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7
8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 FOR THE COUNTY OF SAN BERNARDINO

10
11 CHINO BASIN MUNICIPAL WATER
12 DISTRICT,

13 Plaintiff,

14 v.

15 CITY OF CHINO, et al.,

16 Defendant.
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Case No. RCV 51010

[Assigned for All Purposes to the Honorable
STANFORD E. REICHERT]

**WATERMASTER'S MOTION
REGARDING 2015 SAFE YIELD RESET
AGREEMENT, AMENDMENT OF
RESTATED JUDGMENT, PARAGRAPH 6**

Date: December 18, 2015
Time: 1:30 P.M.
Dept.: R-6

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1 **I. INTRODUCTION**

2 This motion presents the Court with a request to reset the Safe Yield of the Chino Basin
3 from 140,000 acre-feet per year (AFY) to 135,000 (AFY) and to approve a recommended
4 approach to redress a series of issues that devolve from the reset. Specifically, the Chino Basin
5 Watermaster ("Watermaster") respectfully requests this Court issue an order acknowledging the
6 2015 Safe Yield Reset Agreement ("Agreement") (attached hereto as Attachment "1") among
7 certain parties to the Judgment and ordering Watermaster to proceed in accordance with its terms,
8 amending the Restated Judgment to reset the Safe Yield of the Basin to the amount of 135,000
9 acre-feet per year (afy), and amending the schedule for access to Re-Operation water.
10 Watermaster's request is offered in fulfillment of the obligations arising out of the prior orders of
11 this Court. This Introduction summarizes the context and the balance of this lengthy pleading
12 describes the more significant elements of the Agreement.

13 In light of the prior collective capital project initiatives, including the phased completion
14 of 40 million gallons per day (MGD) of desalting capacity, the underlying financing and the
15 apportionment of responsibility by prior agreement among the Parties to the Judgment, input and
16 direction from the Parties to the Judgment was required to address the cascading consequences
17 from the reset of Safe Yield. Toward that end, the Parties to the Judgment identified issues that
18 derived from Watermaster's administration of the Restated Judgment, the Peace Agreement, as
19 amended, the Peace II Agreement, the Watermaster Rules and Regulations, and the Court's orders
20 in implementation thereof (collectively, the "Court-Approved Management Agreements"). The
21 Agreement and its supporting technical analyses expressly now provide stakeholder direction to
22 Watermaster by equitably resolving competing concerns supported by 85 percent of the total
23 Production within the Basin. Support for the Agreement, however, is not unanimous.

24 The City of Chino ("Chino"), a party to the facilitation process, objects to the Agreement
25 primarily on the grounds that the proposed limitations on the withdrawal of stored water are
26 unfair and constitute a "taking." Watermaster has considered the City of Chino's concerns and
27 found there is no material or unreasonable restraint on the recovery of stored water of any kind.
28 This follows from the fact there is a substantial quantity of stored water presently held in the

1 Basin and the prospect of any actual restriction arising in the future is very remote and almost
2 entirely hypothetical. Moreover, all Parties to the Judgment store water subject to Watermaster's
3 obligation to protect the Basin against Material Physical Injury on their withdrawal of stored
4 water.

5 The Jurupa Community Services District (JCSD), also a member of the facilitation
6 process, requested the Watermaster Board to defer action so that Watermaster might issue an
7 advisory opinion on the parties' relative rights to share in water made available for reallocation
8 through the conversion of land from agricultural to urban use. However, Watermaster declined to
9 further delay the request for Court approval, electing to proceed as requested in light of the nine-
10 month process that preceded JCSD's request. Through the Agreement, Watermaster and the
11 parties will consensually apportion more than \$100 million in financial obligations among
12 themselves and carry-out the OBMP as agreed and as ordered by the Court even though there has
13 been a decline in Safe Yield.

14 Recognizing the substantial consensus among the Parties to the Judgment, acknowledging
15 their good faith effort to fairly and equitably resolve potential issues through a facilitation
16 process, the technical reports, the recommendations of each of the Appropriative Pool, the
17 Overlying (Non-Agricultural) Pool and the Overlying (Agricultural) Pool, the Advisory
18 Committee, expert opinions, and the substantial evidence presented in support of the Agreement,
19 Watermaster, as described further herein, has found the Agreement to be consistent with Article
20 X, section 2 of the California Constitution, and the Court-Approved Management Agreements,
21 and requests the Court's approval of the reset of the Safe Yield consistent therewith.

22 **II. BACKGROUND ON SAFE YIELD RESET**

23 **A. The Judgment Set the Safe Yield at 140,000 afy**

24 The term Safe Yield¹ represents a long-term average quantity of groundwater than can be
25 produced from the Basin under the then prevailing cultural conditions without causing an

26 ¹ The Restated Judgment defines Safe Yield as: "The long-term average annual quantity of
27 ground water (excluding replenishment or stored water but including return flow to the Basin
28 from use of replenishment or stored water) which can be produced from the Basin under cultural
conditions of a particular year without causing an undesirable result." (Restated Judgment, ¶
4.(x).)

1 undesirable result. By definition, the amount of water that may be available for beneficial use
2 must account for evolutionary land use conditions and the need to protect the Basin against
3 undesirable results. As such, the Judgment presumes some level of flexibility to respond to
4 changing circumstances.

5 The Safe Yield of the Basin was initially set by the Judgment at 140,000 afy² (Restated
6 Judgment, ¶ 6), and the Judgment reserved continuing jurisdiction to the Court to amend the
7 Judgment to redetermine the Safe Yield after the first ten years of operation of the Judgment's
8 Physical Solution (Restated Judgment, ¶ 15(a)). Despite considerable changes in the overlying
9 land uses and party production patterns (cultural conditions), the Basin's Safe Yield has not been
10 recalculated or reset since the Judgment was entered in 1978.

11 **B. The OBMP Implementation Plan Provided for the First Recalculation and**
12 **Reset**

13 The Chino Basin Watermaster was created pursuant to the 1978 Judgment to administer
14 and enforce the provisions of the Judgment and any subsequent instructions and orders of the
15 Court. (Restated Judgment, ¶ 16.) In 2000, the Parties to the Judgment executed the Peace
16 Agreement and agreed to Watermaster's adoption of the OBMP Implementation Plan, and the
17 Court, through its July 13, 2000 Order, ordered Watermaster to proceed in a manner consistent
18 with each. (July 13, 2000 Order Concerning Adoption of OBMP, p. 4:20-5:4.) Program
19 Elements 8 (Develop and Implement Groundwater Storage Management Program) and 9
20 (Develop and Implement Storage and Recovery Programs) of the OBMP Implementation Plan
21 acknowledged the need to obtain better Production data through the metering of all non-exempt
22 production within the Basin, and provided for Watermaster's redetermination and reset of the
23 Basin's Safe Yield in year 2010/11 using Production data derived from the collection of
24 additional data as to the production of Agricultural Pool Producers within the Basin during the
25

26 ² The Judgment additionally provided for an additional 200,000 acre-feet of overdraft from the
27 Basin, to be allocated to the members of the Appropriative Pool as part of the Basin's Operating
28 Safe Yield. (Restated Judgment, Exhibit "I", ¶ 3.(a).) This quantity has been allocated to the
members of the Appropriative Pool at a rate of 5,000 afy, and the 200,000 acre-foot total will be
exhausted in 2016/2017.

1 ten-year period of 2000/01 through 2009/10.³ (OBMP Implementation Plan, pp. 44-45.)

2 The Watermaster Rules and Regulations, approved by this Court in July 2001, carry
3 forward these requirements, providing for the initial reevaluation and reset of the Basin's Safe
4 Yield in year 2010/2011. (Watermaster Rules and Regulations, § 6.5.) This timing for
5 reevaluation and reset was specifically selected to incorporate new data and information from the
6 ten-year period of 2000/2001 to 2009/2010 that would become available for the first time, post-
7 Peace Agreement. (April 11, 2014 Status Report on Watermaster's Safe Yield Recalculation
8 ("April 2014 Status Report"), p. 2.) Section 6.5 of Watermaster's Rules and Regulations,
9 approved by the Court in 2001, provides for the same.

10 Watermaster oversaw the installation of metering devices during the 2000-2002 timeframe
11 and began collecting metered production data, as the meters came online, from non-exempt
12 Agricultural Pool Producers within the Basin during the ten-year period of 2000/01 through
13 2009/10. (Declaration of Danielle Maurizio in Support of Watermaster's Motion Regarding 2015
14 Safe Yield Reset Agreement, Amendment of Restated Judgment, Paragraph 6 ("Maurizio Decl."),
15 at ¶ 4.) Thereafter, Watermaster updated its hydrologic model to undertake a long-term
16 hydrologic assessment of Basin conditions incorporating the newly obtained Production data.
17 (Declaration of Mark Wildermuth in Support of Watermaster's Motion for Approval of 2015 Safe
18 Yield Reset Agreement, Amendment of Restated Judgment, Paragraph 6 ("Wildermuth Decl."), at
19 ¶ 5.)

20 In 2000, the Court also ordered Watermaster and the Parties to the Judgment to expand
21 Desalter capacity in the southwest portion of the Basin by 20 MGD as provided in the OBMP
22 Implementation Plan to protect against a decline in Safe Yield and for water quality benefits and
23 reserved the question of how "Future Desalter" capacity would be addressed. (July 13, 2000
24 Order Concerning Adoption of OBMP.) The construction of the Desalters represented a

25 _____
26 ³ The OBMP Implementation Plan additionally provided for the computation and reset of the
27 Basin's storage loss rate, which was superseded by an alternative mechanism, pursuant the Peace
28 II Agreement. (OBMP Implementation Plan, p. 45; Peace II Agreement, ¶ 7.4.) As described in
section III.C.4.b., herein, Watermaster's hydrologic consultant evaluated the storage loss rate
upon the achievement of Hydraulic Control, and paragraph 6.4 of the Agreement addresses the
reset of the storage loss rate.

1 substantial engineering and financial undertaking that led to the formation of the Chino Basin
2 Desalter Authority (CDA), a joint powers agency composed exclusively of a subset of the Parties
3 to the Judgment. The planned Desalters were completed and fully operational as of 2006.

4 In 2007, the Parties to the Judgment entered into the Peace II Agreement, responsive to
5 the Court's request to expand desalter capacity to a full 40 MGD to achieve the OBMP
6 Implementation Plan objectives. Among other commitments, the Peace II Agreement (hereinafter
7 Peace II Measures) set forth the respective rights and responsibilities for constructing 10 MGD of
8 additional desalting capacity in furtherance of the OBMP Implementation Plan and in full
9 satisfaction of the Parties' Future Desalter obligations. (Peace II Agreement, Art. V.) Following
10 a full briefing by Watermaster, receiving reports from the Special Referee and her assistant, and a
11 court hearing, the Court ordered Watermaster to proceed as provided in the Peace II Measures
12 and Watermaster and the Parties have designed, financed and complied with the direction by
13 constructing an additional 10 MGD of expanded Desalter capacity. (Wildermuth Decl., at ¶ 8.)

14 The CDA and its members oversaw the expansion and the Court approved the plan in
15 2010. (Wildermuth Decl., at ¶ 8.) The expansion of the Desalters to the full planned capacity
16 will be completed in 2017, and an important objective, the achievement of Hydraulic Control,
17 will be completed as planned before the close of the present water Production year. (Storage Loss
18 Technical Memorandum, p. 1; Wildermuth Decl., at ¶ 8.) Among the benefits the Parties will
19 enjoy upon the achievement of Hydraulic Control are the measured reductions in the losses of
20 water in storage accounts.

21 Despite the construction of the Desalters and the implementation of the Peace II
22 Measures, the evaluation of available production data, long-term hydrology and prevailing
23 cultural conditions suggested that there may have been a decline in Safe Yield. (Wildermuth
24 Decl., at ¶ 10.) Accordingly the Parties to the Judgment engaged in peer review of the technical
25 evaluations and endeavored to address various issues and challenges related to Watermaster
26 accounting in light of a decline in Safe Yield and future Safe Yield resets. (Declaration of Peter
27 Kavounas in Support of Watermaster's Motion for Approval of 2015 Safe Yield Reset
28 Agreement, Amendment of Restated Judgment, Paragraph 6 ("Kavounas Decl."), at ¶ 9.)

1 **III. THE SAFE YIELD SHOULD BE RESET PURSUANT TO THE AGREEMENT**

2 **A. The Updated Model is Able to Assist in the Evaluation**

3 As described above, the Restated Judgment's definition of Safe Yield includes the
4 consideration of the evolutionary land use conditions and the need to protect the Basin against
5 undesirable results. The evaluation of these considerations is aided by a model of movement of
6 water in the Basin. As previously described to the Court (see April 2014 Status Report; Status
7 Report on Watermaster's Safe Yield Redetermination and Reset (July 10, 2015) ("July 2015
8 Status Report"), at the close of the ten-year period identified in the OBMP Implementation Plan
9 and the Rules and Regulations, in the opinion of its technical expert, Watermaster could not
10 competently perform the required reevaluation of Safe Yield because of insufficient data and the
11 absence of important analytical tools; namely, the ability to model the operation of the
12 groundwater basin to evaluate changes in cultural conditions over a long-term hydrologic record.
13 (See April 2014 Status Report, p. 2.)

14 In 2010/2011, Watermaster, through its consultant Wildermuth Environmental, Inc.,
15 began the process of methodically gathering and analyzing data, including newly available data
16 from the prior 10-year period. (April 2014 Status Report, p. 3.) Over the past four years,
17 Watermaster has caused the collection of all required data and fully funded the work of its expert
18 hydrologic consultant in updating its hydrologic model of the movement of water within the
19 Basin. (April 2014 Status Report, p. 3.)

20 This effort considered changes in overlying land uses and pumping patterns. In total, the
21 Watermaster Parties have paid more than \$1,100,000 for the work undertaken in the creation of
22 the Updated Basin Model and the Updated Basin Model's calculation of the Basin yield during
23 this Safe Yield recalculation and reset process. (Kavounas Decl., at ¶ 3.)

24 Following its completion of the forensic exercise of data collection, Watermaster caused
25 an update of the model evaluating long-term hydrology as well as changes in cultural conditions,
26 and then calibrated the model. Watermaster began the process of obtaining stakeholder input as
27 to the Safe Yield reevaluation process and peer review of the Updated Basin Model and the
28 consideration of whether production from the Basin at projected levels would cause undesirable

1 results. (April 2014 Status Report, 3:10-12.)

2 Toward that end, a workshop on the update to the Model was held in November 2012,
3 and, following Watermaster's initial Safe Yield reset workshop in July 2013, Watermaster held
4 numerous additional workshops and multiple technical modeling review sessions specifically in
5 regard to the update to the model. (April 2014 Status Report, 3:12-15; Kavounas Decl., at ¶ 4.)
6 Reports on the process have been regularly presented at the regular meetings of the Pool
7 Committees, Advisory Committee, and the Watermaster Board. (Kavounas Decl., at ¶ 4.) At the
8 request of the members of the Appropriative Pool, Watermaster facilitated additional discussion
9 sessions among the Parties. (Kavounas Decl., at ¶ 5.)

10 Watermaster staff and consultants additionally conducted numerous meetings with smaller
11 subsets of interested Parties. (Kavounas Decl., at ¶ 5.) Having undertaken the process described
12 above, it is the opinion of Watermaster's expert Mr. Wildermuth that Watermaster can
13 competently, reasonably, and accurately perform the required Safe Yield reevaluation,
14 incorporating the new data provided for in the OBMP Implementation Plan and Watermaster
15 Rules and Regulations, and prescribed by the prior Orders of this Court. (April 2014 Status
16 Report, p. 3.)

17 **B. The Parties have Resolved Outstanding Questions as to the Implementation of**
18 **the Court-Approved Management Agreements in Connection with a Decline**
19 **in Safe Yield and Future Safe Yield Resets**

20 Throughout summer and fall of 2014, Watermaster held meetings and discussions among
21 stakeholders regarding the required Safe Yield reset and shared data and information, received
22 input on Safe Yield reset and other related subjects that were of concern to the stakeholders that
23 would result from the Safe Yield potentially being reset at less than 140,000 AFY. (July 2015
24 Status Report, at p. 3:13-23.) On July 10, 2014, the Appropriative Pool Committee took action to
25 request that Watermaster convene regular meetings, occurring twice each month, to allow the
26 Pool members to attempt to reach consensus as to the issues that might cascade from the
27 redetermination and reset of the Basin's Safe Yield. (Kavounas Decl., at ¶ 8.) On September 16,
28 2014, a Board workshop was held regarding the Safe Yield redetermination and reset issues.
(Kavounas Decl., at ¶ 9.) In October and November of 2014, the Watermaster parties, at the Pool

1 Committee, Advisory Committee and Watermaster Board meetings, discussed various approaches
2 to the determination and reset. (Kavounas Decl., at ¶ 10.)

3 In November, 2014, the Advisory Committee requested, and the Watermaster Board
4 adopted the Advisory Committee's recommendation that Watermaster convene a facilitated
5 process to identify and resolve all issues related to the successful completion of the Safe Yield
6 reset for consideration by the Pool Committees, Advisory Committee and Watermaster Board in
7 mid-2015. (Kavounas Decl., at ¶ 10; see also September 24, 2015 Watermaster Board Meeting
8 presentation, *Resolution 2015-06: Resolution of the Chino Basin Watermaster Regarding 2015*
9 *Safe Yield Reset Agreement*, attached as Attachment "1" to Kavounas Decl.; September 24, 2015
10 Watermaster Board Meeting agenda Staff Report, *Chino Basin Safe Yield Redetermination and*
11 *Reset*, attached as Attachment "2" to Kavounas Decl.) In December 2014, in response to a
12 request by the Advisory Committee, the Watermaster Board made available Watermaster legal
13 counsel to serve as the facilitator in the process. (Kavounas Decl., at 11.) A Facilitation and
14 Non-Disclosure Agreement (FANDA) was executed by a substantial number of stakeholders to
15 protect the confidentiality of their discussions and to preserve Watermaster counsel's ability to
16 fully and fairly represent Watermaster. (Kavounas Decl., at 12.)

17 The parties to the facilitation process met at least weekly and, in many cases, multiple
18 times per week, in an attempt to achieve consensus as to the Safe Yield redetermination and reset
19 issues. (Kavounas Decl., at ¶ 13.) In total, in addition to the many informal meetings and
20 discussions that took place, the group of parties met more than 30 times. (Kavounas Decl., at ¶
21 13.) On May 27, 2015, all but one of the then-active parties to the FANDA, representing
22 approximately ninety (90) percent of total Production rights among them, reached a non-binding
23 agreement among their negotiating representatives on certain key principles embodied in the Safe
24 Yield Summary of Non-Binding Key Principles Derived from Facilitated Process⁴ ("Key
25 Principles") and recommended that the parties continue to negotiate in good faith, with the goal to
26 reduce the Key Principles into a binding instrument for execution no later than September 1,

27
28 ⁴ The Key Principles were attached as Exhibit "A" to the July 10, 2015 Declaration of Bradley J.
Herrema in Support of Status Report on Watermaster's Safe Yield Redetermination and Reset.

2015. (Kavounas Decl., at 14.)

Upon the agreement of the Pools and Parties to the Watermaster Judgment that had not been participating in the facilitation process, the Board directed Watermaster counsel lead the parties to the Key Principles in the drafting of a binding instrument in a form ready for execution no later than September 1, 2015. (Kavounas Decl., at ¶ 15.) On August 26, 2015, agreement was reached as to a substantially complete draft of the 2015 Safe Yield Reset Agreement. (Kavounas Decl., at ¶ 15.) The Agreement, its exhibits, and a draft of Resolution 2015-06 were presented to the Pool Committees for review and comment at their September regular meetings. (Kavounas Decl., at ¶ 16.) Resolution 2015-06 ("Resolution of Chino Basin Watermaster Regarding 2015 Safe Yield Reset Agreement") was approved by the Advisory Committee at its regular meeting on September 17, 2015 and the Board adopted Resolution 2015-06⁵ at its regular meeting on September 24, 2015. (Kavounas Decl., at ¶ 16.) At the time of the filing of this motion, the Appropriative Pool, the Overlying (Agricultural) Pool, and Three Valleys Municipal Water District have also approved and executed the Agreement.⁶ (Kavounas Decl., at ¶ 18.)

C. The Court Should Order Watermaster to Proceed in Accordance with the Agreement as Requested.

1. Overview of the Agreement

The Agreement, generally, addresses three primary subject matter areas: (i) the reset of the Basin's Safe Yield pursuant to the Restated Judgment, the OBMP Implementation Plan, and Watermaster's Rules and Regulations; (ii) the manner in which Watermaster should account for various components of the recharge to the Basin in implementing the Court-Approved Management Agreements; and, (iii) the establishment of Safe Storage Management Measures, intended to ensure that withdrawals of groundwater from authorized storage accounts within the Basin are safe, sustainable, and will not cause Material Physical Injury⁷ or undesirable results.

⁵ Resolution 2015-06 is Exhibit "F" to the Agreement.

⁶ It is expected that remaining parties to the Agreement will approve and execute the Agreement prior to the Court hearing on this motion. Watermaster will apprise the Court, prior to the hearing, of the status of the parties' approvals and executions.

⁷ "Material Physical Injury" means material injury that is attributable to the Recharge, Transfer, storage and recovery, management, movement or Production of water, or implementation of the OBMP, including, but not limited to, degradation of water quality, liquefaction, land subsidence,

The parties' agreements in these areas are intended to guide Watermaster's implementation of the Judgment and the further agreements and orders thereunder, and to fairly and equitably resolve potential disputes and compromise their potential claims as agreed. (Agreement, ¶ 7.1.) The signatories to the Agreement are consenting to the Court ordering Watermaster to proceed in accordance with its terms. The Court's order would be binding on all Parties to the Judgment pursuant to its continuing jurisdiction. (Restated Judgment, ¶ 15.) Many of provisions of the Agreement are self-explanatory. The following discussion provides context for those elements that may be more arcane or worthy of further description.

2. The Safe Yield Should be Reset to 135,000

a. This is the Initial Reset of the Safe Yield

The Judgment contains a definition of Safe Yield, but provides little guidance as to how it should be evaluated and reset. An important component of the Agreement is a methodology for evaluating Safe Yield, set forth in the Reset Technical Memorandum (Exhibit "A" to the Agreement). Using the Updated Basin Model and the methodology described in the Reset Technical Memorandum, the Safe Yield for the 2010/2011-2019/2020 time period identified in the OBMP Implementation Plan and Watermaster's Rules and Regulations is 135,000 afy. (Wildermuth Decl., at ¶ 12.) The methodology will serve as an instruction to Watermaster for future Safe Yield determinations.

As far as the specific application of the methodology, in this instance the Updated Basin Model has been calibrated with a high degree of confidence and has been peer reviewed by representatives of the Parties to the Judgment. (Wildermuth Decl., at ¶ 7; Kavounas Decl., at ¶ 7.) There is no evidence that has been presented to Watermaster that suggests that the Updated Basin Model, developed by Mr. Wildermuth under the direction of Watermaster, is insufficient to perform the evaluation described in the Reset Technical Memorandum. (Kavounas Decl., at ¶ 7.)

The methodology described in the Reset Technical Memorandum is consistent with the

increases in pump lift (lower water levels) and adverse impacts associated with rising groundwater. Material Physical Injury does not include "economic injury" that results from other than physical causes. Once fully mitigated, physical injury shall no longer be considered to be material. (Peace Agreement, 1.1(y); see Rules and Regulations, 1.1(uu).)

1 Restated Judgment, OBMP Implementation Plan and the Court's prior orders. Specifically, the
2 Updated Basin Model has incorporated data from the 2000/2001-2009/2010 period, as required
3 by the OBMP Implementation Plan, along with long-term hydrology from 1921 to the date of the
4 reset evaluation. Based on his vast experience in the field of groundwater hydrology and his
5 many years of experience in the Chino Basin, Mr. Wildermuth believes the approach to be a
6 prudent and reasonable professional methodology, consistent with professional custom, standard
7 and practice. (Wildermuth Dec., at ¶ 6; Reset Technical Memorandum, at p. 2.)

8 b. Subsequent Resets and Associated Technical Work

9 Paragraphs 4.2 through 4.7 of the Agreement describe in further detail, beyond that
10 included in Elements 8 and 9 of the OBMP Implementation Plan, the manner in which subsequent
11 Safe Yield evaluations and resets would take place. Specifically, they provide that the
12 methodology utilized for the Agreement's evaluation of the Safe Yield would be utilized for
13 subsequent evaluations of the Safe Yield, (Agreement, ¶ 4.4), for the annual data collection and
14 evaluation, and Basin Model updates, that Watermaster will undertake in order to allow its
15 consultants to conduct necessary Safe Yield Evaluations (Agreement, ¶¶ 4.5, 4.6), and for a
16 mechanism ensuring that this work will be subject to peer review by the Parties (Agreement, ¶
17 4.7). Further, the Agreement provides a timeframe for Watermaster's initiation of the process for
18 the subsequent reset that will be effective on July 1, 2020. (Agreement, ¶ 4.2). Finally,
19 paragraph 4.3 of the Agreement contains the parties' agreement that Watermaster may
20 recommend to the Court that the Safe Yield be reset other than on the existing decennial schedule
21 provided for in the OBMP Implementation Plan, if, in the exercise of prudent management
22 discretion, a change in the Safe Yield of greater than 2.5% of the then-existing Safe Yield is
23 necessary. (Agreement, ¶ 4.3.)

24 These Basin protection measures provide greater certainty as to the manner in which Safe
25 Yield evaluations and reset processes will take place in the future. These measures additionally
26 establish a framework for the transparent management of the Basin to ensure protection of its
27 resources in the future. Consistent with the policy set forth in Article X, section 2 of the
28

1 California Constitution⁸, they will ensure that the capacity of the water resources of the Basin –
2 being the quantity that may be annually produced without causing undesirable results – will be
3 available to be put to the beneficial use to the fullest extent of which they are capable.

4 c. Effect of Change in Safe Yield

5 Paragraph 4.8 of the Agreement provides that, notwithstanding that the Safe Yield reset is
6 effective as of July 1, 2010, Watermaster shall not seek to change its prior allocation of Safe
7 Yield and Operating Safe Yield during productions years 2010/11, 2011/12, 2012/13 and
8 2013/14. (Agreement, ¶ 4.8.) Based on the change in Safe Yield from 140,000 afy to 135,000
9 afy, the discrepancy in allocation for those four production years is 5,000 afy. As described
10 further in sections III.C.4.a., below, the Basin protection measures to which the parties have
11 agreed (Agreement, ¶¶ 6.2, 6.3) will ensure that the Basin is not harmed by extractions of this
12 quantity of water. (Wildermuth Dec., at ¶ 14.)

13 **3. Watermaster should be Ordered to Account for Recharge Consistent**
14 **with the Agreement**

15 As described above, in addition to the Restated Judgment, the parties are party to
16 agreements (e.g., Peace Agreement, Peace II Agreement) pursuant to which Watermaster
17 allocates and accounts for recharge to the Basin. As this is the first reevaluation and reset of the
18 Safe Yield since the entrance of the Judgment in 1978, during the process of Watermaster's
19 presentation of the Updated Basin Model and Watermaster's consultant's evaluation of the Safe
20 Yield, questions arose among the parties as to the effects of Watermaster's implementation of the
21 Court-Approved Management Agreements, including the manner in which Watermaster must
22 allocate and account for various components of the recharge to the Basin. As described in more
23 detail below, Article 5 of the Agreement includes a fair and equitable resolution of the parties'
24 uncertainty as to the proper implementation of their prior agreements, and the Court should direct

25 _____
26 ⁸ Article X, section 2 provides in relevant part, "It is hereby declared that because of the
27 conditions prevailing in this State the general welfare requires that the water resources of the
28 State be put to beneficial use to the fullest extent of which they are capable, and that the waste or
unreasonable use or unreasonable method of use of water be prevented, and that the conservation
of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the
interest of the people and for the public welfare."

1 Watermaster to comply with these provisions.

2 As the rights of the members of the Overlying (Agricultural) and Overlying (Non-
3 Agricultural) Pools are fixed (Restated Judgment, ¶ 8; see also Exhibits “C” and “D” to the
4 Restated Judgment), the effect of a decline the Safe Yield is borne entirely by the members of the
5 Appropriative Pool (Restated Judgment, ¶ 9). Accordingly, the provisions of Article 5 affect only
6 the allocation of and accounting for water among the members of the Appropriative Pool.

7 Watermaster has no separate responsibility under this Article other than to account for stormwater
8 recharge and Desalter-induced recharge in the manner in which the parties have agreed is correct
9 and each of the Pools and the Advisory Committee have recommended.

10 a. Stormwater Recharge

11 Paragraph 5.1 of the Agreement includes the parties’ agreement as to the allocation of,
12 and accounting for, stormwater recharge to the Basin during the term of the Peace Agreement.
13 Specifically, the parties have confirmed Watermaster’s prior allocation of stormwater recharge is
14 consistent with the Court-Approved Management Agreements (Agreement, ¶ 5.1(a)), and
15 resolved among themselves the manner in which Watermaster would allocate and account for
16 stormwater recharge for future stormwater recharge projects – including prior to and after
17 subsequent resets of the Safe Yield (Agreement, ¶ 5.1(b)). This provision of the Agreement
18 provides clarity to Watermaster in its implementation of the Court-Approved Management
19 Agreements’ provisions (see, e.g., Peace Agreement, ¶¶ 4.5, 7.5(b)) as well as the provisions of
20 paragraph 10 of the Appropriative Pool Pooling Plan,⁹ and addresses the manner in which any
21 portion of the share of Safe Yield allocated to the Overlying (Agricultural) Pool that is not
22 produced will be made available for reallocation to members of the Appropriative Pool. At the
23 time the parties entered into the Peace Agreement it was anticipated that the Safe Yield of the
24 Basin would have increased at the time of the initial reset in 2011. (Wildermuth Dec., at ¶ 15.)
25 Accordingly, the Agreement’s clarification is helpful to Watermaster in directing it how to
26 implement both the Court-Approved Management Agreements and Appropriative Pool Pooling
27 Plan provisions in the event of the Safe Yield’s decline to 135,000 afy and for future Safe Yield

28 ⁹ The Appropriative Pool Pooling Plan is contained in Exhibit “H” to the Restated Judgment.

1 resets, and will enable a fair, balanced and efficient administration of the Court-Approved
2 Management Agreements, and Watermaster knows of no reason why it should not be approved.

3 Paragraph 5.1(c) of the Agreement describes the agreement by the members of the
4 Appropriative Pool as to the allocation of Participation Shares in future stormwater recharge
5 projects, including their agreement as to how those Participation Shares may be made available
6 within the Appropriative Pool if some members of the Appropriative Pool may not wish to
7 participate in those projects. The Peace Agreement obligates Watermaster to exercise best efforts
8 to maintain the Safe Yield through recharge and replenishment to the Basin (Peace Agreement, ¶
9 5.1(e)(i)), and the Parties to the Judgment have recommended the implementation of stormwater
10 recharge “yield enhancement” projects that are estimated to result in net new stormwater recharge
11 to the Basin in excess of 6,400 afy. (See Motion for Court Approval of 2013 Amendment to 2010
12 Recharge Master Plan Update; Request for Intervention by TAMCO, at 7:23-8:12; Kavounas
13 Decl., at ¶ 20.)

14 Paragraph 5.1(c) provides a mechanism whereby members of the Appropriative Pool that
15 may not desire the yield enhancement benefits of a future suite of proposed stormwater recharge
16 projects (“Post-2014 Stormwater Recharge Program”) may opt out of participation – both as to
17 the yield benefits and the financial obligations associated therewith. There may be members of
18 the Appropriative Pool that, because of the projected future water demands within their systems
19 and their existing supply portfolios, do not desire the additional projected recharge, or expenses,
20 associated with new stormwater projects. (Kavounas Decl., at ¶ 21.) There are other parties
21 within the Appropriative Pool, particularly those with service areas in which there has been
22 substantial growth since the time of the 1978 entrance of the Judgment, that may desire to assume
23 the financial obligations of those parties in exchange for the potential net new recharge that is
24 projected to arise from the suite of projects. (Kavounas Decl., at ¶ 21.)

25 As an example, the Fontana Water Company, which intervened into the Appropriative
26 Pool during the 1989-90 Production Year with no Safe Yield right (July 26, 1991 Order
27 Approving Interventions and Assignments of Rights), has agreed to assume – and would be given
28 the first priority right to – the Participation Shares representing 2,000 afy of net new stormwater

1 recharge from all Post-2014 Stormwater Recharge Programs. (Agreement, ¶ 5.1(c)(iii).) In the
2 event that no member of the Appropriative Pool opts out of participation in a Post-2014
3 Stormwater Recharge Program, but a member of the Appropriative Pool¹⁰ instead otherwise
4 desires to transfer, lease, or assign its Participation Shares, Fontana Water Company will have a
5 right of first refusal until it has acquired a cumulative maximum of 2,000 afy of Participation
6 Shares. (Agreement, ¶ 5.1(a).)

7 The parties' agreement in regard to the manner of allocation of obligation and benefits of
8 Post-2014 Stormwater Recharge Programs fulfills their commitment as part of the 2013
9 Amendment to 2010 Recharge Master Plan Update process to explore mechanisms other than
10 those applied to past stormwater recharge projects. (See Motion for Court Approval of 2013
11 Amendment to 2010 Recharge Master Plan Update; Request for Intervention by TAMCO, at
12 8:18-20; 2013 Amendment to the 2010 Recharge Master Plan Update, p. 8-12.) It has no effect
13 other than the accounting allocation among the members of the Appropriative Pool of Post-2014
14 Stormwater Recharge Program recharge and the costs for development of the same. Watermaster
15 knows of no opposition to this mechanism, which has been recommended to Watermaster by the
16 each of the three Pools and the Advisory Committee.

17 b. Desalter-Induced Recharge

18 The Desalters are a key feature of the OBMP Implementation Plan and the Maximum
19 Benefit approach to management of the water quality within the Basin. The responsibility for
20 their financing, for the offset or replenishment of their Production, including the accounting for
21 the recharge to the Basin induced by their operation, has been the subject of many prior
22 agreements among the Parties. (See, e.g., Peace Agreement, ¶ 7.2; Peace II Agreement, ¶¶ 5.3-
23 5.7; Watermaster Resolution No. 2010-04 ("Resolution of the Chino Basin Watermaster
24 Regarding Implementation of the Peace II Agreement and the Phase III Desalter Expansion in
25 Accordance with the December 21, 2007 Order of the San Bernardino Superior Court").)
26 Paragraph 5.2 of the Agreement includes the parties' agreement as to the treatment of recharge to
27 the Basin that has been induced by the operation of the Desalters ("Desalter-Induced Recharge").

28 ¹⁰ The City of Ontario is excepted from this provision of the Agreement.

1 Paragraph 5.2(a) confirms the parties' agreement that Watermaster's prior accounting for
2 Desalter-Induced Recharge was consistent with the Court-Approved Management Agreements.

3 Paragraph 5.2(b) contains the parties' agreement as to the methodology for estimation of
4 the quantity of Desalter-Induced Recharge that, pursuant to paragraphs 6.2(a)(iii) and 7.1 of the
5 Peace II Agreement, is allocated to offset Desalter production. Paragraph 6.2 of the Peace II
6 Agreement ("Peace II Desalter Production Offsets") describes sources of water that will be made
7 available for purposes of Desalter Production; subsection (a)(iii) includes "New Yield (other than
8 Stormwater)."¹¹ Peace II Agreement Paragraph 7.1 ("New Yield Attributable to Desalters")
9 provides that Watermaster will annually determine the quantity of Desalter-Induced Recharge.

10 Any subsequent recalculation of New Yield as Safe Yield by
11 Watermaster will not change the priorities set forth [in paragraph
12 6.2] for offsetting Desalter production as set forth in Article VII,
13 Section 7.5 of the Peace Agreement For the initial term of the Peace
14 Agreement, neither Watermaster nor the Parties will request that
15 Safe Yield be recalculated in a manner that incorporates New Yield
16 *attributable to the Desalters* into the determination of Safe Yield so
17 that this source of supply will be available for Desalter Production
18 rather than for use by individual parties to the Judgment. (emphasis
19 in original)

20 Read together as part of an integrated document, Paragraphs 6.2(a)(iii) and 7.1 of the
21 Peace II Agreement provide that, through 2030¹², recharge attributable to the Desalters will be
22 allocated for Desalter Production and not allocated as Safe Yield producible by the Parties to the
23 Judgment. Paragraph 5.2(b) of the Agreement includes the parties' agreement as to how this
24 quantity will be estimated (50% of Desalter Production), and that it will be allocated to Desalter
25 Production and not to the Parties to the Judgment as part of their allocations of the Safe Yield
26 ("During each applicable production year, Watermaster shall reduce the Safe Yield by an amount
27 equal to fifty (50) percent of total Desalter Production...").

28 Further, paragraph 5.2(b) clarifies that such a reduction in Safe Yield to allocate the

¹¹ "New Yield" means proven increases in yield in quantities greater than historical amounts from
sources of supply including, but not limited to, capture of rising water, capture of available storm
flow, operation of the Desalters (including the Chino I Desalter), induced Recharge and other
management activities implemented and operational after June 1, 2000. (Peace Agreement, ¶
1.1(aa).)

¹² The initial term of the Peace Agreement will expire in 2030. (Peace Agreement, ¶ 8.2.)

Desalter-Induced Recharge to Desalter Production will be considered, pursuant to paragraph 10 of the Appropriative Pool Pooling Plan, a reduction in the Safe Yield by reason of recalculation thereof, which will be supplemented through the allocation of the share of Safe Yield allocated to the Overlying (Agricultural) Pool that is not produced will be available for reallocation to members of the Appropriative Pool. The parties confirm that the reallocation will take place consistent with the terms of their prior Agreements (Peace II Measures' amendment to Watermaster Rules and Regulations paragraph 6.3(c)) and the Court's prior orders (e.g., October 8, 2010 Order Approving Watermaster's Compliance with Condition Subsequent Number Eight and Approving Procedures to be used to Allocated Surplus Agricultural Pool Water in the Event of a Decline in Safe Yield).

Finally, paragraph 5.2(c) of the Agreement provides that the Agreement's provisions pertaining to Desalter-Induced Recharge are limited to the term of the Peace II Agreement and that during any Peace Agreement extension term, the treatment of Desalter-Induced Recharge will be subject to the negotiation of a new and separate agreement among the Parties to the Judgment. However, unless otherwise agreed by the Parties, during the extension term, Watermaster shall not require supplementation by the reallocation of a portion of the unproduced Agricultural Pool's share of Safe Yield.

As described above, the provisions of Article 5 of the Agreement – including paragraph 5.2 addressing Desalter-Induced Recharge – assist Watermaster in its implementation of the provisions of the Court-Approved Management Agreements relating to allocation of and accounting for Desalter-Induced Recharge. This interpretation and approach is agreed upon by the parties to the Agreement, and recommended by each of the three Pools and the Advisory Committee. The proposed resolution construes the Court-Approved Management Agreements, and enables a fair and equitable and efficient administration of them as well as the Court's prior orders.

c. Accounting after the Expiration of Peace II Agreement Provisions

Paragraph 5.3 of the Agreement confirms and clarifies the parties' shared understanding that at the expiration of the Peace II Agreement, the arrangements made among them as part of

1 the Peace II Measures, and in connection with the Court-ordered conditions subsequent thereto,
2 will expire. These specifically include the Peace II Agreement's provisions relating to the
3 allocation of surplus (unpumped) water by the Agricultural Pool requiring that claims for the
4 Early Transfer of 32,800 AFY and for Land Use Conversion be given equal priority, including (i)
5 the Peace II Measures' amendment to Section 6.3(c) of Watermaster's Rules and Regulations, and
6 (ii) Section III.(6) of the Court's October 8, 2010 Order Approving Watermaster's Compliance
7 with Condition Subsequent Number Eight and Approving Procedures to be used to Allocate
8 Surplus Agricultural Pool Water in the Event of a Decline in Safe Yield.

9 The parties additionally confirm and clarify their understanding that in any Peace
10 Agreement extension term, the previous changes to Restated Judgment, Exhibit "H", Paragraph
11 10(b)(3)(i) effectuated by Paragraph 4.4(c) of the Peace Agreement - which, to the extent
12 sufficient unallocated Safe Yield from the Agricultural Pool is available for conversion claims,
13 allocate 2.0 acre-feet of unallocated Safe Yield water for each converted acre - shall remain in
14 effect. This section confirms the shared understanding of the parties in any extension term of the
15 Peace Agreement and is consistent with Watermaster's current understanding as to the duration of
16 the identified provisions of the aforementioned agreements and orders.

17 d. Amendment to Re-Operation Schedule

18 The parties' Agreement, as a condition precedent to the effect thereof, includes the
19 proposed amendment of the Court-approved schedule for access to Re-Operation water.¹³
20 (Agreement, 2.1(b)(ii).) As defined in the Peace II Agreement, Re-Operation is the controlled
21 overdraft of the Basin by the managed withdrawal of groundwater Production for the Desalters
22 and the potential increase in the cumulative un-replenished Production from 200,000 authorized
23 by paragraph 3 of the Engineering Appendix (Exhibit "I" to the Judgment), to 600,000 acre feet
24 for the express purpose of securing and maintaining Hydraulic Control as a component of the
25 Physical Solution. (Peace II Agreement, 1.1(d).)

26 As part of the Peace II Measures, the Restated Judgment's Engineering Appendix was
27 amended to specify that the additional 400,000 acre-feet of controlled overdraft will be dedicated

28 ¹³ The proposed amended schedule is attached to Resolution 2015-06 as Exhibit "C."

1 exclusively for the purpose of Desalter replenishment. (Restated Judgment Exhibit “I” section
2 2.(b)[3].) Pursuant to paragraph 7.2 of the Peace II Agreement, and as a condition subsequent to
3 the Court’s approval of the Peace II Agreement (Order Concerning Motion for Approval of Peace
4 II Documents (Dec. 21, 2007), at p. 8:16-20)), Watermaster, Western Municipal Water District
5 (WMWD) and the members of the Appropriative Pool were to determine how to allocate the
6 controlled overdraft among the Desalters, and according to what schedule it would be used. To
7 the extent that the groundwater wells for the new Desalters (aka “Future Desalters”) pump at least
8 50 percent of their water from the “Southern End” of the Basin as defined graphically on Exhibit
9 “3” to the Peace II Agreement, those Future Desalters would have first priority to the controlled
10 overdraft water.¹⁴

11 Watermaster, on behalf of the Parties, submitted a proposed corrected¹⁵ initial schedule
12 for the access to the Re-Operation water to the Court on February 1, 2008 as part of its
13 compliance with Condition Subsequent 2 to the Court’s approval of the Peace II Measures, and
14 the Court approved this schedule. (Watermaster Compliance with December 21, 2007 Order
15 Conditions One and Two.) In compliance with Condition Subsequent 7 to the Court’s approval
16 of the Peace II Measures, on December 23, 2008, Watermaster submitted to the Court a revised
17 schedule to replace the initial schedule.¹⁶ The Court approved this revised schedule on February
18 2, 2009, and the schedule for access to the Re-Operation water has not been amended since that
19 time.

20 The proposed revised schedule would reallocate, among the original Desalters and the
21 Desalter Expansion, the availability of Re-Operation water, to ensure that, consistent with the
22 expectations of the Desalter Parties at the time of the Peace II Agreement, the total quantity of

23
24 ¹⁴ In this way, the allocation of the controlled overdraft water made available through Basin Re-
operation would facilitate the ability of the parties to implement the final, and perhaps most
difficult, increment of desalting capacity for the Basin.

25 ¹⁵ A corrected schedule was necessary because modeling showed that the initial schedule was too
26 aggressive in assumptions regarding the timeframe over which New Yield would be realized as a
result of Re-Operation. (See Watermaster Compliance with December 21, 2007 Order
Conditions One and Two, pp. 17-18.)

27 ¹⁶ Revision to the schedule was necessary it was necessary to reconcile New Yield and stormwater
28 estimates for 2000/01 through 2006/07, and address how Watermaster would account for
unreplenished overproduction for that period.

1 Re-Operation Water will be utilized during the term of the Peace II Agreement (by 2030). In
2 2007, WMWD proposed to assume the obligation of pursuing the Future Desalters and they were
3 subsequently joined by the Jurupa Community Services District and the City of Ontario.
4 (Wildermuth Dec., at ¶ 9.) This initial group comprised less than the complete CDA membership
5 – that had constructed and was operating the then-existing Desalters. (Wildermuth Decl., at ¶ 9.)
6 The proposed allocation of Re-Operation water was apportioned among the then-existing and the
7 planned future Desalters, to ensure the completion of the additional 10 MGD of desalting capacity
8 by WMWD and to reflect its capital commitments.

9 Since that time, WMWD has joined the CDA and the entirety of the Desalter pumping
10 contemplated under the OBMP Implementation Plan is consolidated within CDA. Accordingly,
11 the differential allocation of access to Re-Operation water among the groups of Desalters is no
12 longer necessary and allowing access to the Re-Operation water for any Desalter pumping will
13 ensure that the intent of the Peace II Agreement – that this water be utilized during its term – and
14 the corresponding Maximum Benefit benefits are realized. Consequently, there is no remaining
15 purpose for segregating the Re-Operation water and the schedule can be modified as
16 recommended by the parties, each of the three Pools and the Advisory Committee. Watermaster
17 is informed that JCSD now opposes the modification of the schedule, but it has articulated no
18 prejudice from this proposed modification or any basis for Watermaster to conclude that
19 maintaining the existing schedule provides a distinct material benefit to JCSD or any other party.

20 It is true that one of the impacts of the proposed adjustment to the schedule for availability
21 of the Re-Operation water is that the members of the Appropriative Pool will incur an immediate
22 Desalter offset obligation and this obligation will increase gradually until the Re-Operation water
23 is gone, which has the effect of gradually acclimating the Appropriative Pool members into
24 Desalter Replenishment and avoids the shock to their water supplies that might be associated with
25 a large initial obligation. Watermaster acknowledges that the Agreement apportions increased
26 financial burdens among all parties and, in this instance, assuming responsibility for the payment
27 of replenishment water. Nevertheless, JCSD has not demonstrated an impact unique to JCSD.

28 The Court should approve this amendment to the schedule for access to Re-Operation

1 water, as its goals are appropriate and in furtherance of the Judgment, and the prior agreements
2 and Court orders, and will ensure that the purpose of the Re-Operation water will be served and
3 allows the parties, per their desire, to begin to fulfill their Desalter Replenishment obligation
4 gradually, but with certainty for their water supply planning purposes.

5 **4. The Court Should Approve the Safe Storage Management Measures**
6 **and Order Watermaster to Apply Them in Accordance with the**
7 **Agreement**

8 Using methodology consistent with prudent professional standards, Watermaster's
9 hydrologic consultant estimates that since the early 1900s, more than 2.1 million AF was
10 withdrawn from the Basin in excess of recharge to the Basin. (Wildermuth Decl., at ¶ 17.) These
11 conditions, in part, initially led to the OBMP's conclusion that the de-watering of the Basin had
12 resulted in substantial capacity to safely store water to add to the region's water supply reliability.

13 Groundwater storage is administered by Watermaster under the Judgment and no person
14 may store water in the basin without an agreement with Watermaster. (Restated Judgment, ¶¶ 11-
15 12.) Storing water within the Basin storage serves the public interest of creating flexibility and
16 added water supply reliability for the benefit of the Parties to the Judgment and those that rely
17 upon them for water. The OBMP anticipated and sought to promote maximizing groundwater
18 storage in a manner that did not cause Material Physical Injury.

19 The authorized actions of the Parties to the Judgment have led to a successful
20 implementation of the OBMP by the Appropriative Pool parties' accumulation of approximately
21 357,000 AFY of water in storage for future beneficial use. (Safe Storage Technical Memo, p. 6.)
22 As compared to the annual Safe Yield of the Basin, this equates to 2½ years of a reserve water
23 supply for the uses relying on the Basin for a portion of their water supply needs.

24 While the condition of holding water in storage is desirable, the stored water must be
25 thoughtfully managed. For example, the volume in the stored water accounts of members of the
26 Appropriative Pool, excluding Supplemental Water, was approximately at 231,000 acre-feet as of
27 June 30, 2014. (Safe Storage Technical Memo, p. 6.) During the period 2000-2014 there was an
28 increase of more than 200 percent in non-Supplemental Water storage accounts. (Safe Storage
Technical Memo, p. 2.) Over this same period, the short term actual measured net recharge was

1 less than total rights allocated to the Parties to the Judgment by as much as 130,000 AF. (Safe
2 Storage Technical Memo, p. 6.) Without implying a causal connection, during the period of
3 reduced recharge, a short term accumulation of water in storage, particularly through storage of
4 Excess Carry-Over water, occurred.

5 Given the prior depletion of storage, the overarching conditions of drought emergency
6 now prevailing within the State, and the desire to protect the Basin, the Safe Storage Management
7 Measures, including the Safe Storage Reserve, are an appropriate mechanism to ensure
8 withdrawals of stored water is safe and sustainable. To ensure that an accelerated cumulative
9 draw on this stored water does not create undue risks, Article 6 of the Agreement contains the
10 parties' agreement as to storage management measures intended to ensure that withdrawals of
11 groundwater from authorized storage accounts within the Basin are safe, sustainable, and will not
12 cause Material Physical Injury or undesirable results. (Agreement, ¶ 6.1) The individual
13 measures contemplated by the Agreement – a Safe Storage Reserve and the development of a
14 future Storage Management Plan – are described in further detail below.

15 a. The Safe Storage Reserve and Storage Management Plan

16 Paragraph 6.2 would establish the mechanism for a potential future Safe Storage Reserve
17 comprising 130,000 acre-feet of the water in the non-Supplemental Water storage accounts of the
18 members of the Appropriative Pool as a quantity of reserve sufficient to protect the Basin.
19 However, the concern for protection of the Basin is also balanced with temporary needs in the
20 event of emergency or to support Desalter Replenishment. Up to 100,000 af could be accessed in
21 the event of an emergency,¹⁷ subject to refill of the quantity withdrawn within three years and a
22 Watermaster finding that the withdrawal will not result in Material Physical Injury or undesirable
23 results. (Agreement, ¶ 6.2(c)(i).) 30,000 acre-feet may be called upon by the members of the
24 Appropriative Pool for Desalter Replenishment – without the requirement to refill that portion of
25 the Reserve – after 2024, again subject to a Watermaster finding that the withdrawal will not

26 ¹⁷ For purposes of paragraph 6.2(c)(i), an emergency condition exists in the event that the member
27 of the Appropriative Pool has made a finding, in its discretion, pursuant to Water Code section
28 350 or other applicable law, that the ordinary demands and requirements of its customers cannot
be satisfied by its other supplies such that, without access to this water, it would have insufficient
supplies for human consumption, sanitation, and fire protection.

1 result in Material Physical Injury or undesirable results. (Agreement, ¶ 6.2(c)(ii).)

2 The Safe Storage Reserve quantity would be allocated among the members of the
3 Appropriative Pool, *pro rata*, based on their Non-Supplemental Water storage account balances
4 as of July 1, 2015, as illustrated in Exhibit C to the Agreement. (Agreement, ¶ 6.2(a).) The
5 parties, in consultation with Watermaster's consulting hydrologist Mr. Wildermuth, determined
6 that the Safe Storage Reserve quantity would be sufficient to ensure protection against a
7 precipitous drop in water levels, undesirable results, and Material Physical Injury while a Storage
8 Management Plan is developed by the parties. (Agreement, ¶ 6.2; Safe Storage Technical Memo,
9 pp. 8-9.)

10 The parties would not be restricted in any transaction involving stored water by the
11 establishment of the Safe Storage Reserve. They assume an obligation to ensure that there is a
12 Safe Storage Reserve of 130,000 acre-feet of water in their non-Supplemental Water stored water
13 accounts if and when the total quantity of water in those storage accounts declines to a quantity of
14 150,000 acre-feet.

15 The likelihood that this condition will be triggered in the short-term is extremely remote.
16 The volume in the stored water accounts of members of the Appropriative Pool, including
17 Supplemental Water, is approximately 357,000 as of June 30, 2014. (Safe Storage Technical
18 Memorandum (attached as Exhibit "E" to the Agreement), at p. 6.) The Parties to the Judgment
19 presently lack the infrastructure capability (wells and pipelines) to produce the quantity of water
20 from storage that would trigger the Safe Storage Reserve. (Safe Storage Technical Memorandum,
21 at p. 7.) Even if there were capacity, at a rate of withdrawal commensurate with demands, it
22 would not be sufficient to reduce stored water to a level less than 150,000 af within five years.
23 (Safe Storage Technical Memorandum, at p. 7.) If and only if the total quantity of qualifying
24 water in storage reaches 150,000 acre-feet, are members of the Appropriative Pool restricted in
25 their transactions and withdrawals, including in having to ensure that their proportional
26 quantitates of the Reserve are retained in storage. (Agreement, ¶ 6.2(b)(ii).)

27 In the unlikely event the condition is triggered, Watermaster would provide notice that the
28 balance of qualifying water in storage has reached 150,000 acre-feet, and would annually report

1 to the parties the non-Supplemental Water stored water accounts balance, as an advance reminder
2 of the restricted access to the Safe Storage Reserve. (Agreement, ¶ 6.2(b)(i).)

3 b. Storage Losses

4 Section 7.4(b) of the Peace II Agreement (“Storage: Uniform Losses”) provides that,
5 following Watermaster's determination that it has achieved Hydraulic Control and for so long as
6 Watermaster continues to sustain losses from the Basin to the Santa Ana River at a *de minimis*
7 level (less than one percent), any Party to the Judgment may qualify for the Post-Hydraulic
8 Control uniform loss percentage of less than one percent if it meets certain criteria regarding
9 contributions to the implementation of the OBMP and promised future compliance with the
10 Watermaster Rules and Regulations.

11 The achievement of *de minimus* outflow to the Santa Ana River represents an achievement
12 of an important milestone for the Parties to the Judgment and Watermaster, with their having
13 successfully designed, funded and fully constructed the desalting capacity required to obtain
14 Hydraulic Control. Paragraph 6.4 of the Agreement identifies that, upon the achievement of
15 Hydraulic Control, the storage loss contemplated in section 7.4(b) of the Peace II Agreement will
16 be 0.07 percent. (Agreement, ¶ 6.3.) This determination is a result of modeling done by
17 Watermaster’s hydrologic consultant, which is described in a separate Technical Memorandum.
18 (Exhibit “D” to the Agreement.)

19 **D. The Agreement is Consistent with the Best Interests of the Basin**

20 **1. Standard of Review**

21 The Agreement addresses the initial reset of the Safe Yield, Watermaster’s processes for
22 future resets, Watermaster’s accounting for recharge to the Basin, as it is affected by the Safe
23 Yield’s decline, and provides for the establishment of Safe Storage Management Measures to
24 ensure that withdrawals of water from storage within the Basin will not result in Material Physical
25 Injury or undesirable results. The reset of the Safe Yield requires the amendment of the Judgment
26 and is brought under Paragraph 15 of the Judgment; the Court’s review of the other provisions of
27 the Agreement is subject to the broader review provision of Paragraph 31.

28 The Judgment does not specify the standards that should be used by the Court in

1 evaluating proposed Judgment amendments under Paragraph 15, or Watermaster discretionary
2 actions under Paragraph 31. In its review of the original Peace Agreement, the Court analyzed
3 whether the measures were consistent with and promoted the Physical Solution under the
4 Judgment, and whether they were consistent with Article X, section 2 of the California
5 Constitution.

6 Under paragraph 31, the only standard stated is that the review is *de novo*. Paragraph 15
7 also provides little guidance except in the case of a proposed modification to the assessment
8 formula described in Paragraph 7 of Exhibit "H" to the Judgment. If certain voting thresholds are
9 met, then under this standard the Court shall allow the change unless there are, "compelling
10 reasons to the contrary." (Restated Judgment, ¶ 15.) This test is also articulated in a different
11 context in Paragraph 16 of the Judgment.

12 As described above, Watermaster believes the agreement of the vast majority of the
13 Parties is consistent with the Physical Solution under the Judgment, and consistent with Article X,
14 section 2 of the California Constitution.

15 **2. The Agreement is Consistent with Article X, section 2 of the California**
16 **Constitution**

17 Article X, section 2 of the California Constitution provides in relevant part, "It is hereby
18 declared that because of the conditions prevailing in this State the general welfare requires that
19 the water resources of the State be put to beneficial use to the fullest extent of which they are
20 capable, and that the waste or unreasonable use or unreasonable method of use of water be
21 prevented, and that the conservation of such waters is to be exercised with a view to the
22 reasonable and beneficial use thereof in the interest of the people and for the public welfare."

23 Watermaster's objective, in its administration of the Court-Approved Management
24 Agreements, is to achieve the optimum management of the Basin as contemplated by paragraph
25 41 of the Judgment and to meet the obligations of Article X, Section 2 of the California
26 Constitution. Wisdom and experience suggest that the best way to accomplish that is with the
27 broad support of the parties charged with the burden of implementation.

28 One of the core tasks for Watermaster is to implement the OBMP pursuant to the OBMP

1 Implementation Plan and other Court-Approved Management Agreements. (Restated Judgment,
2 ¶ 41.) As the name suggests, the purpose of the OBMP is to find a way to manage the Chino
3 Basin in an “optimum” manner. The word “optimum” as it occurs in the Judgment is used in a
4 non-technical sense to simply refer to an attempt to manage the Basin in the best manner possible.
5 Optimum Basin management in this sense should take account of a variety of factors, including
6 the requirements of state law including Article X, Section 2 of the California Constitution, the
7 public interest, and, perhaps most importantly, the dictates of the 1978 Judgment.

8 In addition to the requirement to maximize the beneficial use of water, the Judgment states
9 the need to

10 [P]rovide maximum flexibility and adaptability in order that
11 Watermaster and the Court may be free to use existing and future
12 technological, social, institutional and economic options to
13 maximize the beneficial use of the waters of the Chino Basin.
(Restated Judgment, ¶ 40.)

14 Central to the Judgment is the priority extended to maximizing beneficial use and the
15 understanding that neither the world nor technology would remain frozen in 1978. Paragraph 40
16 contemplates that, in the administration of the Judgment through the implementation of the
17 OBMP, the Court, and Watermaster, would be responsive to requests similar to that made
18 previously through the Peace Agreement and Peace II Measures, which seek to improve
19 management strategies and an improve technical understanding of the Basin.

20 **3. Chino’s Allegations are Unsupported by any Evidence, Three Pools
and the Advisory Committee**

21 The City of Chino has expressed concerns regarding the Agreement, speaking at
22 Committee and Board meetings, as filed in its responsive pleading to Watermaster’s July 2015
23 Safe Yield Reset Status Report, and appearing at the August 21, 2015 hearing on the July 2015
24 Status Report. (Kavounas Decl., at ¶ 22; see August 11, 2015 City of Chino’s Supplement to
25 Status Report on Watermaster’s Safe Yield Redetermination and Reset.) Chino objects to
26 Watermaster’s endorsement of the Agreement on the basis that: (i) Watermaster was biased in the
27 process; (ii) inflow generated from the Desalters may not be apportioned separately from Basin
28 Production Rights; and (iii) the Safe Storage Management disproportionately burdens Chino. It

1 contends that the latter burden actually constitutes a taking. The three Pool Committees and the
2 Advisory Committee heard Chino's concerns and nevertheless, they each recommended the
3 Agreement for endorsement by Watermaster and a Court order requiring Watermaster to proceed
4 in accordance with its terms. Watermaster's evaluation and response to Chino's concerns is set
5 forth below.

6 a. Process of Development of Agreement

7 Chino has stated that Watermaster's participation in the preparation of the Agreement was
8 inappropriate, because it has assumed the role of arguing on behalf of certain Parties and against
9 Chino, violating its obligation to remain neutral and not take sides on behalf of certain Parties.
10 As the facilitator, Watermaster's counsel and staff strived to serve in a facilitation role pursuant to
11 the request and direction of the parties to the FANDA process. Chino was a signatory to the
12 FANDA.

13 Without disclosing the confidences of the facilitation, the facilitator's role was not to
14 advocate for or against any of positions of the parties or the provisions of the Agreement, but to
15 assist the parties in reaching agreement and, to the extent possible, consensus. All
16 communications occurring in the facilitation process are conditional and privileged and
17 Watermaster counsel has respected this privilege.

18 The proposed resolution of complex issues embodied in the Agreement is supported by
19 parties composing greater than 85percent of the total Production in the Basin, has been approved
20 by each of the three Pools and the Advisory Committee. It is consistent with Article X, section 2
21 of the California Constitution mandating the reasonable use of all water in the State, the
22 Judgment, and the Court-Approved Management Agreements.

23 Watermaster is not a signatory to the Court-Approved Management Agreements binding
24 among the parties thereto. Watermaster administers the agreements as ordered by the Court.
25 Watermaster accepts, acknowledges and understands that its continued administration of the
26 agreements and the Agreement will require a further order of the Court and it lacks the authority
27 to act without the Court's concurrence.
28

1 b. Accounting for Desalter-Induced Recharge

2 Chino has stated that Watermaster cannot support the Agreement because it is prohibited
3 from advancing an agreement pertaining to Watermaster's accounting for Desalter-Induced
4 Recharge because Watermaster could not do so concurrently with its obligation to proceed
5 consistently with the Peace Agreements. This position relies on the Court accepting Chino's
6 interpretation of the various Court-Approved Management Agreements and its argument that the
7 Judgment, Peace Agreement, and Appropriative Pool pooling plan do not permit "Basin water" to
8 be allocated to the Desalters, and that such water must be allocated to Appropriators.

9 While the accounting provisions of the Agreement are agreements among the parties as to
10 the effect of their prior agreements, the Agreement's treatment of Desalter-Induced Recharge are
11 consistent with Peace II Agreement, paragraph 7.1, which provides that for the term of Peace II,
12 "no party will ask that recharge attributable to the Desalters be allocated to the Parties as part of
13 the producible Safe Yield, so that it may be used to offset Desalter production." The City of
14 Chino is a Party to the Judgment, subject to the earlier orders of this Court and consequently
15 bound by this term. Moreover, its present claims are inconsistent with the agreed interpretation of
16 the Court-Approved Management Agreements expressed by the Agreement now supported by
17 parties composing greater than 85percent of the Production in the Basin, three Pools and the
18 Advisory Committee.

19 c. Storage Management Measures

20 Finally, Chino raised concerns with the Safe Storage Management Measures. It has
21 alleged that the Measures, as prohibiting its production of 130,000 acre feet currently held in
22 storage by the members of the Appropriative Pool, and as Chino is the owner of more of that
23 water than any other appropriator (28.3percent), it will disproportionately "lose" more carry-over
24 water than any other member of the Appropriative Pool. Chino has described the effect of the
25 Storage Reserve as "taking" its water presently held in storage and stated that Watermaster's
26 motion for reset of Safe Yield should be considered an eminent domain action. No other Party
27 has made a similar allegation.

28 In relevant part, the Judgment provides:

1 It is essential that said reservoir capacity utilization for storage and
2 conjunctive use of supplemental water be undertaken only under
3 Watermaster control and regulation, in order to protect the integrity
of both Stored Water and Basin Water in storage and the Safe Yield
of Chino Basin. (Restated Judgment, ¶ 11 emphasis added.)

4 Thus, the use of storage capacity in the Chino Basin is, and has been since the entry of the
5 Judgment, subject to Watermaster regulation. Moreover, the use of storage capacity in the Basin,
6 including Excess Carryover (Non-Supplemental) requires a storage agreement with Watermaster.
7 (Restated Judgment, ¶ 12.) The Court-Approved Management Agreements provide direction to
8 Watermaster on the storage and recovery of water but do not constrain regulation to protect
9 against Material Physical Injury and undesirable results and that is otherwise in the public
10 interest.

11 Given the accumulation of more than 357,000 AF held in storage by the members of the
12 Appropriative Pool, the Agreement establishes a quantity of water that is *provisionally* to be
13 retained in storage while a comprehensive Storage Management Plan is developed. While the
14 risk of a call on storage could physically result in cumulative withdrawal of water from storage
15 within the next several years, the Safe Storage Reserve creates a safety net for the avoidance of
16 doubt. The Court, the Parties to the Judgment and the public can be assured that water levels will
17 not drop precipitously if drought conditions persist.

18 The Agreement authorizes the maintenance of a reasonable reserve quantity of water to be
19 provisionally held in storage, which is intended to ensure that withdrawals of groundwater from
20 authorized storage accounts within the Basin are safe, sustainable, and will not cause Material
21 Physical Injury or undesirable results until a Storage Management Plan can be developed.

22 All of the water in the Safe Storage Reserve can be accessed either in the event of an
23 emergency or for the purposes of replenishing Desalter Production. The stored water is not
24 beyond a call by Chino. Moreover, the Safe Storage Reserve is subject to being replaced in
25 whole or in part by a long-term Storage Management Plan to be crafted and approved with input
26 from the Parties to the Judgment, including Chino.

27 As described above, and based on the technical analysis presented in the Safe Storage
28 Management Technical Memorandum, the Watermaster Board found, and the Court may properly

1 find, that the establishment of the Safe Storage Reserve does not unreasonably restrict the
2 withdrawal of water from storage accounts because: (i) the Safe Storage Reserve is 130,000 AF
3 and present quantities of water in storage are in excess of 350,000 AF; (ii) it is highly unlikely
4 that the Parties to the Judgment could physically pump enough groundwater from the Basin to
5 reach the cumulative trigger of 150,000 AF in less than five (5) years, given current
6 infrastructure; (iii) the Appropriative Pool has committed to exercise Best Efforts to prepare a
7 Storage Management Plan within two (2) years of the effective date of the 2015 Safe Yield Reset
8 Agreement and no reserve quantities are under discussion; (iv) even if the Safe Storage Reserve
9 of 130,000 AF were implemented, access to stored water therein is available for emergencies and
10 Desalter replenishment; and (v) Watermaster has the authority under the Judgment to manage all
11 storage within the Basin.

12 No “taking” of stored water right has or will ever occur. First, the claimed impairment is
13 purely hypothetical. Chino has not presented any plan or pattern for beneficial use of its water in
14 storage. If it has a plan, it has never presented it to Watermaster.

15 Second, Chino’s right to withdrawal is subject to Watermaster’s regulation of storage and
16 the City has not been and may never be precluded from accessing its groundwater and applying it
17 to beneficial use and it is *per se* not a “taking”. (*Casitas Mun. Water District v. United States*
18 (Fed. Cir. 2014) 708 F.3d 1340.) In fact, it may continue to recover water from storage as it
19 always has unless and until a trigger of 130,000 AF is reached. Even then, it has access to
20 recover the water in an emergency. As such, the establishment of a Safe Storage Reserve is not a
21 “taking” of Chino’s or any other party’s water. (See *Casitas Mun. Water District*, 708 F.3d at
22 1359-60.)

23 **IV. CONCLUSION AND PRAYER**

24 Based on all of the foregoing, Watermaster respectfully requests that the Court:

25 (1) Find that Watermaster has fulfilled its obligations as to the initial reset of the Safe
26 Yield, as described in Elements 8 and 9 of the OBMP Implementation Plan and section 6.5 of the
27 Chino Basin Watermaster Rules and Regulations, specifically:

28 (a) Find that Watermaster caused the metering of groundwater production as

1 required by the Court and gathered Production data from 2002 to the present time; and

2 (b) Find that over a four year period, Watermaster caused an update to its
3 hydrologic model that enabled a long-term assessment of Basin hydrology with the benefit of
4 using Production data collected from 2002-present and an evaluation of cultural conditions now
5 prevailing in the Basin, thereby enabling the required redetermination and reset.

6 (2) Find that the reset of the Safe Yield pursuant to the 2015 Safe Yield Reset
7 Agreement is consistent with and fulfills Watermaster's obligations under the OBMP
8 Implementation Plan (as amended), Watermaster Rules and Regulations, prudent professional
9 standards and the Judgment, specifically:

10 (a) Find that the Reset Technical Memorandum, an evaluation of long-term
11 hydrology using the metered agricultural production data from 2002-present, the cultural
12 conditions affecting the Safe Yield of the Basin, and the risk of undesirable results support the
13 reset of the Safe Yield of the Basin to 135,000 AFY, having declined from 140,000 AFY.

14 (b) Find that the accounting for recharge pursuant to the 2015 Safe Yield Reset
15 Agreement is appropriate and consistent with the Court-approved management agreements to
16 enable a fair, balanced and efficient administration of the Judgment as requested by the Parties,
17 the Pools and the Advisory Committee;

18 (c) Find that the accounting for Desalter induced recharge pursuant to the
19 Agreement is appropriate and consistent with the Court approved management agreements to
20 enable a fair, equitable and efficient administration of the Judgment;

21 (d) Find that the amendment of the current Court-approved schedule
22 accounting for Desalter-induced recharge and access to Re-Operation water is appropriate and in
23 furtherance of the OBMP Implementation Plan and the Physical Solution; and

24 (e) Find that the establishment of the Safe Storage Reserve, as defined in the
25 Agreement, does not unreasonably restrict the withdrawal of water from storage accounts
26 because: (i) the Safe Storage Reserve is 130,000 AF and present quantities are in excess of
27 350,000 AF; (ii) it is highly unlikely that the Parties to the Judgment could physically pump
28 enough groundwater from the Basin to reach the cumulative trigger of 150,000 AF in less than

1 five (5) years given current infrastructure; (iii) the Appropriate Pool has committed to exercise
2 Best Efforts to prepare a Storage Management Plan within two (2) years of the effective date and
3 no reserve quantities are under discussion; (iv) even if the Safe Storage Reserve of 130,000 AF
4 were implemented, access to stored water is available for emergencies and Desalter
5 replenishment; and (v) Watermaster has the authority under the Judgment to manage all storage
6 within the Basin.

7 On this basis, order Watermaster to proceed with the implementation of the 2015 Safe
8 Yield Reset Agreement as consistent with Watermaster's obligations pursuant to Optimum Basin
9 Management Program Implementation Plan and its Rules and Regulations, in furtherance of the
10 Basin's Physical Solution, and consistent with Article X, section 2 of the California Constitution.

11 (3) Order Watermaster to comply with the 2015 Safe Yield Reset Agreement, and to
12 adopt all necessary policies and procedures in order to implement the 2015 Safe Yield Reset
13 Agreement, on or before June 30, 2016, unless an earlier date is specified in the 2015 Safe Yield
14 Reset Agreement.

15 (4) Order that Paragraph 6 of the Restated Judgment is hereby amended to read as
16 follows: "Safe Yield. The Safe Yield of the Basin is 135,000 acre feet per year." The effective
17 date of the amendment to Paragraph 6 of the Restated Judgment is July 1, 2010.

18 (5) Order that the schedule accounting for Desalter-induced recharge and access to
19 Re-Operation water shown in Attachment "2" hereto is appropriate and in furtherance of the
20 OBMP Implementation Plan and the Physical Solution, and is approved.

21 (6) Order that, at the expiration of the Peace II Agreement, the Peace II provisions
22 relating to the distribution of surplus (unpumped) water by the Agricultural Pool requiring that
23 claims for the Early Transfer of 32,800 AFY and for Land Use Conversion be treated equally are
24 expressly repealed, including (i) the amendment to Section 6.3(c) of Watermaster's Rules and
25 Regulations, pursuant to the Peace II measures, and (ii) Section III.(6) of the October 8, 2010
26 Order Approving Watermaster's Compliance with Condition Subsequent Number Eight and
27 Approving Procedures to be used to Allocate Surplus Agricultural Pool Water in the Event of a
28 Decline in Safe Yield.

(7) Order that, in any extension term of the Peace Agreement, the previous changes to the Restated Judgment, Exhibit "H", Paragraph 10(b)(i) as effectuated by Paragraph 4.4(c) of the Peace Agreement, which to the extent sufficient unallocated Safe Yield from the Agricultural Pool is available for land use conversion claims, allocate 2.0 acre-feet of unallocated Safe Yield water for each acre, shall remain in effect.

Dated: October 23, 2015

BROWNSTEIN HYATT FARBER
SCHRECK, LLP



By: _____

SCOTT S. SLATER
BRADLEY J. HERREMA
ATTORNEYS FOR
CHINO BASIN WATERMASTER

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Attachment 1

2015 SAFE YIELD RESET AGREEMENT

WHEREAS, the Parties to this 2015 Safe Yield Reset Agreement (hereinafter, the "Agreement") are Parties or successors to Parties in *Chino Basin Municipal Water District v. City of Chino* (San Bernardino Superior Court Case No. 51010) and the Judgment in that case set the Safe Yield of the Chino Basin at 140,000 acre-feet per year (AFY), but reserved continuing jurisdiction to the Court to amend the Judgment, inter alia, to redetermine the Safe Yield after the first 10 years of operation of the Physical Solution established under the Judgment;

WHEREAS, the Parties to the Judgment have executed; and Watermaster, with the advice and consent of the Pools and Advisory Committees, has endorsed; and the Court has approved, the following agreements to implement the Physical Solution ("Court Approved Management Agreements"):

[1] the Chino Basin Peace Agreement, dated June 29, 2000, as subsequently amended in September 2004 and December 2007;

[2] the Peace II Measures (Court approved on December 21, 2007);

[3] the OBMP Implementation Plan dated June 29, 2000, as supplemented in December 2007;

[4] the Recharge Master Plan, dated 1998, as updated in 2010 and amended in 2013;

[5] the Watermaster Rules and Regulations dated June 2000, as amended;

[6] the October 8, 2010 Order Approving Watermaster's Compliance with Condition Subsequent Number Eight and Approving Procedures to be used to Allocated Surplus Agricultural Pool Water in the Event of a Decline in Safe Yield and

[7] Watermaster Resolution 2010-04 ("Resolution of the Chino Basin Watermaster regarding Implementation of the Peace II Agreement and the Phase III Desalter Expansion in Accordance with the December 21, 2007 Order of the San Bernardino Superior Court);

WHEREAS, the parties to this Agreement have reviewed evidence that the conditions affecting the Safe Yield of the Basin have changed since the Judgment was entered in 1978 and evidence supporting reset of the Safe Yield of the Basin to 135,000 AFY;

WHEREAS, questions have arisen concerning the interpretation and implementation of the Judgment and the Court Approved Management Agreements, and the Parties to this Agreement intend to address those questions and settle their

disputes and compromise their respective claims as to the subject matter set forth herein as expressly provided for in this Agreement;

WHEREAS, the Parties intend this Agreement to be consistent with, and further the implementation of, the Judgment and the Court Approved Management Agreements. The terms of this Agreement shall not constitute an amendment to the Judgment or the Court Approved Management Agreements, but shall be construed and implemented consistently with the Judgment and Court Approved Management Agreements; and

NOW, THEREFORE, in consideration of the mutual promises specified herein and by conditioning their performance under this Agreement upon the conditions precedent set forth in Article 2 herein, and for other good and valuable consideration, the Parties agree as follows:

ARTICLE 1 DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Definitions.

(a) "2001-2014 Stormwater Recharge Program" means those specific recharge projects that were previously approved and initiated by Watermaster during production years 2001-2014 (e.g., Chino Basin Facilities Improvement Plan, and Chino Basin Facilities Improvement Plan II). The 2001-2014 Stormwater Recharge Program does not include projects identified in the 2013 Amendment to the 2010 Recharge Master Plan Update.

(b) "Advisory Committee" shall have the meaning as used in the Judgment for the Advisory Committee.

(c) "Agricultural Pool" shall have the meaning of Overlying (Agricultural) Pool as used in the Judgment and shall include all its members.

(d) "Appropriative Pool" shall have the meaning as used in the Judgment and shall include all its members.

(e) "Assessment Package" means Watermaster's annual report of that title, which summarizes allocations of Production rights, Production, and related data (e.g., water transfers, storage accounting) relative to the previous Production Year. Based on this information, the report includes the calculation of each Party's share of Assessments for the applicable fiscal year's Watermaster-approved budget.

(f) “Best Efforts” means reasonable diligence and reasonable efforts under the totality of the circumstances. Indifference and inaction do not constitute Best Efforts. Futile action(s) are not required.

(g) “Chino Basin” or “Basin” means the groundwater basin underlying the area shown on Exhibit “B” to the Judgment and within the boundaries described on Exhibit “K” to the Judgment.

(h) “Desalter” and “Desalters” means the Chino I Desalter, Chino I Desalter Expansion, the Chino II Desalter and Future Desalters, consisting of all the capital facilities and processes that remove salt from Basin Water, including extraction wells, transmission facilities for delivery of groundwater to the Desalter, Desalter treatment and delivery facilities for the Desalter water including pumping and storage facilities, and treatment and disposal capacity in the SARI System.

(i) “Effective Date” means the date upon which all conditions precedent, described in Article 2.1, are satisfied.

(j) “Hydraulic Control” means the reduction of groundwater discharge from the Chino North Management Zone to the Santa Ana River to *de minimus* quantities. The Chino North Management Zone is defined in the 2004 Basin Plan Amendment (RWQCB resolution R8-2004-001) attached to the Peace II Agreement as Exhibit “B.”

(k) “Material Physical Injury” means material injury that is attributable to the Recharge, Transfer, storage and recovery, management, movement or Production of water, or implementation of the OBMP, including, but not limited to, degradation of water quality, liquefaction, land subsidence, increases in pump lift (lower water levels) and adverse impacts associated with rising groundwater. Material Physical Injury does not include “economic injury” that results from other than physical causes. Once fully mitigated, physical injury shall no longer be considered to be material.

(l) “Net New Recharge” means the stormwater recharge caused by the implementation of a Post-2014 Stormwater Recharge Project, upon its construction and operation, less the decrease in recharge at stormwater recharge projects existing at the time of implementation, which decrease is attributable to the new projects.

(m) “New Yield” means proven increases in yield in quantities greater than historical amounts from sources of supply including, but not limited to, capture of rising water, capture of available storm flow, operation of the Desalters (including the Chino I Desalter), induced Recharge and other management activities implemented and operational after June 1, 2000.

(n) "Non-Agricultural Pool" shall have the meaning as used in the Judgment for the Overlying (Non-Agricultural) Pool and shall include all its members.

(o) "Operating Safe Yield" means the annual amount of groundwater which Watermaster shall determine, pursuant to criteria specified in Exhibit "I" to the Judgment, can be Produced from Chino Basin by the Appropriative Pool parties free of Replenishment obligation under the Physical Solution. Watermaster shall include any New Yield in determining Operating Safe Yield.

(p) "Participation Share" means a member of the Appropriative Pool's prescribed share of the potential Post-2014 Stormwater Recharge Project Net New Recharge benefits and corresponding financial obligations.

(q) "Party" means a party to this Agreement.

(r) "Party to the Judgment" means a party to the Judgment regardless of whether it has executed this Agreement.

(s) "Physical Solution" shall have the meaning of Physical Solution as described in the Judgment.

(t) "Post-2014 Stormwater Recharge Program" means a suite of Post-2014 Stormwater Recharge Projects that are considered together for approval and initiation.

(u) "Post-2014 Stormwater Recharge Project" means a stormwater recharge project, including the improvement of a previously existing project, that was not in existence in Production Year 2014 but is approved and initiated thereafter (i.e., a project other than those within the 2001-2014 Stormwater Recharge Program) and is included within a Post-2014 Stormwater Recharge Program.

(v) "Produce" or "Produced" means to pump or extract groundwater from the Chino Basin.

(w) "Production" means the annual quantity, stated in acre-feet, of water Produced from the Chino Basin.

(x) "Production Year" means the fiscal year, July 1 through June 30 following, for which Production and related data are used to calculate the Assessment Package of the following year.

(y) "Re-Operation" means the controlled overdraft of the Basin by the managed withdrawal of groundwater Production for the Desalters

and the potential increase in the cumulative un-replenished Production from 200,000 acre-feet authorized by Paragraph 3 of the Engineering Appendix attached as Exhibit "I" to the Judgment, to 600,000 acre-feet for the express purpose of securing and maintaining Hydraulic Control as a component of the Physical Solution.

(z) "Reset Technical Memorandum" means the memorandum attached hereto and incorporated herein as Exhibit "A," which sets forth the methodology pursuant to which the Safe Yield is evaluated or reset.

(aa) "Safe Yield" shall have the meaning of Safe Yield as used in the Restated Judgment.

(bb) "Safe Storage Reserve" shall mean the 130,000 AF reserve composed of stored water held in the non-Supplemental Water storage accounts of individual members of the Appropriative Pool, that may be conditionally accessed as described in Paragraph 6.2 of this Agreement.

(cc) "Storage Management Plan" shall mean a long-term plan for ensuring that, consistent with Program Elements 8 and 9 of the Optimum Basin Management Program Implementation Plan and section 5.2 of the Peace Agreement, use of the Basin's Safe Storage Capacity, as defined in the Optimum Basin Management Program Implementation Plan, is safe, sustainable, and will not cause Material Physical Injury or undesirable results.

(dd) "Supplemental Water" includes both water imported to Chino Basin from outside Chino Basin Watershed and reclaimed water.

(ee) Unless otherwise expressly provided herein, all definitions set forth in the Peace Agreement, the Peace II Agreement, and the Restated Judgment are applicable to the terms as they are used herein.

1.2 Rules of Construction.

(a) Unless the context clearly requires otherwise:

- (i) The plural and singular forms include the other;
- (ii) "Shall," "will," "must," and "agrees" are each mandatory;
- (iii) "May" is permissive;
- (iv) "Or" is not exclusive;
- (v) "Includes" and "including" are not limiting; and

- (vi) "Between" includes the ends of the identified range.
- (b) Headings at the beginning of Articles, Paragraphs and Subparagraphs of this Agreement are solely for the convenience of the Parties, are not a part of this Agreement and shall not be used in construing it.
- (c) The masculine gender shall include the feminine and neuter genders and vice versa.
- (d) The word "person" shall include individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, water district and other entity of whatever nature.
- (e) Reference to any agreement (including this Agreement), document, or instrument means such agreement, document, instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms thereof.
- (f) Except as specifically provided herein, reference to any law, statute or ordinance, regulation or the like means such law as amended, modified, codified or reenacted, in whole or in part and in effect from time to time, including any rules and regulations promulgated thereunder.
- (g) In the event of a conflict between this Agreement and the Judgment, the Judgment shall prevail. The terms of the Peace Agreement, Peace II Agreement, and this Agreement shall be construed as an integrated set of agreements; but, where the subject matter of this Agreement expressly provides guidance, direction, construction, or interpretation, those terms of this Agreement shall prevail.

1.3 Incorporation of Recitals and Exhibits. The Recitals set forth above are incorporated in this Agreement and made a part hereof. All exhibits attached hereto are incorporated by this reference as though fully stated herein.

1.4 Reservation of Discretion. Execution of this Agreement is not intended to commit any Party to undertake a project without compliance with CEQA or to commit the Parties individually or collectively to any specific course of action, which would result in the present approval of a future project.

1.5 Commitments are Consistent with CEQA. The Parties acknowledge and agree that this Agreement provides for the further administration of the Judgment by

Watermaster following the reset of the Safe Yield, pursuant to the Court's continuing jurisdiction, and that no commitment is being made to carry out any "project" within the meaning of CEQA unless and until the environmental review and assessment that may be required by CEQA for that defined "project" have been completed.

ARTICLE 2 CONDITIONS PRECEDENT

2.1 Performance under Articles 3 through 10 is Subject to Satisfaction of the Conditions Precedent. Each Party's obligations under this Agreement are subject to the satisfaction of the following conditions precedent on or before the dates specified below, unless satisfaction of a specified condition is waived in writing by all other Parties;

- (a) Watermaster approval of Resolution 2015-06 in the form attached hereto as Exhibit "F", including the following Attachments thereto:
 - (i) 2015 Safe Yield Reset Agreement;
 - (ii) Proposed Order amending Paragraph 6 of the Restated Judgment; and
 - (iii) Amended schedule for access to Re-Operation water.
- (b) Court orders:
 - (i) Amending Paragraph 6 of the Restated Judgment, as shown in Exhibit "B" to Resolution 2015-06, to provide that the Safe Yield of the Chino Basin is 135,000 acre feet per year;
 - (ii) Amending the schedule for access to Re-Operation water as shown in Exhibit "C" to Resolution 2015-06; and
 - (iii) Directing Watermaster to proceed in accordance with the terms of the Agreement on Redetermination and Reset of Safe Yield, as embodied in Resolution 2015-06.

ARTICLE 3 MUTUAL ACKNOWLEDGEMENT AND COVENANTS

3.1 Acknowledgment of Safe Yield Reset. The collective actions of Watermaster set forth in Watermaster Resolution 2015-06 and the Attachments thereto constitute further actions by Watermaster in implementing the OBMP Implementation Plan and administration of the Judgment post-reset in accordance with the Judgment

3.2 Non-Opposition. No Party shall oppose Watermaster's administration of the Judgment as set forth in this Agreement. Notwithstanding this covenant, no Party shall be limited in its right of participation in all functions of Watermaster as they are provided in the Judgment nor shall a Party to the Judgment be precluded from seeking judicial review (i) of Watermaster actions not related to this Agreement; or (ii) to determine the consistency of Watermaster actions with this Agreement, pursuant to the Judgment or as otherwise provided in this Agreement.

3.3 Consent to Amendments. Each Party expressly consents to the amendment of Paragraph 6 of the Restated Judgment and to the amendment to the schedule for access to Re-Operation water set forth in Watermaster's Resolution 2015-06.

3.4 Stewardship. Each of the Parties acknowledges its individual duty and the collective stewardship obligation of all Parties to the Judgment to manage the precious water resources of this State, and, more specifically, all waters of the Chino Basin, in accordance with the Constitutional requirements set forth in Article X, section 2 of the California Constitution, which states, in part:

It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare.

The Parties will exercise their best efforts toward the optimization of groundwater management in the Basin to ensure the maximum reasonable and beneficial use thereof.

3.5 Supplemental Water Recharge. The Parties acknowledge the obligations of Watermaster, pursuant to Peace Agreement sections 5.1 and Peace II Agreement section 8.4, to exercise Best Efforts to direct Recharge relative to Production in each area and sub-area of the Basin to achieve and maintain long term balance between total Recharge and discharge and to promote the goal of equal access to groundwater within all areas and sub-areas of the Basin, and to direct wet water Supplemental Water recharge to Management Zone 1 in an amount equal to or greater than 6,500 AFY.

ARTICLE 4 SAFE YIELD RESET

4.1 Safe Yield Reset. Consistent with the prior orders of the Court pursuant to its continuing jurisdiction, effective July 1, 2010 and continuing until June 30, 2020,

the Safe Yield for the Basin is reset at 135,000 AFY. For all purposes arising under the Judgment, the Peace Agreement(s) and the OBMP Implementation Plan, the Safe Yield shall be 135,000 AFY, without exception, unless and until Safe Yield is reset in accordance with the procedures set forth in this Article 4, and determined by the Court pursuant to its retained continuing jurisdiction. Any reduction in Safe Yield pursuant to Paragraph 5.2(b), below, shall be a reduction from this 135,000 AFY.

4.2 Scheduled Reset. Watermaster will initiate a process to evaluate and reset the Safe Yield by July 1, 2020 as further provided herein. Subject to the provisions of Paragraph 4.3 below, the Safe Yield, as it is reset effective July 1, 2020 will continue until June 30, 2030. Watermaster will initiate the reset process no later than January 1, 2019, in order to ensure that the Safe Yield, as reset, may be approved by the Court no later than June 30, 2020. Consistent with the provisions of the OBMP Implementation Plan, thereafter, Watermaster will conduct a Safe Yield evaluation and reset process no less frequently than every ten years. This Paragraph is deemed to satisfy Watermaster's obligation, under Paragraph 3.(b) of Exhibit "I" to the Restated Judgment, to provide notice of a potential change in Operating Safe Yield.

4.3 Interim Correction. In addition to the scheduled reset set forth in Paragraph 4.2 above, the Safe Yield may be reset in the event that, with the recommendation and advice of the Pools and Advisory Committee and in the exercise of prudent management discretion described in Paragraph 4.5(c), below, Watermaster recommends to the Court that the Safe Yield must be changed by an amount greater (more or less) than 2.5% of the then-effective Safe Yield.

4.4 Safe Yield Reset Methodology. The Safe Yield has been reset effective July 1, 2010 and shall be subsequently evaluated pursuant to the methodology set forth in the Reset Technical Memorandum attached hereto and incorporated herein as Exhibit "A". The reset will rely upon long-term hydrology and will include data from 1921 to the date of the reset evaluation. The long-term hydrology will be continuously expanded to account for new data from each year, through July 2030, as it becomes available. This methodology will thereby account for short-term climatic variations, wet and dry. Based on the best information practicably available to Watermaster, the Reset Technical Memorandum sets forth a prudent and reasonable professional methodology to evaluate the then prevailing Safe Yield in a manner consistent with the Judgment, the Peace Agreements, and the OBMP Implementation Plan. In furtherance of the goal of maximizing the beneficial use of the waters of the Chino Basin, Watermaster, with the recommendation and advice of the Pools and Advisory Committee, may supplement the Reset Technical Memorandum's methodology to incorporate future advances in best management practices and hydrologic science as they evolve over the term of this Agreement.

4.5 Annual Data Collection and Evaluation. In support of its obligations to undertake the reset in accordance with the Reset Technical Memorandum, Watermaster shall annually undertake the following actions:

- (a) Ensure that, unless a Party to the Judgment is excluded from reporting, all production by all Parties to the Judgment is metered, reported, and reflected in Watermaster's approved Assessment Packages;
- (b) Collect data concerning cultural conditions annually, with cultural conditions including, but not limited to, land use, water use practices, production, and facilities for the production, generation, storage, recharge, treatment, or transmission of water;
- (c) Evaluate the potential need for prudent management discretion to avoid or mitigate undesirable results including, but not limited to, subsidence, water quality degradation, and unreasonable pump lifts. Where the evaluation of available data suggests that there has been or will be a material change from existing and projected conditions or threatened undesirable results, then a more significant evaluation, including modeling, as described in the Reset Technical Memorandum, will be undertaken; and,
- (d) As part of its regular budgeting process, develop a budget for the annual data collection, data evaluation, and any scheduled modeling efforts, including the methodology for the allocation of expenses among the Parties to the Judgment. Such budget development shall be consistent with section 5.4(a) of the Peace Agreement.

4.6 Modeling. Watermaster shall cause the Basin Model to be updated and a model evaluation of Safe Yield, in a manner consistent with the Reset Technical Memorandum, to be initiated no later than January 1, 2024, in order to ensure that the same may be completed by June 30, 2025.

4.7 Peer Review. The Pools shall be provided with reasonable opportunity, no less frequently than annually, for peer review of the collection of data and the application of the data collected in regard to the activities described in Paragraphs 4.4, 4.5, and 4.6 above.

4.8 No Retroactive Accounting. Notwithstanding that the initial Safe Yield reset, described in Paragraph 4.1, above, shall be effective as of July 1, 2010, Watermaster will not, in any manner, including through the approval of its Assessment Packages, seek to change prior accounting of the prior allocation of Safe Yield and Operating Safe Yield among the Parties to the Judgment for production years prior to July 1, 2014.

ARTICLE 5 WATERMASTER ACCOUNTING

5.1 Stormwater Recharge. After the Effective Date and until termination of this Agreement, the Parties expressly consent to Watermaster's accounting for Basin recharge arising from stormwater as follows:

- (a) 2001-2014 Stormwater Recharge Program. Stormwater recharge that arises from or is attributable to the 2001-2014 Stormwater Recharge Program shall be: (i) New Yield for the period 2001-2014 in the manner that it has been distributed through approved Watermaster Assessment Packages; and (ii) Safe Yield in each subsequent year. For the 2001-2014 Stormwater Recharge Program, Watermaster shall cause no reduction against Safe Yield requiring supplementation by the reallocation of a portion of the unproduced Overlying (Agricultural) Pool's share of the Basin's Safe Yield.
- (b) Post-2014 Stormwater Recharge Projects. For the remainder of the term of the Peace Agreement, inclusive of an extension term, if any, stormwater recharge that arises from or is attributable to Post-2014 Stormwater Recharge Projects shall be allocated as set forth in this Paragraph 5.1(b).
 - (i) Interim Accounting Between Resets. For any and all Post-2014 Stormwater Recharge Projects completed in the interim periods between subsequent Safe Yield resets, Net New Recharge attributable to specific Post-2014 Stormwater Recharge Projects shall be New Yield, as that term is defined in the Peace Agreement and will be allocated based upon observed and quantified annual net-increases rather than projected future estimates of annual performance. New Yield attributable to Post-2014 Stormwater Recharge Projects shall be credited annually to the Project participants, in the Production Year in which such New Yield actually arises. Post-2014 Stormwater Recharge Project New Yield is in addition to Safe Yield and therefore by definition it shall cause no reduction against Safe Yield requiring supplementation by the reallocation of a portion of the unproduced Overlying (Agricultural) Pool's share of the Basin's Safe Yield.
 - (ii) Post-Safe Yield Reset Accounting for Post-2014 Stormwater Recharge Projects. Upon any reset of the Safe Yield after 2015, any Net New Recharge that occurs

as a result of specific Post-2014 Stormwater Recharge Projects that have been previously approved and fully implemented at the time of the reset shall be considered as a potential change in cultural conditions as provided in the Reset Technical Memorandum and thereafter considered a component of the Safe Yield if the Post-2014 Stormwater Recharge Projects to which the Net New Recharge is attributable have been constructed and in operation for a minimum of five (5) years prior to the reset. The Net New Recharge will be measured and accounted for and will be made available exclusively to the members of the Appropriative Pool in accordance with Paragraph 5.1(c) below. Following a reset of the Safe Yield, Post-2014 Stormwater Recharge Project recharge will be included within Safe Yield and its separate measurement and allocation shall cause no reduction against Safe Yield requiring supplementation by the reallocation of a portion of the unproduced Overlying (Agricultural) Pool's share of the Basin's Safe Yield. Moreover, Post-2014 Stormwater Recharge Projects that have been fully constructed and in operation for less than five (5) years or the Net New Recharge from which is otherwise not included as a component of Safe Yield pursuant to the Reset Technical Memorandum, will be treated "as if" the Net New Recharge were Safe Yield for the limited and exclusive purpose of quantifying the annual supplementation by the reallocation of a portion of the unproduced Overlying (Agricultural) Pool's share of the Basin's Safe Yield. To assist the Parties to the Agreement in their understanding of this section, examples of how Watermaster will conduct the accounting described in this Section 5.1(b)(ii) are included in Exhibit "B" hereto.

- (c) Participation in Post-2014 Stormwater Recharge Programs. The Parties contemplate that Post-2014 Stormwater Recharge Projects, such as those projects described in Watermaster's Court-approved 2013 Amendment to 2010 Recharge Master Plan Update, may be completed after the Effective Date, as part of suites of such Projects (each suite of Projects, a "Post-2014 Stormwater Recharge Program" and collectively, "Post-2014 Stormwater Recharge Programs"). Watermaster shall prepare an estimate of the Net New Recharge projected to arise from or be attributable to proposed Post-2014 Stormwater Recharge Programs. Based on this pre-approval estimate, Watermaster shall quantify each member of the Appropriative Pool's

proportionate share of the potential Net New Recharge benefits in accordance with its percentage of Operating Safe Yield and calculate its corresponding capital financing obligations. Each Appropriative Pool member's proportionate share of the potential Program Net New Recharge benefits and corresponding financing obligations shall be referred to as its "Participation Share" in the Program. The Participation Shares in a particular Program shall remain unchanged regardless of actual Program yield. Within six months of the Effective Date, Watermaster, with the recommendation and advice of the Pools and Advisory Committee, will develop rules and regulations for the definition of Post-2014 Stormwater Programs and Participation Shares therein.

Any member of the Appropriative Pool may elect, in its discretion, not to participate in certain Post-2014 Stormwater Recharge Programs. In the case a member of the Appropriative Pool has cast a final vote against an approved Post-2014 Stormwater Recharge Program, then that member may elect, in its complete discretion, to opt out of its Participation Share, by providing written notice to the members of the Appropriative Pool, within ninety (90) days of the approval of the Post-2014 Stormwater Recharge Program. Notice shall be provided through a request that the election be placed on the agenda of a regularly scheduled meeting of the Appropriative Pool, and offering the other members of the Appropriative Pool the right to assume its respective Participation Share of stormwater recharge New Yield or Safe Yield attributable to the Post-2014 Stormwater Recharge Program, along with the Pool member's assumption of all applicable rights and responsibilities.

- (i) In the event that one or more members of the Appropriative Pool voting against the approval of a Post-2014 Stormwater Recharge Program elects to opt out of its Participation Share therein, each shall permanently waive and relinquish, without limitation, all right to all the benefits accruing under its Participation Share of a Post-2014 Stormwater Recharge Program;
- (ii) An Appropriative Pool member electing to opt out of participation in a Post-2014 Stormwater Recharge Program shall be assigned no further financial obligation attributable to a Participation Share in the Post-2014 Stormwater Recharge Program that was the subject of the election;

- (iii) Fontana Water Company (FWC), a member of the Appropriative Pool, and any successor in interest thereto, shall have the first priority and exclusive right and obligation to acquire the Participation Shares, representing up to 2,000 AFY (cumulative maximum) of projected annual average recharge arising from or attributable to one or more Post-2014 Stormwater Recharge Programs, which may be made available by one or more members of the Appropriative Pool opting out of the Post-2014 Stormwater Recharge Programs. If Participation Shares in Post-2014 Stormwater Recharge Programs are available in excess of FWC's first priority right of up to 2,000 AFY under this provision, then each member of the Appropriative Pool may elect to participate in the acquisition of the excess Participation Shares along with its corresponding assumption of duties associated therewith. Available Participation Shares shall be distributed among the members of the Appropriative Pool electing to acquire the Participation Shares, pro rata based on the total number of members electing to acquire, including FWC. The acquisition of any obligations and benefits pursuant to this Paragraph shall survive the expiration of the Peace Agreement, for the life of the Post-2014 Stormwater Recharge Program, pursuant to the same terms and conditions generally applicable to all Project Participants.
- (iv) FWC shall have a right of first refusal (ROFR) as to any transfer, lease, or assignment (collectively "transfer") of any portion of a Participation Share by any member of the Appropriative Pool until a cumulative maximum of 2,000 AFY of Participation Shares has been acquired by FWC. Any member of the Appropriative Pool desiring to transfer any portion of its Participation Share will provide sixty (60) days written notice of its intention to transfer to FWC along with a copy of any agreement and accompanied by a reasonable description of the transfer. Upon its receipt of written notice, FWC may, in its complete discretion, elect to match the offer and the Appropriative Pool member providing its notice of intention to transfer must sell the identified Participation Shares. After FWC has acquired a cumulative total of 2,000 AFY of Participation Shares, its right to share in Post-2014 Stormwater Recharge Programs shall be limited to the provisions of Paragraph 5.1(c)(iii) above. FWC's ROFR, as described in this

Section 5.1(c)(iv), shall be limited only to those transfers as to which the City of Ontario is not the proposed transferee.

5.2 Desalter-Induced Recharge. After the Effective Date and until termination of this Agreement, the Parties expressly consent to Watermaster's accounting for Basin recharge arising from or attributable the Desalters as follows:

- (a) 2001-2014 Desalter-Induced Recharge. Induced recharge that arises from or is attributable to the Desalters for the period of production years 2001-2014 shall be accounted for as Safe Yield, in the manner it has been distributed through approved Watermaster Assessment Packages, shall not be considered New Yield, and shall not be considered to have been available for production by the Desalters.
- (b) 2015-2030 Desalter-Induced Recharge. For the production years of 2015- 2030, Watermaster shall account for induced recharge that arises from or is attributable to the Desalters as equal to fifty (50) percent of the total Desalter Production during each applicable production year up to a maximum of twenty-thousand (20,000) AFY of recharge. Consistent with Paragraph 6.2(a)(iii) of the Peace II Agreement, Watermaster shall deem the induced recharge as having been produced by the Desalters. During each applicable production year, Watermaster shall reduce Safe Yield by an amount equal to fifty (50) percent of the total Desalter Production, up to a maximum of twenty-thousand (20,000) AFY, and require a corresponding supplementation by the reallocation of available unproduced Agricultural Pool's share of the Basin's Safe Yield.

Claims for reallocation of the remaining unproduced quantity of the Agricultural Pool's share of Safe Yield shall be satisfied consistent with section 6.3(c) of Watermaster's Rules and Regulations, as amended as part of the Peace II Measures, and the October 8, 2010 Order Approving Watermaster's Compliance with Condition Subsequent Number Eight and Approving Procedures to be used to Allocated Surplus Agricultural Pool Water in the Event of a Decline in Safe Yield.

- (c) 2031-2060 Desalter-Induced Recharge. Should the term of the Peace Agreement be extended pursuant to Paragraph 8.4 thereof, the treatment of Desalter-Induced Recharge shall be subject to the negotiation of a new and separate agreement among the Parties to the Judgment. The accounting provided for in Section 5.2(b), above, shall be without prejudice to the

negotiation of such a new and separate agreement among the Parties to the Judgment. Unless otherwise agreed by the Parties, during the extension term, Watermaster shall not consider such recharge to require supplementation by the reallocation of a portion of the unproduced Agricultural Pool's share of Safe Yield.

5.3 Post-2030 Priority among Land Use Conversion and Early Transfer Claims. At the expiration of the Peace II Agreement, the Peace II provisions relating to the distribution of surplus (unpumped) water by the Agricultural Pool requiring that claims for the Early Transfer of 32,800 AFY and for Land Use Conversion be treated equally are expressly repealed, including (i) the amendment to Section 6.3(c) of Watermaster's Rules and Regulations, pursuant to the Peace II measures, and (ii) Section III.(6) of the October 8, 2010 Order Approving Watermaster's Compliance with Condition Subsequent Number Eight and Approving Procedures to be used to Allocate Surplus Agricultural Pool Water in the Event of a Decline in Safe Yield. In any Peace Agreement extension term, the previous changes to Restated Judgment, Exhibit "H", Paragraph 10(b)(3)(i) effectuated by Paragraph 4.4(c) of the Peace Agreement, which, to the extent sufficient unallocated Safe Yield from the Agricultural Pool is available for conversion claims, allocate 2.0 acre-feet of unallocated Safe Yield water for each converted acre, shall remain in effect.

ARTICLE 6 SAFE STORAGE MANAGEMENT

6.1 Safe Storage Management. The following measures ensure that withdrawals of groundwater from authorized storage accounts within the Basin are safe, sustainable, and will not cause Material Physical Injury or undesirable results.

6.2 Safe Storage Reserve. A Safe Storage Reserve is established in the amount of one hundred thirty thousand (130,000) AF. This quantity is sufficient to ensure protection against a precipitous drop in water levels, undesirable results, and Material Physical Injury while a Storage Management Plan is developed by the Parties.

- (a) The Safe Storage Reserve shall be composed of water in the non-Supplemental Water stored water accounts of members of the Appropriative Pool, apportioned among them in accordance with their relative percentages of their quantity of non-Supplemental Water held in groundwater storage on July 1, 2015, consistent with the illustration shown in Exhibit "C," attached hereto, which utilizes existing July 1, 2014 information. Watermaster will update Exhibit "C" and distribute the final table when the quantities of non-Supplemental water held in groundwater storage on July 1, 2015 become available. For the avoidance of doubt, the Safe

Storage Reserve shall not include water in the non-Supplemental Water stored water accounts of members of the Non-Agricultural Pool.

- (b) Watermaster shall annually report, in its Assessment Package, the quantity of water in non-Supplemental stored water accounts of the members of the Appropriative Pool. In any production year in which Watermaster determines that less than one hundred fifty thousand (150,000) AF exist in non-supplemental stored water accounts, each member of the Appropriative Pool shall maintain a stored water balance in their non-supplemental stored water accounts in an amount equal to or greater than the quantity set forth in Exhibit "C" by the close of that production year.
 - (i) Watermaster will provide written notice to the Chair of the Appropriative Pool within thirty (30) days of its determination that the cumulative quantity of non-supplemental stored water is less than one hundred fifty thousand (150,000) AF.
 - (ii) Members of the Appropriative Pool shall not be restricted in their transactions (withdrawals and transfers to and from storage) unless and until Watermaster has provided notice of its determination that the cumulative quantity of non-supplemental stored water is less than one hundred fifty thousand (150,000) AF. Thereafter, and until quantities of non-supplemental stored water again exceed 150,000 AF, withdrawals from non-supplemental storage shall be subject to the provisions of Paragraph 6.1(c) below.

If, within 24 months of the Effective Date, the Court has not approved a Storage Management Plan pursuant to Paragraph 6.3, below, Watermaster, with the recommendation and advice of the Pools and Advisory Committee, will develop rules and regulations for the administration of its obligations under this Paragraph 6.2(b).

- (c) Withdrawals from Safe Storage Reserve. Members of the Appropriative Pool may make temporary withdrawals from their portions of the Safe Storage Reserve, in the event of an emergency, and permanent withdrawals for Desalter Replenishment as set forth below:

- (i) Emergency. Each member of the Appropriative Pool shall be allowed to temporarily withdraw a quantity equal to 10/13 of its portion of the Safe Storage Reserve in the event that the member of the Appropriative Pool has made a finding, in its discretion, pursuant to Water Code section 350 or other applicable law, that the ordinary demands and requirements of its customers cannot be satisfied by its other supplies such that, without access to this water, it would have insufficient supplies for human consumption, sanitation, and fire protection. The availability of water for withdrawal pursuant to this provision is expressly conditioned upon the full replenishment, at the member's expense, of any temporary withdrawals within thirty six (36) months of the withdrawal, and upon a Watermaster finding that the withdrawal will not result in Material Physical Injury or undesirable results, consistent with the methodology defined in Exhibit "E" hereto.
- (ii) Withdrawal for Desalter Replenishment. After 2024, each member of the Appropriative Pool shall be allowed to withdraw a quantity equal to 3/13 of its portion of the Safe Storage Reserve for the exclusive purpose of replenishment of Desalter production, consistent with Peace II Agreement section 6.2, Watermaster Resolution 2010-04, dedication to Desalter Replenishment in furtherance of the OBMP Implementation Plan and the maintenance of Hydraulic Control. Any such withdrawal of this water is conditioned upon a Watermaster finding that the withdrawal will not result in Material Physical Injury or undesirable results, consistent with the methodology defined in Exhibit "E" hereto.
- (d) The provisions of this Paragraph 6.2 shall remain in effect only until the Court has approved a Storage Management Plan pursuant to Paragraph 6.3, below.

6.3 Development of Storage Management Plan. Within twenty four (24) months of the Effective Date, the Appropriative Pool, in coordination with other interested Pools and Parties to the Judgment, will exercise Best Efforts to develop and recommend, a Storage Management Plan to Watermaster and the Court for approval. Each of the Agricultural Pool Committee, the Non-Agricultural Pool Committee and the Appropriative Pool Committee must approve any Storage Management Plan before it may be presented to the Watermaster, provided that, at any time after exercising good faith and undertaking Best Efforts to reach a mutually acceptable agreement within one year from the initiation of negotiations, any Pool may submit

its proposal to Watermaster, and then to the Court, for review and approval. Pending the Court's approval of a Storage Management Plan, applications for the recharge, storage, and recovery of Supplemental Water will be administered in accordance with the Court Approved Management Agreements.

6.4 Storage Losses. After the Effective Date and until termination of this Agreement, consistent with Exhibit "D" hereto, the "Post-Hydraulic Control uniform loss percentage of less than 1 percent," as that terminology is used in Peace II Agreement 7.4(b), shall be a uniform annual storage loss of 0.07 percent. Storage losses for storage accounts held by persons other than Parties to the Judgment, if any, will be consistent with the requirements of the Peace Agreements. This Paragraph 6.4 shall have no effect on any agreements, in existence at the Effective Date, that provide for the exemption from storage losses of specific quantities of water resident in the Basin.

ARTICLE 7 SETTLEMENT AND RESERVATION OF RIGHTS

7.1 Settlement. By execution of this Agreement, the Parties mutually and irrevocably fully settle their respective claims, rights and obligations, whatever they may be, regarding the timing and methodology of the 2015 Safe Yield Reset, and Watermaster's past and future accounting practices consistent with this Agreement for the apportionment of Basin recharge resulting from 2001-2014 Stormwater Recharge Program, Post-2014 Stormwater Recharge Projects, and Desalter-Induced Recharge.

7.2 Reservation of Rights: General. Nothing herein shall be construed as precluding any Party to the Judgment from seeking judicial review of any Watermaster action on the grounds that Watermaster has failed to act in accordance with the Peace Agreement as amended, the Peace II Agreement, this Agreement, the Amended Judgment, the OBMP Implementation Plan as amended, and applicable law.

7.3 Reservation of Rights: Desalter Replenishment. The Parties expressly reserve their respective rights and remedies arising from the Judgment and the Peace Agreements, whatever they may be, to pursue, promote, design, plan, finance and implement Desalter Replenishment in furtherance of the OBMP Implementation Plan and to allocate costs attributable thereto. Notwithstanding this reservation, the Parties expressly waive their right to seek a re-evaluation of Desalter Replenishment arising from Paragraph 6.2(b) of the Peace II Agreement.

The rights and obligations of the Parties regarding Replenishment Assessments attributable to all Desalters in any renewal term of the Peace Agreement are subject to the negotiation of a new and separate agreement among the Parties to the Judgment.

ARTICLE 8

TERM

8.1 Commencement. This Agreement will become effective upon the satisfaction of all conditions precedent and shall expire on its termination, as described in Paragraph 8.2, below.

8.2 Termination. This Agreement is coterminous with of the term of the Peace Agreement, including any extension thereto, and will expire of its own terms and terminate on the date of the Peace Agreement.

8.3 Survival. Paragraphs 5.1(b)(ii) and 5.1(c) shall survive termination of this agreement.

ARTICLE 9

DISPUTE RESOLUTION

9.1 Scope of Dispute Resolution. Disputes (Disputes) between the Parties other than those constituting an "Exclusion" (defined below), shall be subject to the provisions of this Paragraph.

9.2 Exclusions:

- (a) Emergency. An emergency event which, if not promptly resolved may result in imminent danger to the public health, safety or welfare shall not be subject to dispute resolution.
- (b) Complete Discretion. Those matters reserved to the complete discretion of a Party under this Agreement shall not be subject to dispute resolution.
- (c) Review under the Judgment Unaffected. The rights and remedies of the Parties to the Judgment to seek review of Watermaster actions shall not be subject to dispute resolution.

9.3 Disputes.

- (a) Each Party may submit any Dispute related to or arising under this Agreement to non-binding mediation by delivering a Notice of Dispute to the other Party;
- (b) The written Notice of Dispute prepared by the Party shall be delivered to the other Party in accordance with Section 10.13 of the Peace Agreement. The Notice of Dispute shall clearly describe the basis of the dispute and the Paragraphs of the Agreement under which the Dispute arises;

- (c) The non-binding mediation shall be conducted by Judicial Arbitration Mediation Services (JAMS) or an equivalent mediation service agreed to by the Parties;
- (d) Unless otherwise agreed, a mediator shall be appointed within forty-five (45) days of the date the Notice of Dispute is delivered to hear the dispute and provide a written determination. The mediator shall be chosen jointly by the Parties. If the Parties cannot agree, the Court shall appoint the mediator. Employees or agents of Watermaster or any Party to the Judgment are ineligible to serve as the mediator;
- (e) The mediation shall be held within ninety (90) days of the date the Notice of Dispute is delivered;
- (f) Any statute of limitations applicable to any claims, rights, causes of action, suits, or liabilities of whatever kind or nature, in law, equity or otherwise, whether known or unknown, shall be tolled during the mediation process. For purposes of this Paragraph, the mediation process shall commence upon the service of a Notice of Dispute to the other Party pursuant to Paragraph 9.3(b) above. For purposes of this Paragraph, the mediation process shall be deemed complete ten (10) days after service of the mediator's written notice of the conclusion of the mediation.

ARTICLE 10 GENERAL PROVISIONS

10.1 Construction of this Agreement. Each Party, with the assistance of competent legal counsel, has participated in the drafting of this Agreement and any ambiguity should not be construed for or against any Party on account of such drafting.

10.2 Awareness of Contents/Legal Effect. The Parties expressly declare and represent that they have read the Agreement and that they have consulted with their respective counsel regarding the meaning of the terms and conditions contained herein. The Parties further expressly declare and represent that they fully understand the content and effect of this Agreement and they approve and accept the terms and conditions contained herein, and that this Agreement is executed freely and voluntarily.

10.3 Amendments and/or Changes to Agreement.

- (a) Any amendments and/or changes to this Agreement must be in writing, signed by a duly authorized representative of the Parties hereto, and must expressly state the mutual intent of the Parties to amend this Agreement as set forth herein. The Parties

to this Agreement recognize that the terms and conditions of this Agreement, which are set forth herein in the Paragraphs preceding this Paragraph, have been arrived at through the collective negotiations by the Parties.

- (b) The Parties hereby agree that no amendments and/ or changes may be made to this Agreement without the express written approval of each Party to this Agreement, provided that upon request, no such approval shall be unreasonably withheld.

10.4 Counterparts. This Agreement may be executed in counterparts. This Agreement shall become operative as soon as one counterpart hereof has been executed by each Party. The counterparts so executed shall constitute an Agreement notwithstanding that the signatures of all Parties do not appear on the same page.

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

DATED:

CITY OF ONTARIO

By _____

DATED:

CITY OF POMONA

By _____

DATED:

CITY OF UPLAND

By _____

DATED:

CITY OF CHINO

By_____

DATED:

**CUCAMONGA VALLEY WATER
DISTRICT**

By_____

DATED:

MONTE VISTA WATER DISTRICT

By_____

DATED:

**FONTANA UNION WATER
COMPANY**

By_____

DATED:

CITY OF CHINO HILLS

By_____

DATED:

**JURUPA COMMUNITY SERVICES
DISTRICT**

By_____

DATED:

**OVERLYING (AGRICULTURAL)
POOL**

By_____

DATED:

APPROPRIATIVE POOL

By_____

DATED:

**OVERLYING: (NON-
AGRICULTURAL) POOL**

By_____

DATED:

**INLAND EMPIRE UTILITIES
AGENCY**

By_____

DATED:

**THREE VALLEYS MUNICIPAL
WATER DISTRICT**

By_____

DATED:

**WESTERN MUNICIPAL WATER
DISTRICT**

By_____

DATED:

SAN ANTONIO WATER COMPANY

By_____

DATED:

**CHINO BASIN WATER
CONSERVATION DISTRICT**

By_____

DATED:

**MONTE VISTA IRRIGATION
COMPANY**

By_____

DATED:

FONTANA WATER COMPANY

By_____

EXHIBITS

- A. Reset Technical Memorandum
- B. Section 5.1(b)(ii) Accounting Examples
- C. Safe Storage Reserve Allocation Illustration
- D. Storage Losses Technical Memorandum
- E. Safe Storage Withdrawal Technical Memorandum
- F. Watermaster Resolution No. 2015-06

Exhibit A



Reset Technical Memorandum

To:	Peter Kavounas, General Manager of the Chino Basin Watermaster
From:	Mark Wildermuth and Andy Malone
Date:	August 10, 2015
Subject:	Methodology to Reset Safe Yield Using Long-Term Average Hydrology and Current and Projected Future Cultural Conditions
Job No.:	007-014-076

The Safe Yield of the Chino Basin is defined within the Judgment as:

The *long-term average* annual quantity of ground water (excluding replenishment or stored water but including return flow to the Basin from use of replenishment or stored water) which can be produced from the Basin under *cultural conditions* of a particular year without causing an undesirable result. (emphasis added)

The “long-term average annual quantity of ground water which can be produced from the Basin” is directly related to the long-term average hydrologic conditions, such as precipitation. The “cultural conditions” refer to the overlying land uses and water-management practices that affect the net recharge to the Basin, including but not limited to, impervious cover, channel lining, land use conversions from agricultural to urban uses, installation and operation of the Chino Desalter well fields, construction of recharge basins and the location and magnitude of groundwater pumping, etc.

The Judgment additionally provides for a Physical Solution to provide maximum flexibility and adaptability in order that Watermaster and the Court may be free to use existing and future technological, social, institutional and economic options, in order to maximize beneficial use of the waters of Chino Basin. (Restated Judgment, ¶ 40).

Subject to these requirements, Watermaster developed an optimum basin management program [OBMP] that both preserved the quantity of the Basin’s waters and maximized their beneficial use. (Restated Judgment, ¶ 41).

Watermaster’s OBMP Implementation Plan called for an initial redetermination of Basin’s Safe Yield in 2010/2011, using monitoring data that would be gathered for the first time during 2000/01 through 2009/10. (OBMP Implementation Plan, pages 44-45

[Program Element 8 – Develop and Implement Groundwater Storage Management Program, Program Element 9 – Develop and Implement Storage and Recovery Programs]]. This requirement is additionally carried forward in Section 6.5 of Watermaster’s Rules and Regulations, which states that the “Safe Yield shall be recalculated in year 2010/11 based upon data from the ten-year period 2000/01 to 2009/10.”

The methodology to redetermine the Safe Yield for 2010/11 and the recommended methodology for future Safe Yield evaluations is listed below. This methodology is consistent with professional custom, standard and practice, and the definition of Safe Yield in the Judgment and the Physical Solution.

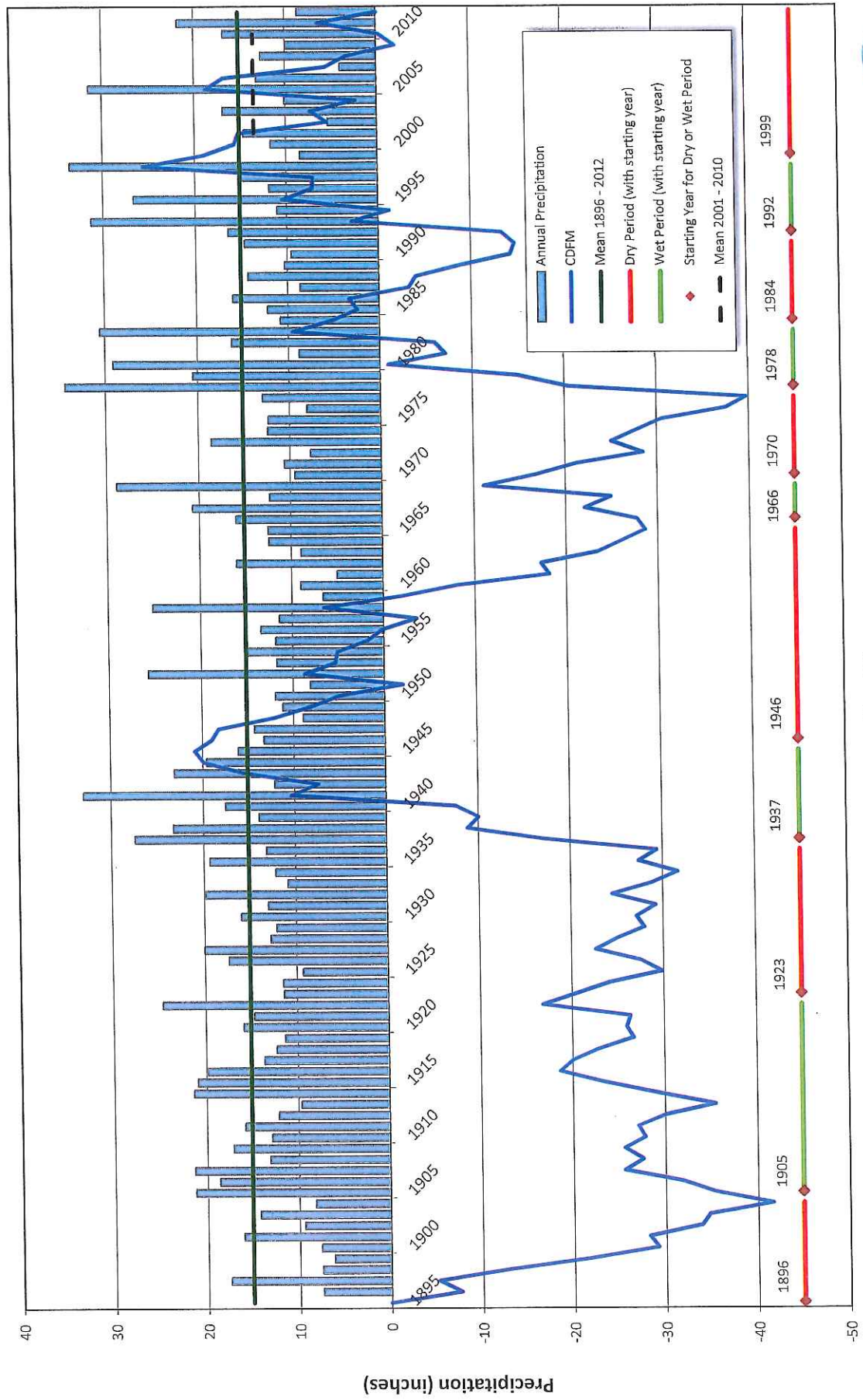
1. Use the data collected during 2000/01 to 2009/10 (and in the case of subsequent resets newly collected data) in the re-calibration process for the Watermaster’s groundwater-flow model.
2. Use a long-term historical record of precipitation falling on current and projected future land uses to estimate the long-term average net recharge to the Basin.
3. Describe the current and projected future cultural conditions, including, but not limited to the plans for pumping, stormwater recharge and supplemental-water recharge.
4. With the information generated in [1] through [3] above, use the groundwater-flow model to redetermine the net recharge to the Chino Basin taking into account the then existing current and projected future cultural conditions.
5. Qualitatively evaluate whether the groundwater production at the net recharge rate estimated in [4] above will cause or threaten to cause "undesirable results" or "Material Physical Injury". If groundwater production at net recharge rate estimated in [4] above will cause or threaten to cause "undesirable results" or "Material Physical Injury" then Watermaster will identify and implement prudent measures necessary to mitigate "undesirable results" or "Material Physical Injury", set the value of Safe Yield to ensure there is no "undesirable results" or "Material Physical Injury", or implement a combination of mitigation measures and a changed Safe Yield.



Figure 1 Annual Precipitation Over the Chino Basin and Cumulative Departure from Mean (CDFM)

Precipitation

Based on Monthly Precipitation Estimates from PRISM



Fiscal Year



Exhibit B

Net Ag Pool Reallocation Scenario Including Desalter-Induced Recharge of 50% Desalter Production Land Use Conversion and Ag Production Based on Linear Projections for Ultimate Build-Out at 2049/2050

Assume build-out is at 2050, and occurs linearly. Based on 11/2014 Watermaster Staff Projections.
 Assume Ultimate Agricultural Total Pool Physical Production (Including Voluntary Agreements) = 6,601
 Assume Ultimate Agricultural Total Pool Voluntary Agreements = 1,560
 Assume Ultimate Land Use Conversion = 50,399

	Production Year															
	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30
Assumptions:																
Change in Safe Yield (= 140,000 AF - New Safe Yield)	135,000	135,000	135,000	135,000	135,000	133,000	133,000	133,000	133,000	133,000	138,000	138,000	138,000	138,000	138,000	140,000
Desalter-Induced Recharge (To Be Allocated Toward DRO Until 2030)	15,000	16,500	18,750	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Backfill Due to Decline in Safe Yield & DRO	20,000	21,500	23,750	25,000	25,000	27,000	27,000	27,000	27,000	27,000	22,000	22,000	22,000	22,000	22,000	20,000
Net New Recharge	-	-	-	1,300	1,500	5,400	4,900	11,850	9,700	9,250	10,900	11,400	9,400	10,900	11,900	11,000
Portion of Net New Recharge That Is Measured Yield (SW New Yield)	-	-	-	1,300	1,500	5,400	4,900	11,850	9,700	9,250	5,500	6,000	4,000	5,500	6,500	-
Portion of Net New Recharge That Is Annualized Yield (Incl. as Safe Yield)	-	-	-	-	-	-	-	-	-	-	5,400	5,400	5,400	5,400	5,400	11,000
Reduction in Backfill (Stormwater Projects "As If")	-	-	-	1,300	1,500	5,400	4,900	7,000	7,000	7,000	2,000	2,000	2,000	2,000	2,000	-
Remaining Total Backfill	20,000	21,500	23,750	23,700	23,500	21,600	22,100	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Agricultural Pool Safe Yield	82,800	82,800	82,800	82,800	82,800	82,800	82,800	82,800	82,800	82,800	82,800	82,800	82,800	82,800	82,800	82,800
Agricultural Total Pool Physical Production	(21,666)	(21,226)	(20,796)	(20,366)	(19,936)	(19,506)	(19,076)	(18,646)	(18,215)	(17,785)	(17,355)	(16,925)	(16,495)	(16,065)	(15,634)	(15,204)
Agricultural Total Pool Voluntary Agreements	(11,275)	(10,997)	(10,720)	(10,442)	(10,164)	(9,887)	(9,609)	(9,332)	(9,054)	(8,777)	(8,499)	(8,222)	(7,944)	(7,666)	(7,389)	(7,111)
Remaining Total Backfill	(20,000)	(21,500)	(23,750)	(23,700)	(23,500)	(21,600)	(22,100)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
Agricultural Pool Safe Yield Available for Reallocation	29,869	29,077	27,534	26,292	29,200	31,807	32,015	34,823	35,530	36,238	36,946	37,654	38,361	39,069	39,777	40,484
Total Land Use Conversions	(26,835)	(27,508)	(28,181)	(28,855)	(29,528)	(30,201)	(30,875)	(31,548)	(32,221)	(32,894)	(33,568)	(34,241)	(34,914)	(35,587)	(36,261)	(36,934)
Early Transfer	(32,800)	(32,800)	(32,800)	(32,800)	(32,800)	(32,800)	(32,800)	(32,800)	(32,800)	(32,800)	(32,800)	(32,800)	(32,800)	(32,800)	(32,800)	(32,800)
Potential for Ag Pool Reallocation	(59,635)	(60,308)	(60,981)	(61,655)	(62,328)	(63,001)	(63,675)	(64,348)	(65,021)	(65,694)	(66,368)	(67,041)	(67,714)	(68,387)	(69,061)	(69,734)
Required Ag Pool Reallocation Adjustment	(29,766)	(31,232)	(33,447)	(33,363)	(33,128)	(31,194)	(31,660)	(29,525)	(29,491)	(29,456)	(29,422)	(29,387)	(29,353)	(29,319)	(29,284)	(29,250)

Net Ag Pool Reallocation Scenario

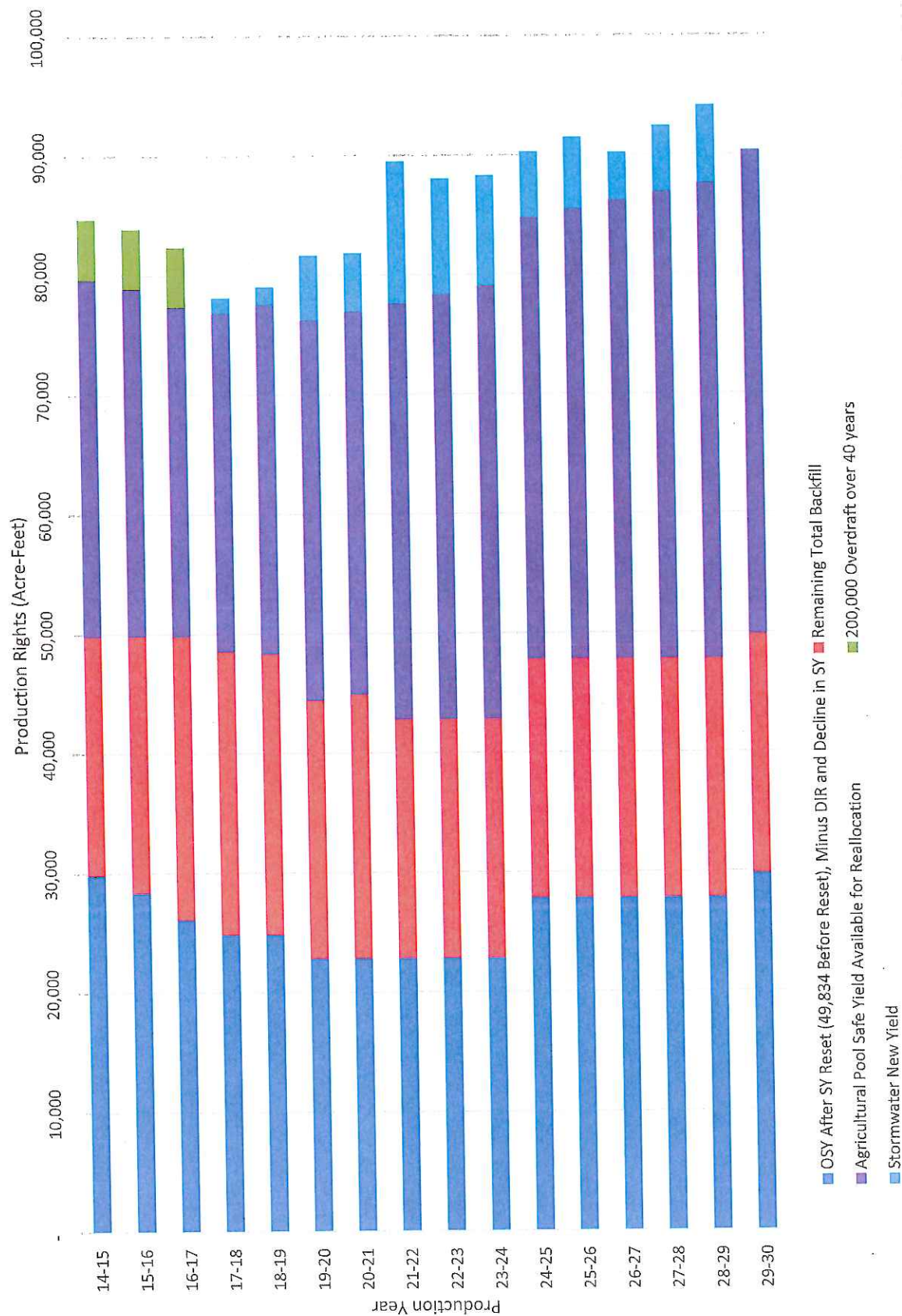


Exhibit C

EXHIBIT C TO SAFE YIELD RESET AGREEMENT

July 13, 2015

Safe Yield Reset Implementation Safe Storage Reserve Accounting Illustration¹ Excess Carryover Storage Account Ending Balances as of June 30, 2014 / July 1, 2014² (Per June 11, 2015 Key Principles) (Acre-Feet)

[A] Appropriative Pool Party	[B] Excess Carryover (ECO) Balance ²	[C] ECO Percent of Total	[D] Emergency		[E] Safe Storage Reserves		[F] Total
			ECO Party Percent Applied Over 100,000 AF	Emergency	Post-2024 Desalter Replenishment ECO Party Percent Applied Over 30,000 AF		
Arrowhead Mtn Spring Water Co	0.000	0.000%	0.000	0.000	0.000		0.000
Chino Hills, City Of	7,044.754	3.041%	3,040.738	3,040.738	912.221		3,952.959
Chino, City Of	65,507.715	28.275%	28,275.193	28,275.193	8,482.558		36,757.751
Cucamonga Valley Water District	41,927.991	18.097%	18,097.441	18,097.441	5,429.232		23,526.674
Desalter Authority	0.000	0.000%	0.000	0.000	0.000		0.000
Fontana Union Water Company	0.000	0.000%	0.000	0.000	0.000		0.000
Fontana Water Company	0.000	0.000%	0.000	0.000	0.000		0.000
Fontana, City Of	0.000	0.000%	0.000	0.000	0.000		0.000
Golden State Water Company	1,216.503	0.525%	525.081	525.081	157.524		682.605
Jurupa Community Services District	7,272.166	3.139%	3,138.896	3,138.896	941.669		4,080.565
Marygold Mutual Water Company	832.906	0.360%	359.508	359.508	107.853		467.361
Monte Vista Irrigation Company	4,959.655	2.141%	2,140.743	2,140.743	642.223		2,782.966
Monte Vista Water District	6,639.003	2.866%	2,865.603	2,865.603	869.681		3,725.284
Niagara Bottling, LLC	0.000	0.000%	0.000	0.000	0.000		0.000
Nicholson Trust	1.129	0.000%	0.487	0.487	0.146		0.634
Norco, City Of	3,058.998	1.320%	1,320.360	1,320.360	396.108		1,716.468
Ontario, City Of	31,465.957	13.582%	13,581.698	13,581.698	4,074.509		17,656.207
Pomona, City Of	28,375.606	12.248%	12,247.806	12,247.806	3,674.342		15,922.147
San Antonio Water Company	4,447.513	1.920%	1,919.687	1,919.687	575.906		2,495.593
San Bernardino, County of (Shooting Park)	0.000	0.000%	0.000	0.000	0.000		0.000
Santa Ana River Water Company	1,835.140	0.792%	792.104	792.104	237.631		1,029.735
Upland, City Of	16,682.750	7.201%	7,200.800	7,200.800	2,160.240		9,361.040
West End Consolidated Water Co	4,028.903	1.739%	1,739.001	1,739.001	521.700		2,260.702
West Valley Water District	6,382.421	2.755%	2,754.854	2,754.854	826.456		3,581.310
Total	231,679.110	100.000%	100,000.000	100,000.000	30,000.000		130,000.000

1. Per the Key Principles, the Safe Storage Reserves are to be calculated based on July 1, 2015 ECO account balances. The table will be updated and distributed when these numbers become available.

2. Excess Carry Over (ECO) water is subject to Safe Storage, and Supplemental water is not.

Exhibit D



Storage Losses Technical Memorandum

To:	Peter Kavounas, General Manager of the Chino Basin Watermaster
From:	Mark Wildermuth, Wenbin Wang
Date:	September 4, 2015
Subject:	Storage Losses After Achievement of Hydraulic Control
Job No.:	007-015-076

Background

In May 2014, Wildermuth Environmental, Inc. (WEI) completed an assessment of the state of hydraulic control and identified the timing of attainment of hydraulic control, based on a schedule to bring the Chino Creek Well Field (CCWF) and three new Desalter II wells online. This work was documented in a letter report to Watermaster dated May 29, 2014. The letter report was provided to the Regional Board to demonstrate that the implementation of the Chino Desalter Authority (CDA) project and Reoperation would ensure that hydraulic control is achieved and maintained in the future as agricultural groundwater production declines.

This Technical Memorandum describes WEI's assessment of hydraulic control, based on the CDA production plan, and provides an estimate of storage loss.

CDA Production Plan and Schedule

Table 1 lists existing and proposed CDA wells, nominal production capacities in gallons per minute (gpm), use factors (fraction of time well is in use), effective production capacities (gpm), and annual production expressed in acre-feet/year (afy). This table was initially provided by Curtis Paxton of the CDA on April 21, 2014 via email and updated by him on August 20, 2015. Figure 1 shows the locations of the existing and proposed CDA wells. The CDA is constructing three new wells; two of which (II-10 and II-11) will become operational in January 2016 and the third well (II-12) will become operational in June 2016. All of the new wells are projected to have a production capacity of about 2,000 gpm. Table 1 indicates when the CCWF and new wells are projected to come on-line. The CCWF is projected to come on-line later this year, and hydraulic control will be achieved shortly thereafter.

Analysis of Hydraulic Control with CDA Proposed Expansion

The projected state of hydraulic control was estimated with the 2013 Groundwater Model by simulating the Chino Basin's response to Watermaster planning Scenarios 5A and 5G¹. Scenarios 5A and 5G are identical except for the location of the future CDA II-12 well and when its production commences. Scenarios 5A and 5G contain identical projected future groundwater production and recharge and replenishment plans. Scenarios 5A and 5G include a gradual increase in groundwater production by the Appropriator Parties, based on groundwater production projections developed in the 2013 Amendment to the 2010 Recharge Master Plan Update,² and assume that replenishment and recharge operations would be conducted by Watermaster pursuant to the Judgment and Peace Agreements. Planning Scenarios 5A and 5G assume:

- The planning period runs from 2012 through 2050.
- The economy will expand with the build out of undeveloped land occurring by 2030.
- The CDA expansion would occur based on an approved schedule, and re-operation will occur based on the current approved schedule through 2030.
- The 6,500 acre-ft/yr supplemental water recharge obligation for MZ1 will terminate in 2030.
- Projected future recycled water recharge estimates were provided by the IEUA.
- Projected future stormwater recharge estimates were based on average historical stormwater recharge estimates.
- There will be no increase in future stormwater recharge capacity.
- The 5,000 acre-ft/yr of controlled overdraft pursuant to the Judgment will cease after 2017.
- Production rights will be based on the current and projected future Safe Yield.
- Groundwater production estimates for fiscal years 2012 and 2013 were actual production estimates, and groundwater production estimates for 2014 through 2050 were provided by the Parties or developed by Watermaster staff and approved by the Parties.
- The annual replenishment obligation was estimated using the efficient market assumption that includes the following:
 - On a go-forward (post 2013) basis, under-producers will transfer unpumped rights to over-producers each year; that is, there is an efficient

¹ Planning scenarios 5A through 5F were created to investigate the groundwater response to assuming different base periods for resetting Safe Yield. Watermaster is using Scenario 5A for the Safe Yield reset. Scenario 5G is identical Scenario 5A except for the location of CDA well II-12.

² http://www.cbwm.org/rep_engineering.htm

- market that moves unused production rights from under-producers to over-producers.
- Water in storage accounts will be used to meet future replenishment obligations prior to the purchase of supplemental water for wet-water for recharge.
 - All transfers among the parties and depletion from storage accounts will not cause MPI.

The model-projected groundwater response for Scenarios 5A and 5G are identical except in the immediate vicinity of proposed CDA well II-12 locations. Scenario 5G is representative of the actual well location for CDA well II-12. Therefore for simplicity and clarity for presentation only Scenario 5G is discussed further herein.

The attainment of hydraulic control is measured either by demonstrating, from groundwater elevation data, that all groundwater north of the desalter well fields cannot pass through the desalter well fields (total hydraulic containment standard) or that the groundwater discharge through the desalter well fields is, in aggregate, less than 1,000 afy (de minimis standard). The Regional Board has agreed that compliance with the de minimis standard will be determined from the results of periodic calibrations of the Watermaster groundwater model and the interpretations of the calibration results.

Figures 2a and 2b illustrate the state of hydraulic control for Scenario 5G for 2020 and 2025, respectively. These maps include groundwater-elevation contours and arrows that depict groundwater-flow directions in the southern part of the Chino Basin in the vicinity of the CDA well field and the Santa Ana River. Hydraulic containment is attained at and east of CDA well I-20 by 2020 for both scenarios.

Groundwater discharge from the Chino North Management Zone to the Prado Basin Management Zone and the Santa Ana River is projected to not be fully contained by the CCWF in the area between the Chino Hills and CDA well I-20. Groundwater discharge through the CCWF was estimated through the analysis of 2013 Groundwater Model projected cell-by-cell discharges through the CCWF. Table 2 lists the projected annual time series of this discharge through the CCWF for Scenario 5G (as reported in the May 29, 2014 report to the Regional Board) and comparable time series, taking into account an updated schedule to bring the CCWF online. Using the *de minimis* discharge threshold of 1,000 afy or less of groundwater discharge from the Chino North Management Zone to the Santa Ana River, hydraulic control is achieved in 2016 and maintained thereafter. Thus, hydraulic control will likely be established in 2016.

Storage Losses after the Achievement of Hydraulic Control

Surface water discharge in the Santa Ana River consists of storm flow and base flow. Base flow is divided into two components: wastewater discharged from publicly owned

treatment plants and rising groundwater. Section 2 of the *Optimum Basin Management Program, Phase 1 Report*³ contains a description of the relationship of groundwater discharge from the Chino Basin to the Santa Ana River due to storing water in the Chino Basin. The discussion below describes the theoretical background for the storage loss rate and its application using the modeling results from the hydraulic control investigation described above.

In the absence of complete hydraulic containment, the aggregate volume of water held in storage accounts and carryover will increase groundwater discharge and a subsequent increase in Santa Ana River base flow. The physics of the groundwater storage-base flow relationship can be represented by the linear reservoir theory⁴, where discharge is directly proportional to storage:

$$Q = K * S$$

Where:

- Q is the discharge from storage (afy)
- S is the volume of water in storage (af)
- K is the linear reservoir coefficient (y⁻¹)

This formula can be calibrated to a specific range of storage and groundwater management conditions. Figure 3 shows the relationship of total groundwater discharge through the CCWF to the projected future aggregate volume of water held in storage accounts and carryover⁵; this relationship is shown by the dark blue curve. This curve is divided into two parts, corresponding to the period of projected future increases in the aggregate volume of water in storage accounts and carryover (2015 through 2023) and the subsequent period of decline in the aggregate volume of water in storage accounts and carryover (2024 through 2043). Inspection of the curve indicates the following:

- The decreasing storage limb of the curve has a slope of about 0.07 percent for a range of storage of 0 to 450,000 af and where the slope is the storage loss rate (K).
- The increasing storage limb of the curve is too short to interpret except to conclude that it is suggestive of a comparable storage loss rate.

³ *Optimum Basin Management Program Report, Phase 1 Report*, prepared by WEI and submitted to Watermaster in August 1999. http://www.cbwm.org/rep_engineering.htm

⁴ This is discussed in hydrology textbooks when covering hydrograph decomposition. For example, see Section 7-2 in *Hydrology for Engineers* by Linsley, Kohler and Paulhus, second edition, 1975.

⁵ Though Watermaster does not consider carryover water to be stored water, it is included in this document because the model considers it in the same manner as stored water.

- The increasing limb of the curve does not include the full hydraulic effect of the CCWF well field as it was assumed to come online in 2014, and the production trough created by it will take a few years to reach it's maximum effectiveness.
- There is a minimum groundwater discharge through the CCWF of about 500 afy regardless of amount of water in storage: when the aggregate volume of water in storage accounts and carryover is 0 af, the groundwater discharge is about 500 afy.

Watermaster should use the slope of the decreasing limb of the curve to estimate the storage loss rate. The second (green) curve shown in Figure 3 represents the estimated discharge through the CCWF attributable to the aggregate volume of water in storage accounts and carryover. It is identical to the total discharge through the CCWF curve plotted above minus 500 afy. Based on modeling work described herein, there will be about 500 afy of discharge through the CCWF regardless of the volume of water in storage accounts and carryover. This base 500 afy discharge is an artifact of the CCWF design and projected operation. This base 500 afy of discharge is accounted for in the net recharge calculation and could be eliminated through additional production wells in the CCWF.

The planning assumptions used to project future groundwater conditions presented herein represent the best estimate of future basin management at the time the assumptions were made. These assumptions will likely change in the future and new future projections will be made. Watermaster will revise the planning assumptions and projected hydrologic conditions when it reevaluates net recharge and Safe Yield in 2020, 2025 and 2030. Watermaster has a maximum benefit requirement to assess the state of hydraulic control and report its findings to the Regional Board when it evaluates the net recharge and Safe Yield. It is our professional opinion that under a range of plausible future changes in cultural conditions that the storage loss rate will not change significantly from that estimated herein.

Recommendation

Upon achieving hydraulic control, Watermaster should change the storage loss rate used in its accounting process from 2.00 percent to 0.07 percent. Achieving hydraulic control will reduce losses from the aggregate volume of water in storage accounts and carryover by about 97 percent.

Table 1
CDA Desalter Well Production Schedule for Scenario 5G
As of May 2014

Well	Operational Assumptions		Model-Assumed Production		Well in Service
	Current Capacity (gpm)	Operating Factor (% used)	Average Capacity (gpm)	Annual Capacity (afy)	
(1)	(2)	(3)	(4) = (2) * (3)	(5) = (4) * 1.631	(6)
CDA I-1	399	95%	379	611	Now
CDA I-2	210	95%	200	322	Now
CDA I-3	555	95%	527	850	Now
CDA I-4	170	95%	162	260	Now
CDA I-5	1,327	70%	932	1,504	Now
CDA I-6	297	70%	209	337	Now
CDA I-7	302	70%	212	342	Now
CDA I-8	1,098	70%	771	1,244	Now
CDA I-9	1,096	70%	770	1,242	Now
CDA I-10	1,304	70%	916	1,478	Now
CDA I-11	789	70%	554	894	Now
CDA I-13	1,185	70%	833	1,343	Now
CDA I-14	2,103	70%	1,477	2,383	Now
CDA I-15	2,496	70%	1,754	2,828	Now
CDA I-16	250	70%	176	283	5/1/2014
CDA I-17	300	70%	211	340	5/1/2014
CDA I-18	0	0%	0	0	Not Used
CDA I-19	0	0%	0	0	Abandoned
CDA I-20	400	70%	281	453	9/1/2015
CDA I-21	400	70%	281	453	9/1/2015
CDA II-1	2,162	70%	1,519	2,450	Now
CDA II-2	1,791	70%	1,258	2,029	Now
CDA II-3	1,848	70%	1,298	2,094	Now
CDA II-4	2,030	70%	1,426	2,300	Now
CDA II-6	1,758	70%	1,235	1,992	Now
CDA II-7	1,089	70%	765	1,234	Now
CDA II-8	1,287	70%	904	1,458	Now
CDA II-9A	1,980	70%	1,391	2,244	Now
CDA II-10	2,000	70%	1,405	2,266	1/1/2016
CDA II-11	2,000	70%	1,405	2,266	1/1/2016
CDA II-12 Opt 1					Not Used
CDA II-12 Opt 2					Not Used
CDA II-12 Opt 3	2,000	70%	1,405	2,266	6/1/2016
Totals	34,626	71%	24,656	39,768	
CCWF Sub-totals	1,350		948	1,530	

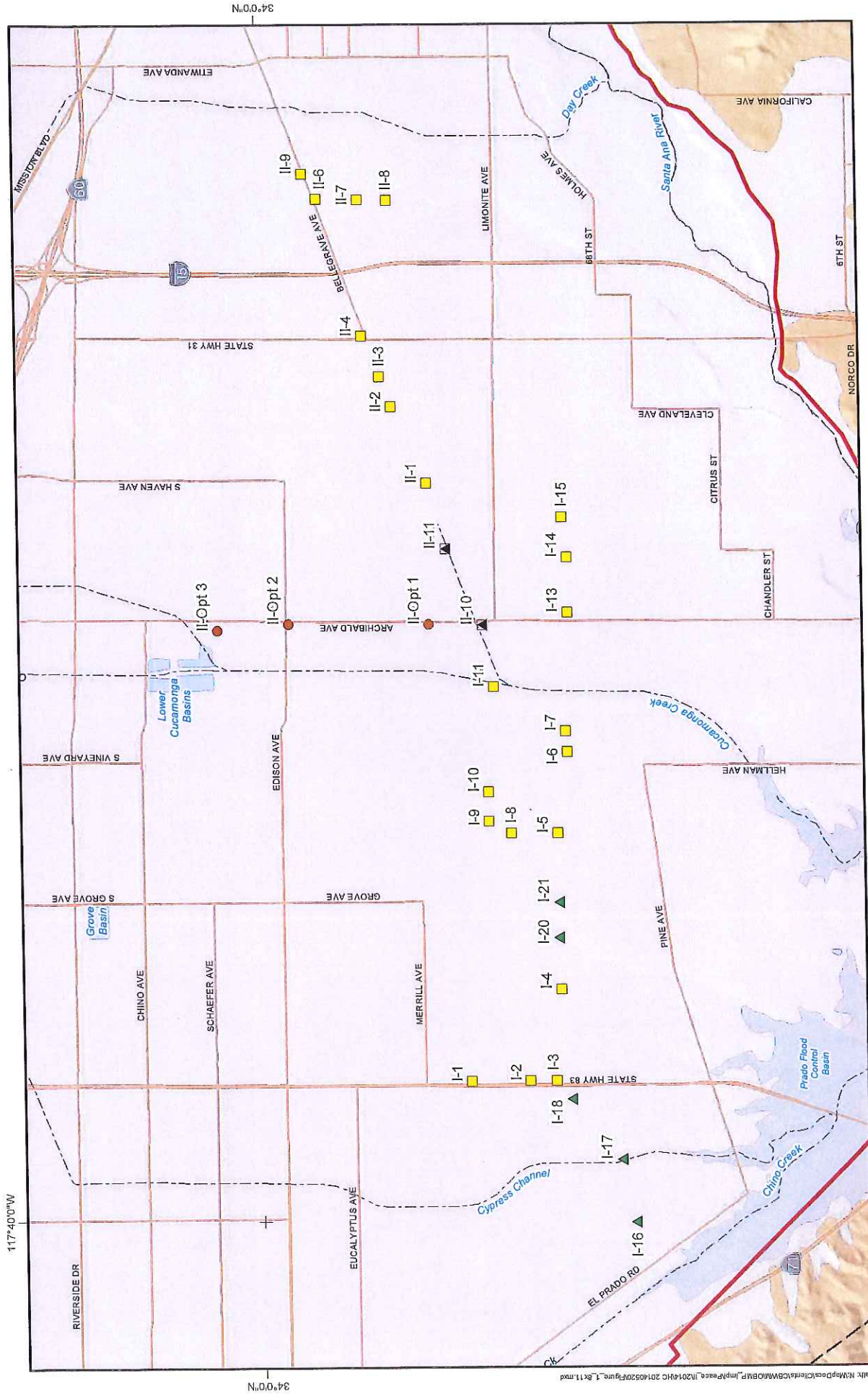


Table 2
Subsurface Discharge through the CCWF for Scenario 5G
 (afy)

Year	Per May 29, 2014 Report	July 31, 2015 Technical Memorandum ¹
2014	1,061	
2015	910	1,061
2016	910	910
2017	916	910
2018	917	916
2019	911	917
2020	905	911
2021	904	905
2022	898	904
2023	888	898
2024	876	888
2025	863	876
2026	850	863
2027	837	850
2028	824	837
2029	811	824
2030	797	811
2040	584	562
2050	417	416

¹ The groundwater discharge through the CCWF in the July 31 Technical Memorandum is, for any given year, has been assumed equal the discharge in the May 29, 2014 Report for the immediately prior year. That is, it has been lagged a year to account for the delay in bringing the CCWF online.





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Date: 8/11/2015

Chino Basin Hydraulic Control and Safe Yield

Chino Basin Desalter Wells

0 2,000 4,000 Feet

Figure 1

Groundwater Flow Model Boundary
Flood Control and Conservation Basins

Existing Chino Desalter Wells
New Chino Creek Well Field Wells
Future Chino II Desalter Wells
Location Options for Third New Chino II Desalter Well



Author: LBB
Date: 8/24/2015

Produced by:

WEI
WILDEFORTH ENVIRONMENTAL, INC.

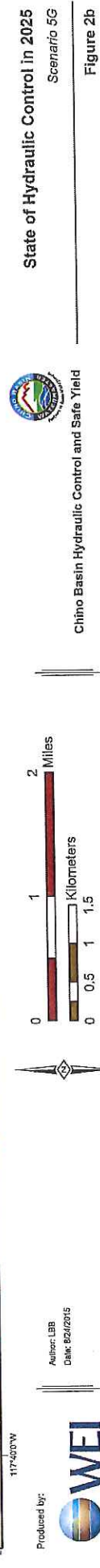


Figure 3 Relationship of Discharge through the CCWF from the Chino North Management Zone to the Prado Basin Management Zone to the Aggregate Volume of Stored Water and Carryover

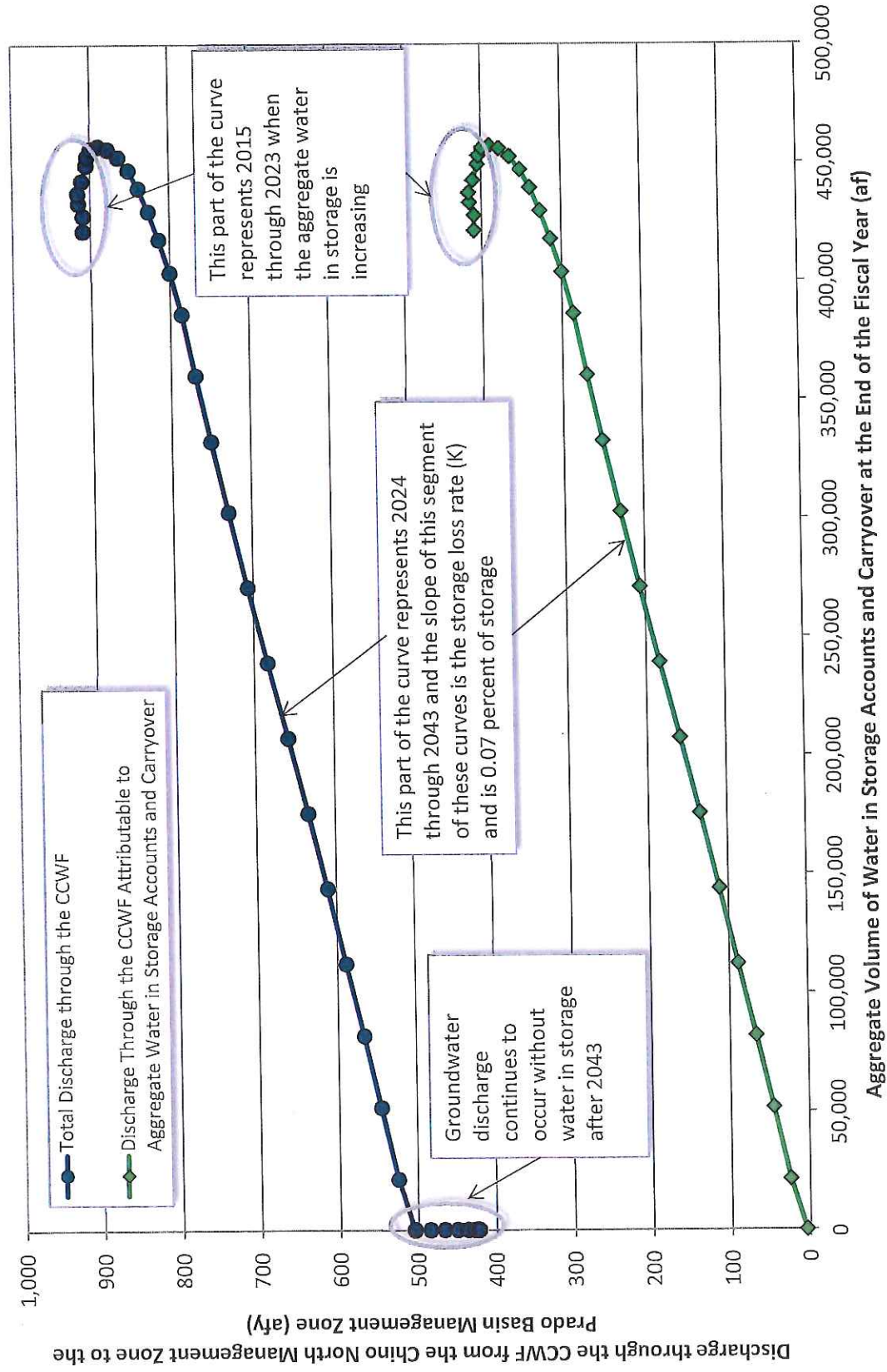


Exhibit E



Safe Storage Management Technical Memorandum

To:	Peter Kavounas, General Manager, Chino Basin Watermaster Scott Slater, General Counsel
From:	Mark Wildermuth, Andy Malone
Date:	September 16 2015
Subject:	Evaluation of Safe Storage Management Measures as Described in the August 23, 2015 Draft 2015 Safe Yield Reset Agreement
Job No.:	007-015-076

As part of the development of the 2015 Safe Yield Reset Agreement, the Parties have proposed certain Safe Storage Management measures with the objective of ensuring that any potential removal of groundwater from non-Supplemental Water storage accounts¹ would not cause Material Physical Injury (MPI) or undesirable results. As an interim measure to “ensure protection against a precipitous drop in water levels and undesirable results” and MPI, a Safe Storage Reserve, comprising 130,000 AF of non-Supplemental Water in Appropriative Pool member storage accounts, would be established, pending the development of a Storage Management Plan. This technical memorandum examines whether setting aside 130,000 AF is sufficient to achieve this objective in the interim. We conclude that, in combination with the existing monitoring and Watermaster-required review, it does.

Background

The 2013 Watermaster model was used to evaluate past and future conditions in the Chino Basin, including, but not limited to, net recharge, the state of hydraulic control, and time histories of groundwater levels and storage. The investigation covered the historical period of 1961 through 2011 and projected future conditions for 2012 through 2050. Planning scenarios were created based on the water resource plans provided by the Watermaster Parties. Scenario 5A is the planning scenario used by Watermaster as a basis for projecting future Basin conditions, resetting the Safe Yield, and making regulatory findings regarding the state of hydraulic control. The analysis of current and

¹ The 2015 Safe Yield Reset Agreement consistently refers to water held in non-Supplemental Water storage accounts. In Watermaster accounting, non-Supplemental Water storage accounts is the same as excess carryover water storage accounts and excess carryover water storage accounts is used in this Technical Memorandum when discussing the Safe Storage management measures.

projected future conditions is described in detail in the draft *2013 Chino Basin Groundwater Model Update and Recalculation of Safe Yield Pursuant to the Peace Agreement*² and subsequent Watermaster monthly process meetings and numerous Safe Yield Reset workshops³.

During the Watermaster process to evaluate and reset the Safe Yield, a concern arose regarding the projection of future changes in groundwater levels that may be caused through the management of stored water pursuant to the Judgment and Peace Agreements. To address this concern, the Watermaster Parties and Watermaster desire to implement Safe Storage Management measures (SSMM) that will ensure that the future management of stored water will not cause MPI or undesirable results to the Basin or a Party to the Judgment.

This Technical Memorandum was prepared to: describe the historical and projected future changes in storage, describe potential bases of concern, describe the proposed SSMM, describe the interim SSMM and respond to specific questions regarding the interim SSMM, and describe the anticipated technical process to develop the Storage Management Plan.

Historical and Projected Future Changes in Storage

Table 1 lists the historical amounts of water in carryover⁴, excess carryover storage, and the supplemental water in storage for the Appropriative and Overlying Non-Agricultural Pools for the period spanning fiscal years 2001 through 2014 (the Peace Agreement period). The water in storage held by members of the Appropriative Pool increased during the Peace Agreement period:

- The aggregate annual volume of carryover increased from about 16,000 acre-feet (af) in 2001 to about 42,000 af in 2008 and remained at about that level through 2014—an increase of 26,000 af or 162 percent.
- The aggregate volume of excess carryover storage increased steadily from about 45,000 af in 2001 to about 232,000 af through 2014—an increase of 186,000 af or 412 percent.
- The aggregate volume of supplemental water storage varied between 80,000 and 90,000 af during the period of 2001 through 2010 and thereafter increased to about 125,000 af through 2014—an increase of 32,000 af or 35 percent.

2

<http://www.cbwm.org/FTP/2013%20Safe%20Yield%20Recalculation/20140128%20Draft%202013%20CBWM%20Model%20Update%20and%20Recalc%20of%20Safe%20Yield%20Report/>

³ <http://www.cbwm.org/FTP/2013%20Safe%20Yield%20Recalculation/>

⁴ Though Watermaster does not consider Carryover water to be stored water, it is included in this document because the model considers it in the same manner as stored water.

- In sum, the aggregate volume of storage by the Appropriative Pool Parties increased from about 154,000 af in 2001 to about 398,000 af in 2014—an increase of 244,000 af or 159 percent.

The aggregate volume of water in storage held by the Overlying Non Agricultural Pool was about 38,000 af in 2001, increased to 59,000 af in 2007, and subsequently decreased to about 20,000 af in the 2012 through 2014 period.

The total water held in carryover and storage accounts by Parties within the Appropriative and Overlying Non-Agricultural Pools increased from 192,000 in 2001 to about 418,000 af through 2014—an increase over fourteen years of 226,000 af or 118 percent.

Figure 1 shows the estimated time history of the total volume of water in storage in the Chino Basin for the historical period of 1978 through 2011 and the subsequent projected future period of 2012 through 2050. This time history was developed from the calibration of the 2013 Chino Basin Model and its subsequent application to projected future Basin conditions.

In contrast to the increase in water in storage accounts during the period of 2001 through 2014, as described above and in Table 1, the physical water in storage within the Basin declined from 5,966,000 af to about 5,649,000 af during this period—a decline of about 317,000 af. The planned change in storage during the same period was a decline of 294,000 af (5,000 afy from controlled overdraft [as provided for in the Judgment] and Reoperation and other water dedicated from storage [as provided for in the Peace Agreements]). The physical groundwater storage declined by about 23,000 af more than was planned.

The projected future total volume of water in storage was estimated by simulating the Chino Basin's response to projected future groundwater production and recharge and replenishment plans with the 2013 Groundwater Model. The specific projected future groundwater production, recharge and replenishment plans, other cultural conditions, and hydrology used herein are collectively referred to as Scenario 5A. Scenario 5A includes a gradual increase in groundwater production by the Appropriators, based on groundwater production projections developed in the 2013 Amendment to the 2010 Recharge Master Plan Update⁵ and that replenishment and recharge operations would be conducted by Watermaster pursuant to the Judgment and Peace Agreements⁶. Planning Scenario 5A assumes:

- The planning period runs from 2012 through 2050.

⁵ http://www.cbwm.org/rep_engineering.htm

⁶ The planning assumptions used to project future groundwater conditions presented herein represent the best estimate of future basin management at the time the assumptions were made. These assumptions will likely change in the future and new future projections will be made.

- The economy will expand with the build out of undeveloped land occurring by 2030.
- The CDA expansion would occur based on an approved schedule, and re-operation will occur based on the current approved schedule through 2030.
- The 6,500 af/yr supplemental water recharge obligation for MZ1 will terminate in 2030.
- Projected future recycled water recharge estimates were provided by the IEUA.
- Projected future stormwater recharge estimates were based on the average historical stormwater recharge estimates.
- There will be no increase in future stormwater recharge capacity installed after 2013 and excludes the new stormwater recharge projected included in the 2013 Amendment to the RMPU.
- The 5,000 acre-ft/yr of controlled overdraft pursuant to the Judgment will cease after 2017.
- Production rights will be based on the current and projected future Safe Yield including 135,000 afy Safe Yield for 2015 through 2020 period as contemplated in the 2015 Safe Yield Reset Agreement.
- Groundwater production estimates for fiscal years 2012 and 2013 are actual production estimates, and groundwater production estimates for 2014 through 2050 are estimates provided by the Parties or developed by Watermaster staff and approved by the Parties.
- The annual replenishment obligation was estimated using the efficient market assumption, which includes the following:
 - On a go-forward (post 2013) basis, under-producers will transfer unpumped rights to over-producers each year; there is an efficient market that moves unused production rights from under-producers to over-producers.
 - Water in storage accounts will be used to meet future replenishment obligations prior to the purchase of supplemental water for wet-water for recharge.
 - All transfers among the Parties and depletion from storage accounts will not cause MPI or undesirable results.

Figure 2 shows the projected future change in physical storage for the period of 2012 through 2050 based upon assumptions included within Scenario 5A. Storage is projected to decline by about 604,000 af through 2043 and not decline thereafter. The decline in storage during 2012 through 2043 can be attributed to planned reductions in storage (5,000 af/yr from controlled overdraft [as provided for in the Judgment and

Reoperation] and other water dedicated from storage [as provided for in the Peace Agreements]) and withdrawals from storage accounts.

The historical and projected future decline in storage within the Basin from fiscal 2000-01 through 2049-50 is estimated to be about 900,000 af, all of which except for 23,000 af is planned reduction under the Judgment and Peace Agreements. The major contributions to the decrease in storage are planned Basin water dedicated to the replenishment of CDA production (Reoperation) and stored water in the Watermaster Parties' storage accounts.

The withdrawal of supplemental water in storage currently requires an MPI analysis by Watermaster (Rules and Regulations 8.4). Consequently, some portion of the supplemental water currently in storage may already have an MPI analysis completed and a finding of no MPI, allowing it to be produced without further review. The transfer of excess carryover water is subject to MPI review pursuant to the Peace Agreement (Peace Agreement 5.1 (e)(iv)) "Watermaster shall exercise Best Efforts to: [...]

"evaluate the potential or threat for any Material Physical Injury to any party to the Judgment or the Chino Basin including, but not limited to, any Material Physical Injury that may result from any Transfer of water in storage or water rights which is proposed in place of physical Recharge of water to the Chino Basin in accordance with the provisions of Section 5.3;"

For the avoidance of doubt that the withdrawal of water from storage accounts will not result in MPI or undesirable results and to inform Watermaster and the Parties as to whether they may also achieve their concurrent objective of facilitating the reservation of some stored water for future water shortages caused by drought or importation system failure, further analysis was undertaken. The principle MPI concerns are: exacerbating subsidence in the Northwest MZ1 area and production sustainability generally and specifically in the Jurupa area. In response to this concern, the Watermaster Parties are contemplating an agreement to implement the SSMM.

Safe Storage Management Plan Description

An initial description of the SSMM emerged from the FANDA process in June 2015 and is included in the 2015 Safe Yield Reset Agreement (currently being drafted⁷). The goal of the SSMM is to manage stored water to protect against MPI or undesirable results. The SSMM will be implemented in two parts. First an interim plan will be implemented immediately after the 2015 Safe Yield Reset Agreement is approved by the Court, which is anticipated this year. The Watermaster Parties have committed to use Best Efforts to develop a Storage Management Plan within two years of Court approval of the 2015 Safe Yield Reset Agreement. The Storage Management Plan will replace the interim plan upon the Court's approval.

⁷ Specifically the August 23, 2015 draft as circulated by Brad Herrema.

The key feature of the interim plan is the creation of a *Safe Storage Reserve* of 130,000 af⁸ to be maintained by the Appropriative Pool Parties in their excess carryover water accounts. During the interim plan period, the aggregate water in their excess carryover water accounts will not be allowed to decline below 130,000 af except as provided for below:

- During the interim plan period, the Appropriative Pool Parties may be able to access up to 100,000 af from the Safe Storage Reserve in the event of an emergency, provided that the water withdrawn will be replaced within 36 months and that Watermaster can make a finding that the withdrawal will not cause MPI or undesirable results.
- Absent a Storage Management Plan, up to a maximum of 30,000 af will be available from the Safe Storage Reserve after 2024 for the exclusive purpose of dedication to Desalter replenishment, provided that Watermaster can make a finding that the withdrawal will not cause MPI or undesirable results.

The contents and requirements of the Storage Management Plan will be developed in the future; therefore, the following discussion pertains to the SSMM during the interim plan period while the Storage Management Plan is developed.

Evaluation of the Interim Safe Storage Management Plan Commitments

As to the Safe Storage Reserve, four questions have been posed in the drafting of the SSMM regarding the likelihood of the Appropriative Pool Parties needing access to the 100,000 af emergency water held in the Safe Storage Reserve and as to whether there will be potential for or an actual MPI or undesirable results caused by withdrawals from storage during the interim plan period. These questions and their answers follow.

Assuming the SSMM is effective July 1, 2015, what is the likelihood that the Appropriative Pool Parties will need to access the 100,000 af pool of water in the 130,000 af Safe Storage Reserve in the next two years and prior to the approval and implementation of the Storage Management Plan?

Under the current best estimate of planned production, recharge and replenishment, it is highly unlikely that the Appropriative Pool will need to access the 100,000 af emergency storage in the Safe Storage Reserve during the next two years. The aggregate volumes of water in excess carryover storage and supplemental water storage for the Appropriative Pool Parties on July 1, 2014 (July 1, 2015 values are not yet available) were about 232,000 af and 125,000 af, respectively, totaling 357,000 af. The average amount of carryover water for the five-year period of 2010 through 2014 is about 41,000 af. So for planning purposes, the amount of water in storage and

⁸ Using methodology consistent with prudent professional standards, short term actual measured net recharge during 2000-2014 was less than total rights allocated to the Parties to the Judgment to produce groundwater without incurring a replenishment assessment over the period 2000-2014 by a quantity potentially as high as 130,000 AF.

carryover available to the Appropriative Pool Parties is about 398,000 af (equal to 232,000 af of excess carryover storage plus 125,000 af of supplemental water storage and 41,000 af of carryover). The difference between what is in storage plus carryover now and the 130,000 af of proposed Safe Storage Reserve is about 268,000 af. Figure 2 shows the Scenario 5A-based projected future total water in storage, aggregate water in storage accounts plus carryover through 2050, the 130,000 af Safe Storage Reserve limit and the 100,000 af limit of emergency storage within the Safe Storage Reserve. Based on this planning scenario:

- The aggregate volume of water in storage in storage accounts and carryover will continue to increase through 2023 and potentially reach 457,000 af.
- The amount of stored water plus carryover will decline to about 100,000 af in about 2040.

Therefore, based on the best planning information available to Watermaster, it is highly unlikely that the Appropriative Pool Parties will need to access the 100,000 af pool of water in the 130,000 af Safe Storage Reserve in the next two years and prior to the approval and implementation of the Storage Management Plan.

Based on the information available to WEI, the Appropriative Pool Parties in aggregate do not have the well and groundwater treatment capacity to produce an additional 268,000 af over the next two years or the water demand to serve it. It is also highly unlikely that the Appropriative Pool Parties will have the well and groundwater treatment capacity to produce an additional 268,000 af over the next five years, and doing so would require replacing most or all of the imported water that now comes into the basin for direct use⁹. Some of the imported water used for direct use is required for blending with groundwater to produce potable water. For all these reasons, we believe that it is very unlikely that the limitation of the Safe Storage Reserve would actually constrain party production and withdrawal from non-supplemental storage accounts during the next five years.

How would the projected aggregate volume of water in storage accounts change if the efficient market assumption was not used?

The aggregate volume of water in storage accounts would increase at a greater rate than described above and shown in Figure 2 if the efficient market assumption was not used. The total water in storage in the Basin would also increase. This occurs because under-producers would store their unproduced water right instead of transferring it to over-producers, thus triggering wet-water recharge to occur to meet replenishment obligations. Without the efficient market assumption, the aggregate volume in storage accounts would increase beyond that shown in Figure 2, the period of increasing storage would extend further into the future (beyond 2024), and the subsequent projected decline in storage would occur slower and perhaps never reach the 600,000 af decline

⁹ For both the two and five-year periods, it was assumed that the Appropriators would use up their supplemental water in storage prior to accessing the 100,000 af in the Safe Storage Reserve.

by 2045 as suggested with the efficient market assumption. The use of the efficient market assumption results in a more rapid (conservative) rate of drawdown than would occur if it were not used.

Will withdrawals from storage during the interim plan period of the SSMM cause potential or actual MPI or undesirable results?

No. Watermaster is required to conduct an MPI evaluation for each transfer among the Parties that is ultimately used to satisfy a replenishment obligation. This obligation does not change with the SSMM. In doing so, Watermaster will be able to identify storage management and transfer activity that has the potential to cause MPI or undesirable results well before volume in excess carryover declines to Safe Storage Reserve of 130,000 af.

The aggregate volume of water in storage accounts plus carryover water is projected to increase by 12,000 af during the interim plan period (July 1, 2015 through June 30, 2017). The physical storage in the Basin is projected to decrease by about 12,000 af for the same period. Figure 3 shows the projected change in groundwater levels for the interim period. During this period no significant changes in groundwater elevations are projected to occur except in the Chino II Desalter well field area and, more specifically, where new desalter production wells will come online after 2015. The projected groundwater level changes during the two-year interim plan period will not cause MPI or undesirable results to the Basin or a Party.

If a Storage Management Plan is never developed and the interim plan remains in force through the term of the Peace Agreement, does Watermaster have the authority to review and approve the recovery of water in storage in excess of the 130,000 Safe Storage Reserve to ensure there is no MPI or undesirable results to the Chino Basin or a Party?

Yes. The Peace Agreement and Watermaster's Rules and Regulations provide Watermaster with the authority to review each transfer and subsequent recovery of stored water, evaluate these actions before they occur for MPI or undesirable results, and subsequently to: approve them if there is no threatened or actual MPI or undesirable results, conditionally approve them with mitigation requirements if there is threatened or actual MPI or undesirable results, or disapprove them if there is unmitigated threatened or actual MPI or undesirable results.

Watermaster conducts continuous monitoring of the Basin and programmatic investigations that provide Watermaster with scientifically defensible information for use in MPI or undesirable results assessments. Watermaster is required to conduct certain investigations every two years that inform Watermaster regarding how past approval of transfers that reduce replenishment with wet water recharge have impacted the Basin and provide Watermaster guidance on conducting wet water replenishment. These analyses are:

- Analysis of the cumulative impact of transfers (Rules and Regulations, § 9.3(a)). This effort is included in Fiscal year 2016.
- Balance of recharge and discharge (Peace Agreement, § 5.1(e)(viii); Rules and Regulations, § 7.1). This effort is included in Fiscal 2016.

Watermaster conducts extensive monitoring and reports on this monitoring every two years in its State of the Basin Report. This monitoring supports many Watermaster activities. This monitoring includes groundwater production, groundwater levels, groundwater quality, artificial recharge, surface water discharge surface water quality and ground elevation.

Watermaster is monitoring subsidence over the entire Chino Basin and is conducting a focused investigation to understand the cause of subsidence in the Northwest MZ1 Area and to develop a management plan to abate or minimize subsidence in this area. The subsidence management plan will be completed in fiscal 2020. Watermaster and the Appropriative Pool Parties are implementing the 2013 RMPU¹⁰ that includes the development of production sustainability projects.

Process to Develop the Storage Management Plan

The Watermaster Parties will, pursuant to the 2015 Safe Yield Reset Agreement, develop the Storage Management Plan to protect the Basin and the Parties from MPI or undesirable results caused by withdrawing water from Basin storage accounts. The Storage Management Plan may also address, as necessary, the appropriateness of any limitations on the total amount of water held in storage accounts, as well as priority among pending applications for local storage accounts. Watermaster may also identify other goals consistent with the OBMP that can be addressed through storage management and subsequently incorporate them into the Storage Management Plan (e.g., salinity management).

¹⁰ http://www.cbwm.org/rep_engineering.htm

Table 1
Time History of Ending Balances in Storage in the Chino Basin Exclusive of the Dry-Year Yield Activities and
Aggregate Storage Account Estimate without Reoperation
(af)

Fiscal Year (1)	Appropriative Pool (Pool 3)			Overlying Non-Ag (Pool 2)			Total in Storage (9)
	Carryover (2)	Excess Carryover (ECO) (3)	Suppl. (4)	Total (5)	Carryover (6)	Local Storage (7)	Total (8)
2001	15,940	45,281	92,813	154,034	5,301	32,330	37,631
2002	13,521	42,206	87,801	143,528	5,285	33,727	39,012
2003	18,656	48,650	81,180	148,486	6,743	36,850	43,593
2004	21,204	53,128	80,963	155,295	7,177	40,881	48,058
2005	21,289	63,631	88,849	173,769	7,227	45,888	53,115
2006	32,062	55,442	86,170	173,674	7,227	49,178	56,405
2007	34,552	50,894	83,184	168,630	7,084	51,476	58,560
2008	41,626	83,962	83,861	209,449	6,819	45,248	52,067
2009	42,795	101,908	84,867	229,570	6,672	46,600	53,272
2010	41,263	120,897	90,133	252,293	6,934	47,732	54,666
2011	41,412	146,074	98,080	285,566	6,959	49,343	56,302
2012	42,614	209,981	116,138	368,733	6,914	13,993	20,907
2013	39,413	225,068	116,378	380,859	7,073	15,473	22,546
2014	41,708	231,679	125,052	398,439	6,478	12,812	19,290
							191,665
							182,540
							192,079
							203,353
							226,884
							230,079
							227,190
							261,516
							282,842
							306,959
							341,868
							389,640
							403,405
							417,729

¹ Though Watermaster does not consider Carryover water to be stored water, it is included in this document because the model considers it in the same manner as stored water.



Figure 1 Historical and Projected Future Storage in the Chino Basin

1978 through 2050

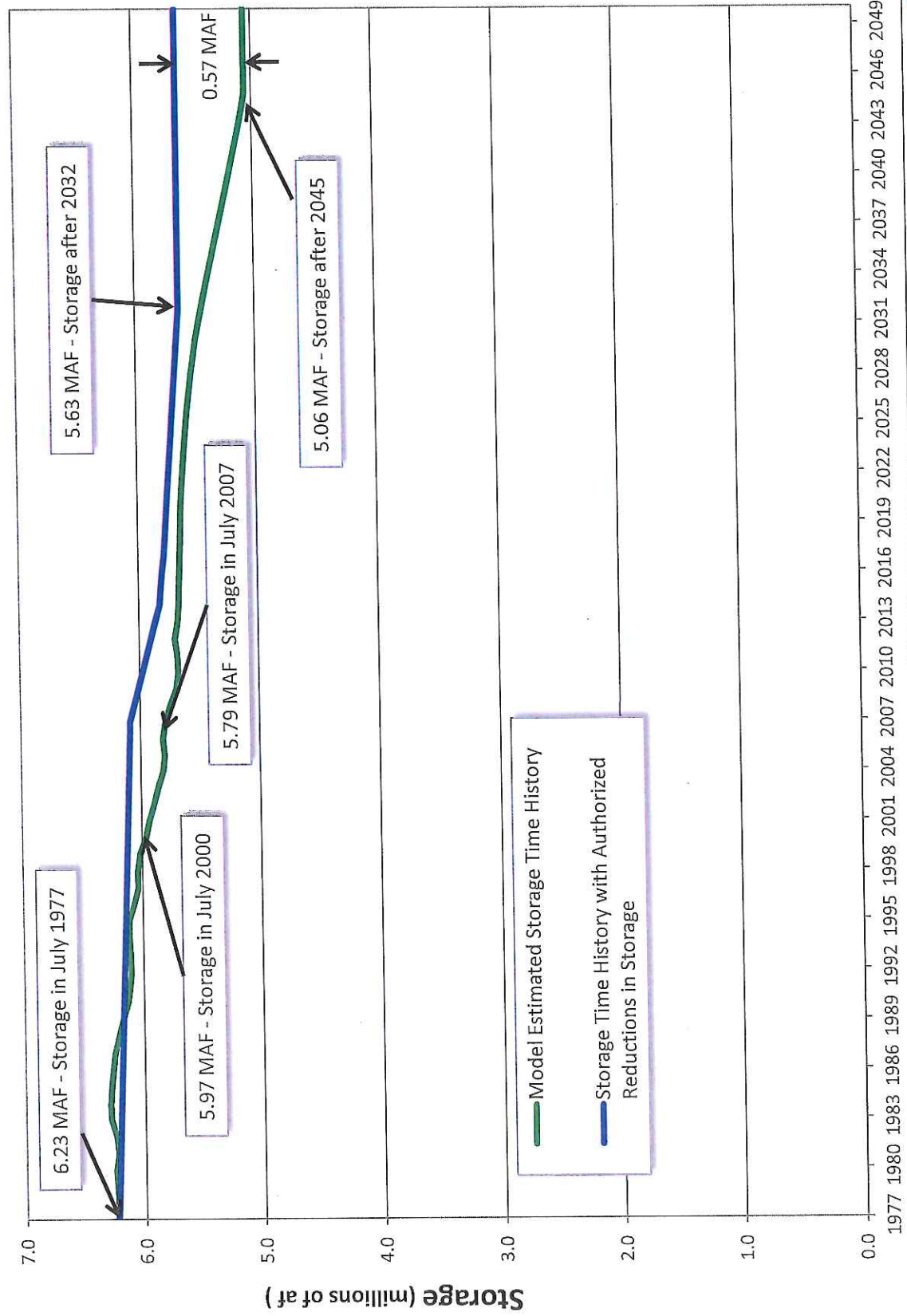
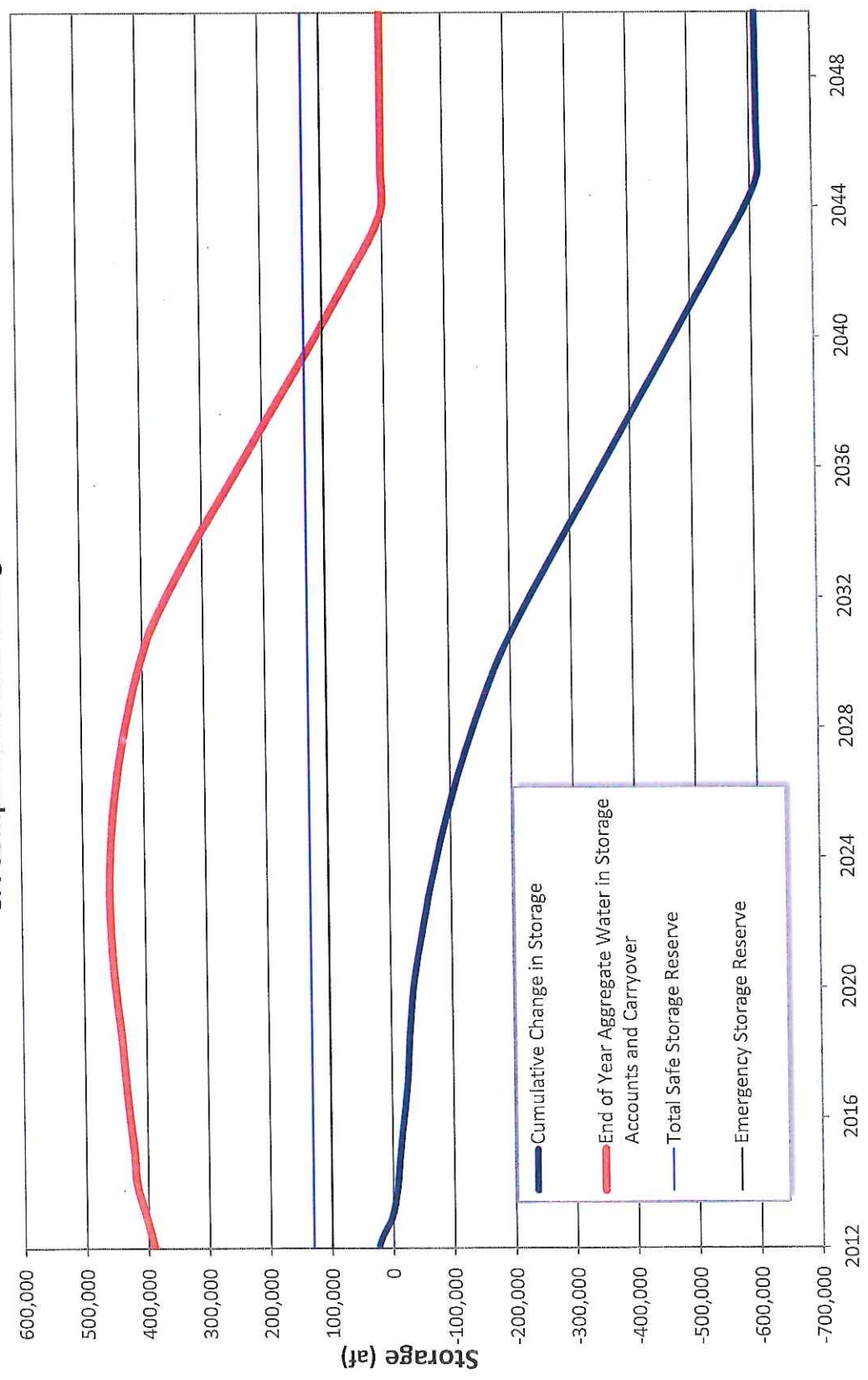
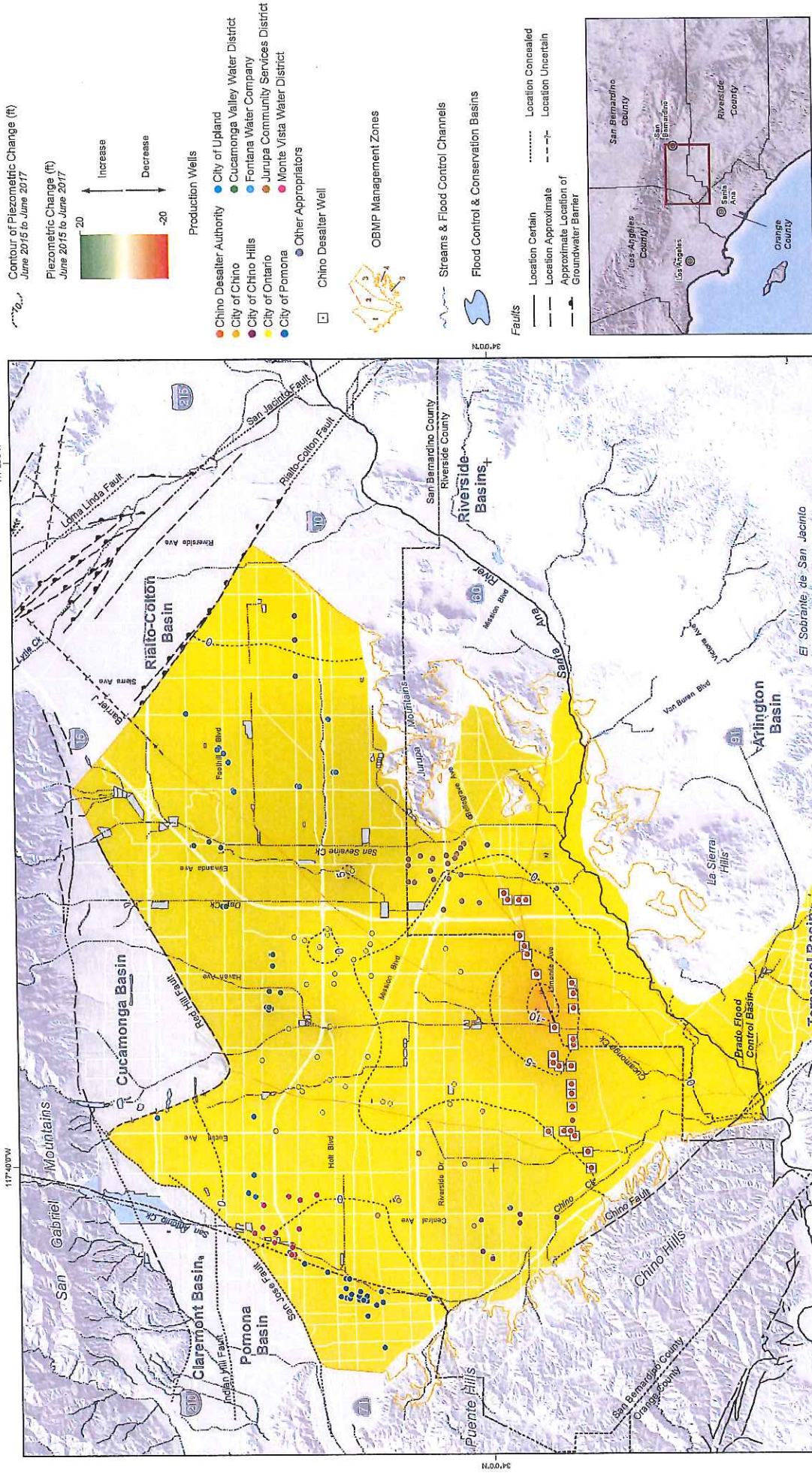


Figure 2 Projected Aggregate Water in Storage Accounts and Change in Storage for Scenario 5A Compared to Safe Storage Metrics





Groundwater Level Change in Layer 1

June 2015 to June 2017

Figure 3



Technical Memorandum No. 2 - Evaluation of the Safe Storage Management Proposal as Described in the June 11, 2015 Safe Yield Reset Summary of Non-Binding Key Principles Derived from Facilities Process

Exhibit F

**WATERMASTER RESOLUTION
NO. 2015-06**

**RESOLUTION OF THE CHINO BASIN WATERMASTER
REGARDING 2015 SAFE YIELD RESET AGREEMENT**

1. **WHEREAS**, the Chino Basin Watermaster was appointed pursuant to the Judgment in Chino Basin Municipal Water District v. City of Chino (San Bernardino Superior Court Case No. 51010) to administer and enforce the provisions of the Judgment and any subsequent instructions and orders of the Court;

2. **WHEREAS**, the Judgment was entered in 1978 and set the initial Safe Yield of the Chino Basin at 140,000 acre-feet per year (AFY), but reserved continuing jurisdiction to the Court to amend the Judgment, inter alia, to redetermine the Safe Yield after the first ten years of operation of the Physical Solution established under the Judgment;

3. **WHEREAS**, the Parties to the Judgment have executed; and Watermaster, with the advice and consent of the Pools and Advisory Committees, has endorsed; and the Court has approved, the following agreements to implement the Physical Solution ("Court Approved Management Agreements"):

[1] the Chino Basin Peace Agreement, dated June 29, 2000, as subsequently amended in September 2004 and December 2007;

[2] the Peace II Measures (Court approved on December 21, 2007);

[3] the OBMP Implementation Plan dated June 29, 2000, as supplemented in December 2007;

[4] the Recharge Master Plan, dated 1998, as updated in 2010 and amended in 2013);

[5] the Watermaster Rules and Regulations dated June 2000, as amended;

[6] the October 8, 2010 Order Approving Watermaster's Compliance with Condition Subsequent Number Eight and Approving Procedures to be used to Allocated Surplus Agricultural Pool Water in the Event of a Decline in Safe Yield and

[7] Watermaster Resolution 2010-04 ("Resolution of the Chino Basin Watermaster regarding Implementation of the Peace II Agreement and the Phase III Desalter Expansion in Accordance with the December 21, 2007 Order of the San Bernardino Superior Court);

4. **WHEREAS**, the Overlying (Non-Agricultural), the Overlying (Agricultural) Pool, and the Appropriative Pool considered the proposed 2015 Safe Yield Reset Agreement, evaluated the concerns expressed by the City of Chino and, following deliberation, recommended Watermaster's adoption of this Resolution 2015-06; and

5. **WHEREAS**, the Advisory Committee considered the proposed 2015 Safe Yield Reset Agreement, evaluated the concerns of the City of Chino, and, following deliberation, recommended Watermaster's adoption of this Resolution 2015-06.

NOW, THEREFORE, on the basis of the staff reports, expert opinions and substantial evidence presented, Watermaster finds that:

1. At the request, and with the consent, of the parties thereto, the advice and counsel of the three Pools and the Advisory Committee, the 2015 Safe Yield Reset Agreement, attached hereto as Exhibit "A", will provide more efficient administration of the Judgment through:
 - a. The reset of the Safe Yield, inclusive of a methodology that is consistent with prudent professional practice, the OBMP Implementation Plan (as amended), the Physical Solution, and the Judgment, as set forth in the Agreement's Reset Technical Memorandum (Exhibit "A" thereto);
 - b. An amendment of the Restated Judgment to reset the Basin's Safe Yield to 135,000 AFY, effective 2010/11, consistent with the Proposed Order attached hereto as Exhibit "B";

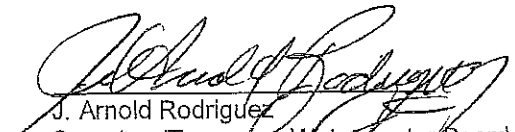
- c. Resolution and compromise of competing claims and interpretation of existing agreements and court orders, Watermaster's accounting, among members of the Appropriative Pool, for Basin stormwater and Desalter-induced recharge under future conditions, including but not limited to a decline in Safe Yield;
 - d. The amendment of the current Court-approved schedule accounting for Desalter-induced recharge and access to Re-Operation water, consistent with Exhibit "C" hereto; and
 - e. Measures intended to preserve the parties to the Judgment's respective rights to storage while ensuring withdrawals of groundwater from authorized storage accounts within the Basin do not cause a precipitous drop in water levels, are safe, sustainable, and will not cause Material Physical Injury or undesirable results.
2. The Reset Technical Memorandum, an evaluation of long-term hydrology using the metered agricultural production data from 2002-present, the cultural conditions affecting the Safe Yield, and the risk of undesirable results support the reset of the Safe Yield of the Basin to 135,000 AFY, having declined from 140,000 AFY;
 3. The reset of the Safe Yield pursuant to the 2015 Safe Yield Reset Agreement is consistent with Article X, section 2 of the California Constitution the Judgment, the Court-Approved Management Agreements, and prudent professional standards;
 4. The accounting for recharge pursuant to the 2015 Safe Yield Reset Agreement is appropriate and consistent with the Court-approved management agreements to enable a fair, balanced and efficient administration of the Judgment as requested by the parties thereto, the Pools and the Advisory Committee;
 5. The amendment of the current Court-approved schedule accounting for Desalter-induced recharge and access to Re-Operation water is appropriate and in furtherance of the Judgment, the Court-Approved Management Agreements;
 6. Using methodology consistent with prudent professional standards, short term actual measured net recharge during 2000-2014 was less than total rights allocated to the Parties to the Judgment to produce groundwater without incurring a replenishment assessment over the period 2000-2014 by a quantity potentially as high as 130,000 AF but nevertheless only a 23,000 AF actual depletion from storage occurred.
 7. During the period 2000-2014 there has been an increase of more than 200% in non-Supplemental Water storage accounts and, therefore, the Safe Storage Management, as provided for in the 2015 Safe Yield Reset Agreement, is an appropriate mechanism to ensure withdrawals of groundwater from authorized storage accounts within the Basin are safe, sustainable, and will not cause Material Physical Injury or undesirable results.
 8. Using methodology consistent with prudent professional standards, it is estimated that since the early 1900s, more than 2.1 million AF was withdrawn from the Basin in excess of recharge to the Basin.
 9. The establishment of the Safe Storage Reserve does not unreasonably restrict the withdrawal of water from storage accounts because: (i) the Safe Storage Reserve is 130,000 AF and present quantities of water in storage are in excess of 350,000 AF; (ii) it is highly unlikely that the Parties to the Judgment could physically pump enough groundwater from the Basin to reach the cumulative trigger of 150,000 AF in less than five (5) years, given current infrastructure; (iii) the Appropriative Pool has committed to exercise Best Efforts to prepare a Storage Management Plan within two (2) years of the effective date of the 2015 Safe Yield Reset Agreement and no reserve quantities are under discussion; (iv) even if the Safe Storage Reserve of 130,000 AF were implemented, access to stored water therein is available for emergencies and Desalter replenishment; and (v) Watermaster has the authority under the Judgment to manage all storage within the Basin;

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN BERNARDINO)

I, J. Arnold Rodriguez, Secretary of the Chino Basin Watermaster, DO HEREBY CERTIFY that the foregoing Revised Resolution being No. 2015-06, was adopted at a regular meeting of the Chino Basin Watermaster Board by the following vote:

AYES: 7
NOES: 2
ABSENT: 0
ABSTAIN: 0

CHINO BASIN WATERMASTER


J. Arnold Rodriguez
Secretary/Treasurer, Watermaster Board

Date: September 24, 2015

NOW, THEREFORE, BE IT RESOLVED, by the Chino Basin Watermaster that:

1. Watermaster endorses the 2015 Safe Yield Reset Agreement as consistent with Article X, section 2 of the California Constitution, the Judgment, and the Court-Approved Management Agreements.
2. Consistent with the Proposed Order, Watermaster will comply with the provisions of the 2015 Safe Yield Reset Agreement.
3. In adopting this Resolution and by its agreement to implement the 2015 Safe Yield Reset Agreement, Watermaster is not committing to carry out any project within the meaning of CEQA, unless and until CEQA compliance has been demonstrated for any such project.
4. The Watermaster Board will transmit this Resolution 2015-06, the 2015 Safe Yield Reset Agreement, and the referenced Attachments to the Court, and, in accordance with the requests by the parties thereto, the advice and counsel of the Pools, and the Advisory Committee, Watermaster recommends that the Court approve the proposed Judgment Amendment and to further order that Watermaster proceed to further comply with the 2015 Safe Yield Reset Agreement.
5. The Watermaster Board directs Watermaster legal counsel to prepare and file a motion with the Court pursuant to paragraph 4, above.


APPROVED by the Advisory Committee this 17th day of September 2015.

ADOPTED by the Watermaster Board on this 24th day of September 2015.

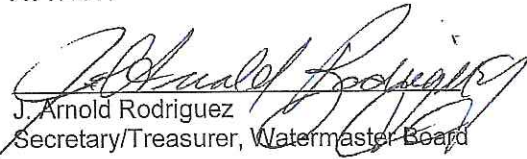
By:


Steven J. Elie
Chairman, Watermaster Board

APPROVED:


Jeffrey L. Pierson
Chairman, Advisory Committee

ATTEST:


J. Arnold Rodriguez
Secretary/Treasurer, Watermaster Board

LIST OF EXHIBITS

Exhibit "A"	2015 Safe Yield Reset Agreement, Including Exhibits A – E
Exhibit "B"	Proposed Order Amending Paragraph 6 of the Restated Judgment
Exhibit "C"	Amended schedule for access to Re-Operation water

List of Exhibits to Resolution 2015-06, Exhibit F of Attachment 1 to Watermaster's Motion

Exhibit A: 2015 Safe Yield Reset Agreement, Including Exhibits A – E
is Attachment 1 to Watermaster's Motion

Exhibit B: Proposed Order Amending Paragraph 6 of the Restated Judgment (is the proposed order) and is attached

Exhibit C: Amended Schedule for Access to Re-Operation Water
is Attachment 2 to Watermaster's Motion

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN BERNARDINO

CHINO BASIN MUNICIPAL WATER
DISTRICT,

Plaintiff,

v.

CITY OF CHINO et al.,

Defendant.

Case No. RCV 51010

Assigned for All Purposes to the
Honorable Stanford E. Reichert

**[PROPOSED] ORDER AMENDING
PARAGRAPH 6 OF THE RESTATED
JUDGMENT**

The Court having read, reviewed, and considered all pleadings filed in support and in response, if any, including the testimony presented at the [DATE] hearing, and good cause appearing therefore, the Court finds and Orders as follows:

(1) Paragraph 6 of the Restated Judgment is hereby amended to read as follows: "Safe Yield. The Safe Yield of the Basin is 135,000 acre feet per year."

(2) The effective date of the amendment to Paragraph 6 of the Restated Judgment is July 1, 2010.

IT IS SO ORDERED.

Dated: _____

JUDGE OF THE SUPERIOR COURT

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Attachment 2

Safe Yield Reset Implementation
Desalter Replenishment Accounting Illustration¹
(Per Peace II Agreement, Section 6.2 (PIIA, 6.2) and June 11, 2015 Key Principles)
(Acre-Feet)

[A]	[B]		[C]	[D]	[E]	[F]	[G]	[H]	[I]			[J]	[K]	[L]	[M]	[N]
Production Year	Desalter Production:		Total ²	Desalter (aka Kaiser) Account PIIA, 6.2(a)(i)	Paragraph 31 Settlement Agreements Dedication ³ PIIA, 6.2(a)(ii)	Desalter-Induced Recharge ⁴ PIIA, 6.2(e)(iii)	"Leave Behind" Losses PIIA, 6.2(a)(iv)	Safe Yield Contributed by Parties PIIA, 6.2(a)(v)	Controlled Overdraft / Re-Op. PIIA, 6.2(a)(vi)		Allocation for Peace II Desalter Expansion ⁸	Balance	Non-Ag OBMP Assessment (10% Haircut) ⁷ PIIA, 6.2(b)(i)	Residual Replenishment Obligation ^{5,8,9,10}		
	Pre-Peace II Desalter Production ²	Peace II Desalter Expansion Production ²							Pre-Peace II Desalters ⁵	Peace II Desalter Expansion ⁸						
2001	7,989	0	7,989	3,985	0	0	0	0	0	0	0	0	0	3,985		
2002	9,458	0	9,458	4,729	0	0	0	0	0	0	0	0	0	4,729		
2003	10,439	0	10,439	5,219	0	0	0	0	0	0	0	0	0	5,219		
2004	10,605	0	10,605	5,303	0	0	0	0	0	0	0	0	0	5,303		
2005	9,854	0	9,854	4,927	0	0	0	0	0	0	0	0	0	4,927		
2006	16,476	0	16,476	11,579	0	0	0	0	0	0	0	400,000	0	4,897		
2007	26,356	0	26,356	608	4,273	0	0	21,475	0	0	0	378,525	0	0		
2008	26,972	0	26,972	0	0	0	0	26,972	0	0	0	331,553	0	0		
2009	32,920	0	32,920	0	0	0	0	61,989	0	0	0	289,564	0	-29,069		
2010	26,517	0	26,517	0	0	0	0	28,517	0	0	0	261,047	0	0		
2011	29,319	0	29,319	0	0	0	0	29,319	0	0	0	231,729	0	0		
2012	28,379	0	28,379	0	0	0	0	28,379	0	0	0	203,350	0	0		
2013	27,062	0	27,062	0	0	0	0	27,062	0	0	0	176,288	0	0		
2014	29,228	0	29,228	0	0	0	0	1,298	25,940	13,000	149,060	0	0	2,000		
2015	30,000	0	30,000	0	0	15,000	0	0	13,000	14,500	136,060	0	0	2,000		
2016	30,000	3,000	33,000	0	0	16,500	0	0	16,500	17,015	121,560	0	735	2,000		
2017	30,000	7,500	37,500	0	0	18,750	0	0	17,265	16,015	105,545	0	735	2,000		
2018	30,000	10,000	40,000	0	0	20,000	0	0	17,265	88,280	88,280	0	735	2,000		
2019	30,000	10,000	40,000	0	0	20,000	0	0	15,265	73,015	73,015	0	735	4,000		
2020	30,000	10,000	40,000	0	0	20,000	0	0	15,265	57,750	57,750	0	735	4,000		
2021	30,000	10,000	40,000	0	0	20,000	0	0	12,265	45,485	45,485	0	735	7,000		
2022	30,000	10,000	40,000	0	0	20,000	0	0	12,265	33,220	33,220	0	735	7,000		
2023	30,000	10,000	40,000	0	0	20,000	0	0	9,265	23,955	23,955	0	735	10,000		
2024	30,000	10,000	40,000	0	0	20,000	0	0	9,265	14,690	14,690	0	735	10,000		
2025	30,000	10,000	40,000	0	0	20,000	0	0	6,265	8,425	8,425	0	735	13,000		
2026	30,000	10,000	40,000	0	0	20,000	0	0	0	0	0	0	735	10,840		
2027	30,000	10,000	40,000	0	0	20,000	0	0	0	0	0	0	735	19,265		
2028	30,000	10,000	40,000	0	0	20,000	0	0	0	0	0	0	735	19,265		
2029	30,000	10,000	40,000	0	0	20,000	0	0	0	0	0	0	735	19,265		
2030	30,000	10,000	40,000	0	0	20,000	0	0	0	0	0	0	735	19,265		
Totals	773,573	140,500	914,073	36,360	4,273	310,250	0	0	225,000 (225,000 available)	175,000 (175,000 available)	10,290	0	735	152,898		

1. Table format and content: WEI, Response to Condition Subsequent Number 7, November 2008.

2. Future desalter production is estimated. The Peace II Desalter Expansion is expected to increase total desalter production to 40,000 acre-feet in May 2017. The table will be adjusted annually with actual production numbers.

3. 3,956,877 acre-feet + 316,177 acre-feet added as Non-Ag dedicated stored water per Paragraph 31 Settlement Agreements. Per Agreements, the water is deemed to have been dedicated as of June 30, 2007.

4. The desalter-induced recharge projection in the table is now shown as 50 percent of annual total desalter production for years 2015 through 2030. Desalter-induced recharge from 2001 through 2014 (187,000 acre-feet) will be deemed Safe Yield and not available to offset Desalter production.

5. Six years of Desalter tracking (Production Year 2000/2001 through Production Year 2005/2006) incorrectly assumed that a significant portion of Desalter production was being offset by desalter-induced recharge. Condition Subsequent 7 included an adjustment of 29,070 AF against desalter replenishment in Production Year 2008/2009.

6. The Peace I Agreement may terminate in 2030. Per this revised schedule, accelerating the Peace II Desalter expansion allocation allows for full utilization of its available 175,000 acre-feet.

7. For the first 10 years following the Peace II Agreement (2006/2007 through 2015/2016), the Non-Ag "10% Haircut" water is apportioned among the specific seven members of the Appropriative Pool, per PIIA 9.2(a). In the eleventh year and in each year thereafter, it is dedicated to Watermaster to further offset desalter replenishment. However, to the extent there is no remaining desalter replenishment obligation in any year after applying the offsets set forth in 6.2(a), it will be distributed pro rata among the members of the Appropriative Pool based upon each Producer's combined total share of OSY and the previous year's actual production.

8. Per the Peace I Agreement, Section 6.2(b)(ii), the residual replenishment assessment is against the Appropriative Pool pro-rata based on each Producer's combined total share of OSY and the previous year's actual production. The obligation will follow the schedule, as shown in this illustration, of 2,000, 4,000, 7,000, 10,000, and 13,000 AF/year until the Re-Operation water is depleted, which will vary from this illustration based on true annual desalter production. Depletion of the Re-Operation water timing will affect the residual obligation shown in Column [N], and it will be adjusted accordingly.

9. It was shown in the Fiscal Year 2014/15 Assessment Package that the production year 2013/14 desalter replenishment obligation could be as high as 27,940 AF. Due to the acceleration of the Peace II Desalter expansion allocation, the production year 2013/14 desalter replenishment obligation is reduced to 2,000 acre-feet.

10. Table does not include the up to 30,000 acre-feet of Safe Storage Reserve water that may be available after 2024 for the exclusive purpose of Desalter replenishment.

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

12 CHINO BASIN MUNICIPAL WATER
13 DISTRICT,

14 Plaintiff,

15 v.

16 CITY OF CHINO, et al.,

17 Defendant.

Case No. RCV 51010

[Assigned for All Purposes to the Honorable
STANFORD E. REICHERT]

**DECLARATION OF MARK
WILDERMUTH IN SUPPORT OF
MOTION REGARDING 2015 SAFE YIELD
RESET AGREEMENT, AMENDMENT OF
RESTATED JUDGMENT, PARAGRAPH 6**

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20 I, Mark Wildermuth, declare as follows:

21 1. I am the founder and President of Wildermuth Environmental, Inc. ("WEI"), a
22 water resources consulting firm. My firm consults for the Chino Basin Watermaster
23 ("Watermaster") with respect to implementation of the Chino Basin Optimum Basin Management
24 Program ("OBMP") and other Watermaster duties.

25 2. I am a hydrologist and a registered engineer and have been involved in the Chino
26 Basin as such for approximately 34 years.

27 3. As a consultant to Watermaster, I assisted in the development of Watermaster's
28

1 OBMP and the OBMP Implementation Plan, and I am familiar with the Court-approved actions
2 requiring OBMP implementation, including the Peace Agreement and the Peace II Agreement.

3 4. The original 2003 Chino Basin Groundwater Model was developed by me and
4 under my direction, as have been all of the updates to that model, including significant updates in
5 2006 and 2007. These prior versions of the model served as the basis for the Parties' agreement
6 to and this Court's approval of the Peace II measures, and were used in the evaluation, pursuant to
7 the California Environmental Quality Act, of the storage and recovery project with the
8 Metropolitan Water District of Southern California referred to as the Dry Year Yield Agreement.
9 The Regional Water Quality Control Board for the Santa Ana Region ("Regional Board")
10 accepted the model's predictions for evaluation and approval of Watermaster's proposal that the
11 Basin be managed under the "Maximum Benefit" mechanism. An updated version of the 2007
12 model provided the basis for the Parties' decision-making in the process of finalizing the 2013
13 Amendment to the 2010 Recharge Master Plan Update, approved by this Court in October 2013,
14 and has been used by the Regional Board in order to evaluate the achievement of Hydraulic
15 Control within the Basin.

16 5. The most recent 2013 update (the "2013 Model") is an update of and improvement
17 upon the 2003 model and its updates. Construction of the 2013 Model, its calibration and
18 application to evaluate and update the Safe Yield of the Chino Basin is described in a draft report
19 entitled Draft – 2013 Chino Basin Groundwater Model Update and Recalculation of Safe Yield
20 Pursuant to Peace Agreements (attached hereto as "Exhibit 1"). In brief, the 2013 Model includes
21 and expands upon the hydrogeologic data included in the 2003 and 2007 Models, incorporating
22 new production data, precipitation data, hydrogeologic data, and interpretations of them.

23 6. The 2013 Model is the result of approximately three years of model development
24 and application efforts. Based on the modeling and calibration efforts detailed above, it is my
25 opinion that Watermaster now has the ability to, and can competently, reasonably, and accurately
26 perform the required basin yield reevaluation arising from the OBMP Implementation Plan and
27 prior orders of this Court.

28 7. The Updated Basin Model has been calibrated with a high degree of confidence

1 and has been peer reviewed by representatives of the Parties to the Judgment.

2 8. As part of my work for the Chino Basin Watermaster, I work closely with the
3 Chino Basin Desalter Authority in order to assist Watermaster in ensuring that its Desalter
4 construction and operation obligations, both to the Regional Board in regard to Maximum Benefit
5 and Hydraulic Control, and to the Court in regard to the OBMP Implementation Plan, are met. I
6 am informed and believe that Watermaster and the Parties have designed, financed and complied
7 with the direction of the Court in its 2007 Order Approving the Peace II Agreement by
8 constructing an additional 10 MGD of expanded Desalter capacity. This expansion is being
9 overseen by the Chino Basin Desalter Authority (CDA), and will be completed in 2017.
10 Hydraulic Control will be achieved in fiscal 2016.

11 9. In 2007, WMWD proposed to assume the obligation of pursuing the Future
12 Desalters and they were subsequently joined by the Jurupa Community Services District and the
13 City of Ontario. This initial group comprised less than the complete Chino Basin Desalter
14 Authority membership – that had constructed and was operating the then-existing Desalters. The
15 proposed allocation of Re-Operation water at the time of the Peace II Agreement was developed
16 to ensure the completion of the additional 10 MGD of desalting capacity by WMWD and to
17 reflect its capital commitments.

18 10. At the time of the Court's approval of the Peace Agreement and OBMP
19 Implementation Plan, it was believed that the Safe Yield might be larger than was stated in the
20 Judgment. At the time of the development of the 2013 Model, despite the construction of the
21 Desalters and the implementation of the Peace II Measures, the evaluation of available production
22 data, long-term hydrology and prevailing cultural conditions suggested that there may have been
23 a decline in Safe Yield.

24 11. I, and my staff at my direction, assisted Watermaster counsel and staff in the
25 facilitated discussions that resulted in the 2015 Safe Yield Reset Agreement. I, with my staff at
26 my direction, prepared the following Exhibits to the Agreement: Exhibit "A," the Reset
27 Technical Memorandum; Exhibit "D," the Storage Losses Technical Memorandum; and, Exhibit
28 "E," the Safe Storage Management Technical Memorandum.

12. Using the 2013 Model and the methodology described in the Reset Technical Memorandum, the Safe Yield for the 2010/2011-2019/2020 time period identified in the OBMP Implementation Plan and Watermaster's Rules and Regulations is approximately 135,000 afy.

13. In my opinion, the methodology described in the Reset Technical Memorandum is consistent with the Judgment, OBMP Implementation Plan and the Court's prior orders. Specifically, the Updated Basin Model has incorporated data from the 2000/2001-2009/2010 period, along with long-term hydrology from 1921 to the date of the reset evaluation. Based on my experience in the field of groundwater hydrology and years of experience in the Chino Basin, I believe the approach to be a prudent and reasonable professional methodology, consistent with professional custom, standard and practice.

14. In my opinion, the Basin protection measures to which the parties have agreed in the 2015 Safe Yield Reset Agreement will ensure that the Basin is not harmed by extractions of 135,000 afy of water through fiscal 2020.

15. In my opinion, the Basin protection measures to which the parties have agreed in the 2015 Safe Yield Reset Agreement, including the Safe Storage Management Measures, will ensure that the Basin is not harmed by extractions of the 20,000 af that was allocated in the past four years than would have been allocated if the Safe Yield had been reset to 135,000 afy in 2011.

16. Using methodology consistent with prudent professional standards, Watermaster's hydrologic consultant estimates that since the early 1900s, more than 2.1 million af has been withdrawn from the Basin in excess of recharge to the Basin.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed on October ___, 2015, at Lake Forest, California.



MARK WILDERMUTH

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Exhibit 1 to Declaration of Mark Wildermuth
2013 Chino Basin Groundwater Model Update
and Recalculation of Safe Yield Pursuant to
Peace Agreements

(File is 125.84 MB)

[http://www.cbwm.org/docs/engdocs/WEI%202013%20CBWM%20Recalculation%20Model%20Update/20151005 WEI 2013 CBWM Recal Model Final low.pdf](http://www.cbwm.org/docs/engdocs/WEI%202013%20CBWM%20Recalculation%20Model%20Update/20151005_WEI_2013_CBWM_Recal_Model_Final_low.pdf)

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN BERNARDINO

CHINO BASIN MUNICIPAL WATER
DISTRICT,

Plaintiff,

v.

CITY OF CHINO, et al.,

Defendant.

Case No. RCV 51010

[Assigned for All Purposes to the Honorable
STANFORD E. REICHERT]

**DECLARATION OF DANIELLE D.
MAURIZIO IN SUPPORT OF MOTION
REGARDING 2015 SAFE YIELD RESET
AGREEMENT, AMENDMENT OF
RESTATED JUDGMENT, PARAGRAPH 6**

I, DANIELLE D. MAURIZIO, declare:

1. I am currently employed as Assistant General Manager of the Chino Basin Watermaster ("Watermaster"). I have been employed by Watermaster for 12 years. I have personal knowledge of the facts stated in this declaration, except where stated on information and belief, and if called as a witness, I could and would competently testify to them under oath.

2. In my capacity as Assistant General Manager, I am familiar with the day-to-day operations of Watermaster, including Watermaster's activities in implementation of the Optimum Basin Management Program and the Recharge Master Plan for the Chino Basin. I manage the preparation of Watermaster's annual Assessment Package, which tracks groundwater Production,

1 Transfers, and storage and storage losses.

2 3. From approximately March 1, 2011 to May 1, 2011, and then again from mid-
3 November, 2011 to mid-January, 2012, I served as interim Chief Executive Officer of
4 Watermaster.

5 4. I am informed and believe that Watermaster oversaw the installation of metering
6 devices during the 2000-2002 timeframe and, as the meters came online, began collecting
7 metered production data from non-exempt Agricultural Pool Producers within the Basin, which
8 continued throughout the ten-year period of 2000/01 through 2009/10.

9

10 I declare under penalty of perjury under the laws of the State of California that the
11 foregoing is true and correct to the best of my knowledge.

12

13 Executed on October 21, 2015, at Rancho Cucamonga, California.

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DANIELLE D. MAURIZIO

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

12 CHINO BASIN MUNICIPAL WATER
13 DISTRICT,

14 Plaintiff,

15 v.

16 CITY OF CHINO, et al.,

17 Defendant.

Case No. RCV 51010

[Assigned for All Purposes to the Honorable
STANFORD E. REICHERT]

**DECLARATION OF PETER KAVOUNAS
IN SUPPORT OF MOTION REGARDING
2015 SAFE YIELD RESET AGREEMENT,
AMENDMENT OF RESTATED
JUDGMENT, PARAGRAPH 6**

Date: December 18, 2015

Time: 1:30 P.M.

Dept.: R-6

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22 I, Peter Kavounas, declare:

23 1. I currently serve as the General Manager of the Chino Basin Watermaster
24 ("Watermaster"). I have served in this capacity since September 4, 2012. I have personal
25 knowledge of the facts stated in this declaration, except where stated on information and belief,
26 and if called as a witness, I could and would competently testify to them under oath.

27 2. As the General Manager of Watermaster, I am intimately familiar with actions
28 taken by the Pool Committees, Advisory Committee, and the Watermaster Board, and the

1 directives to staff from the Board. My role as General Manager includes attending all Pool
2 Committee, Advisory Committee, and Watermaster Board meetings.

3 3. During my employment with Watermaster, I have overseen the work done by
4 Wildermuth Environmental, Inc. (WEI) in updating the Basin Model and the Safe Yield
5 recalculation process. To date, Watermaster has paid WEI approximately \$1,125,000 for the
6 work undertaken in the creation of the Updated Basin Model and the Updated Basin Model's
7 calculation of the Basin yield during this Safe Yield recalculation and reset process.

8 4. In order to obtain stakeholder input as to the Safe Yield reevaluation process and
9 peer review of the Updated Basin Model, Watermaster held numerous workshops and multiple
10 technical modeling review sessions specifically in regard to the update to the model. A model
11 recalibration workshop was held in November, 2012. Reports on the process have been regularly
12 presented at the regular meetings of the Pool Committees, Advisory Committee, and the
13 Watermaster Board.

14 5. At the request of the members of the Appropriative Pool, Watermaster facilitated
15 discussion sessions among the Parties. Watermaster staff and consultants additionally conducted
16 numerous meetings with smaller subsets of interested Parties.

17 7. WEI has indicated to Watermaster and the Parties that its Updated Basin Model
18 can competently, reasonably, and accurately perform the required basin yield recalculation arising
19 from the OBMP Implementation Plan and prior orders of this Court. There is no evidence of any
20 kind that has been presented to Watermaster that suggests that the Updated Basin Model
21 developed by Mr. Wildermuth under the direction of Watermaster is insufficient to perform the
22 evaluation described in the Reset Technical Memorandum. Experts hired by the Parties to review
23 the Updated Basin Model have indicated that it is a reliable tool for simulating the movement of
24 water within the Basin, and to my knowledge, no party contests that this is the case.

25 8. On July 10, 2014, the Appropriative Pool Committee took action to request that
26 Watermaster convene regular meetings, occurring twice each month, to allow the Pool members
27 to attempt to reach consensus as to the issues surrounding the redetermination and reset of the
28 Basin's Safe Yield.

1 9. On September 16, 2014, a Board workshop was held regarding the Safe Yield
2 redetermination and reset issues.

3 10. In October and November of 2014, the Watermaster Parties, at the Pool
4 Committee, Advisory Committee and Watermaster Board meetings, discussed various approaches
5 to the determination and reset. In November, 2014, the Advisory Committee requested, and the
6 Watermaster Board adopted, the Advisory Committee's recommendation that Watermaster
7 convene a facilitated process to identify and resolve all issues related to the successful completion
8 of the Safe Yield redetermination for consideration by the Pool Committees, Advisory Committee
9 and Watermaster Board in mid-2015.

10 11. In December 2014, in response to a request by the Advisory Committee, the
11 Watermaster Board authorized Watermaster legal counsel to serve as the facilitator in the process.
12 I, and other Watermaster staff and consultants, including WEI, assisted legal counsel in its
13 facilitation role, and I have knowledge of the facilitation process' outcome.

14 12. In order to protect the confidentiality of their discussions, as well as to preserve
15 Watermaster counsel's ability to full and fairly represent Watermaster, a substantial number of
16 parties executed a Facilitation and Non-Disclosure Agreement (FANDA).

17 13. The parties to the facilitation process met at least weekly and, in many cases,
18 multiple times per week, in an attempt to achieve consensus as to the Safe Yield reevaluation and
19 reset issues. In total, in addition to the many informal meetings and discussions that took place,
20 the group of parties met more than 30 times.

21 14. On May 27, 2015, all but one of the then active parties to the FANDA,
22 representing approximately ninety (90) percent of total production rights among them, reached a
23 non-binding agreement among their negotiating representatives on certain key principles
24 embodied in the Safe Yield Summary of Non-Binding Key Principles Derived from Facilitated
25 Process ("Key Principles") and recommended that the parties continue to negotiate in good faith,
26 with the goal to reduce the Key Principles into a binding instrument for execution no later than
27 September 1, 2015.

28 15. Upon the agreement of the parties to the Watermaster Judgment that had not been

1 participating in the facilitation process, the Board directed Watermaster counsel to continue to
2 facilitate negotiations among the parties to the Key Principles, with the goal to reduce the Key
3 Principles into a binding instrument for execution no later than September 1, 2015. On August
4 26, 2015, agreement was reached as to a substantially complete draft of the 2015 Safe Yield Reset
5 Agreement.

6 16. The 2015 Safe Yield Reset Agreement, its exhibits, and a draft of Resolution
7 2015-06 were presented to the Pool Committees for review and comment at their September
8 regular meetings. Resolution 2015-06 ("Resolution of Chino Basin Watermaster Regarding 2015
9 Safe Yield Reset Agreement") was approved by the Advisory Committee its regular meeting on
10 September 17, 2015. As part of the Advisory Committee's vote, the City of Chino voted "no."
11 The Board adopted Resolution 2015-06 at its regular meeting on September 24, 2015.

12 17. Attached hereto as Attachment "1" is the staff presentation, *Resolution 2015-06:*
13 *Resolution of the Chino Basin Watermaster Regarding 2015 Safe Yield Reset Agreement*, that was
14 given to the Board at its September 24, 2015 meeting. Attached hereto as Attachment "2" is the
15 Staff Report, *Chino Basin Safe Yield Redetermination and Reset*, that was included in the
16 September 24, 2015 Watermaster Board Meeting agenda.

17 18. As of the date of this declaration, three individual parties – the Agricultural Pool,
18 the Appropriative Pool, and Three Valleys Municipal Water District – have also approved and
19 executed the 2015 Safe Yield Reset Agreement.

20 19. Based on their participation in the process described above, it is my belief that the
21 Parties to the Judgment have engaged in peer review of the Safe Yield evaluation and have an
22 understanding of implementation challenges in Watermaster accounting in light of a decline.

23 20. Pursuant to the 2013 Amendment to the 2010 Recharge Master Plan Update
24 ("2013 RMPU Amendment"), presented to and approved by the Court in October 2013,
25 Watermaster has developed and is in the process of implementing a group of "yield
26 enhancement" projects. The composition of the suite of yield enhance projects has changed
27 somewhat since the Court's October 2013 approval of the 2013 RMPU Amendment, and the
28 currently contemplated suite of improvements is projected to result in an average of

1 approximately 6,410 acre-feet of additional annual stormwater recharge to the Chino Basin.

2 21. There may be members of the Appropriative Pool that, because of the projected
3 future water demands within their systems and their existing supply portfolios, do not desire the
4 additional projected recharge associated with new stormwater projects. There are other parties
5 within the Appropriative Pool, particularly those with service areas in which there has been
6 substantial growth since the time of the 1978 entrance of the Judgment, that may desire to assume
7 the financial obligations of those parties in exchange for the potential net new recharge that is
8 projected to arise from the suite of projects.

9 22. The City of Chino has expressed concerns regarding the Agreement, speaking at
10 Committee and Board meetings, as filed in its responsive pleading to Watermaster's July 2015
11 Safe Yield Reset Status Report, and appearing at the Court's August 21, 2015 hearing on the July
12 2015 Safe Yield Reset Status Report.

13 I declare under penalty of perjury under the laws of the State of California that the
14 foregoing is true and correct to the best of my knowledge.
15

16 Executed on October 22, 2015, at Rancho Cucamonga, California.

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18 PETER KAVOUNAS
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Attachment 1

Resolution 2015-06: Resolution of the Chino Basin Watermaster Regarding 2015 Safe Yield Reset Agreement

Watermaster Board

September 24, 2015





Safe Yield Reset

- Requirement to Reset
- Watermaster Process
- 2015 Safe Yield Reset Agreement (2015 SYRA)
- City of Chino concerns
- Jurupa Community Services District concerns
- Resolution 2015-06
- Next Steps



Requirement to Reset

- The OBMP Implementation Plan, adopted in 2000, provided that Watermaster would ensure the metering of all non-exempt production within the Basin, and gather the newly available data.
- After the prescribed 10 year period, using the newly available data, Watermaster was to reevaluate and reset the Safe Yield. (OBMP Implementation Plan, Elements 8 and 9.)
- Watermaster's Rules and Regulations additionally provide for a reset, using the new data, in 2010/11. (Watermaster Rules and Regulations, § 6.5.)



Basin Model Update

- Required metering was completed by 2002, and expanded monitoring according to the OBMP Implementation Plan began in 2001.
- At the close of the 10 year period, Watermaster gathered necessary data and began to update the Basin model.
- Over a four-year period ending in early 2013, the Updated Basin Model was designed, funded, constructed, and successfully calibrated, at a cost to the parties of over \$1 million.



Safe Yield Reset Process

- Initial workshop held in July 2013.
- In the second half of 2013 and the majority of 2014, Watermaster held numerous additional workshops, technical modeling review sessions and many meetings with individual interested parties.
- Beginning in July 2014, Watermaster facilitated twice monthly workshops to address Appropriate Pool concerns.

Board Safe Yield Workshop in September 2014.



Facilitated Process

- In November 2014, at the request of the Advisory Committee, the Watermaster Board convened a facilitated process to identify and resolve issues related to Safe Yield reset.
- In December 2014, at Advisory Committee request, Board authorized legal counsel to serve as facilitator.
- A Facilitation and Non-Disclosure Agreement (FANDA) was executed by all parties to the facilitated process.



Facilitated Process

- FANDA group met more than 30 times, and, in May 2015, their negotiators reached agreement on non-binding key principles (“Key Principles”).
- A Status Report was filed with the Court on July 10, 2015.
- During June-August 2015, through a facilitated process, the Key Principles were reduced to the proposed binding legal agreement.
- On August 27, 2015, Watermaster Board referred the Agreement to the Pool and Advisory Committees for advice and counsel.



Facilitated Process

- During the month of September all three Pools supported Advisory Committee recommendation of Resolution 2015-06
 - Agricultural Pool by unanimous vote
 - Non-Agricultural Pool by unanimous vote
 - Appropriative Pool by majority vote
 - Abstained: JCSD; SAWCo
 - No: Chino

• The Advisory Committee met on September 17, 2015 and recommend by majority vote the Board's adoption of Resolution 2015-06

- Abstained: JCSD; SAWCo
- No: Chino



2015 Safe Yield Reset Agreement (2015 SYRA)

- Agreement among parties thereto; Watermaster is not a party, but would endorse and implement.
- Resolution of differing opinions on how to implement prior Court-approved management agreements in the event of a declining Safe Yield
- Addresses three main areas:
 - Safe Yield Reset (Article 4)
 - Watermaster Accounting (Article 5)
 - Safe Storage Management Measures (Article 6)
- Amendments to Paragraph 6 of Restated Judgment, Re-Operation schedule



2015 SYRA

- Safe Yield Reset
 - Exhibit A: Technical Memorandum on Safe Yield Reset Methodology
 - 2015-06 Exhibit B: Proposed Order Amending Judgment
- Watermaster Accounting
 - Exhibit B: Examples of Stormwater Recharge Accounting
 - 2015-06 Exhibit C: Desalter Replenishment Schedule
- Safe Storage Management
 - Exhibit C: Stored Water Account Balances
 - Exhibit D: Technical Memorandum on Losses
 - Exhibit E: Technical Memorandum on Storage Management



2015 SYRA: Safe Yield Reset

- Safe Yield reset to 135,000 afy
 - Methodology as described in Reset Technical Memorandum
 - Effective 7/1/2010
- Certainty for parties as to subsequent resets:
 - Future scheduled resets in 2020, 2030
 - Interim corrections will be recommended if Safe Yield changes more than 2.5%
 - Annual data collection and evaluation
 - Modeling; peer review
- No retroactive accounting



Exhibit A: Technical Memorandum on Safe Yield Reset Methodology

The long-term average annual quantity of ground water (excluding replenishment or stored water but including return flow to the Basin from use of replenishment or stored water) which can be produced from the Basin under cultural conditions of a particular year without causing an undesirable result.

(Restated Judgment, ¶ 1.4.(x). Emphasis added)

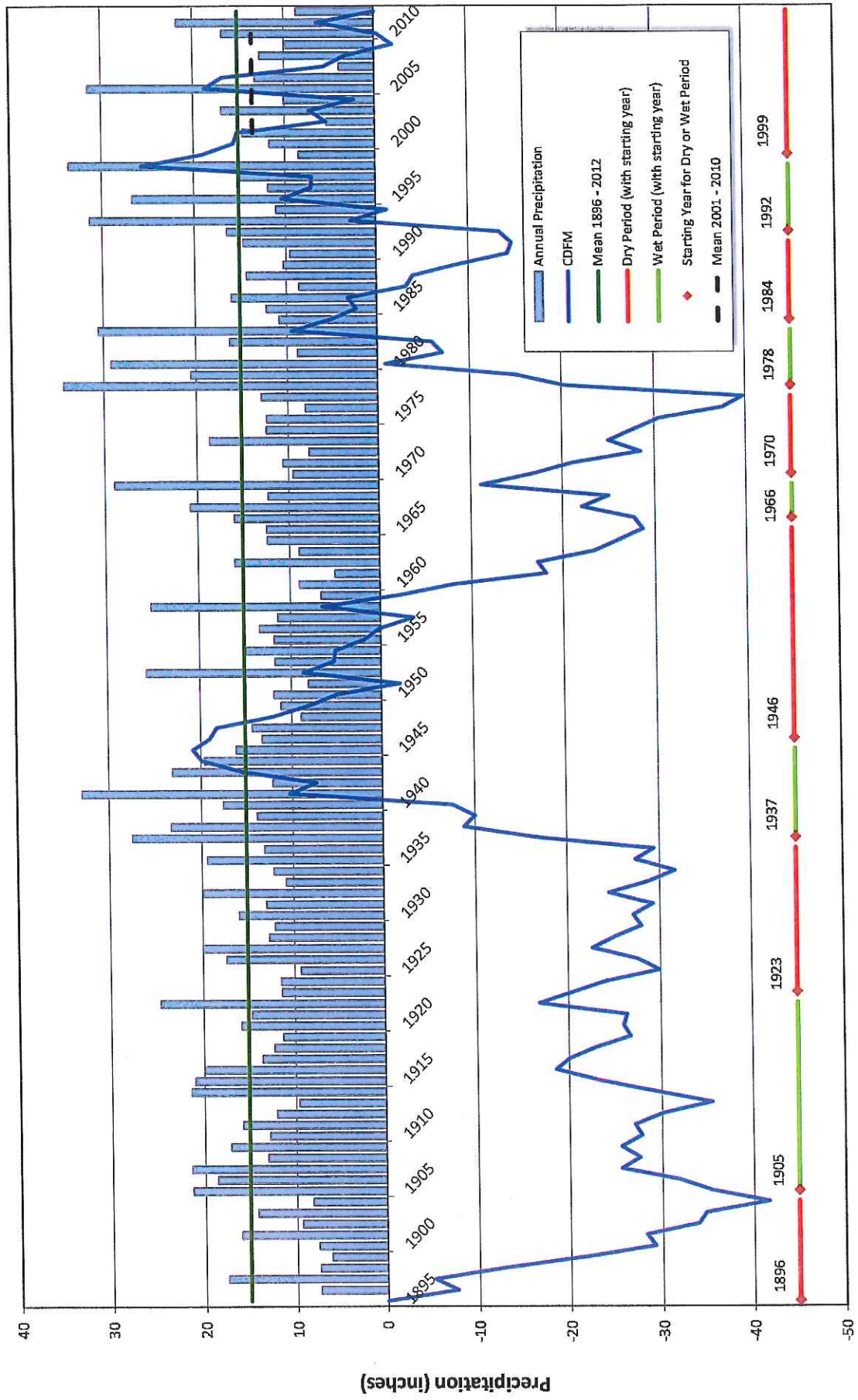


Exhibit A: Technical Memorandum on Safe Yield Reset Methodology

- The “long-term average annual quantity of ground water which can be produced from the Basin” is directly related to the long-term average hydrologic conditions, such as precipitation.
- The “cultural conditions” refer to the overlying land uses and water-management practices that affect the net recharge to the Basin, including but not limited to:
 - impervious cover,
 - channel lining,
 - land use and associated irrigation practices
 - installation and operation of the Chino Desalter well fields,
 - construction of recharge basins and
 - location and magnitude of groundwater pumping, etc.

Figure 1 Annual Precipitation Over the Chino Basin and Cumulative Departure from Mean (CDFM)

Precipitation
Based on Monthly Precipitation Estimates from PRISM



Fiscal Year

Figure 7-3 Comparison of Historical and Projected Net Recharge to Overlying Ag and CDA Production

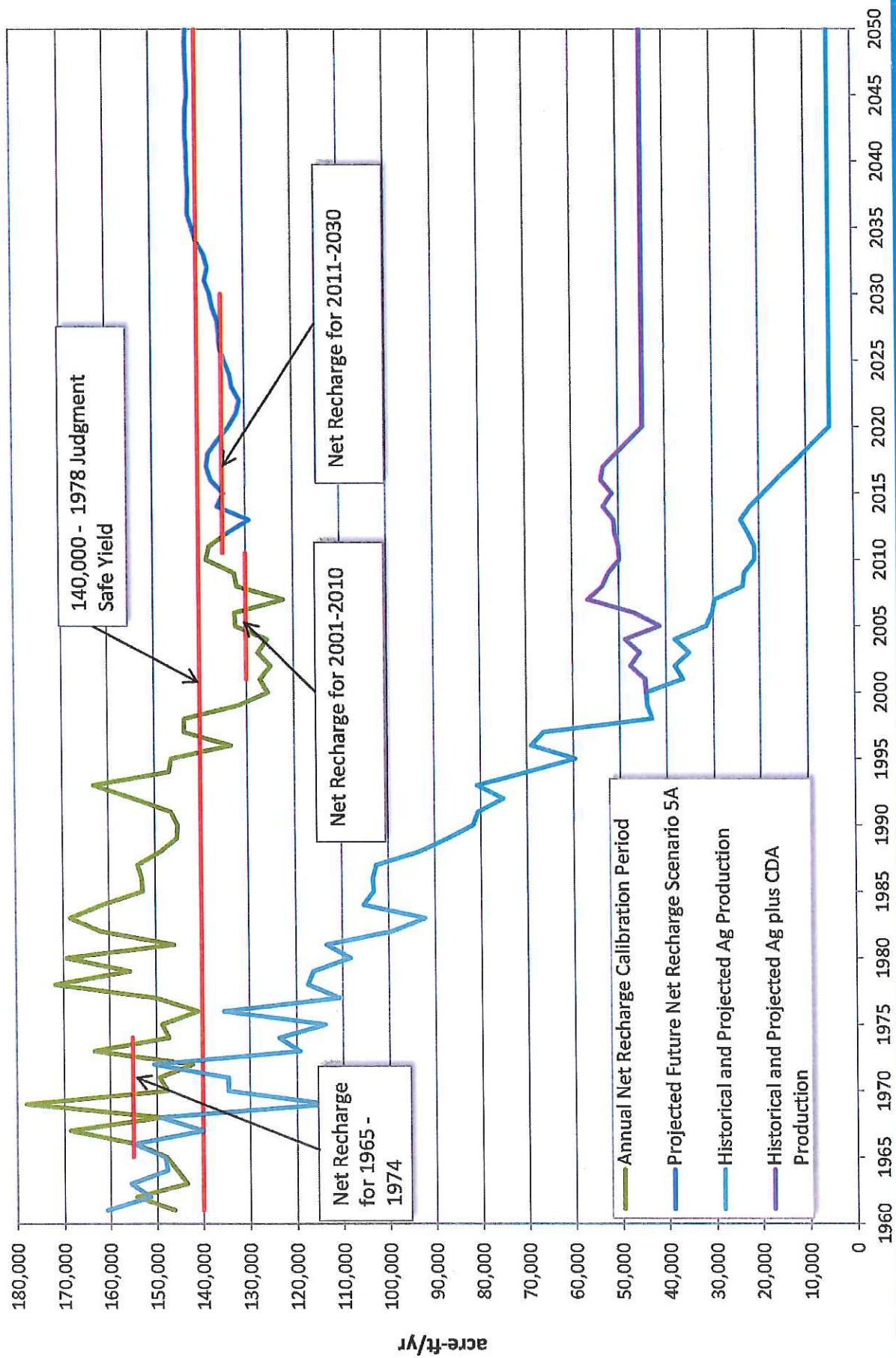




Exhibit A: Technical Memorandum on Safe Yield Reset Methodology

- The methodology to redetermine the Safe Yield for 2010/11 and the recommended methodology for future Safe Yield evaluations is listed below. This methodology is consistent with professional custom, standard and practice, and the definition of Safe Yield in the Judgment and the Physical Solution.
 1. Use the data collected during 2000/01 to 2009/10 (and in the case of subsequent resets newly collected data) in the re-calibration process for the Watermaster's groundwater-flow model.
 2. Use a long-term historical record of precipitation falling on current and projected future land uses to estimate the long-term average net recharge to the Basin.
 3. Describe the current and projected future cultural conditions, including, but not limited to the plans for pumping, stormwater recharge and supplemental-water recharge.



Exhibit A: Technical Memorandum on Safe Yield Reset Methodology

4. With the information generated in [1] through [3] above, use the groundwater-flow model to redetermine the net recharge to the Chino Basin taking into account the then existing current and projected future cultural conditions.
5. Qualitatively evaluate whether the groundwater production at the net recharge rate estimated in [4] above will cause or threaten to cause "undesirable results" or "Material Physical Injury". If groundwater production at net recharge rate estimated in [4] above will cause or threaten to cause "undesirable results" or "Material Physical Injury" then Watermaster will:
 - i. identify and implement prudent measures necessary to mitigate "undesirable results" or "Material Physical Injury",
 - ii. set the value of Safe Yield to ensure there is no "undesirable results" or "Material Physical Injury", or
 - iii. implement a combination of mitigation measures and a changed Safe Yield.



2015 SYRA: Recharge Accounting

- Resolves questions arising as to the effect of the parties' prior agreements in the event of a decline in Safe Yield
 - Stormwater recharge:
 - 2001-2014: confirms Watermaster's prior treatment
 - Post-2014 projects:
 - Accounting prior to and after future resets
 - Appropriative Pool process for allocation of recharge yield
 - Desalter-induced recharge
 - 2001-2014: confirms Watermaster's prior treatment
 - 2015-2030: measurement of quantity allocated to Desalter offset
 - 2031-2060: subject to negotiation of new agreement
- Post-2030 priority among Land Use conversion and Early Transfer – confirmation of expiration of Peace II provisions
- Re-Operation allocation and Desalter Replenishment schedule: proposed schedule change is included in 2015-06



2015-06 Exhibit C: Re-Operation and Desalter Offset Schedule

Safe Yield Reset Implementation
Desalter Replenishment Accounting Illustration¹
(Per Peace II Agreement, Section 6.2 (PIIA, 6.2) and June 11, 2015 Key Principles)
(Acre-Feet)

[A] Production Year	[B] Desalter Production		[D] Total ²	[E] Desalter (aka Kaiser) Account PIIA, 6.2(a)(i)	[F] Paragraph 31 Settlement Agreements Deduction ³ PIIA, 6.2(a)(ii)	[G] Desalter- Induced Recharge ⁴ PIIA, 6.2(a)(iii)	[H] "Leave Behind" Losses PIIA, 6.2(a)(iv)	Desalter Replenishment			[K] Allocation for Peace II Desalter Expansion ⁶	[L] Balance	[M] Non-Ag CBMP Assessment (10% Haircut) ⁷ PIIA, 6.2(b)(i)	[N] Residual Replenishment Obligation ^{8,9,10}
	Pre-Peace II Desalter Production ²	Peace II Desalter Expansion Production ²						Allocation to Pre-Peace II Desalters ⁵	Safe Yield Contributed by Parties PIIA, 6.2(a)(v)					
2001	7,989	0	7,989	3,995	0	0	0	0	0	0	0	0	0	3,995
2002	9,458	0	9,458	4,729	0	0	0	0	0	0	0	0	0	4,729
2003	10,439	0	10,439	5,219	0	0	0	0	0	0	0	0	0	5,219
2004	10,605	0	10,605	5,303	0	0	0	0	0	0	0	0	0	5,303
2005	9,854	0	9,854	4,927	0	0	0	0	0	0	0	0	0	4,927
2006	16,476	0	16,476	11,579	0	0	0	0	0	0	0	0	0	4,997
2007	26,356	0	26,356	608	4,273	0	0	21,475	0	0	0	400,000	0	0
2008	26,972	0	26,972	0	0	0	0	26,972	0	0	0	378,525	0	0
2009	32,920	0	32,920	0	0	0	0	61,989	0	0	0	351,553	0	0
2010	28,517	0	28,517	0	0	0	0	28,517	0	0	0	289,564	0	0
2011	29,319	0	29,319	0	0	0	0	29,319	0	0	0	261,047	0	0
2012	28,379	0	28,379	0	0	0	0	28,379	0	0	0	231,729	0	0
2013	27,052	0	27,052	0	0	0	0	28,379	0	0	0	203,350	0	0
2014	29,228	0	29,228	0	0	0	0	27,062	25,940	0	0	176,288	0	0
2015	30,000	0	30,000	0	0	15,000	0	1,288	13,000	0	0	136,060	0	2,000
2016	30,000	3,000	33,000	0	0	16,500	0	0	14,500	0	0	121,560	0	2,000
2017	30,000	7,500	37,500	0	0	18,750	0	0	16,015	0	0	105,545	735	2,000
2018	30,000	10,000	40,000	0	0	20,000	0	0	17,265	0	0	88,280	735	2,000
2019	30,000	10,000	40,000	0	0	20,000	0	0	15,265	0	0	73,015	735	4,000
2020	30,000	10,000	40,000	0	0	20,000	0	0	15,265	0	0	57,750	735	4,000
2021	30,000	10,000	40,000	0	0	20,000	0	0	12,265	0	0	45,485	735	7,000
2022	30,000	10,000	40,000	0	0	20,000	0	0	12,265	0	0	33,220	735	7,000
2023	30,000	10,000	40,000	0	0	20,000	0	0	9,265	0	0	23,955	735	10,000
2024	30,000	10,000	40,000	0	0	20,000	0	0	9,265	0	0	14,690	735	10,000
2025	30,000	10,000	40,000	0	0	20,000	0	0	8,265	0	0	8,425	735	13,000
2026	30,000	10,000	40,000	0	0	20,000	0	0	8,425	0	0	0	735	10,840
2027	30,000	10,000	40,000	0	0	20,000	0	0	0	0	0	0	735	19,265
2028	30,000	10,000	40,000	0	0	20,000	0	0	0	0	0	0	735	19,265
2029	30,000	10,000	40,000	0	0	20,000	0	0	0	0	0	0	735	19,265
2030	30,000	10,000	40,000	0	0	20,000	0	0	0	0	0	0	735	19,265
Totals	773,573	140,500	914,073	36,360	4,273	310,250	0	225,000	175,000	10,290	0	0	153,999	153,999

(225,000 available) (175,000 available)

(225,000 available) (175,000 available)



2015 SYRA: Safe Storage

- Safe Storage Reserve
 - Only in effect once non-Supplemental Water balances reach 150,000 af; highly unlikely to occur in the next two to five years.
 - Watermaster provides regular information on water in storage and notice when balance is 150,000 af.
 - No restriction on transactions prior to reduction to 150,000 af
 - 130,000 af total from Appropriators non-Supplemental accounts; does not include Non-Ag Pool water.
 - 100,000 af may be used in case of emergency, subject to replenishment within 3 years.
 - 30,000 af may be used toward Desalter Replenishment obligation after 2024.



2015 SYRA: Safe Storage

- Storage Management Plan
 - Best Efforts to develop within two years; must be approved by all Pools.
 - Any Pool may propose its own Plan, if unsatisfied after 12 months of good faith negotiations.
 - Pending Plan approval, Watermaster will continue to accept and process applications for recharge, storage, and recovery of Supplemental Water.

Storage Losses

- Consistent with Peace II Agreement, post-Hydraulic Control losses set at 0.07 percent.



Exhibit C: Stored Water Account Balances

Safe Yield Reset Implementation
 Safe Storage Reserve Accounting Illustration¹
 Excess Carryover Storage Account Ending Balances as of June 30, 2014 / July 1, 2014¹
 (Per June 11, 2015 Key Principles)
 (Acre-Feet)

[A] Appropriative Pool Party	[B] Excess Carryover (ECO) Balance ²	[C] ECO Percent of Total	[D] Emergency		[E] Safe Storage Reserves		[F] Total
			ECO Party	Percent Applied Over 100,000 AF	Post-2024 Desalter Replenishment ECO Party	Percent Applied Over 30,000 AF	
Arrowhead Mtn Spring Water Co	0.000	0.000%	0.000	0.000	0.000	0.000	0.000
Chino Hills, City Of	7,044.754	3.041%	3,040.738	912.221	912.221	3,952.959	3,952.959
Chino, City Of	65,507.715	28.275%	28,275.193	8,482.558	8,482.558	36,757.751	36,757.751
Cucomonga Valley Water District	41,927.991	18.097%	18,097.441	5,429.232	5,429.232	23,526.674	23,526.674
Desalter Authority	0.000	0.000%	0.000	0.000	0.000	0.000	0.000
Fontana Union Water Company	0.000	0.000%	0.000	0.000	0.000	0.000	0.000
Fontana Water Company	0.000	0.000%	0.000	0.000	0.000	0.000	0.000
Fontana, City Of	0.000	0.000%	0.000	0.000	0.000	0.000	0.000
Golden State Water Company	1,216.503	0.525%	525.081	157.524	157.524	682.605	682.605
Jurupa Community Services District	7,272.166	3.139%	3,138.896	941.669	941.669	4,080.565	4,080.565
Marygold Mutual Water Company	832.906	0.360%	359.508	107.853	107.853	467.361	467.361
Monte Vista Irrigation Company	4,959.655	2.141%	2,140.743	642.223	642.223	2,782.966	2,782.966
Monte Vista Water District	6,639.003	2.866%	2,865.603	859.681	859.681	3,725.284	3,725.284
Niagara Bottling, LLC	0.000	0.000%	0.000	0.000	0.000	0.000	0.000
Nicholson Trust	1.129	0.000%	0.487	0.146	0.146	0.634	0.634
Norco, City Of	3,058.998	1.320%	1,320.360	396.108	396.108	1,716.468	1,716.468
Ontario, City Of	31,465.957	13.582%	13,581.698	4,074.509	4,074.509	17,656.207	17,656.207
Pomona, City Of	28,375.606	12.248%	12,247.805	3,674.342	3,674.342	15,922.147	15,922.147
San Antonio Water Company	4,447.513	1.920%	1,919.687	575.906	575.906	2,495.593	2,495.593
San Bernardino County of (Shooting Park)	0.000	0.000%	0.000	0.000	0.000	0.000	0.000
Santa Ana River Water Company	1,835.140	0.792%	792.104	237.631	237.631	1,029.735	1,029.735
Upland, City Of	16,682.750	7.201%	7,200.800	2,160.240	2,160.240	9,361.040	9,361.040
West End Consolidated Water Co	4,028.903	1.739%	1,739.001	521.700	521.700	2,260.702	2,260.702
West Valley Water District	6,382.421	2.755%	2,754.854	826.456	826.456	3,581.310	3,581.310
Total	231,679.110	100.000%	100,000.000	30,000.000	30,000.000	130,000.000	130,000.000



Exhibit D: Technical Memorandum on Losses

- Watermaster used the 2013 Watermaster model to assess the state of hydraulic control and storage losses after achieving hydraulic control:
 - Hydraulic control is expected to be achieved in early 2016 after the CDA Chino Creek well field is fully operational.
 - Storage losses after achievement of hydraulic control, expressed as a fraction of aggregate volume of water in storage accounts, is 0.07 percent.

Figure 3 Relationship of Discharge through the CCWF from the Chino North Management Zone to the Prado Basin Management Zone to the Aggregate Volume of Stored Water and Carryover

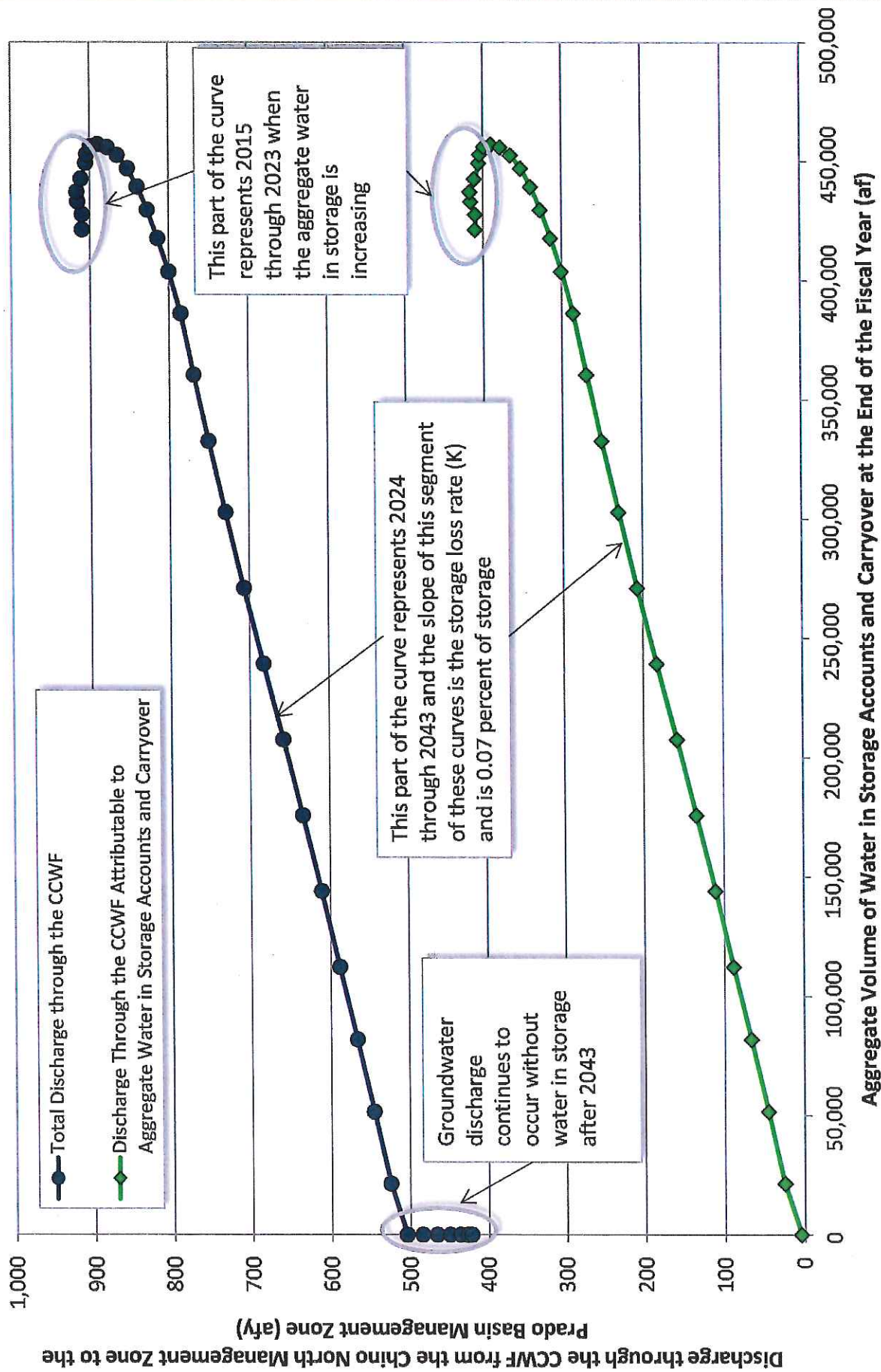




Exhibit E: Technical Memorandum on Storage Management

- This Technical Memorandum was prepared to:
 - Describe the historical and projected future changes in storage;
 - Describe potential bases of concern;
 - Describe the proposed safe storage management measures (SSMMs); and
 - Respond to specific questions regarding the interim SSMM.



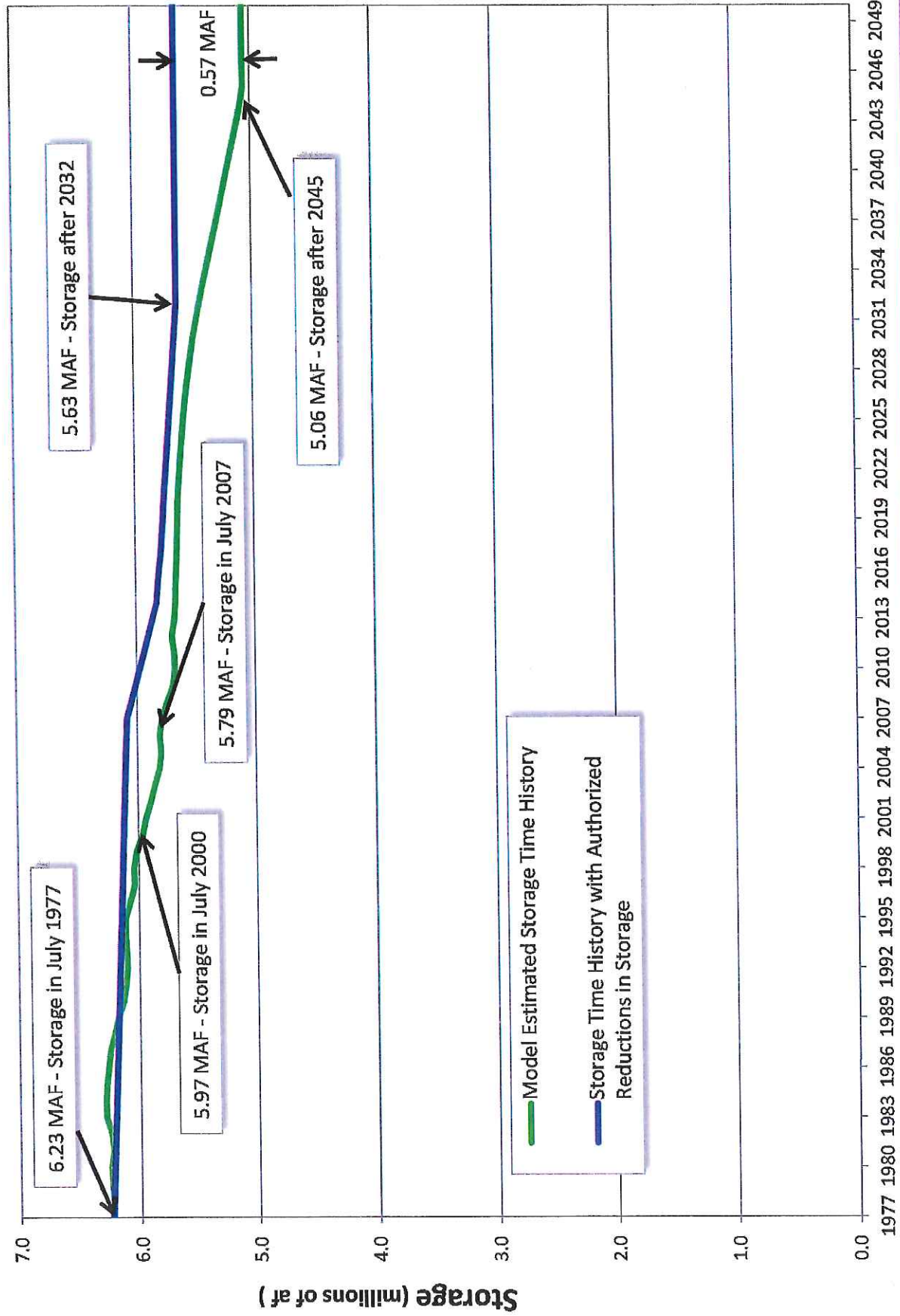
Exhibit E: Technical Memorandum on Storage Management – Storage Account History

Time History of Ending Balances in Storage in the Chino Basin Exclusive of the Dry-Year Yield Activities and Aggregate Storage Account Estimate

(af)

Fiscal Year	Appropriative Pool (Pool 3)			Overlying Non-Ag (Pool 2)			Total in Storage
	Carryover	Excess Carryover (ECO)	Suppl.	Total	Carryover	Local Storage	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
							(9)
2001	15,940	45,281	92,813	154,034	5,301	32,330	37,631
2002	13,521	42,206	87,801	143,528	5,285	33,727	39,012
2003	18,656	48,650	81,180	148,486	6,743	36,850	43,593
2004	21,204	53,128	80,963	155,295	7,177	40,881	48,058
2005	21,289	63,631	88,849	173,769	7,227	45,888	53,115
2006	32,062	55,442	86,170	173,674	7,227	49,178	56,405
2007	34,552	50,894	83,184	168,630	7,084	51,476	58,560
2008	41,626	83,962	83,861	209,449	6,819	45,248	52,067
2009	42,795	101,908	84,867	229,570	6,672	46,600	53,272
2010	41,263	120,897	90,133	252,293	6,934	47,732	54,666
2011	41,412	146,074	98,080	285,566	6,959	49,343	56,302
2012	42,614	209,981	116,138	368,733	6,914	13,993	20,907
2013	39,413	225,068	116,378	380,859	7,073	15,473	22,546
2014	41,708	231,679	125,052	398,439	6,478	12,812	19,290
							191,665
							182,540
							192,079
							203,353
							226,884
							230,079
							227,190
							261,516
							282,842
							306,959
							341,868
							389,640
							403,405
							417,729

Figure 1 Historical and Projected Future Storage in the Chino Basin 1978 through 2050



Estimated Storage in the Chino Basin

1922 through 2050

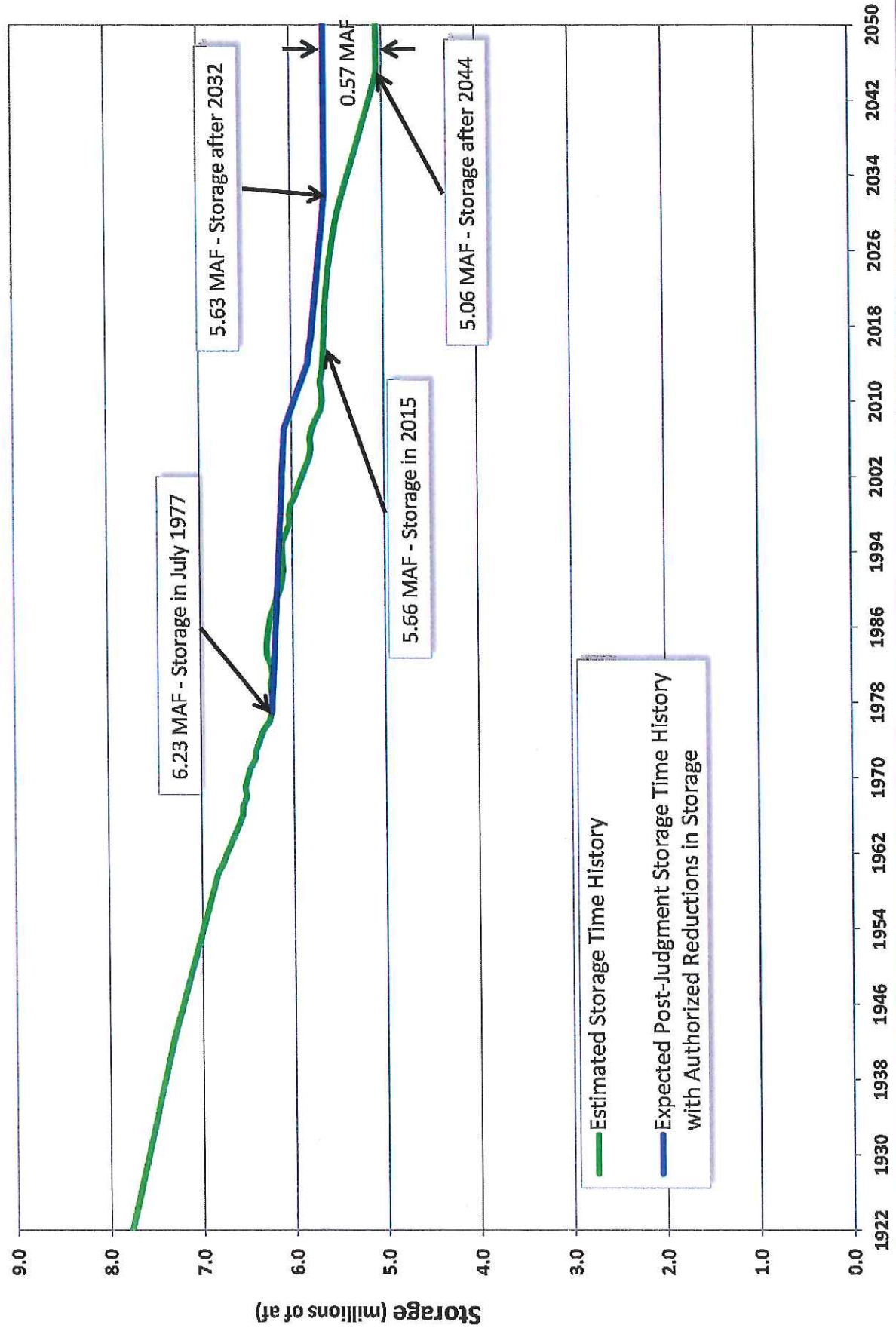


Figure 2 Projected Aggregate Water in Storage Accounts and Change in Storage for Scenario 5A Compared to Safe Storage Metrics

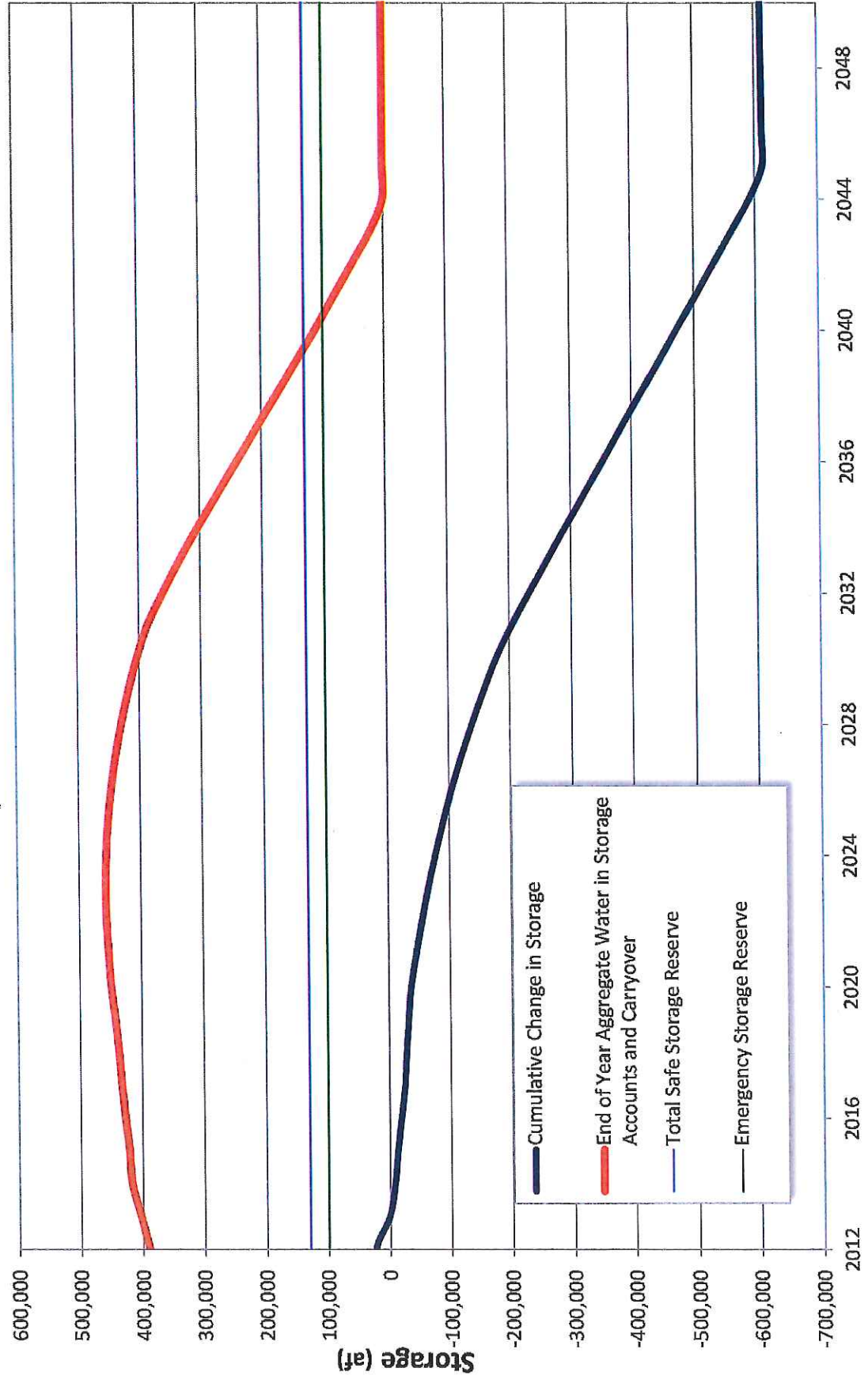




Exhibit E: Technical Memorandum on Storage Management – Principal MPI Concerns

- Exacerbating subsidence in the Northwest MZ1 area
- Production sustainability generally and specifically in the Jurupa area.



Exhibit E: Technical Memorandum on Storage Management – Safe Storage Management Features

- Safe Storage Reserve
 - 130,000 ac-ft total; Appropriators non-supplemental accounts
 - 30,000 ac-ft can be used toward desalter replenishment obligation after 2024
 - 100,000 can be used in case of emergency and must be replenished within 3 years
 - Watermaster provides notice when balance is 150,000 ac-ft
- Storage Management Plan
 - Develop within two years; approved by all Pools
 - No change in ability to submit recharge, storage, recovery applications



Exhibit E: Technical Memorandum on Storage Management – SSMM Evaluation

- What is the likelihood that the Appropriative Pool Parties will need to access the 100,000 af pool of water in the 130,000 af Safe Storage Reserve in the next two years and prior to the approval and implementation of the Storage Management Plan?
- Not likely:
 - Based on current planning data, the volume of excess carryover and supplemental water in storage will increase through 2023;
 - AP parties do not have the production capacity reduce the aggregate excess carryover storage to 130,000 af in two years and probably for the next five years.



Exhibit E: Technical Memorandum on Storage Management – SSMM Evaluation

- How would the projected aggregate volume of water in storage accounts change if the efficient market assumption was not used?
- Answer:
 - The aggregate volume of water in storage accounts would increase at a greater rate than shown in Figure 2 (slide 23) if the efficient market assumption was not used.
 - The total water in storage in the Basin would also increase.
 - The use of the efficient market assumption results in a more rapid (conservative) rate of drawdown than would occur if it were not used.



Exhibit E: Technical Memorandum on Storage Management – SSMM Evaluation

- Will withdrawals from storage during the interim plan period of the SSMM cause potential or actual MPI or undesirable results?
- Answer:
 - No. Watermaster is required to conduct an MPI evaluation for each transfer among the Parties that is ultimately used to satisfy a replenishment obligation. This obligation does not change with the SSMM.
 - Watermaster will be able to identify storage management and transfer activity that has the potential to cause MPI or undesirable results well before volume in excess carryover declines to Safe Storage Reserve of 130,000 af.



Exhibit E: Technical Memorandum on Storage Management – SSMM Evaluation

- If a Storage Management Plan is never developed and the interim plan remains in force through the term of the Peace Agreement, does Watermaster have the authority to review and approve the recovery of water in storage in excess of the 130,000 Safe Storage Reserve to ensure there is no MPI or undesirable results to the Chino Basin or a Party?
- Answer:
 - Yes. Watermaster with the authority to review each transfer and subsequent recovery of stored water, evaluate these actions before they occur for MPI or undesirable results, and subsequently to: approve them if there is no threatened or actual MPI or undesirable results, conditionally approve them with mitigation requirements if there is threatened or actual MPI or undesirable results, or disapprove them if there is unmitigated threatened or actual MPI or undesirable results.



Exhibit E: Technical Memorandum on Storage Management – SSMM Evaluation

- Answer (continued):
 - Watermaster conducts continuous monitoring of the Basin and programmatic investigations that provide Watermaster with scientifically defensible information for use in MPI or undesirable results assessments.
 - Analysis of the cumulative impact of transfers (Rules and Regulations, § 9.3(a)). This effort is included in Fiscal year 2016.
 - ☐ Balance of recharge and discharge (Peace Agreement, § 5.1(e)(viii); Rules and Regulations, § 7.1). This effort is included in Fiscal 2016.
 - Subsidence monitoring, reporting and management plan development in the Northwest MZ1 area.
 - State of the Basin report.

2015 SYRA Questions





City of Chino Concerns: Procedure

- The City contends Watermaster has taken sides on behalf of the parties recommending the agreement against Chino, violating its obligation to remain neutral.

Pursuant to Board direction and the FANDA, Watermaster's counsel and staff served in a facilitation role. The facilitator's role was to assist the parties in reaching agreement and, to the extent possible, consensus. Resolution 2015-06 is an endorsement of the Agreement that has been recommended to the Board by each of the three Pools, the Advisory Committee and negotiating representatives of approximately 90% of the production rights in the Basin. It is consistent with Article X, section 2 of the California Constitution, the Judgment, and the court-approved Management Agreements.



City of Chino Concerns: Desalter-Induced Recharge

- The 2015 SYRA's treatment of Desalter-Induced Recharge is not consistent with the Judgment, Peace Agreement, and Appropriate Pool pooling plan, which do not permit "Basin water" to be allocated to the Desalters, and that such water must be allocated to Appropriators.

There is no specific authority in the Judgment or Court-approved management agreements supporting the City's contention. Moreover, the treatment of Desalter-Induced Recharge is consistent with Peace II Agreement, paragraph 7.1, which provides that for the term of Peace II, no party will ask that recharge attributable to the Desalters be allocated to the Parties as part of the producible Safe Yield, so that it may be used to offset Desalter production.



City of Chino Concerns:

Regulation of Storage Withdrawals

- The City has more water in storage than any other appropriator; the Safe Storage Reserve provisions will “confiscate” a portion of its water in storage.

The use of the Basin’s storage capacity is subject to Watermaster regulation. (Restated Judgment, ¶ 11.) Watermaster understands the 2015 SYRA to be a request for Watermaster to maintain a reasonable portion of the quantity of water in storage, intended to ensure that withdrawals from authorized storage accounts are safe, sustainable, and will not cause Material Physical Injury or undesirable results until a Storage Management Plan can be developed.

- The Safe Storage Reserve is temporary – only until a long-term Storage Management Plan is crafted and approved.
- Likelihood of reaching water in reserve is very low, so effect is conditional.
- Production of water in the Safe Storage Reserve is not prohibited, but, provides certain limitations the manner in which water may be withdrawn from storage.
- The City would be treated the same as all Appropriators.



Jurupa CSD Concerns:

- JCSD has withheld support for the Agreement, requesting Watermaster clarification that Land Use Conversion (LUC) claims will be given a prior and paramount priority to Early Transfer and Desalter-Induced Recharge backfill in the reallocation of unproduced Ag Pool water.

JCSD's requested clarification is not consistent with:

- The Peace II Measures' amendment to Section 6.3 of the Watermaster Rules and Regulations;
- Watermaster's accounting for Early Transfer and LUC claims since Production Year 2006/2007;
- The Court's October 8, 2010 Order addressing allocation of unproduced Ag Pool water in the event of a Safe Yield decline; and
- The treatment of unproduced Ag Pool water in the non-binding Key Principles.



Resolution 2015-06



Resolution 2015-06: Proposed Findings

- The 2015 SYRA will provide more efficient administration of the Judgment through:
 - The reset of the Safe Yield, inclusive of a methodology that is consistent with prudent professional practice, the OBMP Implementation Plan (as amended), the Physical Solution, and the Judgment;
 - An amendment of the Restated Judgment to reset the Basin's Safe Yield to 135,000 AFY, effective 2010/11;
 - Resolution and compromise of competing claims and interpretation of existing agreements and court orders regarding Watermaster's accounting, for Basin stormwater and Desalter-induced recharge under future conditions, including but not limited to a decline in Safe Yield;
 - The amendment of the current Court-approved schedule accounting for Desalter-induced recharge and access to Re-Operation water, to; and
 - Safe Storage Management Measures.



Resolution 2015-06:

Proposed Findings

- The Reset Technical Memorandum, an evaluation of long-term hydrology using the metered agricultural production data from 2002-present, the cultural conditions affecting the Safe Yield, and the risk of undesirable results support the reset of the Safe Yield of the Basin to 135,000 AFY, having declined from 140,000 AFY;
- The reset of the Safe Yield pursuant to the 2015 Safe Yield Reset Agreement is consistent with Article X, section 2 of the California Constitution the Judgment, the Court-Approved Management Agreements, and prudent professional standards;

Attachment 2



CHINO BASIN WATERMASTER

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PETER KAVOUNAS, P.E.
General Manager

STAFF REPORT

DATE: September 24, 2015
TO: Board Members
SUBJECT: Chino Basin Safe Yield Redetermination and Reset

SUMMARY

Issue: A binding Agreement regarding the Safe Yield Reset is complete and the parties thereto have requested that Watermaster endorse the Agreement and move the Court recommending its approval.

Recommendation: Adopt Resolution 2015-06, endorsing the 2015 Safe Yield Reset Agreement ("Agreement"), and direct Legal Counsel to prepare and file moving papers recommending the Agreement with the Court.

Financial Impact: It is possible that some of the commitments in the Agreement would result in additional expenses in the future. As with all other Watermaster work, the effort will be estimated and presented for approval at the time of future budget adoption.

Future Consideration

Watermaster Board: September 24, 2015 Consider adoption of Resolution 2015-06

ACTIONS:

March 11, 2014 – Watermaster Board – Passed by majority vote to direct Watermaster legal counsel to prepare a status report with the Court informing it of the process underway to accomplish the required recalculation of the Basin's Safe Yield, for consideration by the Board

April 8, 2014 – Watermaster Board – Passed by majority vote to approve the status report to the Court on the Safe Yield recalculation with changes as reported by Mr. Kavounas

July 10, 2014 – Appropriative Pool – Reported out of confidential session: Vice-Chair Burton indicated that the Pool would like to make more progress on the Safe Yield recalculation process and would like Watermaster to hold special meetings every two weeks on the first and third Thursday from 10 a.m. to 12 p.m. or immediately following the Advisory Committee meeting starting on August 7, 2014. This meeting will require that the Joint Projects meeting would need to shift to a new time.

September 25, 2014 – Watermaster Board – Unanimously moved to agendaize for the October 23, 2014 Watermaster Board meeting to discuss submitting to the Court a Safe Yield number of 135,000 AF and process the same through the Pools, Advisory and Board meetings in November 2014.

October 9, 2014 – Appropriative Pool – Reported out of confidential session: 1. In light of Watermaster's proposal today, the Pool wishes to cancel the Safe Yield Recalculation and Related Matters meeting next Thursday, and in its place, the Pool would like to hold a special meeting next Thursday, October 16, 2014 at 10:00 a.m. to discuss the Safe Yield Recalculation and reset. 2. The Pool will provide Watermaster with a Safe Yield reset proposal prior to the October 23, 2014 Board meeting.

October 9, 2014 – Agricultural Pool – Unanimously moved to approve the following Motion: The Overlying Agricultural Pool (Ag Pool) is unable to support the Watermaster staff's proposal regarding the proposed motion on the safe yield recalculation presented during the October 9, 2014 Ag Pool meeting. The Ag Pool has studied all available data and information provided by the Watermaster regarding the safe yield in the Chino Basin. As a result, the Ag Pool is informing Watermaster staff that the only safe yield recalculation that is legally and factually supportable would be one that follows the existing Watermaster Rules and Regulations. To wit, the recalculation of the Safe Yield "shall be recalculated in year 2010/11 based upon data from the ten-year period 2000/01 to 2009/10." The Ag Pool supports a Safe Yield recalculation of 130,500 AFY retroactive to 2010/11.

October 23, 2014 – Watermaster Board – Passed by majority vote to approve setting the Safe Yield at 130,000 AFY with an effective date of 2010/2011 using the 2001–2010 base period consistent with the Rules and Regulations, and for staff to prepare a report with its recommendations to be presented at next Pools, Advisory Committee and Board meetings for a vote.

November 13, 2014 – Appropriative Pool – The following was reported after Confidential Session: The Appropriative Pool withdraws its Safe Yield Reset proposal. The AP recommends the AC to direct CBWM to revise the draft motion, with assistance from the parties and pools' counsels, into a progress report that provides the bases for the different Safe Yield Reset options that have been developed, with a suggested schedule for resolution. Such progress report would be subject to approval through the Watermaster committee advisory process. The AP directs the AP Chair and LC immediately to approach the Agricultural Pool to seek resolution of the competing approaches, and bring such resolution to the AC.

November 13, 2014 – Non-Agricultural Pool – The following was reported after Confidential Session: The Non-Agricultural Pool does not support either the Watermaster Board-directed pleading or the Appropriative Pool proposal. The Non-Agricultural Pool does support the April 30, 2015 deadline as a timeframe by which the parties can find a middle ground.

November 13, 2014 – Agricultural Pool – Voted unanimously to support the pleading prepared by staff, with modifications that were presented by Watermaster's Legal Counsel

November 20, 2014 – Advisory Committee – Passed by 94% volume vote to approve the following: Instead of filing a motion or status report to the Court at this time, Watermaster shall immediately start a facilitated process to identify and resolve all issues related to the successful completion of the Safe Yield reset by April 1, 2015 for Pool, Advisory and Board action in May 2015. The Safe Yield shall be filed to the Court no later than May 29, 2015, Watermaster shall start a mediation selection process and the mediator shall be selected no later than December 12, 2014. In the event the Parties cannot reach an agreement on the Safe Yield reset, Watermaster shall implement the reset consistent with the agreements and that process would start in April 2015 and will go through Pool, Advisory and Board approval to be submitted to the Court in May 2015. The City of Chino and San Antonio Water Company voted against.

November 25, 2014 – Watermaster Board – Unanimously moved to adopt the Advisory Committee's recommendation with clarifications as shown herein: moved to approve that no motion or status report shall be filed with the Court yet; Watermaster Parties shall immediately start a facilitated process to identify and resolve all issues related to the successful completion of the Safe Yield reset by April 1, 2015 for Pools, Advisory and Board action in May 2015. The Safe Yield shall be filed with the Court no later than May 29, 2015. The Parties shall start a mediation selection process and select a mediator by 5pm December 11, 2014 through the Advisory Committee; there will be a Watermaster Board meeting on December 12, 2014 to either ratify the Advisory Committee selection or, in case the Advisory Committee is unable to agree on a mediator, to select a mediator for this process. In the event the Parties cannot reach an agreement on the Safe Yield reset, Watermaster shall implement the reset consistent with the agreements and that process would start in April 2015 and go through Pools, Advisory and Board for discussion in April so it can go to the Board for action in May 2015.

December 11, 2014 – Special Appropriative Pool – The following was reported after Confidential Session by unanimous vote of the Pool: Consistent with its December 9, 2014 letter, the Appropriative Pool reaffirms the selection of Scott Slater as the facilitator of the Safe Yield process. The Appropriative Pool requests Watermaster to initiate the process by gathering the goals and objectives from Parties so that we can begin the facilitated process meetings in January 2015. The Appropriative Pool will work collaboratively with the overlying pools to identify one or more potential mediators, if necessary, by the end of January 2015.

December 11, 2014 – Special Agricultural Pool – The following was reported after Confidential Session: Consistent with the direction given by the Watermaster Board in the November 2014 meeting, the Agricultural Pool recommends Scott Slater to act as mediator in the Safe Yield Recalculation process.

December 11, 2014 – Special Advisory Committee – Pass by 75% volume vote to approve the following: Consistent with the Appropriative Pool's December 9, 2014 letter, the Advisory Committee supports the selection of Scott Slater as the facilitator of the Safe Yield process. The Advisory Committee requests Watermaster to initiate the process by gathering the goals and objectives from Parties so that we can begin the facilitated process meetings in January 2015. The Pools will work collaboratively to identify one or more potential mediators, if necessary, by the end of January 2015. The Agricultural Pool and Non-Agricultural voted against.

December 12, 2014 – Special Watermaster Board – Unanimously moved to select the Advisory Committee's nomination of Scott Slater as the mediator for the Safe Yield recalculation process.

January 8, 2015 – Appropriative Pool – Reported out of confidential session: The AP is going to form an ad hoc committee to assist in the the Safe Yield Recalculation and Reset process and members are as follows: Rosemary Hoerning, Darron Poulsen, Todd Corbin, and Ron Craig. Chair Hoerning further reported that direction was given to the AP's legal counsel.

January 22, 2015 – Special Appropriative Pool – Report out of confidential session: The Appropriative Pool took action authorizing its legal counsel to make a statement at the January 22, 2015 annual Watermaster Board meeting that it will communicate with the Agricultural Pool regarding the draft non-disclosure agreement while the Appropriative Pool continues to diligently internally work towards resolving the issues.

January 29, 2015 – Watermaster Board – Unanimously moved to approve the Safe Yield Recalculation and Reset Facilitation and Non-Disclosure Agreement and to authorize Watermaster's Chair and Legal Counsel to sign the agreement.

March 12, 2015 – Appropriative Pool – Report out of closed session: The Appropriative Pool took action to increase its Legal Services budget to \$140,000 and that the cost sharing associated with the entire budget would be based on 50% production and 50% OSY.

March 26, 2015 – Watermaster Board – Unanimously moved to suspend the April 1, 2015 deadline referenced in the November 2014 Board motion until the April 2015 Board meeting; and for the Board to have a special meeting, open to all stakeholders, during the second week of April 2015 with a time and date that is to be determined.

April 28, 2015 – Watermaster Board – Recommend by majority vote to approve an extension to the May 28, 2015 Board meeting where there will be a substantial consensus on a set of key principles for publication at the May 2015 Board meeting.

May 28, 2015 – Watermaster Board – Moved to direct staff and counsel to prepare a status report to the Court for consideration by the Board at its regular meeting on June 25, 2015. Direct staff and counsel to commence coordinating drafting of a binding agreement based on FANDA Key Principles unless either the Agricultural or Non-Agricultural Pool express concerns with the Principles by close of business on June 12, 2015. If necessary, the Board will convene a special meeting on June 16, 2015 to evaluate concerns and take appropriate action.

June 11, 2015 – Appropriative Pool – Recommended by majority vote that WM move forward with the amended language on the Key Principles which incorporates Agricultural and Non-Agricultural Pool comments. The City of Chino and San Antonio Water Company voted against the motion.

June 11, 2015 – Non-Agricultural Pool – Unanimously voted to support the Safe Yield Key Principles document, and direct the Pool representatives to support at the Advisory Committee and Board meetings subject to changes which they deem appropriate with the following caveats: [1] Paragraph 4 – Storage Management Plan: The Pool recommends that issues related to this item be scoped by December 31, 2015 including a cost estimate and that the Storage Management Plan process is completed no later than June 30, 2016; and [2] The Pool would like the FANDA expenses be reallocated to participants only; any costs allocated to the NAP should be credited.

June 11, 2015 – Agricultural Pool – Unanimously approved the amended Safe Yield Reset Key Principles document approved by the Appropriative Pool.

June 18, 2015 – Advisory Committee – Information only

June 25, 2015 – Watermaster Board – Unanimously moved to approve filing the status report in substantial conformity and attach the Tech Memo as a draft with a draft stamp, allow the parties to suggest any revisions on July 9, 2015, and file the status report with the Court on July 10, 2015.

August 27, 2015 – Watermaster Board – Direct Legal Counsel and staff to seek advice and counsel from the Committees on the 2015 Safe Yield Reset Agreement, and to return to the Board in September so that the Board may take action in order to file with the Court by the planned date of October 1, 2015

September 10, 2015 – Appropriative Pool – no action

September 10, 2015 – Non Agricultural Pool – no action

September 15, 2015 – Agricultural Pool – Unanimously moved to support the Advisory Committee's recommendation that the Board adopt Resolution 2015-06

September 15, 2015 – Special Non Agricultural Pool – Unanimously adopted a Non Agricultural Pool resolution regarding the 2015 Safe Yield Reset Agreement

September 17, 2015 – Special Appropriative Pool – Majority vote to recommend Board's adoption of Resolution 2015-06. City of Chino voted against the motion. Jurupa CSD and SAWCo abstained.

September 17, 2015 – Advisory Committee – Majority vote to recommend Board's adoption of Resolution 2015-06. City of Chino voted against the motion. Jurupa CSD and SAWCo abstained.

BACKGROUND

The Chino Basin Watermaster was appointed pursuant to the Judgment in Chino Basin Municipal Water District v. City of Chino (San Bernardino Superior Court Case No. 51010) to administer and enforce the provisions of the Judgment and any subsequent instructions and orders of the Court. The Judgment was entered in 1978 and set the initial Safe Yield of the Chino Basin at 140,000 acre-feet per year (AFY), but reserved continuing jurisdiction to the Court to amend the Judgment to redetermine the Safe Yield after the first ten years of operation of the Judgment's Physical Solution.

In 2000, the Parties to the Judgment executed the Peace Agreement, and agreed to Watermaster's adoption of the Optimum Basin Management Program Implementation Plan (OBMP Implementation Plan), and the Court, through its July 13, 2000 Order, ordered Watermaster to proceed in a manner consistent with the Peace Agreement and the OBMP Implementation Plan. Elements 8 and 9 of the OBMP Implementation Plan acknowledged the need for obtaining better production data through metering of all non-exempt production within the Basin and provided for Watermaster's redetermination and reset of the Basin's Safe Yield in year 2010/11 using production data derived from metering of agricultural Producers within the Basin during the ten-year period of 2000/01 through 2009/10. Section 6.5 of Watermaster's Rules and Regulations, approved by the Court in 2001, provides for the same.

Watermaster oversaw the installation of metering devices and collected production data from all non-exempt Producers within the Basin during the ten-year period of 2000/01 through 2009/10. Thereafter, Watermaster updated its hydrologic model to undertake a long-term hydrologic assessment of Basin conditions incorporating the newly obtained Production data.

In 2000, the Court ordered Watermaster and the Parties to the Judgment to expand Desalter capacity in the southwest portion of the Basin by 20 MGD to protect against a decline in Safe Yield and improve water quality, expressly reserving the question of how "Future Desalter" (additional desalting) capacity would be addressed. In 2007, the Parties to the Judgment entered into the Peace II Agreement which, among other commitments (hereinafter Peace II Measures), set forth the parties' respective rights and responsibilities for constructing 10 MGD of additional desalting capacity in furtherance of the OBMP Implementation Plan and in full satisfaction of the Parties' Future Desalters obligations. The Court ordered Watermaster to proceed as provided in the Peace II Measures and Watermaster and the Parties have designed, financed and complied with the Court's direction by constructing an additional 10 MGD of expanded Desalter capacity. The Chino Basin Desalter Authority and its members oversaw the expansion and the Court approved the plan in 2010. Despite the construction of the Desalters and the implementation of the Peace II Measures, the evaluation of available production data, long-term hydrology, and prevailing cultural conditions indicated that there may have been a decline in Safe Yield.

Watermaster has used the updated hydrologic model ("Updated Basin Model") and assisted the parties to reach agreement on the required Safe Yield redetermination and associated interpretation of the Peace and Peace II agreement provisions that are involved in a change of Safe Yield.

DISCUSSION

Watermaster Process

Over a four-year period ending in early 2013, the Updated Basin Model was designed, funded, constructed, and calibrated, at a cost of over \$1 million. Watermaster held the initial Safe Yield workshop in July 2013 and since then Watermaster held numerous additional workshops, multiple technical modeling review sessions specifically in regard to the Updated Basin Model and to allow opportunity for peer review. Between summer 2013 and November of 2014, Watermaster held workshops and technical modeling review sessions specifically in regard to the Updated Basin Model and Watermaster staff and consultants conducted numerous meetings with smaller subsets of interested Parties.

Throughout summer and fall of 2014, Watermaster held meetings and discussions among stakeholders regarding the required Safe Yield reset and shared data and information, received input on Safe Yield reset and other related subjects that were of concern to the stakeholders that would result from the Safe Yield being reset at less than 140,000 AFY. On July 10, 2014, the Appropriate Pool Committee took action to request that Watermaster convene regular meetings, occurring twice each month, to allow the Pool members to attempt to reach consensus as to the issues surrounding the redetermination and reset of the Basin's Safe Yield.

On September 16, 2014, a Board workshop was held regarding the Safe Yield redetermination and reset issues;

In November, 2014, the Advisory Committee requested, and the Watermaster Board adopted the Advisory Committee's recommendation that Watermaster convene a facilitated process to identify and resolve all issues related to the successful completion of the Safe Yield redetermination for consideration by the Pool Committees, Advisory Committee and Watermaster Board in mid-2015. In December 2014, in response to a request by the Advisory Committee, the Watermaster Board authorized Watermaster legal counsel to serve as the facilitator in the process. A Facilitation and Non-Disclosure Agreement (FANDA) was executed by a substantial number of stakeholders.

The parties to the facilitation process met at least weekly and, in many cases, multiple times per week, in an attempt to achieve consensus as to the Safe Yield redetermination and reset issues, with the group meeting more than 30 times in all. On May 27, 2015, all but one of the then active parties to the FANDA, representing approximately ninety (90) percent of total production rights among them, reached a non-binding agreement among their negotiating representatives on certain key principles embodied in the Safe Yield Summary of Non-Binding Key Principles Derived from Facilitated Process ("Key Principles") and recommended that the parties continue to negotiate in good faith, with the goal to reduce the Key Principles into a binding instrument for execution no later than September 1, 2015. No binding commitment was made by any stakeholder and the discussions are protected by Evidence Code Section 1152 (Settlement Privilege) and the FANDA.

On August 27, 2015, Watermaster Counsel presented a proposed Draft 2015 Safe Yield Reset Agreement to the Board, and the Board referred the Agreement to the Pool Committees, the Advisory Committee, and the parties to the Judgment and their decision-making entities for consideration and approval.

Resolution 2015-06

The effect of the 2015 Safe Yield Reset Agreement is conditioned upon Watermaster's adoption of Resolution 2015-06. Pursuant to Resolution 2015-06, based upon the information contained in this Staff Report and the evidence that will be presented at the September 24, 2015 Board meeting, the Watermaster Board would make the following findings:

1. At the request, and with the consent, of the parties thereto, the advice and counsel of the three Pools and the Advisory Committee, the 2015 Safe Yield Reset Agreement, attached hereto as Exhibit "A", will provide more efficient administration of the Judgment through:
 - a. The reset of the Safe Yield, inclusive of a methodology that is consistent with prudent professional practice, the OBMP Implementation Plan (as amended), the Physical Solution, and the Judgment, as set forth in the Agreement's Reset Technical Memorandum (Exhibit "A" thereto);
 - b. An amendment of the Restated Judgment to reset the Basin's Safe Yield to 135,000 AFY, effective 2010/11, consistent with the Proposed Order attached hereto as Exhibit "B";

- c. Resolution and compromise of competing claims and interpretation of existing agreements and court orders, Watermaster's accounting, among members of the Appropriative Pool, for Basin stormwater and Desalter-induced recharge under future conditions, including but not limited to a decline in Safe Yield;
 - d. The amendment of the current Court-approved schedule accounting for Desalter-induced recharge and access to Re-Operation water, consistent with Exhibit "C" hereto; and
 - e. Measures intended to preserve the parties to the Judgment's respective rights to storage while ensuring withdrawals of groundwater from authorized storage accounts within the Basin do not cause a precipitous drop in water levels, are safe, sustainable, and will not cause Material Physical Injury or undesirable results.
2. The Reset Technical Memorandum, an evaluation of long-term hydrology using the metered agricultural production data from 2002-present, the cultural conditions affecting the Safe Yield, and the risk of undesirable results support the reset of the Safe Yield of the Basin to 135,000 AFY, having declined from 140,000 AFY;
3. The reset of the Safe Yield pursuant to the 2015 Safe Yield Reset Agreement is consistent with Article X, section 2 of the California Constitution the Judgment, the Court-Approved Management Agreements, and prudent professional standards;
4. The accounting for recharge pursuant to the 2015 Safe Yield Reset Agreement is appropriate and consistent with the Court-approved management agreements to enable a fair, balanced and efficient administration of the Judgment as requested by the parties thereto, the Pools and the Advisory Committee;
5. The amendment of the current Court-approved schedule accounting for Desalter-induced recharge and access to Re-Operation water is appropriate and in furtherance of the Judgment, the Court-Approved Management Agreements;
6. Using methodology consistent with prudent professional standards, short term actual measured net recharge during 2000-2014 was less than total rights allocated to the Parties to the Judgment to produce groundwater without incurring a replenishment assessment over the period 2000-2014 by a quantity potentially as high as 130,000 AF but nevertheless only a 23,000 AF actual depletion from storage occurred.
7. During the period 2000-2014 there has been an increase of more than 200% in non-Supplemental Water storage accounts and, therefore, the Safe Storage Management, as provided for in the 2015 Safe Yield Reset Agreement, is an appropriate mechanism to ensure withdrawals of groundwater from authorized storage accounts within the Basin are safe, sustainable, and will not cause Material Physical Injury or undesirable results.
8. Using methodology consistent with prudent professional standards, it is estimated that since the early 1900s, more than 2.1 million AF was withdrawn from the Basin in excess of recharge to the Basin.
9. The establishment of the Safe Storage Reserve does not unreasonably restrict the withdrawal of water from storage accounts because: (i) the Safe Storage Reserve is 130,000 AF and present quantities of water in storage are in excess of 350,000 AF; (ii) it is highly unlikely that the Parties to the Judgment could physically pump enough groundwater from the Basin to reach the cumulative trigger of 150,000 AF in less than five (5) years, given current infrastructure; (iii) the Appropriative Pool has committed to exercise Best Efforts to prepare a Storage Management Plan within two (2) years of the

effective date of the 2015 Safe Yield Reset Agreement and no reserve quantities are under discussion; (iv) even if the Safe Storage Reserve of 130,000 AF were implemented, access to stored water therein is available for emergencies and Desalter replenishment; and (v) Watermaster has the authority under the Judgment to manage all storage within the Basin;

Based upon the evidence before it and these findings, through Resolution 2015-06, the Board would resolve that:

1. Watermaster endorses the 2015 Safe Yield Reset Agreement as consistent with Article X, section 2 of the California Constitution, the Judgment, and the Court-Approved Management Agreements.
2. Consistent with the Proposed Order, Watermaster will comply with the provisions of the 2015 Safe Yield Reset Agreement.
3. In adopting this Resolution and by its agreement to implement the 2015 Safe Yield Reset Agreement, Watermaster is not committing to carry out any project within the meaning of CEQA, unless and until CEQA compliance has been demonstrated for any such project.
4. The Watermaster Board will transmit this Resolution 2015-06, the 2015 Safe Yield Reset Agreement, and the referenced Attachments to the Court, and, in accordance with the requests by the parties thereto, the advice and counsel of the Pools, and the Advisory Committee, Watermaster recommends that the Court approve the proposed Judgment Amendment and to further order that Watermaster proceed to further comply with the 2015 Safe Yield Reset Agreement.
5. The Watermaster Board directs Watermaster legal counsel to prepare and file a motion with the Court pursuant to paragraph 4, above.

Agreement Overview

The Agreement, generally, includes the agreements of the parties thereto in three main areas: the reset of the Basin's Safe Yield pursuant to the OBMP Implementation Plan and Rules and Regulations, the manner in which Watermaster should account for various components of the recharge to the Basin in implementing the parties' prior agreements and the Court's prior orders, and the establishment of Safe Storage Management Measures, intended to ensure that withdrawals of groundwater from authorized storage accounts within the Basin are safe, sustainable, and will not cause Material Physical Injury or undesirable results. As described in the Agreement, the parties' agreements in these areas are intended to address questions that have arisen concerning the interpretation and implementation of the Judgment and the further agreements and orders thereunder, and to settle the parties' disputes and compromise their claims in those areas. (Agreement, ¶ 7.1.)

Safe Yield Reset

Using the Updated Basin Model and the methodology described in the Reset Technical Memorandum (Exhibit "A" to the Agreement), the Safe Yield for the 2010/2011-2019/2020 time period identified in the OBMP Implementation Plan and Watermaster's Rules and Regulations is approximately 135,000 afy. Mr. Wildermuth's Updated Basin Model has been calibrated with a high degree of confidence, and has been peer reviewed by representatives of the parties to the Judgment. The methodology described in the Reset Technical Memorandum is consistent with the Judgment, OBMP Implementation Plan and the Court's prior orders. Specifically, the Updated Basin Model has incorporated data from the 2000/2001-2009/2010 period, along with long-term hydrology from 1921 to the date of the reset evaluation. Based on his vast experience in the field of groundwater hydrology and his many years of experience in the Chino Basin, Mr. Wildermuth believes the approach to be a prudent and reasonable professional methodology.

Paragraphs 4.2 through 4.7 of the Agreement describe with further detail, beyond that included in Elements 8 and 9 of the OBMP Implementation Plan, the manner in which subsequent Safe Yield evaluations and resets would take place. Specifically, they provide that the methodology utilized for the evaluation of the Safe Yield would be utilized for subsequent evaluations of the Safe Yield, (Agreement, ¶ 4.4), for the annual data collection and evaluation and Basin Model updates that Watermaster will undertake in order to allow its consultants to conduct necessary Safe Yield Evaluations (Agreement, ¶¶ 4.5, 4.6), and for a peer review process of this work (Agreement, ¶ 4.7). Further, the Agreement provides an agreed upon timeframe for Watermaster's initiation of the process for the necessary reset that will be effective on July 1, 2020 (Agreement, ¶ 4.2), and the parties' agreement that the Safe Yield may be reset other than on the existing decennial schedule, if, in the exercise of prudent management discretion, Watermaster recommends to the Court that a change in the Safe Yield of greater than 2.5% of the then-existing Safe Yield is necessary (Agreement, ¶ 4.3.) The parties' agreement as to these Basin protection measures provides them, having gone through an initial Safe Yield reset process, with greater certainty as to the manner in which Safe Yield evaluations and reset processes will take place in the future.

Paragraph 4.8 of the Agreement provides that, notwithstanding that the Safe Yield reset is effective as of July 1, 2010, Watermaster shall not seek to change its prior allocation of Safe Yield and Operating Safe Yield during production years 2010/11, 2011/12, 2012/13 and 2013/14. (Agreement, ¶ 4.8.) Based on the change in Safe Yield from 140,000 afy to 135,000 afy, the discrepancy in allocation for those four production years is 5,000 afy. The Basin protection measures to which the parties have agreed (Agreement, ¶¶ 6.2, 6.3) will ensure that the Basin is not harmed by extractions of this quantity of water.

Watermaster Accounting

As described above, in addition to the Judgment, the parties are party to agreements (e.g., Peace Agreement, Peace II Agreement) pursuant to which Watermaster allocates and accounts for recharge to the Basin in the manners prescribed therein. As this is the first reevaluation and reset of the Safe Yield since the entrance of the Judgment in 1978, during the process of Watermaster's presentation of the Updated Basin Model and Watermaster's consultant's evaluation of the Safe Yield, questions arose among the parties as to the manner in which the Judgment and the further agreements and the Court's orders, including in regard to the manner in which Watermaster must allocate and account for various components of the recharge to the Basin. Article 5 of the Agreement includes the parties' resolution of differing interpretations of the effect of their prior agreements.

Paragraph 5.1 of the Agreement includes the parties' agreement as to the allocation and accounting for stormwater recharge to the Basin during the term of the Peace Agreement. Specifically, the parties have confirmed Watermaster's prior allocation of stormwater recharge, and resolved among themselves the manner in which Watermaster will allocate stormwater recharge for future stormwater recharge projects – including prior to and after subsequent resets of the Safe Yield. (Agreement, ¶¶ 5.1(a), 5.1(b).) Paragraph 5.1(c) of the Agreement describes the agreement by the members of the Appropriative Pool as to how they will allocate Participation Shares in future stormwater projects, including their agreement as to how those Participation Shares may be available within the Appropriative Pool if some members of the Appropriative Pool may not wish to participate in those projects. Watermaster has no responsibility under this paragraph other than to account for stormwater recharge – a component of the Basin's Safe Yield – in the manner in which the parties have agreed.

Paragraph 5.2 of the Agreement includes the parties' agreement as to the allocation and accounting for recharge to the Basin that has been induced by the operation of the Desalters ("Desalter-Induced Recharge"). The paragraph confirms the parties' agreement to Watermaster's prior accounting for Desalter-Induced Recharge and contains their agreement as to the measurement of the quantity of Desalter-Induced Recharge that, pursuant to paragraph 7.1 of the Peace II Agreement, is allocated to offset Desalter production. The parties additionally have agreed as to the manner in which the effect of the allocation of Desalter-Induced Recharge on the allocable Safe Yield – including the availability of unproduced Overlying (Agricultural) Pool water rights for reallocation to the members of the Appropriative Pool. (See Restated Judgment, Exhibit "H", 10.), Paragraph 5.2(c) provides that the parties' agreement as to Desalter-Induced Recharge is limited to the term of the Peace II Agreement and that during any

Peace Agreement extension term, the treatment of Desalter-Induced Recharge will be subject to the negotiation of a new and separate agreement among the Parties to the Judgment.

Paragraph 5.3 of the Agreement confirms the parties' understanding that at the expiration of the Peace II Agreement, the agreements made among them through the Peace II Agreement and in connection with the Court-ordered conditions subsequent thereto, will expire. These specifically include the Peace II provisions relating to the distribution of surplus (unpumped) water by the Agricultural Pool requiring that claims for the Early Transfer of 32,800 AFY and for Land Use Conversion be treated equally, including (i) the amendment to Section 6.3(c) of Watermaster's Rules and Regulations, pursuant to the Peace II measures, and (ii) Section III.(6) of the October 8, 2010 Order Approving Watermaster's Compliance with Condition Subsequent Number Eight and Approving Procedures to be used to Allocate Surplus Agricultural Pool Water in the Event of a Decline in Safe Yield. The parties additionally confirm their understanding that in any Peace Agreement extension term, the previous changes to Restated Judgment, Exhibit "H", Paragraph 10(b)(3)(i) effectuated by Paragraph 4.4(c) of the Peace Agreement, which, to the extent sufficient unallocated Safe Yield from the Agricultural Pool is available for conversion claims, allocate 2.0 acre-feet of unallocated Safe Yield water for each converted acre, shall remain in effect.

Finally, as shown in Exhibit "C" to Resolution 2015-06, during the 2015 drafting process the parties agreed to propose an amendment of the Court-approved schedule for access to Re-operation, which is attached to Resolution 2015-06. The revised schedule would reallocate, among the original Desalters and the Desalter Expansion, the availability of Re-Operation water, to ensure that, consistent with the expectations of the Desalter parties at the time of Peace II, the total quantity of Re-Operation Water will be utilized during the term of the Peace II Agreement (by 2030). The schedule also includes an immediate Desalter offset obligation, increasing gradually until the Re-Operation water is gone, which has the effect of easing into Desalter Replenishment and avoiding the shock associated with a large initial obligation.

As a resolution of their sometimes differing interpretations, the accounting for recharge pursuant to the 2015 Safe Yield Reset Agreement is appropriate and consistent with the parties' prior agreements and the Court's prior orders, and will enable a fair, balanced and efficient administration of the Judgment and the prior agreements and orders. The amendment of the current Court-approved schedule accounting for Desalter-induced recharge and access to Re-Operation water is also appropriate and in furtherance of the Judgment, and the prior agreements and Court orders, as it ensures that the purpose of the Re-Operation water will be served and allows the parties, per their desire, to begin to fulfill their Desalter Replenishment obligation gradually, but with certainty for their water supply planning purposes.

Safe Storage Management Measures

Article 6 of the Agreement contains the parties' agreement as to storage management measures that will ensure that withdrawals of groundwater from authorized storage accounts within the Basin are safe, sustainable, and will not cause Material Physical Injury or undesirable results. (Agreement, ¶ 6.1)

Paragraph 6.2 establishes a Safe Storage Reserve comprising 130,000 acre-feet of the water in the non-Supplemental Water storage accounts of the members of the Appropriative Pool. Of that volume, 100,000 acre-feet may be accessed in case of emergency¹, subject to replenishment of the quantity withdrawn within three years. The remaining 30,000 acre-feet may be used for Desalter Replenishment – without replenishment of the Reserve – after 2024. The Reserve quantity is allocated among the members of the Appropriative Pool, pro rata, based on their existing storage accounts, as illustrated in Exhibit C to the Agreement. The members of the Appropriative Pool are not restricted in their transactions and withdrawals, including in having to ensure that their proportional quantitates of the Reserve are resident in storage, unless and until the total quantity of qualifying water in storage reaches 150,000 acre-feet.

¹ For the purposes of paragraph 6.2, an emergency exists upon a finding by the member of the Appropriative Pool that the ordinary demands and requirements of its customers cannot be satisfied by its other supplies such that, without access to this water, it would have insufficient supplies for human consumption, sanitation, and fire protection.

(Agreement, ¶ 6.2(b)(ii).) Watermaster will provide notice if the balance reaches 150,000 acre-feet, and will annually report to the parties the non-Supplemental Water stored water accounts balance, as an advance reminder of the restricted access to the Safe Storage Reserve.

Using methodology consistent with prudent professional standards, Watermaster's hydrologic consultant estimates that since the early 1900s, more than 2.1 million AF was withdrawn from the Basin in excess of recharge to the Basin, and that short term actual measured net recharge during 2000-2014 was less than total rights allocated to the Parties to the Judgment to produce groundwater without incurring a replenishment assessment over the period 2000-2014 by a quantity potentially as high as 130,000 AF, though during that time only a 23,000 AF actual depletion from storage occurred.

The volume in the stored water accounts of members of the Appropriative Pool, including Supplemental Water, is approximately 356,000 as of June 30, 2014. The volume of water, excluding Supplemental Water, is approximately at 231,000 acre-feet as of June 30, 2014. During the period 2000-2014 there was an increase of more than 200% in non-Supplemental Water storage accounts.

The Safe Storage Reserve remains in effect until the parties develop a Storage Management Plan, and the parties' ability to make applications for recharge, storage, and recovery remains unaffected. The Agreement provides that the parties will exercise Best Efforts to develop a Storage Management Plan within 24 months, and that the Plan must be approved by all three Pools.

Given the prior depletion of storage, the over-arching conditions of drought emergency now prevailing within the State, and the desire to protect against Material Physical Injury or undesirable results, the Safe Storage Management Measures, including the Safe Storage Reserve, are an appropriate mechanism to ensure withdrawals of groundwater from authorized storage accounts within the Basin are safe and sustainable. As described in the Safe Storage Management Technical Memorandum, attached to the Agreement as Exhibit E, while it is not likely that a reduction in non-supplemental stored water balance to or below 150,000 acre-feet could occur in the near term, that the Safe Storage Management Measures, which combined with Watermaster's existing authorities and obligations to manage the Basin's storage capacity, would ensure that no undesirable results or Material Physical Injury result from the withdrawal of water from storage accounts in the Basin.

As described above, and based on the technical analysis presented in the Safe Storage Management Technical Memorandum, staff believes the Board may properly find that the establishment of the Safe Storage Reserve does not unreasonably restrict the withdrawal of water from storage accounts because: (i) the Safe Storage Reserve is 130,000 AF and present quantities of water in storage are in excess of 350,000 AF; (ii) it is highly unlikely that the Parties to the Judgment could physically pump enough groundwater from the Basin to reach the cumulative trigger of 150,000 AF in less than five (5) years, given current infrastructure; (iii) the Appropriative Pool has committed to exercise Best Efforts to prepare a Storage Management Plan within two (2) years of the effective date of the 2015 Safe Yield Reset Agreement and no reserve quantities are under discussion; (iv) even if the Safe Storage Reserve of 130,000 AF were implemented, access to stored water therein is available for emergencies and Desalter replenishment; and (v) Watermaster has the authority under the Judgment to manage all storage within the Basin.

Additionally, in regard to storage, the Agreement identifies that storage losses, upon the achievement of Hydraulic Control, will be 0.07%. The current storage loss rate is 2% and Peace II contemplates that the loss rate will be lower, 1% or less, after Hydraulic Control is achieved. As part of the overall modeling associated with the reset the Safe Yield, the post-Hydraulic Control loss rate has been determined and included in the agreement. A separate Technical Memorandum (Exhibit D to the Agreement) contains the analysis and recommendation by WEI for the revised loss rate.

The City of Chino's Expressed Concerns

The City of Chino has expressed concerns regarding the Agreement, speaking at Committee and Board meetings and as filed in its responsive pleading to Watermaster's June 2015 Safe Yield Reset Status

Report. The members of the Pools and the Advisory Committee have not supported the City's requests for modification to the Key Principles or the Agreement. Watermaster is unaware of any party to the Judgment other than the City of Chino that objects to the Agreement. Evaluation of the City's previously expressed concerns is set forth below.

Procedure

The City has stated that Watermaster's participation in the preparation of the Agreement was inappropriate, because it has assumed the role of arguing on behalf of certain parties and against Chino, violating its obligation to remain neutral and not take sides on behalf of certain parties.

As the facilitator, Watermaster's counsel and staff strived to serve in a facilitation role pursuant to the request and direction of the parties to the FANDA process. Without disclosing the confidences of the facilitation, the facilitator's role was not to advocate for or against any of the provisions of the Agreement, but to assist the parties in reaching agreement and, to the extent possible, consensus. The proposed resolution is an endorsement of the Agreement as consistent with Article X, section 2 of the California Constitution, the Judgment, and the court-approved Management Agreements.

Watermaster is not a signatory to the court-approved management agreements (binding among the parties thereto). Watermaster administers the agreements as ordered by the Court. Watermaster accepts, acknowledges and understands that its continued administration of the agreements and the Agreement will require a further order of the Court.

Desalter-Induced Recharge

The City of Chino has stated that Watermaster should be prohibited from advancing or approving the provisions of the Agreement pertaining to Watermaster's accounting for Desalter-Induced Recharge because Watermaster could not do so while complying with its obligation to proceed consistently with the Peace Agreements. The City of Chino's position is that the Judgment, Peace Agreement, and Appropriative Pool pooling plan do not permit "Basin water" to be allocated to the Desalters, and that such water must be allocated to Appropriators.

While the accounting provisions of the Agreement are agreements among the parties as to the effect of their prior agreements, staff understands that the Agreement's treatment of Desalter-Induced Recharge to be consistent with Peace II Agreement, paragraph 7.1, which provides that for the term of Peace II, no party will ask that recharge attributable to the Desalters be allocated to the Parties as part of the producible Safe Yield, so that it may be used to offset Desalter production. The City of Chino claims are inconsistent with the positions taken by other parties as they are expressed in the court-approved management agreements.

Regulation of Withdrawals from Storage

The City of Chino has raised concerns with the Safe Storage Management Measures, as it has alleged that the Measures as prohibiting the production of 130,000 acre feet currently held in storage by the members of the Appropriative Pool, and as the City of Chino is the owner of more of that water than any other appropriator (28.3%), it will disproportionately "lose" more carry-over water than any other member of the Appropriative Pool. The City of Chino has described the effect of the Storage Reserve as "taking" its water presently held in storage and stated it its motion for reset of Safe Yield should be considered an eminent domain action.

Watermaster is not aware of any party to the Judgment that shares the City's position regarding the court-approved management agreements. Staff does not interpret the Agreement's Storage Reserve provisions as "confiscating" water in storage accounts.

In relevant part, the Judgment provides:

It is essential that said reservoir capacity utilization for storage and conjunctive use of supplemental water be undertaken only under Watermaster control and regulation, in

order to protect the integrity of both Stored Water and Basin Water in storage and the Safe Yield of Chino Basin. (Restated Judgment, ¶ 11 emphasis added.)

Thus, the use of storage capacity in the Chino Basin is subject to Watermaster regulation. Moreover, the use of storage capacity in the Basin, including excess Carryover (Non-Supplemental) requires a storage agreement with Watermaster. (Restated Judgment, ¶ 12.) The court-approved management agreements provide direction to Watermaster on the storage and recovery of water but do not constrain regulation to protect against Material Physical Injury and that are otherwise in the public interest.

Watermaster understands that the Agreement to be a request for Watermaster, consistent with the powers under the Judgment and the court-approved management agreements to maintain a reasonable portion of the quantity of water in storage, which is intended to ensure that withdrawals of groundwater from authorized storage accounts within the Basin are safe, sustainable, and will not cause Material Physical Injury or undesirable results until a Storage Management Plan can be developed.

The Storage Reserve is temporary – only until a long-term Storage Management Plan is crafted and approved. Second, as described earlier in this staff report, likelihood of reaching water in reserve is very low, so effect is conditional. Third, production of water in the Safe Storage Reserve is not prohibited, but, provides certain limitations the manner in which water may be withdrawn from storage (e.g., 10/13 of each party's share of the reserve is limited in exercise such that must be replenished w/in 3 years and 3/13 is limited for Desalter offset (no need for replenishment) though after 2024. The City of Chino is not treated any differently than other Appropriators in the application of the Safe Storage Management Measures, other than that it has a larger percentage of the water in storage than any other party.

Pool and Advisory Committee Advice and Counsel

All three Pools have considered the Agreement and deliberated concerns of individual parties within the respective Pools. Concerns expressed by the Non-Agricultural Pool were considered by the Appropriative Pool and Agricultural Pool. Through a collaborative process all three Pools recommended to the Advisory Committee to recommend Board adoption of Resolution 2015-06. The Advisory Committee met on September 17, 2015 and recommended Board adoption of Resolution 2015-06, endorsing the Agreement.

Further Process

Should the Board adopt Resolution 2015-06, Watermaster legal counsel, consulting with the parties to the Agreement, would prepare and file a motion to the Court transmitting Resolution 2015-06, the 2015 Safe Yield Reset Agreement, and the referenced Attachments to the Court, and recommending that the Court approve the proposed Judgment Amendment and to further order that Watermaster proceed to further comply with the 2015 Safe Yield Reset Agreement ("Safe Yield Reset Motion"). The Court will set a hearing date and briefing schedule for its consideration of the Safe Yield Reset Motion. The parties to the Agreement would approve and authorize execution of the Agreement, with some having approved before Watermaster's filing of the Safe Yield Reset Motion and others approving after filing, but before the hearing.

ATTACHMENTS

1. Resolution 2015-06
2. Exhibit A: 2015 Safe Yield Reset Agreement, including Exhibits A-E thereto
3. Exhibit B: Proposed Order Amending Paragraph 6 of the Restated Judgment
4. Exhibit C: Amended schedule for access to Re-Operation water

Attachments to September 24, 2015 Staff Report, Attachment 2 to Declaration of Peter Kavounas

Attachment 1: Resolution 2015-06 (is Exhibit F to Attachment I to Watermaster's Motion)

Attachment 2: Exhibit A 2015 Safe Yield Reset Agreement, including Exhibits A – E (is Attachment 1 to Watermaster's Motion)

Attachment 3: Exhibit B Proposed Order Amending Paragraph 6 of Restated Judgment (Proposed Order is attached)

Attachment 4: Exhibit C Amended Schedule for Access to Re-Operation Water (is Attachment 2 to Watermaster's Motion)

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN BERNARDINO

CHINO BASIN MUNICIPAL WATER
DISTRICT,

 Plaintiff,

 v.

CITY OF CHINO et al.,

 Defendant.

Case No. RCV 51010

Assigned for All Purposes to the
Honorable Stanford E. Reichert

**[PROPOSED] ORDER REGARDING 2015
SAFE YIELD RESET AGREEMENT AND
AMENDING PARAGRAPH 6 OF THE
RESTATED JUDGMENT**

The Court having read, reviewed, and considered all pleadings filed in support and in response, if any, including the testimony presented at the December 18, 2015 hearing, and good cause appearing therefore, the Court finds and Orders as follows:

- (1) Watermaster has fulfilled its obligations as to the initial reset of the Safe Yield, as described in Elements 8 and 9 of the OBMP Implementation Plan and section 6.5 of the Chino Basin Watermaster Rules and Regulations, specifically:
 - (a) Watermaster has caused the metering of groundwater production as required by the Court, and gathered Production data from 2002 to the present time; and

1 (b) Over a four-year period, Watermaster has caused an update to its hydrologic
2 model that enabled a long-term assessment of Basin hydrology with the benefit of using
3 Production data collected from 2002-present and an evaluation of cultural conditions now
4 prevailing in the Basin, thereby enabling the required redetermination and reset.

5 (2) The reset of the Safe Yield pursuant to the 2015 Safe Yield Reset Agreement is
6 consistent with and fulfills Watermaster's obligations under the OBMP Implementation Plan (as
7 amended), Watermaster Rules and Regulations, prudent professional standards, and the
8 Judgment, specifically:

9 (a) The Reset Technical Memorandum, an evaluation of long-term hydrology
10 using metered agricultural production data from 2002-present, the cultural conditions affecting
11 the Safe Yield of the Basin, and the risk of undesirable results support the reset of the Safe Yield
12 of the Basin to 135,000 AFY, having declined from 140,000 AFY;

13 (b) The accounting for recharge pursuant to the 2015 Safe Yield Reset Agreement
14 is appropriate and consistent with Court-approved management agreements to enable a fair,
15 balanced, and efficient administration of the Judgment as requested by the Parties, the Pools, and
16 the Advisory Committee;

17 (c) The accounting for Desalter-induced recharge pursuant to the 2015 Safe Yield
18 Reset Agreement is appropriate and consistent with the Court-approved management agreements
19 to enable a fair, equitable and efficient administration of the Judgment

20 (d) The requested amendment of the current Court-approved schedule accounting
21 for Desalter-induced recharge and access to Re-Operation water is appropriate and in furtherance
22 of the OBMP Implementation Plan and the Physical Solution; and

23 (e) The establishment of the Safe Storage Reserve, as defined in the Agreement,
24 does not unreasonably restrict the withdrawal of water from storage accounts because: (i) the Safe
25 Storage Reserve is 130,000 AF and present quantities are in excess of 350,000 AF; (ii) it is highly
26 unlikely that the Parties to the Judgment could physically pump enough groundwater from the
27 Basin to reach the cumulative trigger of 150,000 AF in less than five (5) years given current
28 infrastructure; (iii) the Appropriative Pool has committed to exercise Best Efforts to prepare a

1 Storage Management Plan within two (2) years of the effective date and no reserve quantities are
2 under discussion; (iv) even if the Safe Storage Reserve of 130,000 AF were implemented, access
3 to stored water is available for emergencies and Desalter replenishment; and (v) Watermaster has
4 the authority under the Judgment to manage all storage within the Basin.

5 On this basis, Watermaster is hereby ordered to proceed with the implementation of the
6 2015 Safe Yield Reset Agreement as consistent with Watermaster's obligations pursuant to
7 Optimum Basin Management Program Implementation Plan and its Rules and Regulations, in
8 furtherance of the Basin's Physical Solution, and consistent with Article X, section 2 of the
9 California Constitution.

10 (3) Watermaster is ordered to comply with the 2015 Safe Yield Reset Agreement, and
11 to adopt all necessary policies and procedures in order to implement the 2015 Safe Yield Reset
12 Agreement, on or before June 30, 2016, unless an earlier date is specified in the 2015 Safe Yield
13 Reset Agreement.

14 (4) Paragraph 6 of the Restated Judgment is hereby amended to read as follows: "Safe
15 Yield. The Safe Yield of the Basin is 135,000 acre feet per year." The effective date of the
16 amendment to Paragraph 6 of the Restated Judgment is July 1, 2010.

17 (5) The schedule accounting for Desalter-induced recharge and access to Re-
18 Operation water shown in Exhibit "A" hereto is appropriate and in furtherance of the OBMP
19 Implementation Plan and the Physical Solution, and is approved.

20 (6) At the expiration of the Peace II Agreement, the Peace II provisions relating to the
21 distribution of surplus (unpumped) water by the Agricultural Pool requiring that claims for the
22 Early Transfer of 32,800 AFY and for Land Use Conversion be treated equally are expressly
23 repealed, including (i) the amendment to Section 6.3(c) of Watermaster's Rules and Regulations,
24 pursuant to the Peace II measures, and (ii) Section III.(6) of the October 8, 2010 Order Approving
25 Watermaster's Compliance with Condition Subsequent Number Eight and Approving Procedures
26 to be used to Allocate Surplus Agricultural Pool Water in the Event of a Decline in Safe Yield.

27 (7) In any extension term of the Peace Agreement, the previous changes to the
28 Restated Judgment, Exhibit "H", Paragraph 10(b)(i) as effectuated by Paragraph 4.4(c) of the

1 Peace Agreement, which to the extent sufficient unallocated Safe Yield from the Agricultural
2 Pool is available for land use conversion claims, allocate 2.0 acre-feet of unallocated Safe Yield
3 water for each acre, shall remain in effect.

4
5 IT IS SO ORDERED.

6 Dated: _____

JUDGE OF THE SUPERIOR COURT

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CHINO BASIN WATERMASTER
Case No. RCV 51010
Chino Basin Municipal Water District v. The City of Chino

PROOF OF SERVICE

I declare that:

I am employed in the County of San Bernardino, California. I am over the age of 18 years and not a party to the within action. My business address is Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California 91730; telephone (909) 484-3888.


On October 23, 2015 I served the following:

1. **WATERMASTER'S MOTION REGARDING 2015 SAFE YIELD RESET AGREEMENT, AMENDMENT OF RESTATED JUDGMENT, PARAGRAPH 6**

- / X / BY MAIL: in said cause, by placing a true copy thereof enclosed with postage thereon fully prepaid, for delivery by United States Postal Service mail at Rancho Cucamonga, California, addresses as follows:
See attached service list: Mailing List 1
- / ___ / BY PERSONAL SERVICE: I caused such envelope to be delivered by hand to the addressee.
- / ___ / BY FACSIMILE: I transmitted said document by fax transmission from (909) 484-3890 to the fax number(s) indicated. The transmission was reported as complete on the transmission report, which was properly issued by the transmitting fax machine.
- / X / BY ELECTRONIC MAIL: I transmitted notice of availability of electronic documents by electronic transmission to the email address indicated. The transmission was reported as complete on the transmission report, which was properly issued by the transmitting electronic mail device.

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

Executed on October 23, 2015 in Rancho Cucamonga, California.


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