Court Transition Process

Counsel Fife stated a notice of reassignment was distributed on August 25, 2009 stating Judge Stanford Reichert has been appointed as the new judge for Chino Basin Watermaster starting on September 17, 2009. Counsel Fife stated he does not know much about the new judge. He will be presiding in the Chino Courthouse.

2. DYY/Storage Update

Counsel Fife stated this was put on the agenda because of the meetings that took place regarding moving ahead with discussions over what to do about the Dry Year Yield Expansion Program. Counsel Fife stated the result of the last meeting held was a desire by the group to resolve the accounting issues before anything else is addressed regarding this matter. Discussions are still ongoing with Metropolitan Water District (MWD) and a pre-meeting has been scheduled with Inland Empire Utilities Agency and Watermaster staff this afternoon prior to the meeting with MWD. Counsel Fife stated once the accounting issues are resolved staff will reconvene the group to discuss the broader issues.

C. CEO/STAFF REPORT1. Legislative Update

Mr. Manning offered comment on the Delta Package which was discussed in detail at the Strategic Planning Conference this week. Mr. Manning stated the governor is not going to call a special session of the legislature unless the legislature has come to an agreement. A discussion regarding this matter ensued.

2. Recharge Report

Mr. Manning stated the same report which was handed out last month is still the most current recharge spreadsheet due to the meeting date change. An updated one will be available at the next Advisory Committee meeting.

3. Auction Update

Mr. Manning stated the Water Auction Team is working very hard on making this a successful water auction. Mr. Manning noted there are potentially 125 bidders on a list; the list has been broken down into three categories according to the likelihood of being an actual bidder. With that breakdown it appears there are approximately 35 very good candidates. Mr. Lea is working on the auction daily. Mr. Manning stated the wide variety of publications the water auction has been in and noted the word is definitely out.

4. Strategic Planning Conference Recap

Mr. Manning stated the recent Strategic Planning Conference was excellent and noted he has received great reviews on the material content and presentation. Mr. Manning stated the notes that were taken in the large meeting room and the small meeting room and now being typed up and will be put into a logical order in a matrix. Staff is planning on handing out a draft matrix at the October 22, 2009 Watermaster Board meeting.

IV. INFORMATION1. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

October 1, 2009	1:00 p.m.	Appropriative & Non-Agricultural Pool Meeting @ CBWM
October 8, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
October 15, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
October 15, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
October 22, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM
October 22, 2009	1:00 p.m.	Recharge Master Plan Workshop @ CBWM
October 27, 2009	9:00 a.m.	GRCC Meeting @ CBWM
November 5, 2009	1:00 p.m.	Appropriative & Non-Agricultural Pool Meeting @ CBWM

Minutes Joint Appropriative & Non-Agricultural Pool Meeting

October 1, 2009

November 12, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
November 19, 2009	8:00 a.m.	IUEA Dry Year Yield Meeting @ CBWM
November 19, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
November 19, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM
December 3, 2009	1:00 p.m.	Appropriative & Non-Agricultural Pool Meeting @ CBWM
December 10, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
December 17, 2009	8:00 a.m.	IUEA Dry Year Yield Meeting @ CBWM
December 17, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
December 17, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM

The Appropriative Pool and Non-Agricultural Pool meeting was dismissed by Chair Jeske at 2:08 p.m.

Secretary: _____

Minutes Approved: November 5, 2009

EXHIBIT N



CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
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KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: November 5, 2009
TO: Appropriative Pool
SUBJECT: Proposed Plan Regarding Disposition of Water Purchased from Non-Agricultural Pool

SUMMARY

Issue – Consider proposed plan regarding disposition of water purchased from the Non-Agricultural Pool pursuant to the Peace II Purchase and Sale Agreement

Recommendation – Staff recommends the Appropriative Pool approve the proposed plan

Financial Impact – unknown at this time

The *Purchase and Sale Agreement for the Purchase of Water by Watermaster from Overlying (Non-Agricultural) Pool* identifies the "Storage Transfer Quantity" as that amount held in storage by the members of the Non-Agricultural Pool as of June 30, 2007 less a ten percent dedication for the purpose of Desalter Replenishment. (Purchase and Sale Agreement Section B.) Under the Purchase and Sale Agreement, Watermaster, at the direction of the Appropriative Pool, is to issue a Notice of Intent to Purchase to the Non-Agricultural Pool within 24 months after Court approval of the Peace II Documents. Thus, the Notice of Intent to Purchase must be issued by December 21, 2009.

At the October Appropriative Pool meeting, the Pool provided direction to staff regarding proposed terms and conditions for a plan to hold for later disposition all or some portion of the water purchased pursuant to the Purchase and Sale Agreement. Based on this direction, staff and legal counsel have prepared the attached Plan Regarding Disposition of Water Purchased from the Non-Agricultural Pool Pursuant to the Peace II Purchase and Sale Agreement.

The attached Plan proposes that the water purchased pursuant to the Purchase and Sale Agreement be placed into a storage account to be held in trust by Watermaster for the benefit of the Appropriative Pool. This storage account will be charged losses consistent with other local storage accounts. If the water is not utilized in a Storage and Recovery Program or for Desalter Replenishment within three years, then the Plan allows the Appropriative Pool to elect to distribute the water in a manner consistent with the Early Termination provision of the Purchase and Sale Agreement.

November 5, 2009

Staff recommends that the Appropriative Pool direct Watermaster to issue the Notice of Intent to Purchase prior to December 21, 2009 and place the water purchased in storage pursuant to the proposed Plan.

Plan Regarding Disposition of Water Purchased from the Non-Agricultural Pool Pursuant to the Peace II Purchase and Sale Agreement

November 5, 2009

- (1) By December 21, 2009, Watermaster, under the direction of the Appropriative Pool, will send the Notice of Intent to Purchase pursuant to the Purchase and Sale Agreement.
- (2) If the Auction takes place on November 4, 2009 and sufficient funds are generated to pay for the purchase of the water, then such funds will be utilized to pay for the purchase.
- (3) If sufficient funds to cover the purchase are not generated by the November 4, 2009 Auction, or if the Auction does not occur as scheduled, then a Special Assessment will be levied by Watermaster on the Appropriative Pool in an amount necessary to fund the purchase of the water. This assessment shall be levied according to a 50/50 split between shares of Operating Safe Yield and the previous year's production. At the direction of the Appropriative Pool Watermaster will facilitate alternative arrangements to provide funding to purchase the water from the Non-Agricultural Pool including but not limited to a sale of some portion of the water sufficient to generate the required funding.
- (4) All water not sold through the Auction held on November 4, 2009 shall be placed into a Watermaster storage account called the Purchased Water Account.
- (5) Watermaster shall hold the Purchased Water Account in trust for the members of the Appropriative Pool, and shall allocate the water held in the Purchased Water Account according to direction from the Appropriative Pool. However, pursuant to the Purchase and Sale Agreement and the Peace II Agreement, the water may only be used pursuant to a Storage and Recovery Program or for use as Desalter Replenishment.
- (6) Watermaster shall assess losses against the Purchased Water Account at the same rate as losses are assigned against all other Local Storage accounts.
- (7) The water held in the Purchased Water Account shall remain exportable pursuant to the Court's August 11, 2009 Order. As exportable water, the water in the Purchased Water Account shall be designated as Supplemental Water.
- (8) If the water in the Purchased Water Account has not been utilized in a Storage and Recovery Program or Desalter Replenishment within 3 years from the date it is placed into the storage account, then the Appropriative Pool may elect to distribute the water according to the same formula used to allocate the cost of purchasing the water from the Non-Agricultural Pool. If such formula is not applicable, then the Appropriative Pool shall agree on an alternative manner of distribution of the water.

EXHIBIT O

Minutes
CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
November 5, 2009

The Joint Appropriative and Non-Agricultural Pool Meeting were held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on November 5, 2009 at 1:00 p.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Ken Jeske, Chair	City of Ontario
Mark Kinsey	Monte Vista Water District
Marty Zvirbulis	Cucamonga Valley Water District
Josh Swift	Fontana Water Company
Robert Young	Fontana Union Water Company
Charles Moorrees	San Antonio Water Company
Raul Garibay	City of Pomona
John Mura	City of Chino Hills
Dave Crosley	City of Chino
Robert Tock	Jurupa Community Services District
Anthony La	City of Upland

NON-AGRICULTURAL POOL MEMBERS PRESENT

Kevin Sage	Vulcan Materials Company (Calmat Division)
Mohammad El-Amamy	City of Ontario

Watermaster Board Members Present

Michael Camacho	Inland Empire Utilities Agency
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Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Asst. General Manager
Ben Pak	Senior Project Engineer
Danielle Maurizio	Senior Engineer
Sheri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Brownstein, Hyatt, Farber & Schreck
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Steve Nix	City of Chino Hills
Tom Harder	Consultant for Jurupa Community Services District
Marv Shaw	City of Ontario
Eunice Ulloa	Chino Basin Water Conservation District

Chair Jeske called the Joint Appropriative and Non-Agricultural Pool Meeting to order at 1:00 p.m.

AGENDA - ADDITIONS/REORDER

Chair Jeske asked that the confidential session take place directly after the Consent Calendar.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Joint Appropriative and Non-Agricultural Pool Meeting held October 1, 2009.

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of September 2009
2. Watermaster Visa Check Detail for the month of September 2009
3. Combining Schedule for the Period July 1, 2009 through September 30, 2009
4. Treasurer's Report of Financial Affairs for the Period September 1, 2009 through September 30, 2009
5. Budget vs. Actual July through September 2009

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** - Chino Basin Watermaster will purchase 21,215 acre-feet of water from Aqua Capital Management to offset the Assessment Year 2008-09 replenishment obligation. Watermaster will purchase the water at \$321.76 per acre-foot, which is the Assessment Year 2008-09 replenishment rate collected, plus accumulated interest. The transfer will be made from Aqua Capital Management's net under-production in Fiscal Year 2009-10.
Date of Application: September 18, 2009.
2. **Consider Approval for Notice of Sale or Transfer** - Monte Vista Water District is purchasing 5,188 acre-feet of water from the San Antonio Water Company. This purchase is made first from San Antonio's net underproduction, if any, in Fiscal Year 2009-10, with any remainder to be recaptured from storage. Date of Application: October 8, 2009.

*Motion by Kinsey, second by Young, and by unanimous vote – Non-Ag concurred
Moved to approve Consent Calendar item A through C, as presented*

D. SEMI-ANNUAL REPORT

Mr. Crosley commented on his review of the semi-annual report and noted there are some items that he felt should be included in the report. Mr. Crosley referenced the MZ1 Long Term Plan which calls for certain recovery periods and noted that should be mentioned in the report. Mr. Crosley stated there is a description of potential re-plumbing of certain CDA wells that currently supply Chino I Desalter to the Chino II Desalter in the report and noted that language could be enhanced to indicate that a decision could require the approval of the Chino Basin Desalter board of directors. Mr. Crosley asked that staff consider his comments and then return with a revised report for approval. A discussion regarding Mr. Crosley's comments ensued and it was noted the changes will be made as presented and the motion will reflect the changes and the revised report will be presented to the Agricultural Pool, Advisory Committee, and the Watermaster Board.

*Motion by Crosley, second by Zvirbulis, and by unanimous vote – Non-Ag concurred
Moved to approve the Semi-Annual Report with approval for staff to modify the report with the changes presented by Mr. Crosley, as presented*

This item was taken out of order.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to the Appropriative and Non-Agricultural Pool Rules & Regulations, a Confidential Session may be held during the Watermaster Pool meeting for the purpose of discussion and possible action.

1. Potential Action on Water Auction Administration

Following the closed session the Appropriative Pool reported two actions: (1) ratification of the administrative decision made by the Watermaster CEO to postpone the auction with the new date to be decided, and (2) to direct staff to implement the Alternate Plan for Disposition of the Purchased Water as amended by the Pool with the revised version to be distributed to the Pool.

II. BUSINESS ITEM

A. PROPOSED PLAN REGARDING DISPOSITION OF WATER PURCHASED FROM NON-AGRICULTURAL POOL

This item was discussed in closed session.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Completion of SWRCB Santa Ana River Process

Counsel Fife stated there was a State Water Resource Control Board hearing on October 22, 2009 and at that hearing the state board approved the Western Municipal Water District permit; this brings this permit process to a close.

B. WATERMASTER FINANCIAL REPORT

1. PERS Audit

Ms. Rojo stated Chino Basin Watermaster underwent a PERS audit a few weeks ago and the results from that audit will be ready in a few months. Once staff receives the report, it will be given to the Watermaster Board.

2. Engineering Budget Update

Ms. Rojo stated the current Wildermuth Environmental budget update; however, it will not be ready to distribute at the Advisory Committee meeting later this month.

C. CEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated legislature did pass the bond measure which consisted of SBX7-1 Delta Plan/Governance, 7-2 Bond Measure, 7-6 Groundwater Monitoring, 7-7 Water Use Efficiency, and 7-8 Water Quality/Diversions. This is a monumental 11.3 billion dollar bond that will go a long way to solidifying the future of California's water. Mr. Manning commented on this item and a discussion ensued.

2. Recharge Report

Mr. Manning stated the most current recharge report is available on the back table and there was stormwater capture of approximately 1,300 acre-feet last month.

Added Comment:

Mr. Manning referenced the handout on the back table regarding his 4th annual Christmas gathering at his home on Thursday, December 17, 2009.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

This item was moved to after the Consent Calendar.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

VII. FUTURE MEETINGS

November 5, 2009

1:00 p.m. Appropriative & Non-Agricultural Pool Meeting @ CBWM

Minutes Joint Appropriative & Non-Agricultural Pool Meeting

November 5, 2009

November 12, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
November 19, 2009	8:00 a.m.	IUEA Dry Year Yield Meeting @ CBWM
November 19, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
November 19, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM
December 3, 2009	1:00 p.m.	Appropriative & Non-Agricultural Pool Meeting @ CBWM
December 10, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
December 17, 2009	8:00 a.m.	IUEA Dry Year Yield Meeting @ CBWM
December 17, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
December 17, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM
December 17, 2009	1:00 p.m.	Recharge Master Plan Workshop @ CBWM

The Appropriative Pool and Non-Agricultural Pool meeting was dismissed by Chair Jeske at 1:44 p.m.

Secretary: _____

Minutes Approved: December 3, 2009

EXHIBIT P

dailybulletin.com

Auction for Chino basin water supplies postponed until next year

Medina Fezzagic DiMartino, Staff Writer

Created: 11/05/2009 04:28:59 PM PST

The board that oversees the underground water supply in the Chino Basin has postponed this week's water auction, citing bidders' concern about the water recovery process.

"It's disappointing," said Ken Manning, chief executive officer of the Watermaster board. "We thought we had all our bases covered."

The Watermaster board planned to auction off 36,000 acre-feet of water, potentially netting \$30 million. The revenue from the sale was earmarked for improvements to Chino Basin's water-collecting infrastructure. The winning bid had an option, if necessary, to store the water in the groundwater basin.

Last week, bidders from outside the area - whom Manning described as large investment groups and Fortune 500 companies that regularly invest in commodities - have asked for more details about the potential costs and options to recover the purchased water.

"They are not everyday water people," Manning said. "Rather than not have them participate, we decided to postpone the auction and tighten the recovery strategies. We wanted to be fair to

everyone."

Once the clarifications are in place, the auction should take place in April or early May next year.

Water sales traditionally are negotiated. If held, the auction was to be the first of its kind in the state.

"We are blazing the cumbered trail in water sales," Manning said. "We need to define the path a little bit better for those who are following us."

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EXHIBIT Q

**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING
WITH**

*Mr. Gene Koopman, Chair, Agricultural Pool
Mr. Robert DeLoach, Vice-Chair, Appropriative Pool*

9:00 a.m. – November 19, 2009

At The Offices Of

**Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA. 91730**

AGENDA

CALL TO ORDER

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

Note: All matters listed under the Consent Calendar are considered to be routine and non-controversial and will be acted upon by one motion in the form listed below. There will be no separate discussion on these items prior to voting unless any members, staff, or the public requests specific items be discussed and/or removed from the Consent Calendar for separate action.

A. MINUTES

1. Minutes of the Advisory Committee Meeting held October 15, 2009 (Page 1)

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of September 2009 (Page 5)
2. Watermaster Visa Check Detail for the month of September 2009 (Page 9)
3. Combining Schedule for the Period July 1, 2009 through September 30, 2009 (Page 11)
4. Treasurer's Report of Financial Affairs for the Period September 1, 2009 through September 30, 2009 (Page 13)
5. Budget vs. Actual July through September 2009 (Page 15)

C. SEMI-ANNUAL REPORT

1. Consider Approval of Status Report 2009-1 (Page 17)

II. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Completion of SWRCB Santa Ana River Process
2. Implementation of Plan B for Purchase of Overlying Non-Agricultural Pool Water (Page 29)

B. WATERMASTER FINANCIAL REPORT

1. PERS Audit
2. Engineering Budget Update
3. Disposition of Water Purchased from the Non-Agricultural Pool

C. CEO/STAFF REPORT

1. Legislative Update
2. Recharge Report
3. State of the Basin Report
4. Manning 4th Annual Holiday Gathering

D. INLAND EMPIRE UTILITIES AGENCY

1. Recycled Water Update - oral
2. Status Report on DYY and Drought Allocation Implementation - oral
3. Recycled Water Program Update (Page 33)
4. Water Resources & Conservation Programs Monthly Report (Page 45)
5. Quarterly Water Resources & Conservation Programs Monthly Report (Page 55)
6. Monthly Water Use Report (Page 68)
7. Recycled Water Newsletter (Page 79)
8. State and Federal Legislative Reports (Page 83)
9. Community Outreach/Public Relations Report (Page 121)
10. Peace II SEIR Schedule (Page 123)

F. OTHER METROPOLITAN MEMBER AGENCY REPORTS

III. INFORMATION

1. Newspaper Articles (Page 125)

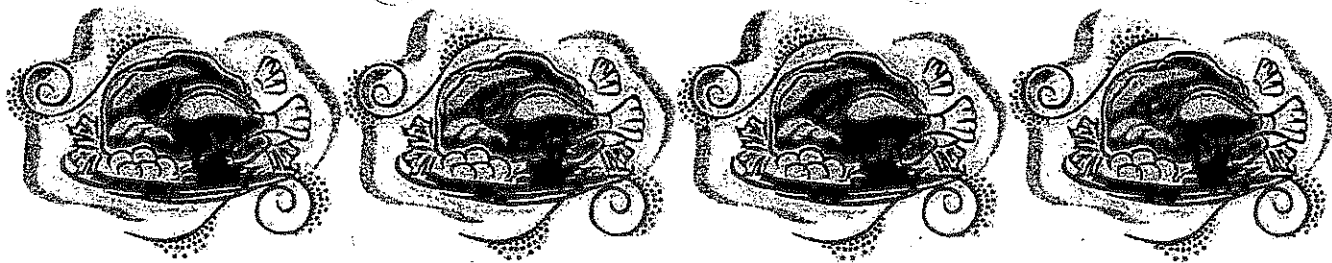
IV. COMMITTEE MEMBER COMMENTS

V. OTHER BUSINESS

VI. FUTURE MEETINGS

November 19, 2009	8:00 a.m.	IUEA Dry Year Yield Meeting @ CBWM
November 19, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
November 19, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM
December 3, 2009	1:00 p.m.	Appropriative & Non-Agricultural Pool Meeting @ CBWM
December 10, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
December 17, 2009	8:00 a.m.	IUEA Dry Year Yield Meeting @ CBWM
December 17, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
December 17, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM
December 17, 2009	1:00 p.m.	Recharge Master Plan Workshop @ CBWM

Meeting Adjourn

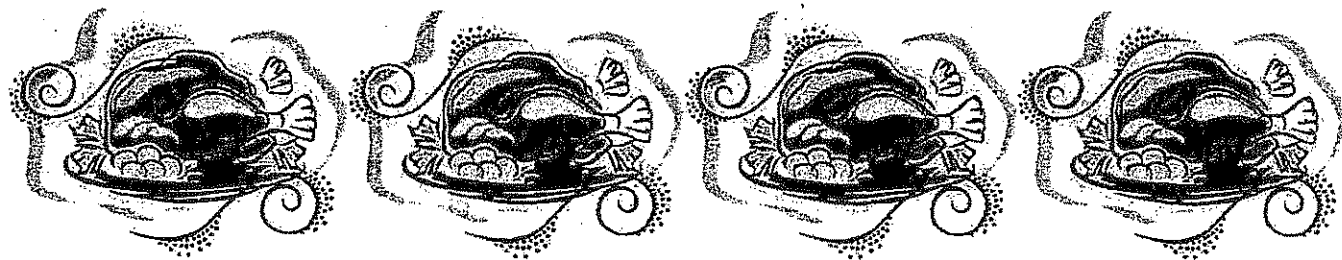


CHINO BASIN WATERMASTER

II. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNCEL REPORT

3. Implementation of Plan B for
Purchase of Overlying Non-
Agricultural Pool Water



Plan Regarding Disposition of Water Purchased from the Non-Agricultural Pool Pursuant to the Peace II Purchase and Sale Agreement

November 5, 2009

- (1) By December 21, 2009, Watermaster, under the direction of the Appropriative Pool, will send the Notice of Intent to Purchase pursuant to the Purchase and Sale Agreement.
- (2) A Special Assessment will be levied by Watermaster on the Appropriative Pool in an amount necessary to fund the purchase of the water. This assessment shall be levied according to a 50/50 split between shares of Operating Safe Yield and the previous year's production. The previous year's production shall be calculated as the average of columns 2L and 2J from the Pool 3 Water Production Summary in the 2008-2009 Watermaster Assessment Package. The assessment allocation used for the first installment of the purchase price shall also be used for the subsequent three installments.
- (3) All purchased water shall be placed into a Watermaster storage account called the Purchased Water Account.
- (4) Watermaster shall hold the Purchased Water Account in trust for the members of the Appropriative Pool, and shall allocate the water held in the Purchased Water Account according to direction from the Appropriative Pool. However, pursuant to the Purchase and Sale Agreement and the Peace II Agreement, the water may only be used pursuant to a Storage and Recovery Program or for use as Desalter Replenishment.
- (5) Watermaster shall assess losses against the Purchased Water Account at the same rate as losses are assigned against all other Local Storage accounts.
- (6) The water held in the Purchased Water Account shall remain exportable pursuant to the Court's August 11, 2009 Order. As exportable water, the water in the Purchased Water Account shall be designated as Supplemental Water.
- (7) If the water in the Purchased Water Account is sold pursuant to a Storage and Recovery Program, at auction or otherwise, then each Appropriator shall be reimbursed from the sale proceeds in an amount equal to the amount assessed to purchase the water, without interest.
- (8) If the water in the Purchased Water Account has not been utilized in a Storage and Recovery Program or Desalter Replenishment within 3 years from the date it is placed into the storage account, then the Appropriative Pool may elect to distribute the water according to the same formula used to allocate the cost of purchasing the water from the Non-Agricultural Pool.

**CHINO BASIN WATERMASTER
BOARD MEETING**

WITH

Mr. Ken Willis, Chair

Mr. Bob Kuhn, Vice-Chair

11:00 a.m. - October 22, 2009

At The Offices Of

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

AGENDA

CALL TO ORDER

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

Note: All matters listed under the Consent Calendar are considered to be routine and non-controversial and will be acted upon by one motion in the form listed below. There will be no separate discussion on these items prior to voting unless any members, staff, or the public requests specific items be discussed and/or removed from the Consent Calendar for separate action.

A. MINUTES

1. Minutes of the Watermaster Board Meeting held October 22, 2009 (Page 1)

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of September 2009 (Page 5)
2. Watermaster Visa Check Detail for the month of September 2009 (Page 9)
3. Combining Schedule for the Period July 1, 2009 through September 30, 2009 (Page 11)
4. Treasurer's Report of Financial Affairs for the Period September 1, 2009 through September 30, 2009 (Page 13)
5. Budget vs. Actual July through September 2009 (Page 15)

C. SEMI-ANNUAL REPORT

1. Consider Approval of Status Report 2009-1 (Page 17)

II. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Completion of SWRCB Santa Ana River Process
2. Implementation of Plan B for Purchase of Overlying Non-Agricultural Pool Water (Page 29)

B. WATERMASTER FINANCIAL REPORT

1. PERS Audit
2. Engineering Budget Update
3. Disposition of Water Purchased from the Non-Agricultural Pool

C. GEO/STAFF REPORT

1. Legislative Update
2. Recharge Report
3. State of the Basin Report
4. Manning 4th Annual Holiday Gathering

III. INFORMATION

1. Newspaper Articles (Page 31)

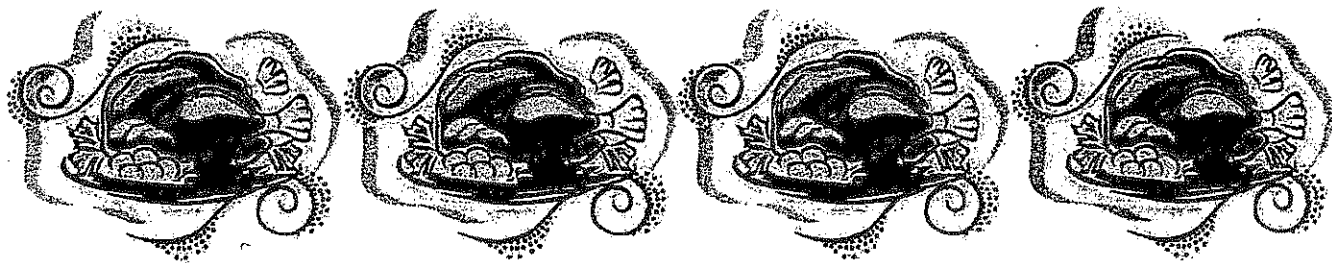
IV. BOARD MEMBER COMMENTS

V. OTHER BUSINESS

VI. FUTURE MEETINGS

November 19, 2009	8:00 a.m.	IUEA Dry Year Yield Meeting @ CBWM
November 19, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
November 19, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM
December 3, 2009	1:00 p.m.	Appropriative & Non-Agricultural Pool Meeting @ CBWM
December 10, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
December 17, 2009	8:00 a.m.	IUEA Dry Year Yield Meeting @ CBWM
December 17, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
December 17, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM
December 17, 2009	1:00 p.m.	Recharge Master Plan Workshop @ CBWM

Meeting Adjourn

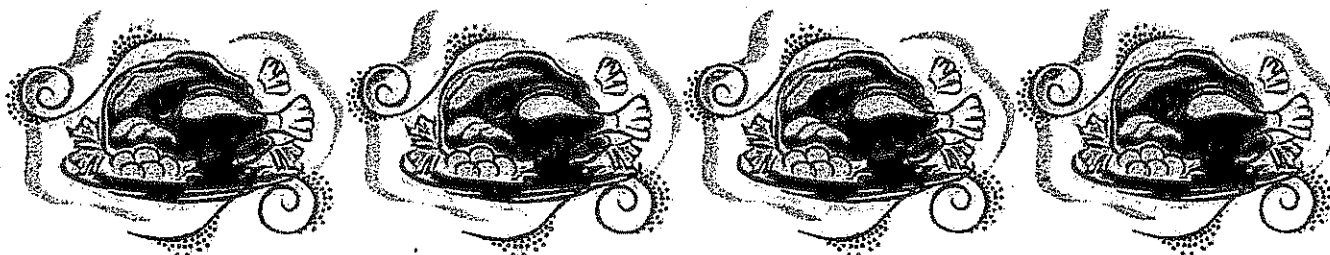


CHINO BASIN WATERMASTER

II. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNCEL REPORT

3. Implementation of Plan B for
Purchase of Overlying Non-
Agricultural Pool Water



Plan Regarding Disposition of Water Purchased from the Non-Agricultural Pool Pursuant to the Peace II Purchase and Sale Agreement

November 5, 2009

- (1) By December 21, 2009, Watermaster, under the direction of the Appropriative Pool, will send the Notice of Intent to Purchase pursuant to the Purchase and Sale Agreement.
- (2) A Special Assessment will be levied by Watermaster on the Appropriative Pool in an amount necessary to fund the purchase of the water. This assessment shall be levied according to a 50/50 split between shares of Operating Safe Yield and the previous year's production. The previous year's production shall be calculated as the average of columns 2L and 2J from the Pool 3 Water Production Summary in the 2008-2009 Watermaster Assessment Package. The assessment allocation used for the first installment of the purchase price shall also be used for the subsequent three installments.
- (3) All purchased water shall be placed into a Watermaster storage account called the Purchased Water Account.
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- (7) If the water in the Purchased Water Account is sold pursuant to a Storage and Recovery Program, at auction or otherwise, then each Appropriator shall be reimbursed from the sale proceeds in an amount equal to the amount assessed to purchase the water, without interest.
- (8) If the water in the Purchased Water Account has not been utilized in a Storage and Recovery Program or Desalter Replenishment within 3 years from the date it is placed into the storage account, then the Appropriative Pool may elect to distribute the water according to the same formula used to allocate the cost of purchasing the water from the Non-Agricultural Pool.

EXHIBIT R

Draft Verbatim Minutes
CHINO BASIN WATERMASTER
NON-AGRICULTURAL POOL CONFERENCE CALL MEETING
January 18, 2010

The Non-Agricultural Pool Conference Call Meeting was held on January 18, 2010 at 9:00 a.m.

NON-AGRICULTURAL POOL MEMBERS PRESENT ON CALL

Bob Bowcock, Chair	Vulcan Materials Company (Calmat Division)
Mohammed El-Amamy	City of Ontario
Chris Stubbings	Praxair, Inc.
Dave Penrice	Aqua Capital Management
Lisa Hamilton	General Electric Company
David Starnes	Swan Lake Mobile Home Park

Watermaster Staff Present at Watermaster

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Asst. General Manager
Ben Pak	Senior Project Engineer
Sherri Lynne Molino	Recording Secretary

Board Members Present on Call

Bob Kuhn	Three Valleys Municipal Water District
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Watermaster Consultants Present on Call

Michael Fife	Brownstein, Hyatt, Farber & Schreck
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Others Present on Call

Kevin Sage	Vulcan Materials Company (Calmat Division)
David DeJesus	Three Valleys Municipal Water District
Jim Barr	Reliant Energy
Chris Helm	Praxair, Inc. consultant
Ken Jeske	City of Ontario

Chair Bowcock called the Non-Agricultural Pool Conference Call Meeting to order at 9:05 a.m.

AGENDA - ADDITIONS/REORDER

No additions or reorders were made to the agenda.

I. BUSINESS ITEM

A. Sale of Non-Agricultural Pool Water to the Appropriative Pool

Bob Bowcock: Okay I will open this up. It is 9:05 a.m. and I will call the Non-Agricultural Pool meeting to order and ask the secretary, Sherri Lynne, to take a roll call of Non-Agricultural Pool members.

Sherri Lynne: Called roll call from the 2009/2010 list of Non-Agricultural Pool members.

Ken Jeske: Do we have a quorum?

Bob Bowcock: Yes.

Ken Manning: Yes, based on the number of votes a quorum is present.

Ken Jeske: My second question is this was not advertised as anything other than a conference call and not as an official meeting.

Bob Bowcock: Well, it is an official meeting but there will be no action.

Ken Jeske: It was not advertised as such and there was no agenda.

Ken Manning: Yes there was an agenda that was sent out.

Ken Jeske: What I got was simply a reminder of conference call.

Bob Bowcock: I received an agenda last week and I will accept the comment and we can decide what we want to do with it later.

Ken Jeske: That is fine. I wanted to make sure whatever we did was not challengeable Bob.

Bob Bowcock: I totally agree. I do not anticipate at this time that pending a decision of the members present whether action will be taken. The purpose for this meeting is to officially first broach a subject that has been talked about in an official fashion in order that it may be properly dealt with.

Ken Manning: Bob, if I could clarify something as well, because I want to make sure everybody understands the rules of how votes are distributed amongst the pools when a meeting is called and a volume vote is asked for. In Watermaster if a person is not present and has water rights and voting rights within the pool, and they are not present, those voting rights are reallocated based upon the voting rights of those who are in the pool who are on the call or at the meeting. In this particular case, the assigned rights that are shown to all would only to apply to everyone if everyone in the pool was present and voting. In this particular case the votes are redistributed throughout the pools. If you want Sherri Lynne to read what those reassignments would be based upon the number of people who are on the phone. We can do that now.

Bob Bowcock: Once again, at this particular moment in time, believe that any action will be taken; I don't believe that is necessary. If the Non-Agricultural Pool committee chooses to take action, at that time I would call for a voting roll call.

Ken Manning: Okay I just wanted you to know that is available.

Bob Bowcock: Back to Ken Jeske's concerns and questions. I appreciate those that are in attendance and those who are listening whose names have not been called because you are listening by your own choice. We did advertise this and Sherri Lynne did broadcast to all members of the Watermaster family. That being said, for the benefit of Ken, staff, and ultimately counsel, are there any members who are not members of the Non-Agricultural Pool who would like to be recognized as participating?

Bob Kuhn: I am on the call, Bob Kuhn.

David DeJesus: And David DeJesus is monitoring.

Ken Manning: Any other Board Members on the call?

Dave Penrice: Could you all let us know your rolls?

Mr. Manning: Bob Kuhn and David DeJesus are members of the board representing Three Valleys Municipal Water District. Bob Kuhn is the actual board member and David DeJesus is his alternate.

Dave Penrice: Okay, thank you.

Ken Manning: So we only have two members of the board on the call which is Bob Bowcock and Bob Kuhn.

Bob Bowcock: With that, on January 14th some of the members of the Non-Ag Pool have received the letter. If you were due a compensation for the water, I heard General Electric was participating on this call but would not have received that correspondence. Is that correct Ken? Only recipients of revenue would receive the letter.

Ken Manning: Correct.

Bob Bowcock: I just want parties to understand so that those who do not have the correspondence can continue to play along.

Dave Penrice: This is Dave from Aqua Capital and we did receive our letter dated January 14, 2010 from Mr. Manning today along with a check in accordance with section C of the Purchase and Sale Agreement.

Bob Bowcock. Okay so there are parties whom have received those correspondences. I will begin with a simple reflection upon the chain of events which led us to this call today and then I will look to Watermaster counsel to give a chronology of events that have led up to the events of this day. The conclusion of the last Watermaster meeting in the public comment period Aqua Capital Management represented by David Penrice expressed concern and asked Watermaster staff and counsel a question as to when notice was received by the Non-Agricultural Pool affecting the option for water to be sold to Watermaster to be held in trust for the Non-Agricultural Pool. And I am going to stumble over this and probably say things incorrectly and I trust that staff and counsel will correct me if I error too far out of way. That question was brought up at the last Watermaster meeting. Watermaster staff intended to look into it and they produced a couple of documents that we then reviewed and the question still remained a concern at that time. The letter was then issued on January 14th indicating that Watermaster had provided notice to the Non-Agricultural Pool and the matter still remains in a question format from the Non-Agricultural Pool members. I believe, and have heard from other members of the Non-Agricultural Pool, that they too would like to ask and lodge the same question. At this point in time all that is on the table is the question. And that goes back to staff and legal counsel. And that question remains, when and how and was notice provided to the Non-Agricultural Pool for the purpose of affecting the option for the sale of water from the Non-Agricultural Pool storage account, identified in Peace II, to Watermaster to be held trust for the Non-Agricultural Pool. With that counsel will now pick it up and answer the question at hand.

Ken Manning: Bob let me turn this over to Michael because we have prepared a chronology of events that I think will help assist in people understanding what has occurred in terms of the notice from Watermaster's perspective. Let me correct one thing that you said. You said that following the last meeting when the issue was brought up as to whether or not that is the Appropriative Pool meeting in January as to whether or not the Notice of Intent was sent. When we provided you with the documentation, questions were asked of both you and of Dave Penrice at that time by members of the Appropriative Pool and Watermaster staff, if this met the requirement from which you were concerned with; was this issue over and the answer to the question was yes it was over.

Dave Penrice: I object to that Ken, to the point where I said we needed to review it because we were just given documentation, we needed to review it.

Ken Jeske: I will report that in the parking lot Dave, you told me that you had reviewed the documentation and everything is in order.

Ken Manning: I am not sure that is relevant Dave in terms because obviously you have the right to reserve judgment. I am just telling you that at that moment in time Watermaster staff and counsel was feeling that the issue was resolved. So when it came back up again we were caught a little off guard. But with that I am going to turn it over to Michael Fife who is going to walk through the chronology as Watermaster perceives them based upon the minutes of the meetings and our recollections of actions taken. So Michael you are on the line right?

Michael Fife: Yes I am. Just as a preface, I want to apologize to everybody, I am house monitoring my Mom's house up in the Station Fire area and the power has come on and off. So if you lose me I apologize but hopefully everything will be okay for the duration of the call.

Michael Fife: As Ken said, since this issue came up we have been reviewing the chronology of events and I will only hit the relevant ones during this call. But one of the significant things I think we discovered in that review is that on just about every agenda for the past year, since January 2009, the issue of this purchase of water has been on the agenda in one form or another. Whether it was approval of a Storage & Recovery Agreement that was to follow upon exercise of this option, whether it was auction administration, or whatever, and this purchase has been on the agenda with consistent concession of subject for the past year. And in our review of the minutes we have found no indication as any time that there was any ambiguity as to the intent of the Appropriative Pool to exercise this option. That is just the first thing as just an overview of the chronology is that there has been a consistent pattern and no indication at any time that this option was not to be exercised. I believe the minutes reflect that was a consistent understanding from both the Appropriative and the Non-Agricultural Pool who was a participant in most of these meetings. For the specific question as to when the written notice required under the Purchase and Sale Agreement was provided. First note the Purchase and Sale Agreement requires simply that written notice of Intent to Purchase will be provided; it says nothing else. There has been some talk about references to other documents within the Watermaster library of rules and agreements and Judgment, etc. and I believe that with reference to all of those, the notice has been provided. But the agreement itself, doesn't say anything more than that written notice will be provided. In July, 2009, the Appropriative Pool began discussions about what the content of the Notice of Intent to Purchase would contain. These were simply discussions about what the specific language to be used in the notice would be. That occurred throughout July and then in August an actual written Notice of Intent to Purchase was presented and considered by the Appropriative Pool. The date of that meeting was August 13, 2009. The Non-Agricultural Pool was a participant at that meeting. The Pool discussed a specific Notice of Intent to Purchase which had been drafted by Watermaster and presented for their consideration. They reflected on various questions as to how that notice would be constructed and at the August 13, 2009, meeting they approved the Notice of Intent to Purchase. This written notice was then put into the agenda package and was delivered to every Watermaster party for the August 27, 2009, Advisory Committee and Watermaster Board meeting. This is a customary manner of Watermaster to provide notice and in fact, this is the manner that Watermaster provides notice of all things pursuant to court direction. The court has directed Watermaster to provide notice in an electronic form whenever possible and all parties have either consented to receive this type of notice, that is electronic delivery of notice through the agenda packages or if they didn't want to receive it that way they still received paper notices that are actually printed out and delivered to them. The actual Notice of Intent to Purchase was in the agenda package, delivered to all parties, and that includes all members of the Non-Agricultural Pool in anticipation for the August 27, 2009 Board meeting. If you have the packet of that meeting you will find the Notice of Intent to Purchase on page 41 of that agenda package.

Ken Manning: Let me add in here Michael that Watermaster, also when we send those out we require read receipts on that so we know who opened those packets and who actually read those or at least opened the packet.

Michael Fife: Okay thank you. If you do not have your packet any more since that was August, and you want to look at that Notice of Intent to Purchase, all Watermaster agendas packages, agendas, and meeting minutes are on their website. You find that on the homepage of Watermaster. There is a button on the left that will say meetings. Just click on that and you will click through to all of the

Pool meetings and minutes, all of the Advisory Committee meetings and minutes, and the Boards, as well as the packages.

Dave Penrice: Excuse me what is Watermaster's internet page.

Michael Fife: It is www.cbwm.org

Dave Penrice: Okay, thank you.

Michael Fife: And so the notice was provided in that package. There were subsequent discussions about how to allocate that water. There was some discussion as to whether the 2,600 acre-foot part would be used for the CURO or for Desalter Replenishment. Those discussions occurred in the September time frame. There were continuing discussions about the auction when the auction got postponed. There was another agenda item where the Appropriative Pool decided how to pay for the water since the original intent had been that the auction would occur on November 4, 2009, and then the proceeds would be used to actually fulfill the agreement and pay for the water. But when the auction was postponed, they had to come up with a separate payment mechanism and that was an agenda item at the November 4, 2009, Appropriative Pool meeting. Again the Non-Agricultural Pool participated in that meeting. So even after the notice was provided and the auction was postponed, again a clear pattern of conduct that the Appropriative Pool believed that the notice had been provided and there is nothing in the minutes that indicate that the Non-Agricultural Pool felt otherwise. That is the chronology and I am happy to answer any questions about it. But Watermaster does believe that it provided notice as required under the Purchase and Sale Agreement on behalf of the Appropriative Pool.

Bob Bowcock: Does anyone have any questions of Michael.

Dave Penrice: I've got a couple questions. So if I understand you right Michael, the meeting in August is when you are saying the Notice of Intent was issued.

Michael Fife: The Notice of Intent was issued in written form and was included in the package for the August 27, 2009, meeting.

Dave Penrice: Okay. So the only thing that makes me a little unclear about that when I read that, and I definitely see it, and what it says when I look at that packet, it says that Watermaster staff has prepared a form of notice to satisfy the requirements of section C. So I read that as it was a form that the notice was going to look like and that like you indicated there was some discussion particularly when Fontana Water Company brought up what was going to happen with the 2,652 acre-feet that was going to be discussed at later board meetings. It sure read like what was going to happen is there was a new form that was going to be agreed to and actually may have been agreed to, to be provided, and I can't find when that new form was put into writing or the new notice was put into writing to reflect the changes that the Appropriative Pool agreed to after the issue that was raised by Fontana.

Michael Fife: There was some discussion at the August 27, 2009, meeting about whether a new notice would be drafted and issued but ultimately there was no change to the notice. And specifically the question was concerning the 2,652 acre-feet. The notice that was provided indicated that the 2,652 acre-feet would be used for Desalter replenishment. At the August 27, 2009, Board meeting there was some discussion as to whether it should be used for Desalter replenishment or for some other purpose. And so there was discussion whether a new notice should be issued to reflect that different purpose. Again this was discussed at the subsequent Appropriative Pool meeting at which the Non-Agricultural Pool was present and it was decided there would be no change to the notice so no new notice needed to be issued because the previously issued notice was sufficient for the intended purpose of the Appropriative Pool.

Dave Penrice: So the form of notice that was agreed to in August was the form of notice. I am kind of seeing that as a form of notice and you were saying that was the actual issuance of notice. Okay I understand the difference there. Then the next question I have is, at the November Board meeting that you referred to were the basically Plan B was discussed about the auction not happening and how the funds were appropriated to pay for this water. There is like a punch list plan for the disposition of water purchased from the Non-Agricultural Pool. There is a punch list and the first item on the punch list is it says by December, 21, 2009, Watermaster under the direction of the Appropriative Pool will send Notice of Intent to Purchase pursuant to the Purchase and Sale Agreement. So my question is, if in Watermaster's view the Notice was issued in August, why on the November Board meeting were they still saying they needed to issue that Notice of Intent.

Michael Fife: Well again I don't have this punch list in front of me but that sounds like a simple quote out of the Purchase and Sale Agreement.

Ken Manning: Dave, I can answer that. The answer is that I was asked in terms of numbers of things that we were going to do at Watermaster. Not things that we had to do but a number of things that we were going to do and we had been requested to send another copy as a reminder of the sale. And that all it was, was a reminder.

Dave Penrice: And that was requested by who Ken?

Ken Manning: I don't remember if it was at a Board meeting or the Appropriative Pool meeting there was a question in terms of some of the things we were going to do and we talked about sending out a reminder.

Dave Penrice: So my guess what would have been appropriate would say that we already issued the Notice of Intent or pursuant to our decision in August we have issued the Notice of Intent but it says that we will have to do it. Is basically what it says and that is the part that confuses me.

Ken Manning: You are partly right Dave we were going to send out a reminder, that is something we were going to do, but it does not say we did not send out the initial notice which is what we had already done. It doesn't negate the fact that we had already sent out the notice; everybody had that understanding.

Michael Fife: Again Dave, you are looking at one specific word in a punch list that again, I don't know where that punch is; I don't have it in front of me. But again it's one specific phrasing that is simply a direct quote out of the Purchase and Sale Agreement listing our requirements. But looking at the surrounding circumstances, I don't see anything in any of the meeting minutes or anything else and I was personally in attendance at each of these meetings. There was nothing said about any intention or belief by any party including the Non-Agricultural Pool party that the notice had not been issued or that there was not a full intent that everything had been done in compliance with the Purchase and Sale Agreement to exercise the option on the water.

Dave Penrice: Excuse me, what was the date of that notice? Initial notice dated?

Michael Fife: The notice was provided again in the August 27, 2009, Board package. The notice states that the date of notice is December 18, 2009. The reason we did that was because the original plan was that the auction would take place in November and the proceeds from the auction would be used to make the initial payment which was required 30 days after the date of the notice. So timing wise, we wanted to provide enough time for the auction to be completed and for us to receive a check from the successful bidder and so the notice was forward dated to December 18, 2009, in order to provide that cushion of time after the anticipated November 4, 2009, auction. And again this was one of the subjects of a lengthy discussion during the July, Appropriative Pool meeting at which the Non-Agricultural Pool was present.

Ken Jeske: It was a joint meeting correct?

Michael Fife: Correct.

Bob Bowcock: For the record, and this has no bearing one way or the other, but in all of the Non-Agricultural / Appropriative Pool joint meetings when the subject of the water purchase would be issued a closed session was called and the Non-Agricultural Pool was excused from those meetings. That has no bearing on anything but I just want to make sure.

Ken Manning: Actions taken were noted.

Michael Fife: I think that is an over statement to say that in all the discussions a confidential session was called. There were confidential sessions called when the Appropriative Pool was discussing sensitive issues about auction strategy and things like that. But especially with regard to the Notice of Intent to Purchase and the contents of it, that was all done in open session.

Ken Manning: The other thing is that if the Appropriative Pool had taken action in closed session, to do anything other than what they had talked in open session that would have been announced and is required to be announced in open session following the meeting or in the minutes. None of which happened.

Dave Penrice: It just looks like from my seat that the Appropriative Pool did approve the form and did decide they wanted to issue a Notice of Intent but it doesn't appear that the Notice of Intent was actually issued and that the written was provided and that's the part that is puzzling to me because it's not very clear how they did that. The other question is. I am still not real clear what the intended use of the water is. I mean I hear the Storage and Recovery and I hear Desalter replenishment but then I see some language about a trust agreement that Watermaster is holding the water in trust. I am confused by that because it is not very clear.

Ken Manning: The use of the water is irrelevant. Watermaster is buying the water for purpose as described in the Peace Agreement.

Dave Penrice: The use of the water is not irrelevant; it says the Notice of Intent has to declare whether the water is used for Desalter replenishment or a Storage and Recovery Program. But then there is Plan B when it talks about still needing to issue the Notice of Intent; it talked about some kind of trust arrangement. And to me that further clouds what the intention of the Appropriative Pool was and really what is going on here.

Michael Fife: Well no Dave there again you are mixing steps in the process up. The chronology intention was that the notice was dated December 18, 2009, so that the auction could occur November 4, 2009, and that would produce the proceeds that would be used to purchase the water. The Plan B was a plan for what happened if the auction did not occur which is what happened. The auction has been postponed, in which case, all of the Appropriative Pool members knew that the payment for the water under the Notice of Intent to Purchase had to be made within 30 days of the December 18, 2009, date. So there had to be Plan B in place in order to generate the funds to make the payment required under the Notice of Intent. There was never any discussion that if the auction didn't occur that they would not exercise the option. There is nothing in the minutes. There was nothing in the discussions that ever suggested that. And to again just to emphasize, I was at all of those meetings, and am familiar with the discussions. The Plan B was simply a plan for how to pay for the water. Which I suggest is a course of conduct which clearly indicates the intention by the Appropriative Pool that it had exercised the option.

Dave Penrice: And in using that same logic Michael when I look at the Plan B analysis the first thing on that list around Plan B is the statement that by December 21, 2009, Watermaster will send Notice of Intent pursuant to the Purchase and Sale Agreement. And to me that is the missing piece.

Michael Fife: This is a list of things to be done. It is a list of all the things that are required to be done not necessarily a list of everything that hasn't yet been done. It's just these are the steps and step one had been completed.

Ken Manning: We created that check list long before. Watermaster had always been asked to create a list and Watermaster internally created that list of things that we needed to do. Again, that was not a list of things that still needed to be done, it was a list of things that we had or still needed to be done.

Michael Fife: I think that the ambiguity to the extent there is any that you are identifying is based on two words in staff reports. That is now you are identifying the word "will" so you are identifying a word that has a future tense rather than a past tense to it and then you previously identified the word "form" and so any ambiguity or the extent of the ambiguity you've is founded shades of interpretation of two specific words. And this is put against a backdrop of a solid of year of process and public process and discussions and financial planning – all of which demonstrates a clear intent to exercise the option and then after August, that option had been exercised. And so I really think that trying to generate an ambiguity out of two words against this entire backdrop where there has been no suggestion by anybody that they actually in their minds thought that this option hadn't been exercised.

Dave Penrice: Also you make the point that there has been a lot of intent and history, what I have also notice about Watermaster when there are notices in the agenda packages it is very clear, there are separate pages that say Notice of Intent to Transfer, Notice of Intent to Approve Safe Operating Yield, Notice to Approve Voting Interest, there are very clear protocol in how notices are issued by Watermaster and you would have thought that this form of Notice of Intent that was approved back in August, would have fallen under some type of similar formal notice process as indicated by the intent that was laid out in Plan B that was discussed in November. That is what I would expect and that is what I was looking for. That is how I would presume that the Purchase and Sale Agreement for Peace II was contemplated the notice being given.

Michael Fife: Again I would only say it's looking post talk at shades of meaning where if you actually look at what happened at the meetings, look at the meeting minutes, look at the discussions the Non-Agricultural Pool participated in this entire process and never once said hey guys where is the notice; we don't think you have provided the notice. It was quite the opposite that the Non-Agricultural Pool conduct at all times indicated an understanding that the auction would be exercised and then had been exercised.

Ken Manning: There is also a distinction here Dave that you need to understand. The transactions that you referred to in terms of notice in the Watermaster meetings agendas are transactions that are taking place between two distinct parties absent the presence of Watermaster and other Watermaster parties. Its noticed in the Watermaster agendas in order to provide a clear light or a focus on that so that everybody knows that took place. The transaction we are talking about was part of a court order and part of a different set of circumstances that shed light on this. To say that nobody in Watermaster didn't know we were buying the water or Watermaster wasn't buying the water is not the case. Everybody here knew the transaction; it was part of the action taken by the court. There was no need to notice it in the same way that we notice the other transactions, therefore, a distinct difference between the two.

Michael Fife: Again, there is nothing in the Purchase and Sale Agreement or in any of the Watermaster Rules, the Peace Agreement, or the Judgment that requires that the written notice under this agreement be provided in exactly the same way as other written notices of say meetings or water transactions, or like Ken said the normal run-of-the-mill things. The fact is, the bottom line to all of this is that there was a written clear un-ambiguous written notice entitled Notice of Intent to Purchase that was in the meeting package and delivered to all members of the Non-Agricultural Pool. And there is no dispute that everyone received this actual written notice.

Bob Bowcock: Michael, one of the things I want to make sure that we do and that we manage the tone of this meeting appropriately and we need to characterize fairly on both sides because I think you are very favorably characterizing things as you see them. I just want to make sure that it is understood participation means we were present as there are Appropriators present in this meeting of the Non-Agricultural Pool. Specifically when any votes which would indicate participation came forward it was clearly the message to the Non-Agricultural Pool representative that for the Non-Agricultural Pool to take a vote on a Appropriators action is inappropriate and so no participatory actions were taken; we were present at the meeting that will not be disputed and I don't want to get into a situation of who more favorably characterized the event or whose perceived side until we even determine that sides are being taken. The mere question that is being asked at this particular time is was proper notice given. I am trying to keep it very fair and characterize the fact as they actually happened. Emotions are high and therefore people are taking position but they need to be taken in a very fair and appropriate fashion.

Michael Fife: And Mr. Bowcock I would actually take issue with your suggestion that this characterization of the chronology is being somehow clouded to advocate for one side or another. I do believe I have presented a very fair and factual accounting of what has occurred over the past year, what has occurred at the August meetings, and it's true that the Non-Agricultural Pool did not vote on these notice of issues but it sat there and it heard the discussion and that discussion, the relevance of the fact that they heard that discussion nowhere suggested that there was any ambiguity as to whether the notice had been issued or was intended to be issued.

Bob Bowcock: The characterization, and I am not going to get into splitting hairs here, but the characterization is that they sat there indicates we had our thumb in our butts and we were a damn fool. And I take offence to that. You have repeatedly said that on this call. It does not need to go any further. But I am telling you and have not denied that I and other members of the Non-Agricultural Pool were present in those discussions. That is not in dispute here at all.

Michael Fife: I am not suggesting actually that you sat on your hands during the meeting, and that is because it is my belief that the Non-Agricultural Pool up until the issue was raised by Mr. Penrice a few days ago, I believe that the Non-Agricultural Pool believed that this Notice of Intent to Purchase had been issued. So I do not believe that the Pool members that were in attendance were sitting on their hands because they believed that the Notice of Intent to Purchase had been issued.

Dave Penrice: I will chime into that one Michael. What I believed, and I can only speak for my company, was that the Notice of Intent was coming and we were waiting for it. We were surprised we did not receive it by the 21st. We thought it would be coming in the mail and it never showed up and that is why I asked the question on the 7th because I was looking for some clarity.

Ken Manning: Dave, were you under the impression it was coming to you?

Dave Penrice: I was under the impression it would either come to me or be notified to the Pool; it would be very clear to everyone that the notice had been given. And I never saw anything; never saw it.

Ken Manning: Understood.

Dave Penrice: The other question I have is that I know on the Plan B is that the auction obviously did not happen so the Plan B came about. Is it my understanding that Watermaster per the January 14, 2009, letter that exercised or said they exercised the option and are now making payments? Is it my understanding that the water is going into a trust account for Watermaster?

Ken Manning: The word trust account was a term of art used by one member of the Watermaster Appropriative Pool, Mr. Kinsey, to describe a process whereby the water would be held by Watermaster until a decision was made somewhere down the line as to how that water would be

treated. That was his term of art so it was used in the minutes. It doesn't refer to a formal trust; it refers to a process.

Dave Penrice: That is the part that confuses me because it seems like it called trust in Plan B but according to the. It is my understanding of the Judgment says court approval is required in advance. So I did not see where court approval was given to buy the water from the Non-Agricultural Pool and put it in a trust account. And that also created a lot of ambiguity about, okay well they aren't getting approval through the trust account maybe they decided not to buy the water. And so that is something I am confused about and I would love to get some clarity on that.

Michael Fife: The intension was to dispose of the water pursuant to a Storage and Recovery Agreement by auction. The court did approve that process. The auction has been postponed. I don't know that there is any intention that the auction will not take place. In fact we are still talking to FTI the auction administrator about how we manage that situation since they anticipated that their contract would be completed November 4, 2009.

Ken Manning: Dave, Watermaster has made note of your comment and Watermaster will provide you with that information in terms of this discussion on trust. Not a problem.

Bob Bowcock: In order to summarize where we are at, and please I am going to do it wrong so I would trust that it would be re-summarized.

Ken Manning: You will handle it just fine Bob.

Bob Bowcock: There has been a process as Michael has described in a chronology that has taken place. Where the confusion or potential contest to that process comes into play is over whether or not official notice was affected. I am of the opinion at this time that there is no dispute. I don't necessarily dispute the chronology of events as outlined. Whether or not official notice was provided or the act of participation or non-participation is even an issue at point. What I believe has occurred is that there are members of the Non-Agricultural Pool currently being led and voiced by Aqua Capital Management/Dave Penrice. He has spoken to other members of the Non-Agricultural Pool as have I that have expressed a similar concern and that is to the issue of, was official notice provided in order to affect the option. I believe that even with the summary that is still a contested matter. That there is a disagreement as to whether or not actual legal notice was provided. The best way to summarize that is as I understand it and not from a legal perspective. It has been summarized in conversations over the last week since this first arose. A party can have an option on a piece of real property which water rights are recognized as real property for a specific calendar period of time. If the party that is going to exercise the option fails to do that in the proper form as outlined then there are backup options within that contract. I understand that within the contract of the Purchase and Sale Agreement, which I did execute on behalf of members of the Non-Agricultural Pool. There are back up or Plan B's as that unraveled. And as I understand that for the benefit for the Non-Agricultural Pool members, there are options that the water held in storage can then be offered again for sale at the Watermaster at 92% of the then Metropolitan Water Districts replenishment rate. Then all waters on a going forward basis of course follow that same methodology. So I understand that should at some date in the future Watermaster wishes to exercise those purchases that is the same format or default position. There is a question as to whether or not a declaration of available water in storage is required to be made on that quantity. I will need clarification from legal counsel on that matter. In summary, we are basically in a position, as the Non-Agricultural Pool members; feel that legal notice was not provided.

Ken Manning: Some members of your pool do think that Bob and you have to characterize that.

Dave Penrice: Bob you raise a good point. Michael in section C the notice provision, let's just assume for the sake of argument, that the notice was not given. Then my understanding is that we would revert to section H the early termination. How would it work under that circumstance?

Ken Manning: I do not want to even speculate on that Dave.

Michael Fife: Yes and that was going to be my answer Ken, is that there is no point in speculating that; Watermaster's position, a very clear position, is that notice was provided. And we have gone forward and implemented that and Watermaster's books have been changed. The 38,000 and change acre-feet of water have been moved out of the Non-Agricultural Pool storage accounts. So there is really no relevancy in addressing that.

Dave Penrice: Even if it's just to understand where we are as a pool if the pool in fact decides that notice was not given. We want to understand how Watermaster interprets the contract.

Ken Manning: Dave, you are asking Watermaster's attorney to make an opinion against itself. The Overlying Non-Agricultural Pool has the ability to hire their own legal counsel and could answer that question themselves. I do not think it is appropriate that Watermaster's legal counsel answers that question on behalf of the pool.

Bob Bowcock: I agree. Has Watermaster's counsel acted as the Appropriate Pool's counsel in this fashion?

Michael Fife: Never. Watermaster's legal counsel that is Brownstein, Hyatt, Farber & Schreck represents the Watermaster Board and we represent no one else and never have.

Dave Penrice: So if we as a Non-Agricultural Pool believe that Watermaster acted in appropriately, and I am not saying we do or we don't, in your opinion and maybe you can't tell me this either, but in your view is section 31 of the Judgment the appropriate way we should air our grievance?

Michael Fife: There are the dispute provisions in the Judgment and there are also complaint provisions in article 10 of the Rules and Regulations and if the pool is going to bring a legal challenge to Watermaster, then I would suggest that you have your legal counsel contact me and we can discuss which specific provisions would govern here. I believe your first step is a complaint under article 10 of the Rules and Regulations.

Ken Jeske: Michael are you referring to the complaint of this specific party or of the pool?

Michael Fife: Mr. Bowcock said that the members of the pool believed that there is a dispute here but then there were people trying to get into saying not all members of the pool agree with that.

Bob Bowcock: I did not represent all members of the pool, I said some members of the pool.

Ken Jeske: That does not answer my question. My question is that would require a step of actions for the pool to engage. The pool would have to take a majority vote to engage then the pool would have to seek representation. The pool would have to put in place an assessment plan to pay for that representation. Seek and hire representation with a contract under a vote of the pool and then that representation could file actions with the pool. Now is there a timeline for doing that?

Michael Fife: Again I have not yet checked on this. Yes, there are timelines for challenging Watermaster's actions.

Ken Jeske: If the majority of the pool wanted to follow that process, I think I have fairly outlined the steps they would have to go through to do that. Could an individual party contest an agreement?

Bob Bowcock: I believe both are appropriate but I would like Michael to answer that.

Dave Penrice: My reading of the thing Ken is I think you can go either as a pool or as an individual party and I think you have 90 days. And I definitely want to make sure that it is very clear here that by no means am I trying to imply that we have the support of the pool behind this. I have talked with

some parties informally. I do not know where the pool stands on this. The main thing here was to get as many people up to speed on what the issues are and what some of the...

Ken Jeske: I don't recognize who has not been engaged in this process for a long time. This agreement between the pools to sell off what was formerly stranded water at a fixed price resulted from another pool agreeing with the Non-Agricultural Pool to create a transferability and tangibility of a water rights that's prior to that time never existed and created a large benefit in a go forward process for those holders of Non-Agricultural rights. That agreement was a joint effort with the Overlying Non-Agricultural Pool and the Appropriative Pool if my memory serves me correct. Since I actually led the discussions to try and create more value in the transferability of these Non-Agricultural rights back when I was representing Appropriator elements. I think all those parties on the call that weren't part of Peace I discussions and Peace II discussions do run a risk of challenge to that whole agreement and needs to respond very carefully.

Dave Penrice: I guess the thing I would comment on regarding that, when I look at that agreement, no one is disputing the agreement, no one is disputing the validity of the agreement, and I think that from a Non-Agricultural perspective my view is that by agreeing to grant a 24 month option to Watermaster had considerable value. And we have in fact given considerable consideration already in performance of the Peace II Agreement. And our contention is not that we don't have an agreement, our potential contention is that there may be an issue as far as written Notice of Intent to Purchase and that is all we are saying.

Ken Jeske: You understand the difficulty with the situation in the Appropriative Pool; my guess is they would say hey we approved doing everything and now you are putting Watermaster in the middle of two pools where they will be challenged by both of them. And then who ends up paying for the sort out and that will go to court and that risk could fall equally on the Non-Agricultural Pool as well as the Appropriative Pool. Because it is clear in the record that the Appropriative Pool authorized every step of the way. Watermaster is not an agency that is self funded through property taxes, sales taxes, or other means, it assesses only those parties to the Judgment. So if there is an issue and Watermaster is compelled by the Appropriative Pool to refund the sum total of their losses, where does that come from? And does that implicate right back on to the Appropriative Pool? It could be a zero sum gain even if the Non-Agricultural Pool wins the argument as set forth by David Penrice.

Dave Penrice: Well that is possible. But I guess I would...

Ken Jeske: It is a possible outcome.

Dave Penrice: What I would do is... Well Ken if your view is the Appropriators instructed Watermaster then maybe there was a mistake at the Watermaster level so yes then that could be a problem and then it becomes a matter of Ken we work it out. That becomes the solution rather than fighting about it. If there was a mistake made and we can agree there was a mistake made we should try and figure out a way to fix it.

Bob Bowcock: Okay. I certainly do not want to think that the situation at hand, at the level it is at, is something that is capable of unraveling Peace II. Frankly I do not think it is possible. I think Peace II has far too many elements in it and the unraveling of that would certainly be significant. I think that handling or a decision on this... The purpose of this call was to gather information for the pool members either individually or collectively to determine how they intend to proceed forward. And to make sure they have enough information so they can make an informed decision on how they choose to proceed forward. But at the end of the day what it comes down to is that now we understand what that procedure may or may not be. Watermaster has clearly outlined their position; they are in the position they believe that written notice was provided. At least one member of the Non-Agricultural Pool and others that I have heard from believe it may not have been and they are capable of either

banning together as a pool or forwarding an appeal to Watermaster or as individuals forwarding an appeal to Watermaster. In summary, I understand this call to be that Watermaster position based on the chronology of counsel is that official notice was delivered in August, 2009, in the agenda package.

Ken Manning: Correct and I am also going to kind of weigh in on the point that Dave made that a mistake was made, who made that comment, as it was a universal feeling and I don't believe that to be true. I think Watermaster has followed it and I don't think a mistake has been made.

Michael Fife: I would like to add to what Ken just said for simplicity sake we have said that official notice was provided in the agenda package for the August 27, 2009, meeting but that was certainly not the extent of it. There was a year of notice provided. There was a specific moment and you can look at a specific piece of paper that was in the August 27th meeting package but there was so much more than that as well.

Dave Penrice: Just a second Michael, when you are making those comments you represent Watermaster.

Michael Fife: Correct.

Dave Penrice: Okay thank you.

Bob Bowcock: So the official position of Watermaster is that a) paper was delivered in the August 27, 2009, package; however, there were multiple opportunities for notice to be repeatedly understood. I don't want to characterize it because it does definitely sound like a belt and suspenders approach. If you feel that the August 27th was sufficient, I wish you would stand on that but that is not my place to state.

Michael Fife: I do believe that and I don't know how many times I can say it. The August 27, 2009, notice satisfied the terms of the Purchase and Sale Agreement but there was also so much more.

Bob Bowcock: Okay with that are there any other questions from the Non-Agricultural Pool?

?: Yes is it possible to get notes on a recap of this conference call.

Ken Manning: Yes, we will be glad to put those together.

Bob Bowcock: Sherri Lynne you will write minutes or we will get minutes out of staff somehow.

Ken Manning: Minutes are being taken of the meeting by no means are they a recap of word by word but we can provide a Watermaster summation of the sequence of events as Michael has portrayed them and of comments made by parties. A sequence is much faster and I can get that out to you fairly quick but the minutes will take a while because they need to be correct.

?: Okay who can I call to find out and let them know where to send it because I have moved my office out of Santa Ana and I haven't received any correspondence from Watermaster in some time.

Ken Manning: Send them to Watermaster in care of me or to Sherri Lynne Molino.

Dave Penrice: Is there a tape of this call that we could get? Or have made available to the parties.

Ken Manning: We have a tape yes.

Bob Bowcock: But will you make it available to him?

Ken Manning: I have to check with counsel on that.

Dave Penrice: Also as a note on the side, I don't want to presume any of the Non-Agricultural Pool are going to say that our position is correct or Watermaster's position is correct and we need to think about and contemplate what was said on this call on our end as well. But until we really come up with what we want to do our counsel has advised us to not cash the checks that were sent out because that could be construed as an acceptance that a notice was given. Until we get some clarity here we will not cash that check.

Ken Manning: Okay so ACM's attorney has advised ACM not to cash the check.

Dave Penrice: Yes. And at this time until we get some clarity and decide what position we want to go.

Ken Manning: But your attorney is not advising others?

Dave Penrice: No, I am merely passing that along for information.

Ken Manning: Okay.

Bob Bowcock: Are there any other questions?

Ken Jeske: Since the City of Ontario intervened from Sunkist Growers into the Non-Agricultural Pool; and I think it is actually the largest single rights holder in the pool. So if you see Sunkist Growers on your reports that is the City of Ontario because they acquired the property.

Bob Bowcock: Are there members of the Non-Agricultural Pool on this call that feel a confidential session is in order. Would anyone feel more comfortable discussing this in a closed session setting?

No answer --

Bob Bowcock: Okay that was item number 2 of the agenda and hearing that no one would request a closed session I will call the meeting adjourned.

Jim Barr: This is Jim Barr from Reliant Energy Etiwanda. The contact information for Etiwanda is incorrect is there anybody in your organization I can call to change that information?

Ken Manning: Yes, send it to Watermaster to me and I will forward it on to Sherri Lynne and we will get the records changed.

Jim Barr: Okay what is your name?

Ken Manning: This is Ken Manning CEO. And if you go to the website you can get it on there.

II. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to the Non-Agricultural Pool Rules & Regulations, a Confidential Session may be held during the Watermaster Pool meeting for the purpose of discussion and possible action.

No confidential session was called.

The Non-Agricultural Pool conference call meeting was dismissed by Chair Bowcock at 10:08 a.m.

Secretary: _____

Minutes Approved: _____

EXHIBIT S

EXHIBIT S

NONE

EXHIBIT T

Sherri Lynne Molino

From: Sherri Lynne Molino
Sent: Friday, August 21, 2009 10:39 AM
Subject: Advisory & Board Package for 8/27/09

The **Advisory Committee** for **Thursday, August 27, 2009 at 9:00 a.m.** and the **Watermaster Board** for **Thursday, August 27, 2009 at 11:00 a.m.** agendas and packages are now available on our ftp site (address below) for your review and/or download.

Please note the Advisory & Board packages are two separate packages and will contain different information and/or business items; each are marked accordingly on the ftp site. As a reminder, lunch will be served directly after the Board meeting.

www.cbwm.org/ftp

Please pay special attention to the Upcoming Meeting section because the Appropriative & Non-Agricultural Pool meeting has a new date and meeting time (9-3-09 @ 1:00 p.m.) and the MZ1 meeting has a new date and time also (9-10-09 @ 9:00 a.m.)

Thank you,

Sherri Lynne Molino



"Peace is not the absence of conflict, but the ability to cope with it"

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EXHIBIT U



CHINO BASIN WATERMASTER

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Friday, March 12, 2010

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Latest News



<< New Board Member **Tom Haughey** (on the left) is sworn in by Board Chairman Ken Willis at the Annual Board Meeting held on January 28, 2010

2010 - The 32nd Annual Report, Fiscal Year 2008-09 is now available for viewing

12/18/2009 - Now available - 2008 Final State of the Basin Report (Very large file! 440MB)

05/13/2009 - Frontier Project Foundation Recognized For Excellence in Environmental Responsibility more...

Thirst for Water-Worldwide (powerpoint file)

Aquaformia - The California Water News Blog

NEW Recharge Master Plan update site (offsite link)

5/19/2009 - The Association of California Water Agencies (ACWA) has

Meeting Calendar

Status Report 2008-2
In-lieu of the Implementation Plan, this report highlights the status of the OBMP as Watermaster activities progress.

NEW Recharge Master Plan update site (offsite link)

Recharge Update (offsite link)

Monthly report on the IEUA/CBWM Recharge Improvement Project.

April-June 2007 GW Recharge Program Quarterly Monitoring Report

Recycled Water Update
Monthly report on IEUA Recycled Water Program.

State of the Basin June 2006 (222meg)

Initial State of the Basin (ISOB) (48MB)
This report presents the beginning stages of the Optimum Basin Management Plan (OBMP) implementation.

Optimum Basin Management Plan (OBMP) (1.1MB)
This plan was formalized to manage the Basin by protecting and improving the water quality and supply.

Peace II Modeling Report (High Res) Very large file! 147 Megs!

Peace II Modeling Report (Low Res) Very large file! 93 Megs!

Addendum to the Draft April 2006 Peace II Modeling Report Very large file! 53 Megs!

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I.E.U.A. F.A.Q.
and Answers About
Recycled Water
Recharge



awarded the Recycled Water Stakeholder's Group with its ACWA Excellence in Water Leadership Award - -Building a World of Difference® for 2009. Martha Davis, Executive Manager of Policy Development, is recognized as a "key" member of the Recycled Water Stakeholder's Group. [more...](#)

4/29/2009 - *Rancho Cucamonga, CA* -On Tuesday, April 28, the Cucamonga Valley Water District (CVWD/District) adopted a proclamation recognizing May as Water Awareness Month at their Board of Directors meeting. Water Awareness Month is a statewide campaign that focuses on educating Californians about the value of water. While communicating the importance of water is a year-long priority for CVWD, Water Awareness Month provides the opportunity for agencies, cities, and counties to work together to promote water awareness to the public. [more...](#)

4/27/2009 - *Inland Empire* - Utilities Agency's General Manager Testifies Before Congress. On Tuesday, April 28, the Inland Empire Utilities Agency's (IEUA) General Manager, Richard W. Atwater, will testify before the Subcommittee on Water and Power/Committee on Natural Resources on the importance that the American Recovery and Reinvestment Act (ARRA) is to local water agencies for the expansion of innovative recycling and desalting technologies to reuse existing water supplies. [more...](#)

3/8/2009 - *Inland Empire* - With the Governor declaring that California is officially in a drought, and the likelihood of Metropolitan Water District's Board of Directors April 14, 2009 decision to implement its Water Supply Allocation Plan with shortage allocation, which would become effective July 1, 2009, the Inland Empire Utilities Agency (IEUA), in partnership with the cities of Chino, Chino Hills, Ontario, Fontana, Rancho Cucamonga, Montclair, Upland, the Monte Vista Water District, Cucamonga Valley Water District, Fontana Water Company and the San Antonio Water Company are holding a press conference on Wednesday, April 15, 2009, on the urgency of water conservation. [more...](#)

2008/2009 - Spreading Basin Recharge-Imported, Storm, and Recycled

The SAWPA March 2009 Newsletter is now available for your reading pleasure. Take a look: [SAWPA March 2009 Newsletter](#)

More News

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