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

10 CHINO BASIN MUNICIPAL WATER
11 DISTRICT,

12 Plaintiff,

13 v.

14 CITY OF CHINO, et al.,

15 Defendants.

Case No. RCVRS 51010

**APPENDIX OF EVIDENCE IN
 SUPPORT OF CITY OF ONTARIO'S
 MOTION CHALLENGING
 WATERMASTER'S NOVEMBER 17,
 2022 ACTIONS/DECISION TO
 APPROVE THE FY 2022/2023
 ASSESSMENT PACKAGE**

VOL 2: EXHIBITS 7 – 13

Date: March 21, 2023
 Time: 9:00 a.m.
 Dept: S24
 Judge: Gilbert Ochoa

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1 City of Ontario (“Ontario”) submits this appendix of evidence referenced in its Motion
 2 Challenging Watermaster’s November 17, 2022 Actions/Decision to Approve the FY 2022/2023
 3 Assessment Package and Request for Judicial Notice, filed concurrently herewith.

EX. NO.	DESCRIPTION	VOL.
1.	Chino Basin Watermaster Restated Judgment, No. 51010	1
2.	Chino Basin Watermaster Rules and Regulations, updated 2019	1
3.	Report and Recommendation of Special Referee to Court Regarding: (1) Motion for Order That Audit Commissioned By Watermaster is Not a Watermaster Expense, and (2) Motion to Appoint a Nine-Member Watermaster Panel, dated December 12, 1997	1
4.	Court’s Ruling and Order, entered June 18, 2010	1
5.	Opinion of Fourth Appellate District Court of Appeal in Case No. E051653, dated April 10, 2012	1
6.	Order Post Appeal, entered June 29, 2012	1
7.	Order on the Motion to Approve Amendments to Appropriative Pool Pooling Plan, entered March 15, 2019	2
8.	Groundwater Storage Program Funding Agreement, Agreement No. 49960, dated March 1, 2003	2
9.	Order Concerning Groundwater Storage Program Funding Agreement – Agreement No. 49960, entered June 5, 2003	2
10.	Local Agency Agreement by and between Inland Empire Utilities Agency (“IEUA”) and Cucamonga County Water District, dated March 11, 2003	2
11.	Local Agency Agreement by and between IEUA and the City of Ontario, dated April 15, 2003	2
12.	Local Agency Agreement by and between IEUA and the City of Ontario and Jurupa Community Services District, dated January 12, 2004	2
13.	Chino Basin Watermaster Staff Report re MWD/IEUA/TVMWD Groundwater Storage Account, dated March 11, 2004	2
14.	Watermaster’s Motion for Approval of Storage and Recovery Program Agreement (with Exhibit A only), filed May 12, 2004	3
15.	Order Approving Storage and Recovery Program Storage Agreement re Implementation of Dry Year Yield Storage Project, entered June 24, 2004	3

EX. NO.	DESCRIPTION	VOL.
16.	Amendment No. 8 to Groundwater Storage Program Funding Agreement No. 49960, dated January 23, 2015	3
17.	Agenda for the Chino Basin Watermaster Appropriative Pool Meeting held October 9, 2014	3
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19.	Agenda for the Chino Basin Watermaster Advisory Committee Meeting held on October 16, 2014	3
20.	Chino Basin Watermaster Staff Report regarding Amendment No. 8 to MWD Dry Year Yield Agreement, dated October 16, 2014	3
21.	Agenda for the Chino Basin Watermaster Board Meeting held October 23, 2014	3
22.	Chino Basin Watermaster Staff Report regarding Amendment No. 8 to MWD Dry Year Yield Agreement, dated October 23, 2014	3
23.	Peace Agreement Chino Basin, dated June 29, 2000.	4
24.	First Amendment to Peace Agreement, dated September 2, 2004.	4
25.	Second Amendment to Peace Agreement, dated October 25, 2007.	4
26.	Peace II Agreement: Party Support For Watermaster's OBMP Implementation Plan – Settlement and Release of Claims Regarding Future Desalters, dated October 25, 2007.	4
27.	Agenda for the Watermaster's Appropriative Pool Meeting held September 13, 2018.	4
28.	Agenda for the Watermaster's Advisory Committee Meeting held September 20, 2018.	4
29.	Agenda for the Watermaster's Board Meeting held September 27, 2018.	5
30.	Minutes of the Watermaster's Appropriative Pool Meeting held September 13, 2018.	5
31.	Minutes of the Watermaster's Advisory Committee Meeting held September 20, 2018.	5
32.	Minutes of the Watermaster's Board Meeting held September 27, 2018.	5

EX. NO.	DESCRIPTION	VOL.
33.	Minutes of the Watermaster Appropriative Pool – Special Meeting, held November 27, 2018.	5
34.	Letter Agreement entitled “Chino Basin Groundwater Storage Actions and Voluntary Purchase Methodology” by and between MWD, IEUA, TVMWD, and Watermaster, dated February 5, 2019.	5
35.	Chino Basin Watermaster Staff Report regarding Dry Year Yield Program – Information Only, dated January 27, 2022.	5
36.	Presentation given by the Watermaster staff regarding the Dry Year Yield Program at the January 27, 2022 Board meeting.	5
37.	Chino Basin Watermaster 2003/2004 Assessment Package (Production Year 2002/2003), approved November 27, 2003.	5
38.	Chino Basin Watermaster 2004/2005 Assessment Package (Production Year 2003/2004), approved November 18, 2004.	5
39.	Chino Basin Watermaster 2005/2006 Assessment Package (Production Year 2004/2005), approved November 8, 2005.	5
40.	Chino Basin Watermaster 2006/2007 Assessment Package (Production Year 2005/2006), approved February 22, 2007.	5
41.	Chino Basin Watermaster 2007/2008 Assessment Package (Production Year 2006/2007), approved December 20, 2007.	6
42.	Chino Basin Watermaster 2008/2009 Assessment Package (Production Year 2007/2008), approved November 20, 2008.	6
43.	Chino Basin Watermaster 2009/2010 Assessment Package (Production Year 2008/2009), approved October 22, 2009.	6
44.	Chino Basin Watermaster 2010/2011 Assessment Package (Production Year 2009/2010), approved October 28, 2010.	6
45.	Chino Basin Watermaster 2011/2012 Assessment Package (Production Year 2010/2011), approved January 26, 2012.	6
46.	Chino Basin Watermaster 2012/2013 Assessment Package (Production Year 2011/2012), approved November 15, 2012.	6
47.	Chino Basin Watermaster 2017/2018 Assessment Package (Production Year 2016/2017), approved November 16, 2017.	6

EX. NO.	DESCRIPTION	VOL.
48.	Chino Basin Watermaster 2017/2018 Revised Assessment Package (Production Year 2016/2017), approved September 26, 2019.	7
49.	Chino Basin Watermaster 2018/2019 Assessment Package (Production Year 2017/2018), approved November 15, 2018.	7
50.	Chino Basin Watermaster 2018/2019 Revised Assessment Package (Production Year 2017/2018), approved September 26, 2019.	7
51.	Chino Basin Watermaster 2019/2020 Assessment Package (Production Year 2018/2019), approved November 21, 2019.	7
52.	Chino Basin Watermaster 2020/2021 Assessment Package (Production Year 2019/2020), approved November 19, 2020.	7
53.	Chino Basin Watermaster 2021/2022 Assessment Package (Production Year 2020/2021), approved November 18, 2021.	7
54.	Agenda for the Watermaster's Board Meeting held November 17, 2022.	7
55.	Chino Basin Watermaster Staff Report regarding the Fiscal Year 2022/23 Assessment Package, dated November 17, 2022.	8
56.	Chino Basin Watermaster 2022/2023 Assessment Package (Production Year 2021/2022), approved November 17, 2022.	8
57.	City of Ontario's Combined Reply to the Oppositions of Watermaster, Fontana Water Company and Cucamonga Valley Water District, and Inland Empire Utilities Agency to Applications for an Order to Extend Time Under Paragraph 31(c) of the Judgment, to Challenge Watermaster Action/Decision on November 18, 2021 to Approve the FY 2021/2022 Assessment Package or Alternatively, City of Ontario's Challenge, filed May 27, 2022.	8

DATED: February 14, 2023

STOEL RIVES LLP

By: 

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EXHIBIT 7

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14 SUPERIOR COURT OF THE STATE OF CALIFORNIA
15 COUNTY OF SAN BERNARDINO
16

17 CHINO BASIN MUNICIPAL WATER
18 DISTRICT,

19 Petitioner,

20 v.

21 CITY OF CHINO, et al.,

22 Defendants.

Exempt from Filing Fees
Per Gov't Code § 6103

FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF SAN BERNARDINO
SAN BERNARDINO CIVIL DIVISION

MAR 15 2019

BY 
ASHLEY LAWLESS, DEPUTY

Case No. RCVRS 51010
Judge: Stanford E. Reichert

~~[Proposed]~~ ORDER

[filed with Notice of Mot. and Mot. to
Approve Amendments to Appropriative
Pool Pooling Plan and Ct.-Approved
Management Agreements; and Decl. of
Sarah Christopher Foley]

Date: March 15, 2019
Time: 1:30 p.m.
Dept.: S35

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~~PROPOSED~~ ORDER

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On March 15, 2019, in Department S35 of the above-entitled Court, the Motion to Approve Amendments to Appropriative Pool Pooling Plan and Court-Approved Management Agreements by Defendants and Appellants Cucamonga Valley Water District, Monte Vista Water District, and City of Pomona and Defendants and Respondents City of Chino, Jurupa Community Services District, and City of Ontario ("Motion to Approve") came on for hearing, the Honorable Stanford E. Reichert, Judge presiding. The parties stated their appearances on the record.

After consideration of the papers filed in connection with the Motion to Approve and arguments of counsel, the Court hereby:

(1) Approves amendments to the Appropriative Pool Pooling Plan, ~~the Peace Agreement, and the Peace II Agreement~~ ("Appropriative Pool Pooling Plan" and CAMA Amendments") that are attached hereto, ~~and~~ *the amendments attached hereto.*

2. Watermaster shall proceed in accordance with Resolution 2017-03 and the amendments attached thereto.

~~(2) Orders Watermaster to implement the Judgment in accordance with the Appropriative Pool Pooling Plan and CAMA Amendments that are attached hereto.~~

3. Directing Watermaster to proceed to redetermine Safe Yield as set forth on pages 15-18 of the Court's April 28, 2017, order.
IT IS SO ORDERED.

Dated: _____, ___, 2019

Honorable Stanford E. Reichert
Judge of the Superior Court

4. Except as explicitly set forth above the motion is denied.

Date: 3-15-19



IT IS SO ORDERED
Stanford E. Reichert

JUDGE
STANFORD E. REICHERT

ATTACHMENT

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Exhibit A

Proposed Changes to Appropriative Pool Pooling Plan and CAMA

1. Appropriative Pool Pooling Plan. The introductory sentence to Exhibit H, ¶10 of the Judgment is amended to read as follows:

10. Unallocated Safe Yield Water. To the extent that, in any ~~year~~ *five years*, any portion of the share of Safe Yield allocated to the Overlying (Agricultural) Pool is not produced, such water shall be available for reallocation to members of the Appropriative Pool, as follows:

2. Early Transfer

A. Section 1.1(o) of the Peace Agreement is amended to read as follows:

(o) "Early Transfer" means the reallocation of Safe Yield not Produced by the Agricultural Pool to the Appropriative Pool on an annual basis *after the allocations in subdivisions (a)(1) and (a)(2) of* ~~rather than according to the five year increment described in Paragraph 10 of Exhibit "H" of the Judgment;~~

B. Section 5.3(g) of the Peace Agreement is amended to read as follows:

(g) Watermaster shall approve an "Early Transfer" of water to the Appropriative Pool ~~in an amount not less than 32,800 acre-feet per year that is the expected approximate quantity of water not Produced by the Agricultural Pool~~ *on an annual basis* ~~The quantity of water subject to Early Transfer under this paragraph shall be the greater of (i) 32,800 acre feet of (ii) 32,800 acre feet plus the actual quantity of water not Produced by the Agricultural Pool for that Fiscal Year that is remaining after all the land use conversions are satisfied pursuant to 5.3(h) below.~~

- (i) The Early Transfer water shall be annually allocated among the members of the Appropriative Pool in accordance with their pro-rata share of the initial Safe Yield.
- (ii) The Transfer shall not limit the Production right of the Agricultural Pool under the Judgment to Produce up to 82,800 acre-feet of water in any year or 414,000 acre-feet in any five years as provided in the Judgment.
- (iii) The combined Production of all parties to the Judgment shall not cause a Replenishment assessment on the members of the Agricultural Pool. The Agricultural Pool shall be responsible for any Replenishment obligation created by the Agricultural Pool Producing more than 414,000 acre-feet in any five-year period.
- (iv) The parties to the Judgment and Watermaster shall Produce water in accordance with the Operating Safe Yield and shall procure sufficient quantities of Replenishment Water to satisfy over-Production requirements, whatever they may be, and avoid Material Physical Injury to any party to the Judgment or the Basin;

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(v) Nothing herein shall be construed as modifying the procedures or voting rights within or by the members of the Agricultural Pool.

3. **Conversion Claims.** Subparagraph (b)(3)(i) of Exhibit H, ¶ 10 of the Judgment is amended to read as follows:

(i) For the term of the Peace Agreement *and any extension thereof*, in any year in which sufficient unallocated Safe Yield from the Overlying (Agricultural) Pool is available for such conversion claims, Watermaster shall allocate to each appropriator with a conversion claim 2.0 acre-feet of unallocated Safe Yield water for each converted acre for which conversion has been approved and recorded by the Watermaster.

4. **Controlled Overdraft.** Pursuant to section 7.2(e)(ii) of the Peace II Agreement, 175,000 acre-feet of controlled overdraft (Re-Operation water) will be allocated to Desalter replenishment over a 17-year period, beginning in 2013-14 and ending in 2029-30, according to the schedule attached as Exhibit A.

5. **New Yield.** Section 7.1 of the Peace II Agreement, entitled "New Yield Attributable to Desalters," is deleted. It is replaced by new section 6.2(b)(ii) as set forth in section 6 below.

6. **Desalter Replenishment.** Section 6.2(b) of the Peace II Agreement is amended to read as follows:

(b) To the extent available credits are insufficient to fully offset the quantity of groundwater production attributable to the Desalters, Watermaster will use water or revenue obtained by levying the following assessments among the members of the Overlying (Non-Agricultural) Pool and the Appropriative Pool to meet any remaining replenishment obligation as follows.

(i) A Special OBMP Assessment against the Overlying (Non-Agricultural) Pool as more specifically authorized and described in amendment to Exhibit "G" paragraph 8(e) 5(c) to the Judgment will be dedicated by Watermaster to further off-set replenishment of the Desalters. However, to the extent there is no remaining replenishment obligation attributable to the Desalters in any year after applying the off-sets set forth in 6.2(a), the OBMP Special Assessment levied by Watermaster will be distributed as provided in section 9.2 below. The Special OBMP Assessment will be assessed pro-rata on each member's share of Safe Yield, followed by

(ii) *The members of the Appropriative Pool will contribute a total of 10,000 afy toward Desalter replenishment, allocated among Appropriative Pool members as follows:*

(1) *85% of the total (8,500 afy) will be allocated according to the Operating Safe Yield percentage of each Appropriative Pool member; and*

(2) *15% of the total (1,500 afy) will be allocated according to each land use conversion agency's percentage of the total land use conversion claims, based on the actual land use conversion allocations of the year.*

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The annual desalter replenishment obligation contribution of each Appropriative Pool member will be calculated using the following formula:

*Desalter replenishment obligation contribution = (8,500 * % Appropriator's share of total initial 49,834 afy Operating Safe Yield) + (1,500 * % Appropriator's proportional share of that year's total conversion claims)*

A sample calculation of the desalter replenishment obligation contribution for each Appropriative Pool member is shown on Exhibit __ to this Peace II Agreement, as amended.

(iii) (ii)-A Replenishment Assessment against the Appropriative Pool for any remaining Desalter replenishment obligation after applying both 6(b)(i) and 6(b)(ii), allocated pro-rata to each Appropriative Pool member according to the combined total of the member's share of Operating Safe Yield and the member's Adjusted Physical Production, as defined below. pro-rata based on each Producer's combined total share of Operating Safe Yield and the previous year's actual production. Desalter Production is excluded from this calculation. A sample calculation of the allocation of the remaining desalter obligation is shown in Exhibit __ to this Peace II Agreement. However, if there is a material reduction in the net cost of Desalter product water to the purchasers of product water, Watermaster may re-evaluate whether to continue the exclusion of Desalter Production but only after giving due regard to the contractual commitment of the parties.

(iv) Adjusted Physical Production is the Appropriative Pool member's total combined physical production (i.e., all groundwater pumped or produced by the Appropriative Pool member's groundwater wells in the Chino Basin, including water transferred from the Non-Agricultural Pool under Exhibit G, ¶9 of the Judgment), with the following adjustments:

(1) In the case of assignments among Appropriative Pool members, or between Appropriative Pool members and Non-Agricultural Pool members under Exhibit G, ¶6 of the Judgment, resulting in pumping or production by one party to the Judgment for use by another party to the Judgment, the production for purposes of Adjusted Physical Production shall be assigned to the party making beneficial use of the water, not the actual producer.

(2) Production offset credits pursuant to voluntary agreements under section 5.3(i) of the Peace Agreement are calculated at 50% of the total voluntary agreement credit in the determination of Adjusted Physical Production for an Appropriative Pool member participating in a voluntary agreement for that year. In the determination of Adjusted Physical Production, the voluntary agreement credit is subtracted from physical production. Reduction of the voluntary agreement credit from 100% to 50% is applicable only to the calculation of the Adjusted Physical Production hereunder; but in all other applications, the voluntary agreement credit shall remain unchanged (i.e. remain at 100%).

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(3) *Production associated with approved storage and recovery programs (e.g., Dry Year Yield recovery program with MWD) is not counted in Adjusted Physical Production, except for in-lieu participation in such programs: in-lieu put quantities shall be added to physical production, and in-lieu take quantities shall be subtracted from physical production.*

(4) *Metered pump-to-waste Production that is determined by Watermaster to be subsequently recharged to the groundwater basin is deducted from physical production; unmetered pump-to-waste production that is determined by Watermaster not to be subsequently recharged to the groundwater basin is added to physical production.*

(5) *The Appropriative Pool may approve, by unanimous vote, the inclusion of other items in the determination of Adjusted Physical Production, with the exception of Non-Agricultural Pool water assigned or transferred under Exhibit G, ¶6 or ¶10 of the Judgment.*

(v) *Any member of the Non-Agricultural Pool that is also a member of the Appropriative Pool may elect to transfer (a) some or all of the annual share of Operating Safe Yield of the transferor in and for the year in which the transfer occurs (except that such transfer shall exclude any dedication to the Watermaster required by section 6.2(b)(1)), and (b) any quantity of water held in storage by the transferor (including without limitation carryover and excess carryover) to any member of the Appropriative Pool, in either case at any price that the transferor and transferee may deem appropriate and for the purpose of satisfying the transferee's desalter replenishment obligation. The transferee's desalter replenishment obligation shall be credited by the number of acre-feet so transferred.*

(vi) ~~(iii)~~ *The quantification of any Party's share of Operating Safe Yield does not include either land use conversions or Early Transfers.*

7. **Allocation of Non-Agricultural Pool OBMP Special Assessment.** The introductory sentence of section 9.2(a) of the Peace II Agreement is amended to read as follows:

a. For a period of ten years from the effective date of the Peace II Measures, any water (or financial equivalent) that may be contributed from the Overlying (Non-Agricultural) Pool in accordance with paragraph 8(e)-5(c) of Exhibit G to the Judgment (as amended) will be apportioned among the members of the Appropriative Pool in each year as follows:

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Attachment: Peace Agreement, Section 7.2 (e)(ii)
 Schedule for Use of Re-Operation Water**, and
 Calculation of Remaining Desalter Replenishment Obligation (DRO)
 Production from 2017-18 through 2029-30 is estimated

Production Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Peace I Desalter Production	29,227.997	29,541.300	27,008.810	26,275.588	30,000.000	30,000.000	30,000.000	30,000.000	30,000.000
Peace II Desalter Production	14.555	448.690	1,154.052	1,527.215	10,000.000	10,000.000	10,000.000	10,000.000	10,000.000
Appropriative Pool DRO Contribution	(10,000.000)	(10,000.000)	(10,000.000)	(10,000.000)	(10,000.000)	(10,000.000)	(10,000.000)	(10,000.000)	(10,000.000)
Re-Operation Water** Non-Agricultural Pool Assessment	(12,500.000)	(12,500.000)	(12,500.000)	(12,500.000)	(12,500.000)	(12,500.000)	(12,500.000)	(12,500.000)	(12,500.000)
	0.000	0.000	0.000	(735.000)	(735.000)	(735.000)	(735.000)	(735.000)	(735.000)
Remaining DRO	6,742.552	7,489.990	5,662.862	4,567.803	16,765.000	16,765.000	16,765.000	16,765.000	16,765.000

Production Year	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Peace I Desalter Production	30,000.000	30,000.000	30,000.000	30,000.000	30,000.000	30,000.000	30,000.000	30,000.000
Peace II Desalter Production	10,000.000	10,000.000	10,000.000	10,000.000	10,000.000	10,000.000	10,000.000	10,000.000
Appropriative Pool "DRO Contribution	(10,000.000)	(10,000.000)	(10,000.000)	(10,000.000)	(10,000.000)	(10,000.000)	(10,000.000)	(10,000.000)
Re-Operation Water** Non-Agricultural Pool Assessment	(12,500.000)	(12,500.000)	(12,500.000)	(5,000.000)	(5,000.000)	(5,000.000)	(5,000.000)	(5,000.000)
	(735.000)	(735.000)	(735.000)	(735.000)	(735.000)	(735.000)	(735.000)	(735.000)
Remaining DRO	16,765.000	16,765.000	16,765.000	24,265.000	24,265.000	24,265.000	24,265.000	24,265.000

04342.00108.31742245.1

[Redacted] Order

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Attachment: Peace II Agreement, Section 6.2(b)(ii)
Allocation of Appropriative Pool Desalter Replenishment Obligation (DRO) Contributions (by agency)

Production Year 2013-14 Desalter Replenishment Obligation (DRO) Contribution: **10,000,000 AF**

Appropriative Pool Party	Production Year 2013/14 Common Data (Headings from Approved 2014/2015 Assessment Package)			Methodology for 85/15 split between shares of Operating Safe Yield and % of Land Use Conversions		
	a	b	c = %b	d = (DRO Contrib*.85)*a	e = (DRO Contrib*.15)*c	f = d + e
	Percent of Operating Safe Yield (Column 2A)	Land Use Conversions (Page 12A)*	Percent of Land Use Conversions	85% DRO Contribution Based on Percent of Operating Safe Yield	15% DRO Contribution Based on Percent of Land Use Conversions	Desalter Replenishment Obligation Contribution
Arrowhead Mtn Spring Water Co	0.000%	0.000	0.000%	0.000	0.000	0.000
Chino Hills, City of	3.851%	1,133.906	4.334%	327.335	65.013	392.348
Chino, City of	7.357%	7,623.064	29.138%	625.345	437.074	1,062.419
Cucamonga Valley Water District	6.601%	598.364	2.287%	561.085	34.308	595.393
Fontana Union Water Company	11.657%	0.000	0.000%	990.845	0.000	990.845
Fontana Water Company	0.002%	834.000	3.188%	0.170	47.818	47.988
Fontana, City of	0.000%	0.000	0.000%	0.000	0.000	0.000
Golden State Water Company	0.750%	0.000	0.000%	63.750	0.000	63.750
Jurupa Community Services District	3.759%	13,876.196	53.040%	319.515	795.602	1,115.117
Marygold Mutual Water Company	1.195%	0.000	0.000%	101.575	0.000	101.575
Monte Vista Irrigation Company	1.234%	0.000	0.000%	104.890	0.000	104.890
Monte Vista Water District	8.797%	55.075	0.211%	747.745	3.158	750.903
Niagara Bottling, LLC	0.000%	0.000	0.000%	0.000	0.000	0.000
Nicholson Trust	0.007%	0.000	0.000%	0.595	0.000	0.595
Norco, City of	0.368%	0.000	0.000%	31.280	0.000	31.280
Ontario, City of	20.742%	2,041.095	7.802%	1,763.070	117.028	1,880.098
Pomona, City of	20.454%	0.000	0.000%	1,738.590	0.000	1,738.590
San Antonio Water Company	2.748%	0.000	0.000%	233.580	0.000	233.580
San Bernardino, County of (Shooting Park)	0.000%	0.000	0.000%	0.000	0.000	0.000
Santa Ana River Water Company	2.373%	0.000	0.000%	201.705	0.000	201.705
Upland, City of	5.202%	0.000	0.000%	442.170	0.000	442.170
West End Consolidated Water Co	1.728%	0.000	0.000%	146.880	0.000	146.880
West Valley Water District	1.175%	0.000	0.000%	99.875	0.000	99.875
	100.000%	26,161.700	100.000%	8,500.000	1,500.000	10,000.000

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Attachment: Peace II Agreement, Section 6.2 (b)(iii)
Allocation of Appropriative Pool Remaining Desalter Replenishment Obligation (RDRO)

Production Year 2013-14:	acre-feet
CDA Production - Peace I Allocation	29,227.997
CDA Production - Peace II Allocation	14.555
Total Desalter Replenishment Obligation (Total DRD):	29,242.552
Desalter Replenishment Obligation Contribution (DROC)	(10,000.000)
Re-Operation Water	(12,500.000)
RDRO	6,742.552

Appropriative Pool Party	Operating Safe Yield	Production Year 2013/14 Common Data (From Approved 2014/2015 Assessment Package - Appendix A)					Methodology for Calculation of Adjusted Physical Production (APP)	Methodology for Calculation of "RDRO"
	a	b	c	d	e	f	APP = [b+(c*50%)+d+e+f]	Individual Party RDRO = ((a+APP)/(Total a + Total APP)) * RDRO
	Assessment Package Page 2A: Column 2D	Physical Production	Voluntary Agreements (w/Ag)	Assignments (w/Non-Ag)	Storage and Recovery Programs	Other Adjustments	*Note: APP for City of Chino does not include "Other Adjustments" for this period	
Arrowhead Mtn Spring Water Co	0.000	379.111	0.000	0.000	0.000	0.000	379.111	15.905
Chino Hills, City of	2,111.422	2,150.925	(286.221)	0.000	0.000	5,359.300	7,367.115	397.669
Chino, City of	4,033.857	6,725.430	(6,686.440)	(104.278)	0.000	65.288	3,277.932	306.764
Cucamonga Valley Water District	3,619.454	16,121.550	0.000	0.000	0.000	0.000	16,121.550	828.227
Fontana Union Water Company	6,391.736	0.000	0.000	0.000	0.000	0.000	0.000	268.163
Fontana Water Company	1.000	15,377.579	0.000	0.000	0.000	0.000	15,377.579	645.203
Fontana, City of	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Golden State Water Company	411.476	736.362	0.000	0.000	0.000	0.000	736.362	48.157
Jurupa Community Services District	2,061.118	18,406.630	0.000	(799.499)	0.000	(8,764)	18,018.347	842.427
Manlygold Mutual Water Company	655.317	1,314.734	0.000	0.000	0.000	0.000	1,314.734	82.653
Monte Vista Irrigation Company	676.759	0.000	0.000	0.000	0.000	0.000	0.000	28.393
Monte Vista Water District	4,823.954	12,521.892	(131.480)	0.000	0.000	(5,771.667)	7,074.485	499.195
Niagara Bottling, LLC	0.000	1,342.588	0.000	0.000	0.000	0.000	1,342.588	56.328
Nicholson Trust	4.000	0.000	0.000	0.000	0.000	0.000	0.000	0.168
Norco, City of	201.545	0.000	0.000	0.000	0.000	0.000	0.000	8.456
Ontario, City of	11,373.816	21,980.342	(6,428.101)	(1,859.193)	0.000	0.000	17,911.096	1,228.639
Pomona, City of	11,215.852	12,909.293	0.000	0.000	0.000	0.000	12,909.293	1,012.163
San Antonio Water Company	1,506.888	1,159.242	0.000	0.000	0.000	0.000	1,159.242	111.857
San Bernardino, County of (Shooting Park)	0.000	16.390	0.000	0.000	0.000	0.000	16.390	0.688
Santa Ana River Water Company	1,301.374	0.000	0.000	0.000	0.000	48.515	48.515	56.634
Upland, City of	2,852.401	2,822.046	0.000	0.000	0.000	0.000	2,822.046	238.070
West End Consolidated Water Co	947.714	0.000	0.000	0.000	0.000	0.000	0.000	39.761
West Valley Water District	644.317	0.000	0.000	0.000	0.000	0.000	0.000	27.032
	54,834.000	113,964.114	(11,552.242)	(1,338.973)	0.000	92.652	105,876.384	6,742.552

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Order

EXHIBIT 8

AGREEMENT NO. 49960
GROUNDWATER STORAGE PROGRAM
FUNDING AGREEMENT

BY AND AMONG

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

AND

INLAND EMPIRE UTILITIES AGENCY

AND

THREE VALLEYS MUNICIPAL WATER DISTRICT

AND

CHINO BASIN WATERMASTER

DATED AS OF _____, 2003

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GROUNDWATER STORAGE PROGRAM FUNDING AGREEMENT

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

I. RECITALS

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

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

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

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

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

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

II. EFFECTIVE DATE AND TERM

A. Effective Date

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

B. Termination Date

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

III. CONDITIONS PRECEDENT TO FUNDING OBLIGATION AND PROGRAM IMPLEMENTATION

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

A. CEQA.

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

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

B. DWR Commitment

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

C. Permits and Approvals

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

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

D. No Litigation

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

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

IV. PROGRAM PLANNING AND CONSTRUCTION

A. Planning

1. General Description of Program

The Program includes the following components:

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

2. Operational Capacity Thresholds

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

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

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

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

3. Submission of Plans, Schedule and Budget

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

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

4. Review and Approval of Schedule and Budget

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

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

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

B. Construction

1. Contracting

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

2. Construction Supervision and Responsibility

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

3. Inspection Right

During reasonable business hours, Metropolitan and/or the DWR, with respect to Facilities funded with Prop. 13 Funds (and any of their designated representatives or agents), may enter upon the Program site and inspect the on-going and/or completed construction activities. Metropolitan agrees to exercise commercially reasonable efforts to deliver advance written notice to IEUA of any such visit to the Program site (it being acknowledged, however, by IEUA that the DWR may inspect the Program site at any and all reasonable times without prior notice pursuant to the terms of the DWR Funding Letter).

4. Completion of Construction

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

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

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

5. Ownership of Project

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

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

A. Metropolitan Funding Obligation

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

B. Cost Overruns

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

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

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

C. Disbursement Protocol

1. Invoice Payment.

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

2. Certification of Expenditures

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

3. Disbursement of Program Funds

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

VI. OPERATING COMMITTEE

A. Operating Committee

1. Composition of Committee.

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

2. Meeting of Operating Committee

The Operating Committee shall meet:

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

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

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

3. Annual Operating Plan

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

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

4. Specific Duties

Without limiting the foregoing, the Operating Committee shall:

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

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

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

B. IEUA and TVMWD Obligations

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

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

C. Watermaster Obligations

Watermaster hereby agrees to:

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

D. Metropolitan Obligations

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

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

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

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

E. Payment of Operation and Maintenance Costs and Electrical Costs

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

F. Annual Reconciliation

1. Reconciliation of Metropolitan Storage Account and Costs.

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

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

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

VII. GROUNDWATER STORAGE AND EXTRACTION

A. Metropolitan's Storage Account Rights

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

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

B. Certification of Deliveries to Metropolitan Water Account

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

C. Extraction of Stored Water

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

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

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

D. Payment for Extraction of Stored Water

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

VIII. OTHER USES OF FACILITIES

A. Allowed Use

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

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

IX. REPRESENTATIONS, WARRANTIES AND AFFIRMATIVE COVENANTS OF PARTIES

A. Of IEUA and TVMWD

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

1. Power and Authority

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

2. Authorization; Valid Obligation

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

3. No Litigation

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

4. Compliance with Laws

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

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

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

5. Compliance with DWR Requirements

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

6. No Construction

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

7. Capacity

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

8. Oversight and Supervision of Construction

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

9. Maintain Ownership of Program Property

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

10. Protection of Others' Rights

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

B. Of Watermaster

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

1. Power and Authority

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

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

2. Authorization; Valid Obligation

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

3. No Litigation

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

4. Compliance with Laws

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

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

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

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

5. Compliance with DWR Funding Letter

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

6. Capacity

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

C. Of Metropolitan

Metropolitan represents, warrants and covenants as follows:

1. Power and Authority

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

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

2. Authorization; Valid Obligation

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

3. No Litigation

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

X. RECORD KEEPING, REPORTING, INSPECTION AND AUDIT

A. Record Keeping

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

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

B. Reporting

1. Construction Progress Reports

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

2. O&M Reports

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

C. Inspection

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

D. Audit Rights and Obligations

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

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

XI. INDEMNITY

A. General Indemnity

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

B. IEUA Specific Indemnity

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

C. TVMWD Specific Indemnity

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

D. Watermaster Specific Indemnity

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

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

E. Metropolitan Specific Indemnity

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

XII. INSURANCE

A. General Required Coverages

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

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

B. Specific Policy Requirements

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

C. Deductibles/Self-Insurance.

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

1. Insurance Certificates.

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

2. Acceptability of Insurers

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

D. Environmental Liability Insurance

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

XIII. DISPUTE RESOLUTION; DEFAULTS AND REMEDIES

A. Dispute Resolution

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

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

B. Defaults and Remedies

1. Should IEUA or TVMWD, each acting through agreement with its respective Operating Parties, fail to fully perform in the extraction of Program Water from the Metropolitan Water Storage Account in accordance with Exhibit G in response to a call from Metropolitan that has been approved by the Watermaster, and upon a determination by the Operating Committee that full performance could and should have occurred, then Metropolitan shall invoice to IEUA or to TVMWD, as appropriate, water delivered equal to the quantity in acre-feet of non-performance at two times the Tier 2 full service water rate (or its equivalent, as determined by Metropolitan in its reasonable discretion) currently then in effect ("**Nonperformance Penalty**").

2. Should the Operating Committee in its review of incomplete performance, as specified in paragraph B (1) above, determine that unanticipated operational or water quality considerations precluded full performance, the Operating Committee shall not recommend to Metropolitan that the Nonperformance Penalty be assessed. In such case, IEUA or TVMWD, whichever is the responsible Member Agency, shall work with the nonperforming Operating Party to promptly set out a mutually agreeable course of action and schedule to correct the deficiency and present such to the Operating Committee for its concurrence. Future nonperformance outside of the agreed-upon schedule (provided that the Operating Committee has concurred with such schedule) would be subject to the Nonperformance Penalty.

C. Termination

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

D. Remedies Are Cumulative

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

XIV. FORCE MAJEURE EVENTS

A. Excuse to Performance

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

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

B. Responding to Force Majeure Events

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

XV. MISCELLANEOUS

A. Entire Agreement

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

B. Interpretation

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

C. Further Assurances

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

D. Counterparts

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

E. Assignment

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

F. Venue

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

G. Governing Law; Attorneys Fees and Costs

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

H. Notice

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

To IEUA:	Inland Empire Utilities Agency General Manager P.O. Box 697 Rancho Cucamonga, CA 91729
To TVMWD:	Three Valleys Municipal Water District General Manager 1021 E. Miramar Avenue Claremont, CA 91711
To Watermaster:	Chino Basin Watermaster Chief Executive Officer 8632 Archibald Avenue, Suite 109 Rancho Cucamonga, CA 91730
To Metropolitan:	The Metropolitan Water District of Southern California Chief Executive Officer 700 No. Alameda Street Los Angeles, California 90012

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

I. Successors

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

J. Severability

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

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

K. Time is of the Essence

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


L. Amendment

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

[Remainder of Page Intentionally Blank – Signature Pages Follow]

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

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA


By: 

Ronald R. Gastelum
Chief Executive Officer

Date: 6-12-03

APPROVED AS TO FORM:

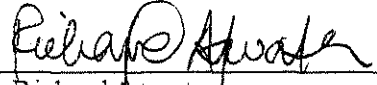
Jeffrey Kightlinger
General Counsel

By: 

Sydney Bennion
Assistant General Counsel

Date: 6/6/03

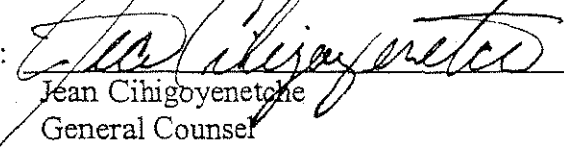
INLAND EMPIRE UTILITIES AGENCY

By: 

Richard Atwater
General Manager

Date: JUNE 19, 2003


APPROVED AS TO FORM:

By: 

Jean Cihigoyenetché
General Counsel

Date: 5-21-03

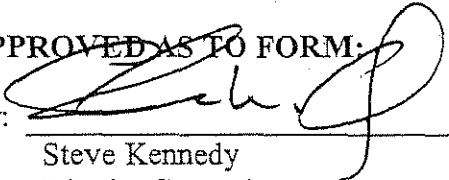
THREE VALLEYS MUNICIPAL WATER
DISTRICT

By: 

Richard W. Hansen
General Manager/Chief Engineer

Date: 6/19/03


APPROVED AS TO FORM:

By: 

Steve Kennedy
District Counsel

Date: 6/4/03

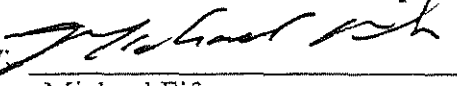
CHINO BASIN WATERMASTER

By: 

John V. Rossi
Chief Executive Officer

Date: 6/19/03

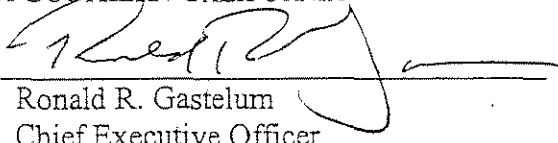
APPROVED AS TO FORM:

By: 

Michael Fife
General Counsel

Date: 6-3-03

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

By: 

Ronald R. Gastelum
Chief Executive Officer

Date: 6/19/03

EXHIBIT A

DWR FUNDING LETTER

DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836
SACRAMENTO, CA 94236-0001
(916) 227-5791



OCT 13 2000

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

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

Dear Mr. Pace:

The Governor's Budget Act for 2000, Chapter 52, Statutes of 2000, appropriated to the Department of Water Resources local assistance grant funds in the amount of \$161,544,000 by budget item 3860-01-6027, payable from the Interim Reliable Water Supply and Water Quality Infrastructure and Management Subaccount. The Metropolitan Water District's Southern California Water Supply Reliability Projects Program has been selected for funding from this appropriation. This letter agreement serves as our commitment of \$45 million for these projects.

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

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

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

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



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

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

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

5. Your agency must comply with all applicable requirements of the California Environmental Quality Act and the National Environmental Policy Act and complete appropriate environmental documentation including, but not limited to, any required environmental impact reports, environmental impact statements, negative declarations, mitigation agreements and environmental permits, prior to beginning construction.
6. Your agency, its contractors and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code, Section 12900 et seq.), the regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285.0 et seq.), the provisions of Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (Government Code, Sections 11135-11139.5) and the regulations or standards adopted by the awarding State Agency to implement such article. Your agency, its contractors and subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement. Your agency shall include the nondiscrimination and compliance provisions of this clause in all contracts and subcontracts let for the construction of the project.
7. Your agency agrees, unless exempted, to comply with the nondiscrimination program requirements of Government Code, Section 12990, and Title 2, California Code of Regulations, Section 8103.
8. Your agency shall comply with the provisions of Section 3700 of the California Labor Code, requiring every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and you affirm that the agency will comply with such provisions before commencing the construction of the projects and will make the agency's contractors and subcontractors aware of this provision.
9. Your agency, its contractors or subcontractors agree to comply with the requirements of the Drug-Free Workplace Act of 1990 (Government Code 8350 et seq.) and have or will provide a drug-free workplace.
10. Your agency agrees to comply with the Americans with Disabilities Act of 1990, (42 U.S.C. 12101 et seq.), which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA.

OCT 13 2000

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

OCT 13 2000

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

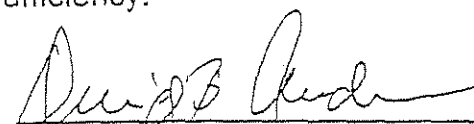
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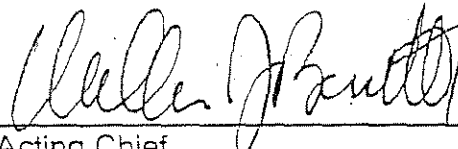
- 26. The State shall have the right to inspect the work being performed at any and all reasonable times during project construction. This right shall extend to any subcontracts, and your agency shall include provisions ensuring such access in all its contracts or subcontracts entered into for completion of the projects.
- 27. Your agency shall not sell, abandon, lease, transfer, exchange, mortgage, hypothecate, or encumber in any manner whatsoever all or any portion of any real or other property necessarily connected or used in conjunction with any of the projects, or with your agency's service of water, without prior approval of the State.
- 28. Your agency agrees to indemnify the State and its officers, agents, and employees against and to hold the same free and harmless from any and all claims, demands, damages, losses, costs, expenses, or liability due or incident to, either in whole or in part, and whether directly or indirectly, arising out of the program.

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


Sincerely,

Approved as to Legal Form and Sufficiency:

By: 
 Chief Counsel
 Department of Water Resources

 for Bateni
 Acting Chief
 Division of Planning and Local Assistance

Metropolitan Water District of Southern California

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

Enclosure

cc: (See attached list.)

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

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

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

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

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

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

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

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

REQUEST FOR PROPOSAL

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

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

RFP No. WRM-2

NOTICE:

Public Pre-Submittal Workshop

November 8, 2000

1:00 p.m. to 3:00 p.m.

700 North Alameda Street

Room US1-102

Los Angeles, California 90012

All potential applicants are encouraged to attend

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

LOS ANGELES, CALIFORNIA
November 1, 2000

**PARTICIPATION IN GROUNDWATER
STORAGE PROGRAMS USING
PROPOSITION 13 FUNDS**

REQUEST FOR PROPOSALS

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

Figure 1 Groundwater Storage Program Implementation Process

Table 1 Performance Provisions

Exhibit 1 Economic Analysis Worksheet

Appendix A Metropolitan's Groundwater Storage Principles

Water Resources Management Groundwater Storage

In March 2000, 65 percent of California voters approved Proposition 13 (Prop 13) authorizing the state of California to sell \$1.97 billion in general obligation bonds for water-related projects throughout the state. The Governor's Annual Budget Revision document in May 2000, included \$763.3 million in expenditures from Prop 13. In June 2000, the State Senate and Assembly approved a budget bill for fiscal year 2000-01, which earmarked \$69 million to fund water supply reliability programs within Metropolitan's service area. The Governor's office designated Metropolitan as the recipient of those Prop 13 funds. Of that \$69 million, \$45 million is specified to finance groundwater storage projects within the Metropolitan Water District of Southern California's (Metropolitan) service area.

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

Questions

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

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

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

Public Pre-Submittal Workshop Notice

Purpose: Discuss the Prop 13 Groundwater Storage RFP and answer questions
Date: November 8, 2000
Time: 1:00 p.m. – 3:00 p.m.
Address: 700 North Alameda St., Rm. US1-102
Los Angeles, California 90012

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

Due Date

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

A. BACKGROUND

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

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

B. NEED FOR GROUNDWATER STORAGE

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

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

C. PROCESS OVERVIEW

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

D. WHO CAN SUBMIT?

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

E. SELECTION PROCESS

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

F. SCORING CRITERIA

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

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

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

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

G. SCHEDULE

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

H. PERFORMANCE TARGETS AND ADJUSTMENTS

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

I. PROPOSAL GUIDELINES

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

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

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

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

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

FORMAT/CONTENT REQUIREMENTS

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

1. Minimum Requirements (4 pages maximum)

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

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

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

Provide a thorough description of the project including:

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

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

Describe the regional benefit of the facilities constructed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Figure 1
Groundwater Storage Program
Implementation Process
And Schedule

Initial Timeline

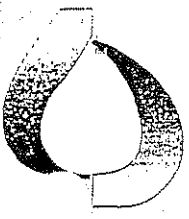
January 2000	Adopted Principles for Groundwater Storage
October 2000	Board Resolution for Proposition 13 Funds
November 1, 2000	Issue Request for Proposals
November 8, 2000	Pre-submittal Meeting
January 5, 2001	Proposals Received
January 2001	Review Proposals
January 2001	Interviews (If necessary)
February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

Table 1
Performance Targets

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

EXHIBIT 1 - ECONOMIC ANALYSIS WORKSHEET
(See Excel Spreadsheet: RFP Cost Template.xls)

THE PROPOSAL



Inland Empire

UTILITIES AGENCY

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

Richard W. Atwater
Chief Executive Officer
General Manager

January 18, 2001

Board of Directors

John L. Anderson
President

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

Terry Catlin
Vice President

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

Anne W. Dunihue
Secretary/Treasurer

Dear Mr. Gastelum:

Wyatt L. Troxel
Director

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

Greg Koopman
Director

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

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

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

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

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

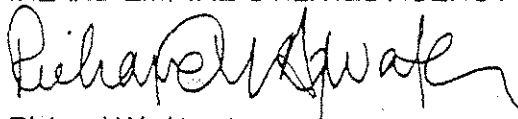
Lastly, a conjunctive use storage program with the Chino Basin has multiple benefits to MWD. Attached is a table which illustrates the type of benefits for the current MWD groundwater storage projects. We believe these multiple water supply/water quality benefits make Chino Basin storage unique in meeting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

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

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

Sincerely,

INLAND EMPIRE UTILITIES AGENCY



Richard W. Atwater
Chief Executive Officer
General Manager

Enclosure

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

MWD GROUNDWATER STORAGE PROGRAM BENEFITS

TYPE OF BENEFITS

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



PROPOSAL TO

METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

FOR

PARTICIPATION IN GROUNDWATER
STORAGE PROGRAMS USING
PROPOSITION 13 FUNDING

PREPARED BY

INLAND EMPIRE UTILITY AGENCY

ON BEHALF OF THE

CHINO BASIN WATERMASTER

January 19, 2001



SECTION 1.0
MINIMUM REQUIREMENTS



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

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

From this menu of projects, we will work with Metropolitan to achieve the optimum combination of "firming projects" to provide dry year supplies when not available from Metropolitan and to increase Metropolitan's operational flexibility. We will give Metropolitan a performance contract, guaranteeing a specified amount of water "on demand." These projects will set the framework for ultimate conjunctive use throughout the Basin with the eventual development of supplies that could be exported to other parts of Metropolitan's service area.

1A. COMPLIANCE WITH METROPOLITAN'S PRINCIPLES

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

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

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



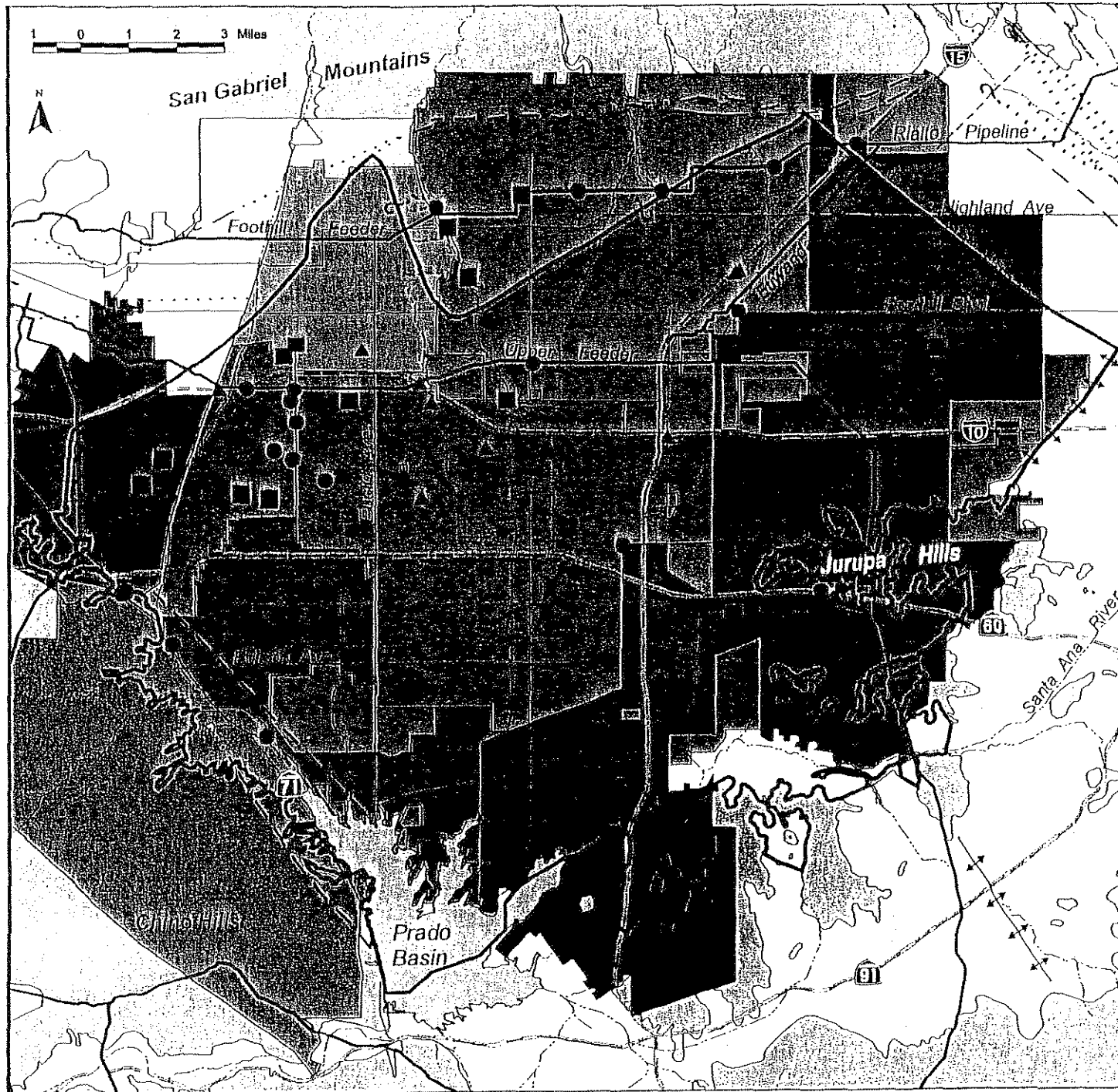
TABLE 1-2
Summary of Projects

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

1 Reflects schedule if Metropolitan can fund prior to August 2001.

2 Calculated using Metropolitan's preferred methodology. More details are provided in Section 3E.

3 Includes value of water at \$435/AF.



Legend

Proposed Projects by Category

- Category 1
- Category 2
- ▲ Category 3

Water Service Areas

- City of Chino
- City of Chino Hills
- City of Claremont
- City of Norco
- City of Ontario
- City of Pomona
- City of Upland
- Cucamonga County Water District
- Fontana Water Company
- Jurupa Community Services District
- Monte Vista Water District
- San Antonio Water Company
- West San Bernardino County Water District
- Other WSA

— Chino Basin Hydrologic Boundary

— Imported Water Pipeline

— Fault
(dashed where approximate, dotted where concealed, queried where uncertain, large dots where groundwater barrier)

↔ Groundwater Divide

○ Waterways & Reservoirs

□ Consolidated Bedrock

Figure 1-1

Proposed Project Locations
 and Water Service Areas
 in the Chino Basin



Date: January 2001



1B. CONSTRUCTION OF SUBSTANTIVE NEW FACILITIES

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

1C. METROPOLITAN REQUIREMENTS

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

1D. ENVIRONMENTAL CERTIFICATION

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

1E. AGREEMENT EXECUTION

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



SECTION 2.0
PROJECT DESCRIPTIONS



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

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

2A MANAGEMENT INFORMATION

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

2B PROJECT PARTICIPANTS/PARTICIPATING AGENCIES

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

2C PROJECT SCHEDULE

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

2D COST FACTORS

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



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

2E MAPS

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

2F WATER SUPPLY/DISTRIBUTION AND WATER QUALITY ISSUES

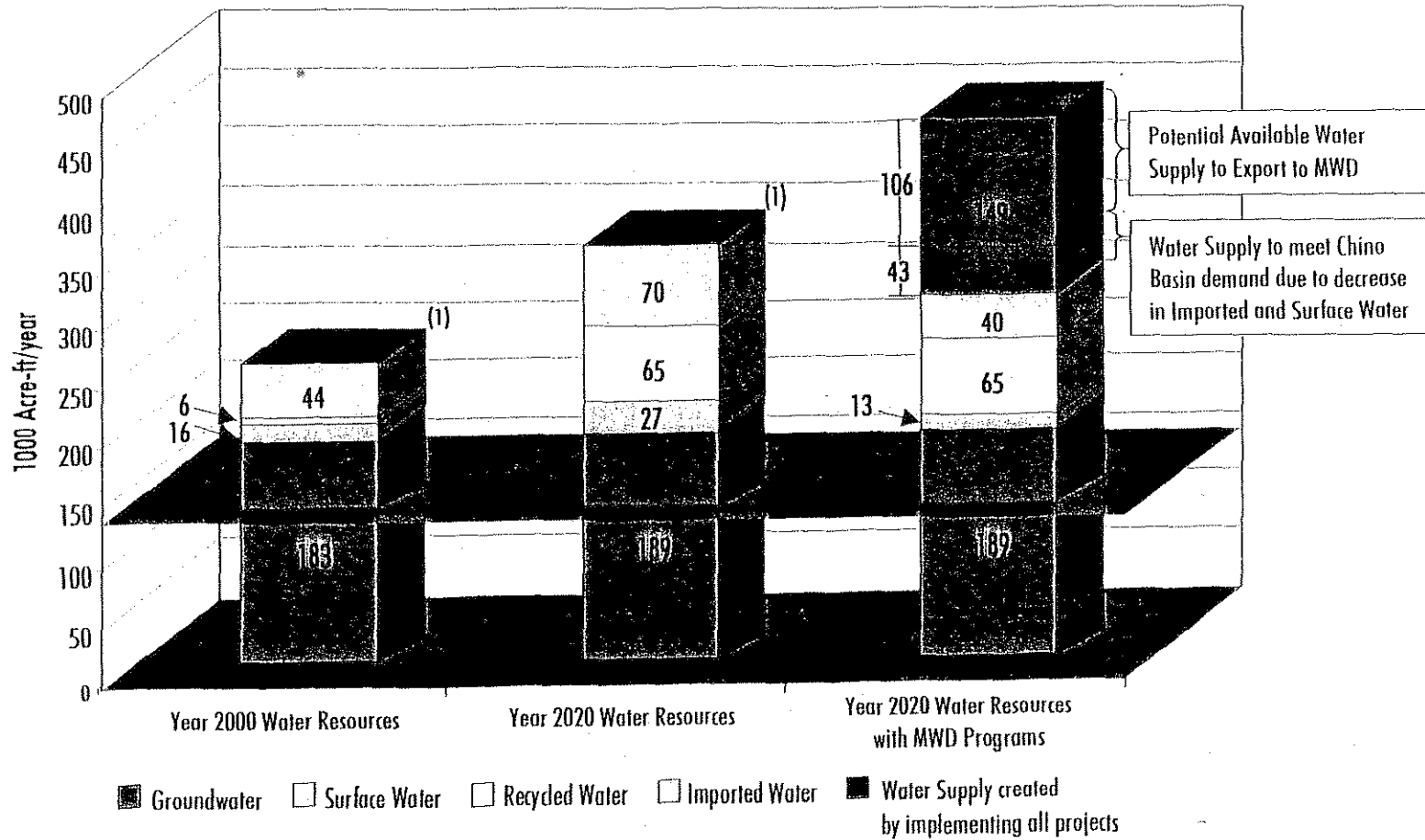
IEUA's strategic location relative to Metropolitan's service area enables the Program Concept presented in this proposal to offer you unusual flexibility and exciting conjunctive use opportunities.

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

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

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

Figure 2-1
Chino Basin Water Resource Mix



INLAND EMPIRE UTILITY AGENCY
 Groundwater Storage Programs

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
 SECTION 2 PROJECT DESCRIPTIONS



TABLE 2-1
Summary of Category I Projects

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



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

¹ Based on fund availability August, 2001

² As described in Section 2-D

³ Remaining capital will be paid by each local agency

⁴ Negative Declaration

⁵ Not Required



TABLE 2-2
Summary of Category 2 Projects

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

Groundwater Storage Programs



SECTION 2 PROJECT DESCRIPTIONS
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Project No.	Project Title/Lead Agency/ Part. Agency	Dry Year Yield (AFY)	Schedule Milestones	Cost Factors
11	Rehabilitate or New Well (ASR) - Plant 9 Monte Vista Water District	2,167	Design (mo.) 6 CEQA (mo.) 6 Construction (mo.) 12 Online Date ¹ 03/03	Grant (50%) \$500,000 Capital \$1,000,000 O&M (\$/AF) ² Financing ³
12	Rehabilitate or New Well (ASR) - Plant 12 Monte Vista Water District	2,167	Design (mo.) 6 CEQA (mo.) 6 Construction (mo.) 12 Online Date ¹ 03/03	Grant (50%) \$500,000 Capital \$1,000,000 O&M (\$/AF) ² Financing ³
13	Rehabilitate or New Well (ASR) - Plant 17 Monte Vista Water District	2,167	Design (mo.) 6 CEQA (mo.) 6 Construction (mo.) 12 Online Date ¹ 03/03	Grant (50%) \$500,000 Capital \$1,000,000 O&M (\$/AF) ² Financing ³
14	Well 15 Blending Station City of Ontario	2,000	Design (mo.) 6 CEQA ND-1 ⁴ Construction (mo.) 9 Online Date ¹ 12/02	Grant (50%) \$100,000 Capital \$200,000 O&M (\$/AF) ² Financing ³
15	Jurupa Connection City of Ontario JCSD, SAWPA	-	Design (mo.) 6 CEQA ND-1 ⁴ Construction (mo.) 6 Online Date ¹ 09/02	Grant (50%) \$37,500 Capital \$75,000 O&M (\$/AF) ² Financing ³
16	Chino II Desalter Transmission Facilities City of Ontario JCSD, SAWPA	-	Design (mo.) N/A CEQA N/A Construction (mo.) 6 Online Date ¹ 12/02	Grant (50%) \$425,000 Capital \$850,000 O&M (\$/AF) ² Financing ³
17	Well No. 36 City of Pomona	1,600	Design (mo.) 6 CEQA ND ⁴ Construction (mo.) 12 Online Date ¹ 02/03	Grant (50%) \$200,000 Capital \$400,000 O&M (\$/AF) ² Financing ³
18	Booster 16A&B & Pipeline City of Pomona	-	Design (mo.) 6 CEQA ND ⁴ Construction (mo.) 4 Online Date ¹ 07/02	Grant (50%) \$550,000 Capital \$1,100,000 O&M (\$/AF) ² Financing ³

¹ Based on Fund Availability August, 2001

² As described in Section 2-D

³ Remaining capital will be paid by each local agency

⁴ Negative Declaration

⁵ Mitigated Negative Declaration



TABLE 2-3
Summary of Category 3 Projects

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

¹ Negative Declaration

² Based on fund availability August, 2001

³ As described in Section 2-D

⁴ Remaining capital will be paid by each local agency



DRAWINGS/MAPS

Groundwater Storage Programs

INLAND EMPIRE UTILITY AGENCY



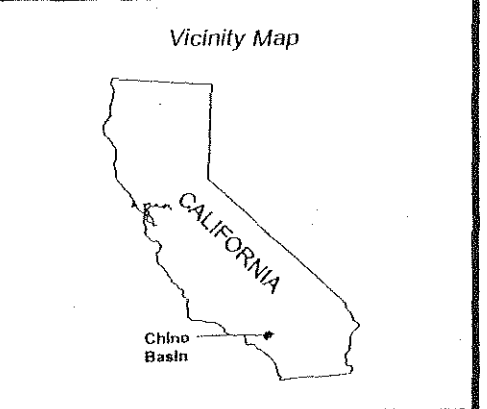
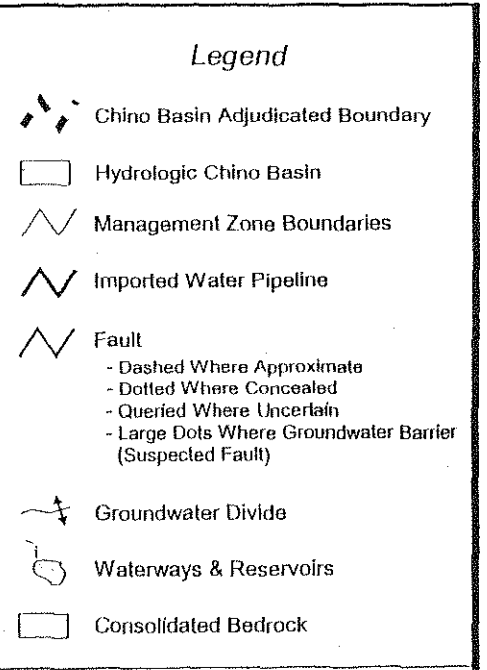
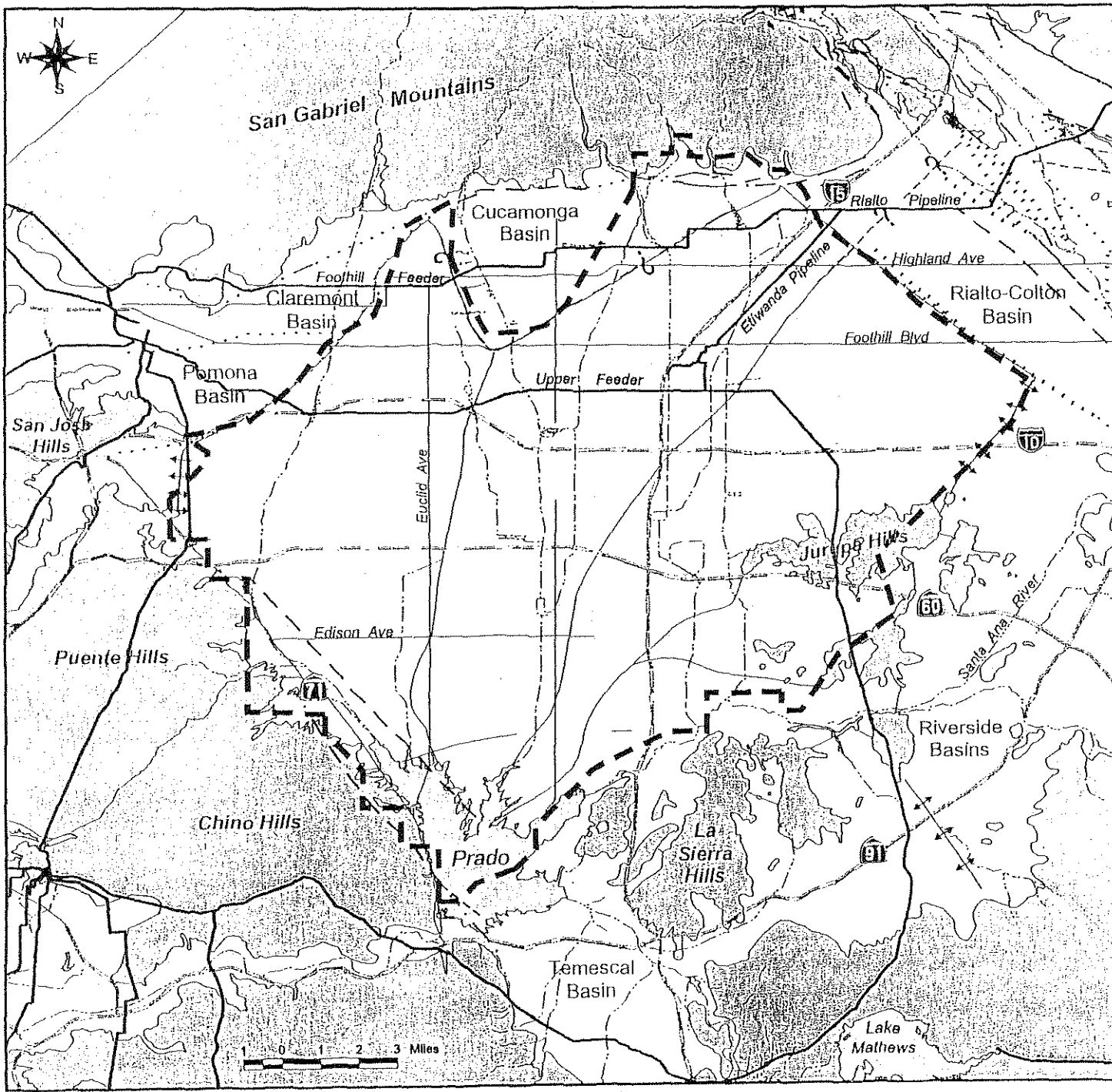
PROJECT DRAWING LIST

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

CATEGORIES

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

N/A – Not Applicable

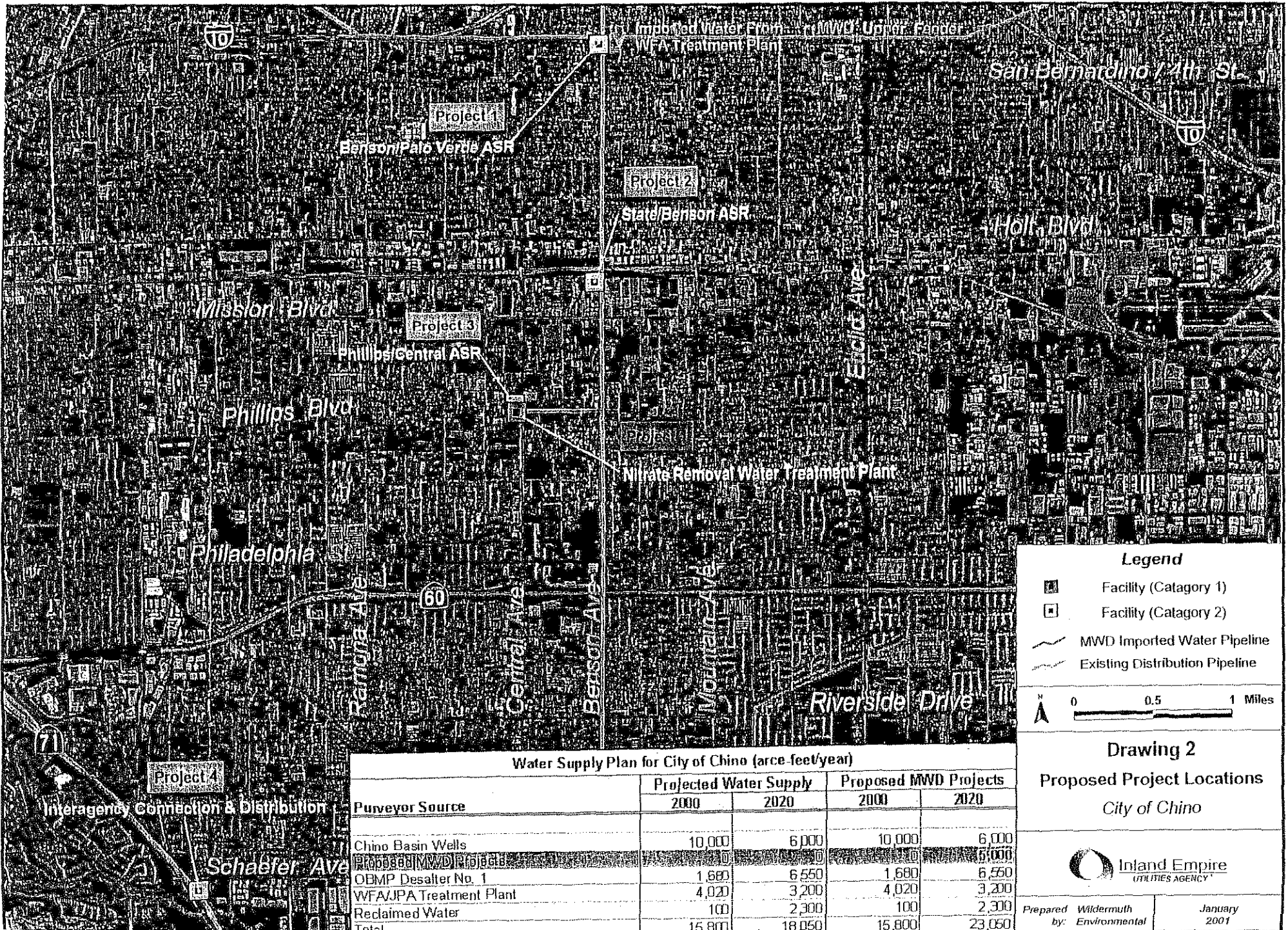


Drawing 1
Chino Basin
and MWD Pipelines



Date: January 2001





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

Punveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells	10,000	6,000	10,000	6,000
Proposed MWD Projects	1,800	6,550	1,800	6,550
OBMP Desalter No. 1	4,020	3,200	4,020	3,200
WFA/JPA Treatment Plant	100	2,300	100	2,300
Reclaimed Water	15,800	18,050	15,800	23,050
Total				

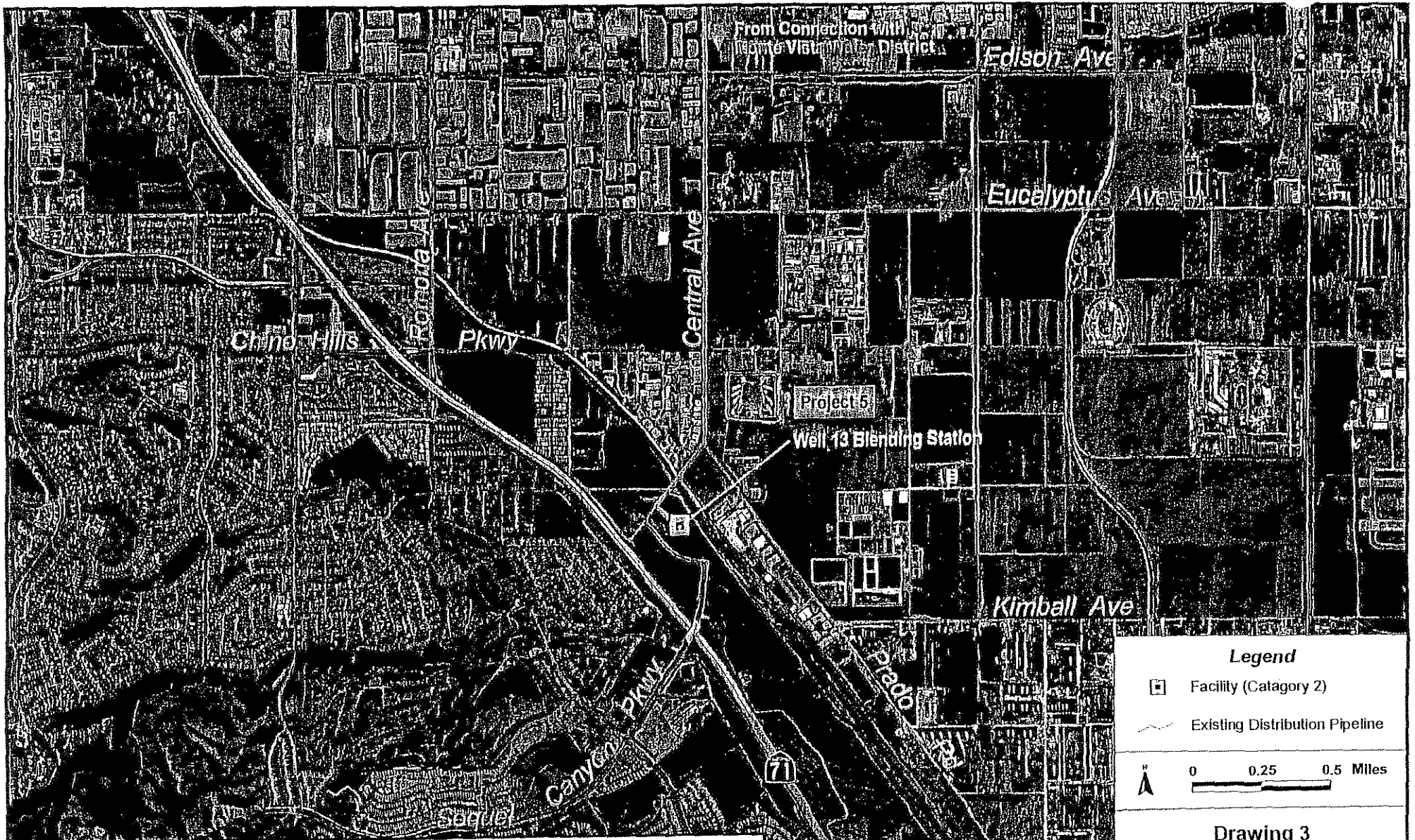
Legend

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



0 0.5 1 Miles

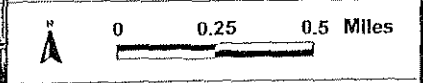
Drawing 2
Proposed Project Locations
City of Chino





Legend

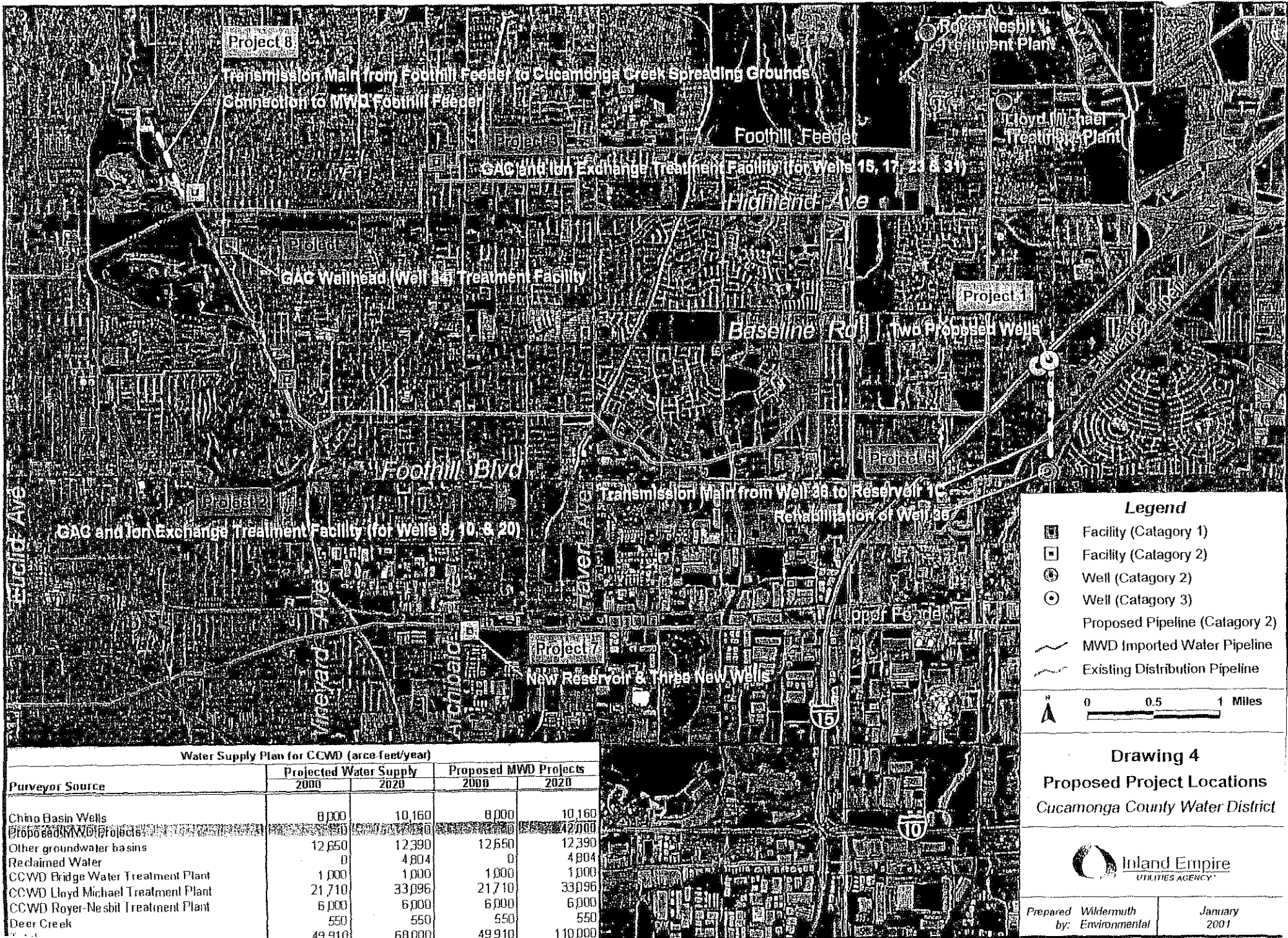
-  Facility (Category 2)
-  Existing Distribution Pipeline



Drawing 3
Proposed Project Locations
 City of Chino Hills



Water Supply Plan for City of Chino Hills (arce-feet/year)				
Purveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells	3,610	3,610	3,610	3,610
Proposed MWD Projects	3,610	7,540	3,610	2,100
OBMP Desalter No. 1	1,120	7,540	1,120	7,540
Reclaimed Water	400	2,610	400	2,610
MWWD Supply (Chino GW)	12,510	9,480	12,510	9,480
	17,640	23,240	17,640	25,340

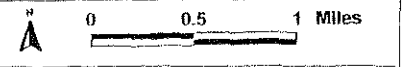


Water Supply Plan for CCWD (acra-feet/year)

Purveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells	8,000	10,160	8,000	10,160
Proposed MWD Projects	0	0	0	42,000
Other groundwater basins	12,650	12,390	12,650	12,390
Reclaimed Water	0	4,804	0	4,804
CCWD Bridge Water Treatment Plant	1,000	1,000	1,000	1,000
CCWD Lloyd Michael Treatment Plant	21,710	33,096	21,710	33,096
CCWD Royer-Nesbit Treatment Plant	6,000	6,000	6,000	6,000
Deer Creek	550	550	550	550
	49,910	68,000	49,910	110,000

Legend

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







Drawing 4
Proposed Project Locations
 Cucamonga County Water District





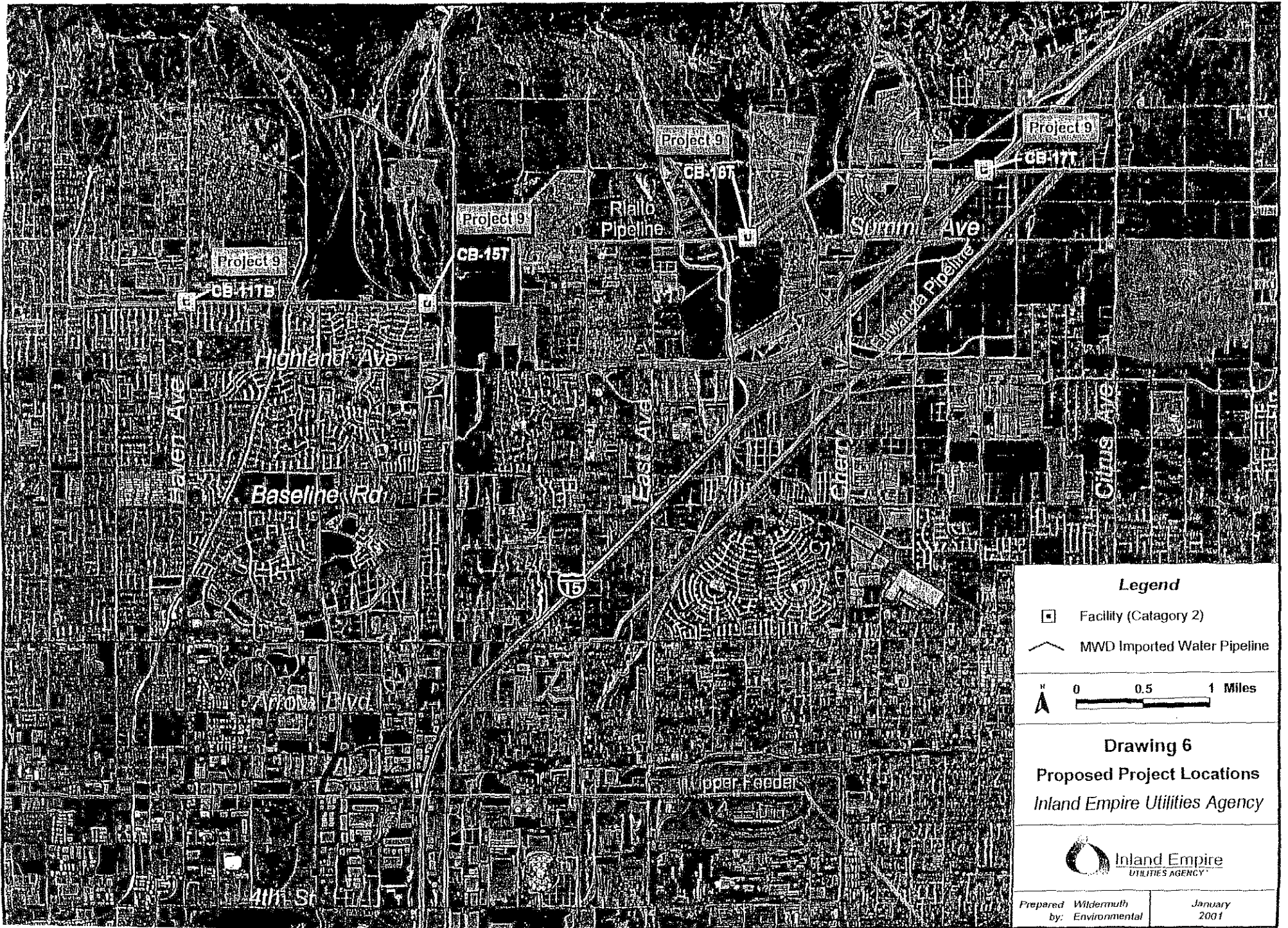
Legend

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

 0 0.25 0.5 Miles

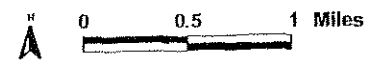
Drawing 5
Proposed Project Locations
Fontana Water Company

Purveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells	16,700	24,800	16,700	24,800
Proposed MWD Projects	0	0	0	9,700
Other Groundwater Basins	12,700	12,700	12,700	12,700
Reclaimed Water	0	3,370	0	3,370
Supply from CCWD - Purchased Water	10,000	5,000	10,000	0
Fontana Water Treatment Plant	0	15,230	0	15,230
Sandhill Treatment Plant	7,400	0	7,400	0
Total	46,800	61,100	46,800	65,800



Legend

- Facility (Category 2)
- MWD Imported Water Pipeline

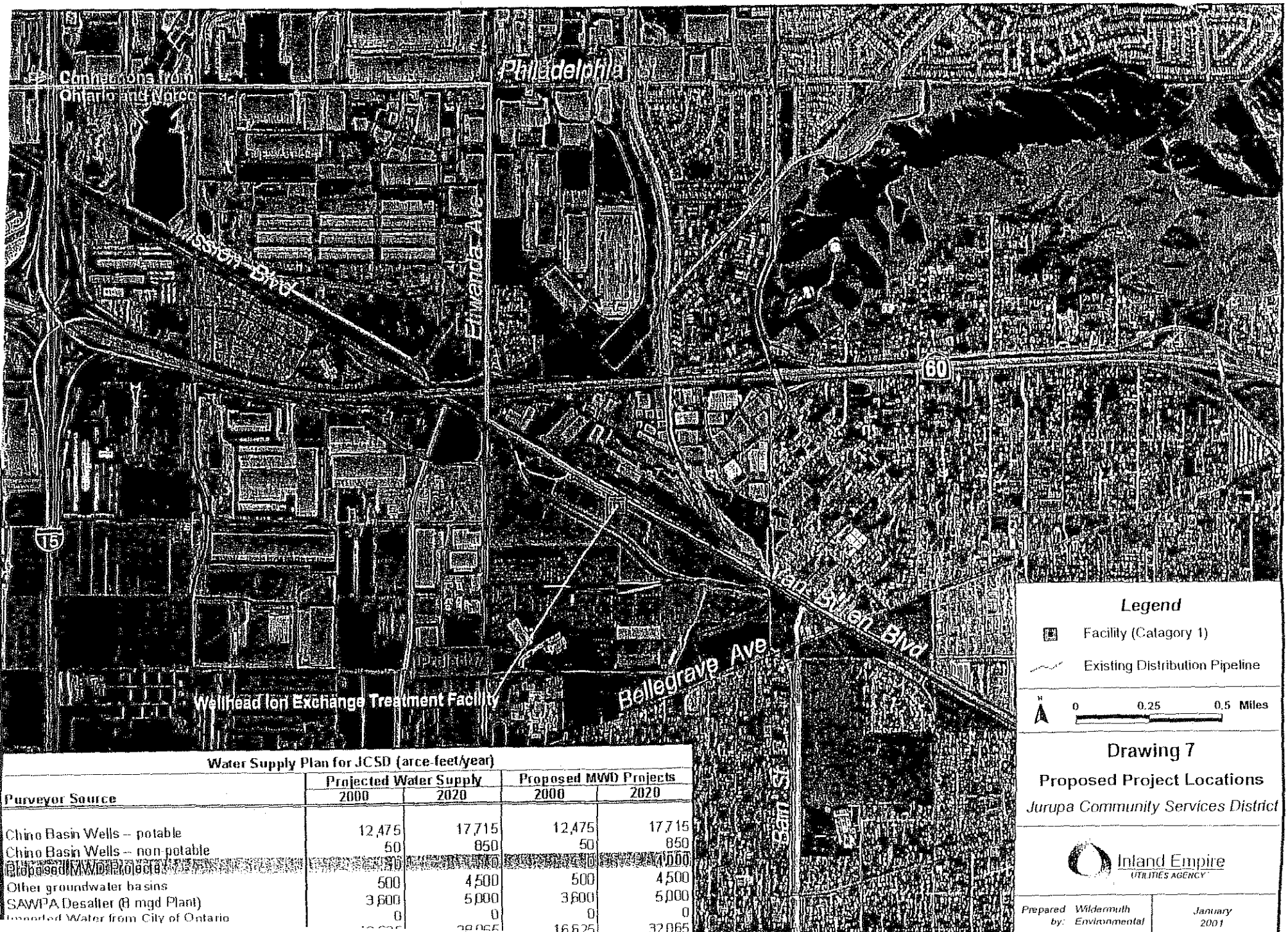


Drawing 6
Proposed Project Locations
Inland Empire Utilities Agency



Prepared by: Wildermuth
 Environmental

January 2001



Wellhead Ion Exchange Treatment Facility

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

Purveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells - potable	12,475	17,715	12,475	17,715
Chino Basin Wells - non-potable	50	850	50	850
Proposed MWD Projects	0	0	0	1,000
Other groundwater basins	500	4,500	500	4,500
SAWPA Desalter (8 mgd Plant)	3,600	5,000	3,600	5,000
Imported Water from City of Ontario	0	0	0	0
		28,065	16,625	32,065

Legend

- Facility (Category 1)
- Existing Distribution Pipeline

0
0.25
0.5 Miles

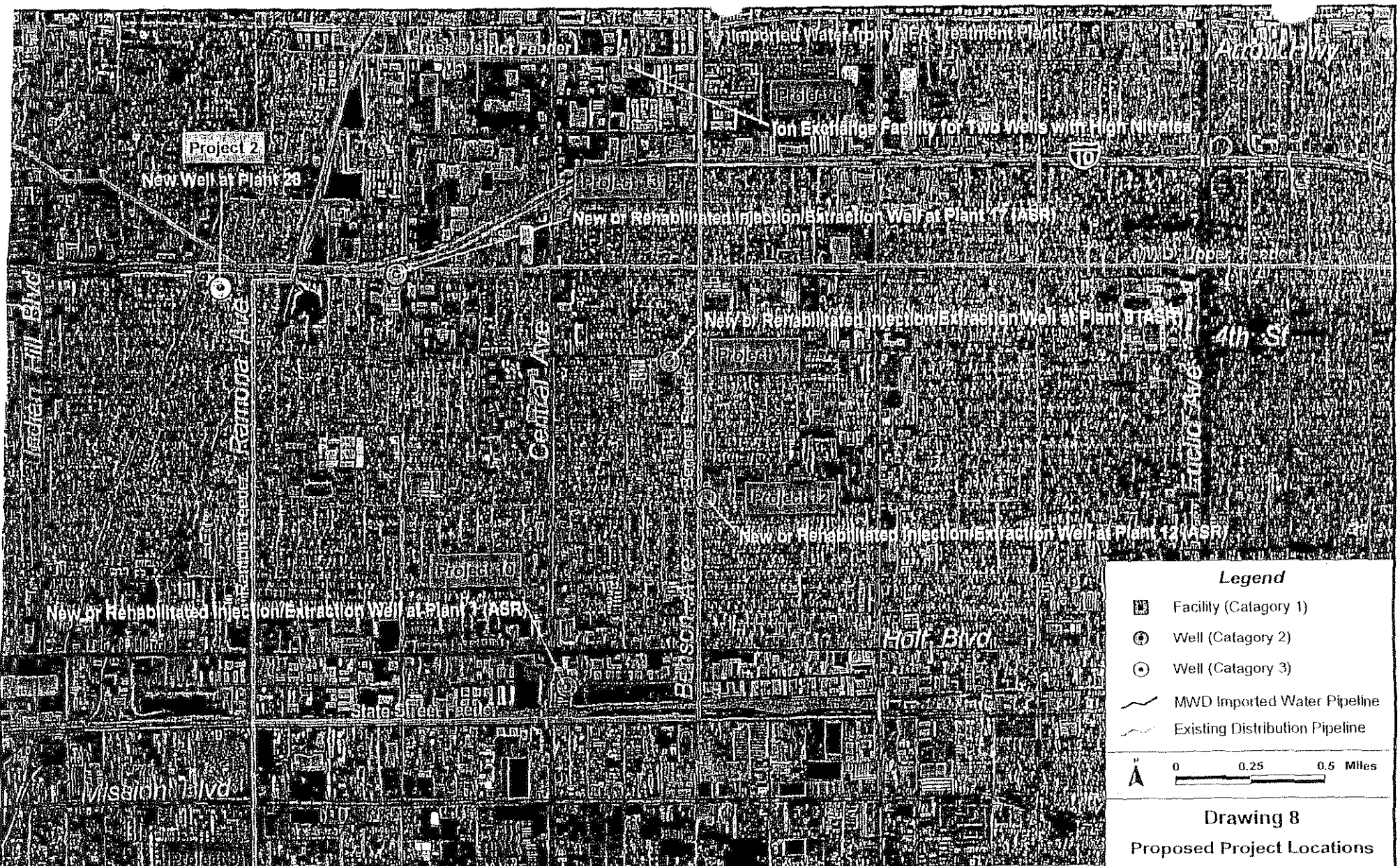
Drawing 7

Proposed Project Locations

Jurupa Community Services District

Inland Empire
UTILITIES AGENCY

Prepared by: Wildermuth Environmental	January 2001
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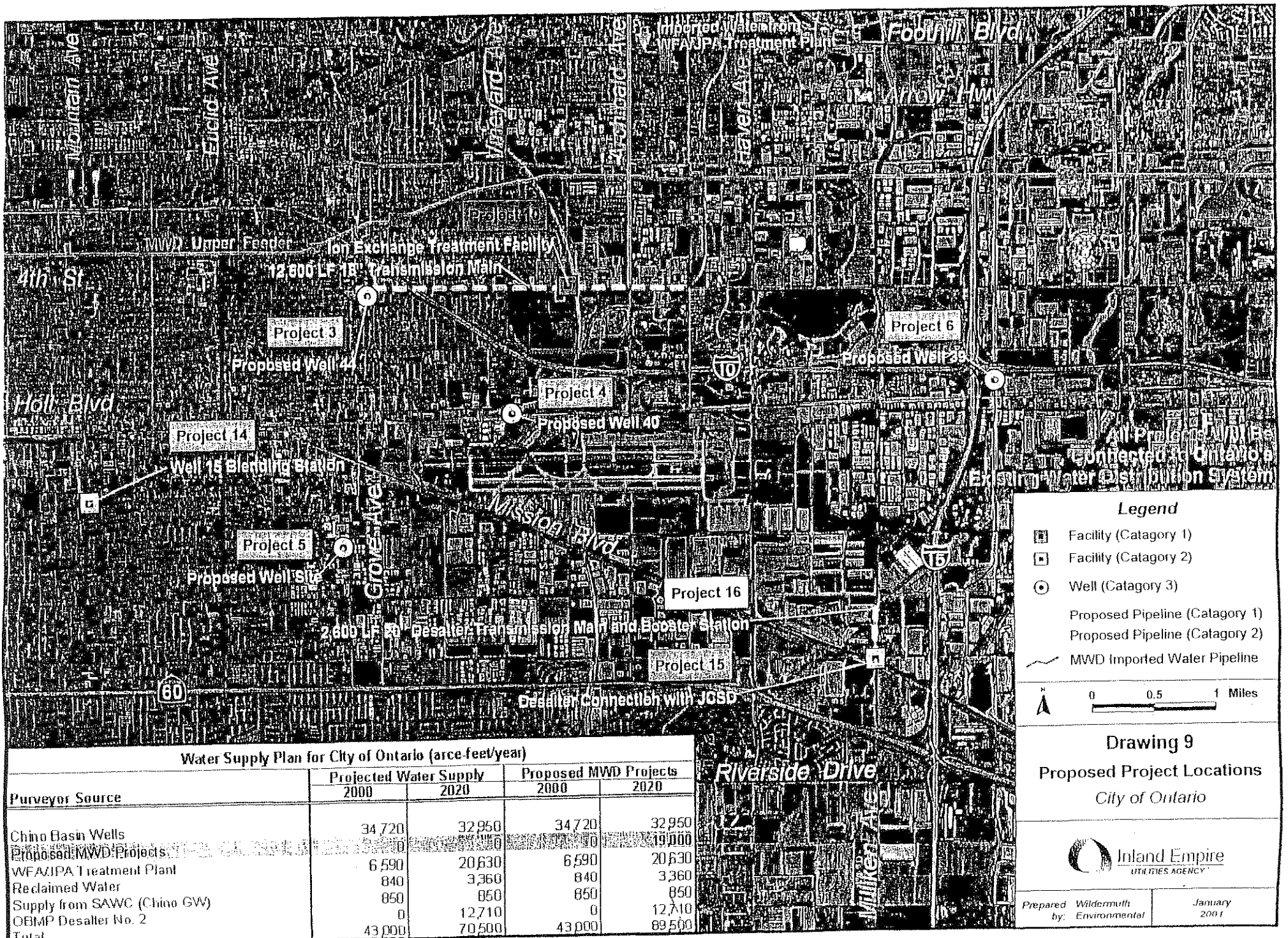
Legend

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

0 0.25 0.5 Miles

Drawing 8
Proposed Project Locations
 Monte Vista Water District

Water Supply Plan for MWD (acre-feet/year)				
Purveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells	9,980	23,160	9,980	5,442
Proposed MWD Projects	14,087	8,890	14,087	17,718
WFA/JPA Treatment Plant	14,087	8,890	14,087	8,890
Total	24,067	32,050	24,067	32,050



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

Purveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin Wells	34,720	32,950	34,720	32,950
Proposed MWD Projects	6,590	20,630	6,590	20,630
WFA/JPA Treatment Plant	840	3,360	840	3,360
Reclaimed Water	850	850	850	850
Supply from SAWC (Chino GW)	0	12,710	0	12,710
OBMP Desalter No. 2	43,000	70,500	43,000	89,500
Total				

Legend

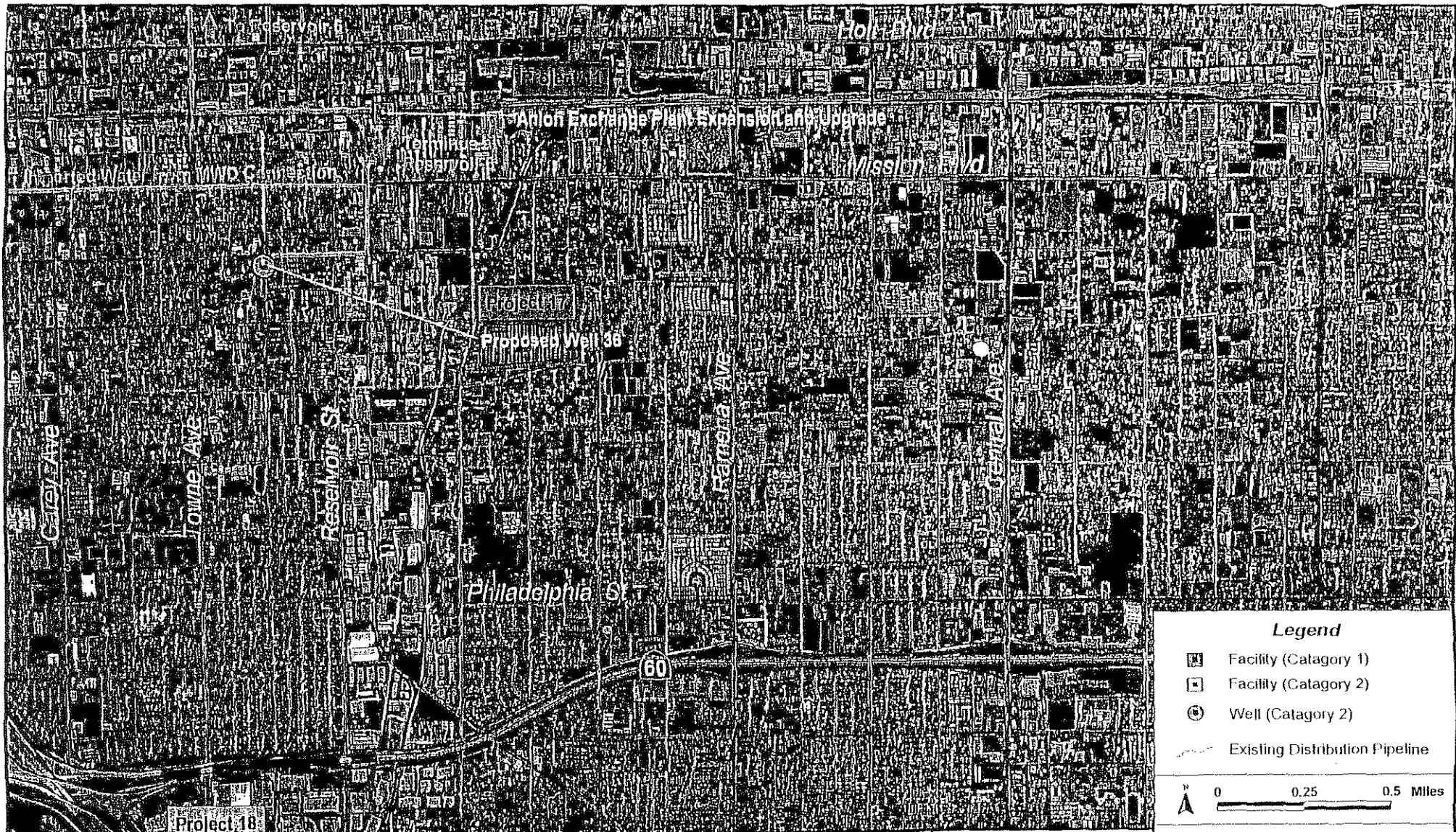
- Facility (Category 1)
- Facility (Category 2)
- Well (Category 3)
- Proposed Pipeline (Category 1)
- Proposed Pipeline (Category 2)
- MWD Imported Water Pipeline

0 0.5 1 Miles

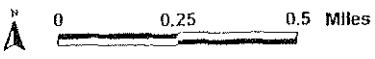
Drawing 9
Proposed Project Locations
City of Ontario

Inland Empire UTILITIES AGENCY

Prepared by: Wildcrumth Environmental January 2001



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



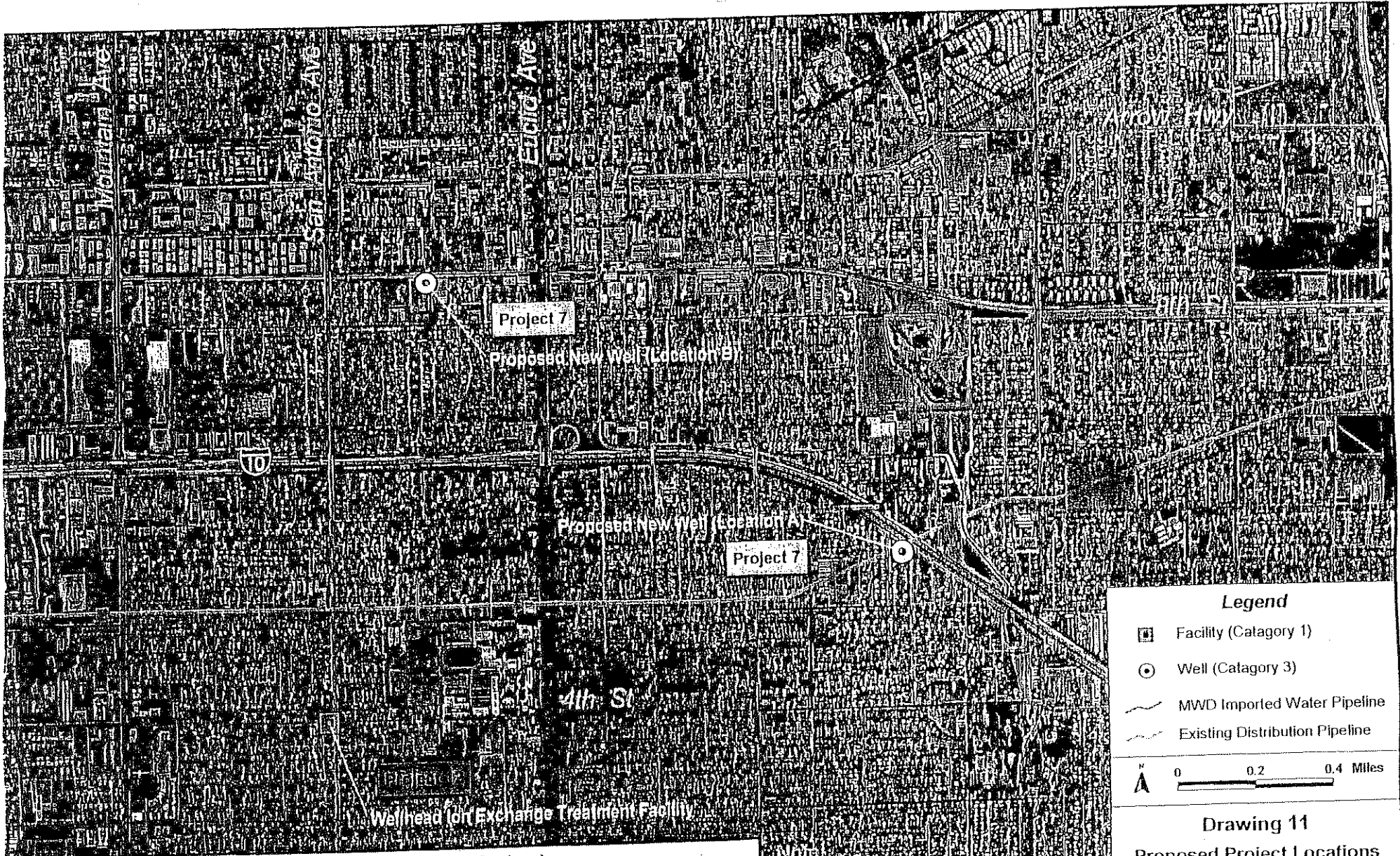
Water Supply Plan for City of Pomona (acre-feet/year)

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

Drawing 10
Proposed Project Locations
 City of Pomona



Prepared by: Wildermuth Environmental
 January 2001



Water Supply Plan for SAWC (acre-feet/year)

Purveyor Source	Projected Water Supply		Proposed MWD Projects	
	2000	2020	2000	2020
Chino Basin	70	1,110	70	1,110
Proposed MWD Projects	400	400	400	400
Other groundwater basins	0	0	0	0
San Antonio Canyon	1,020	1,020	1,020	1,020
San Antonio Tunnel				

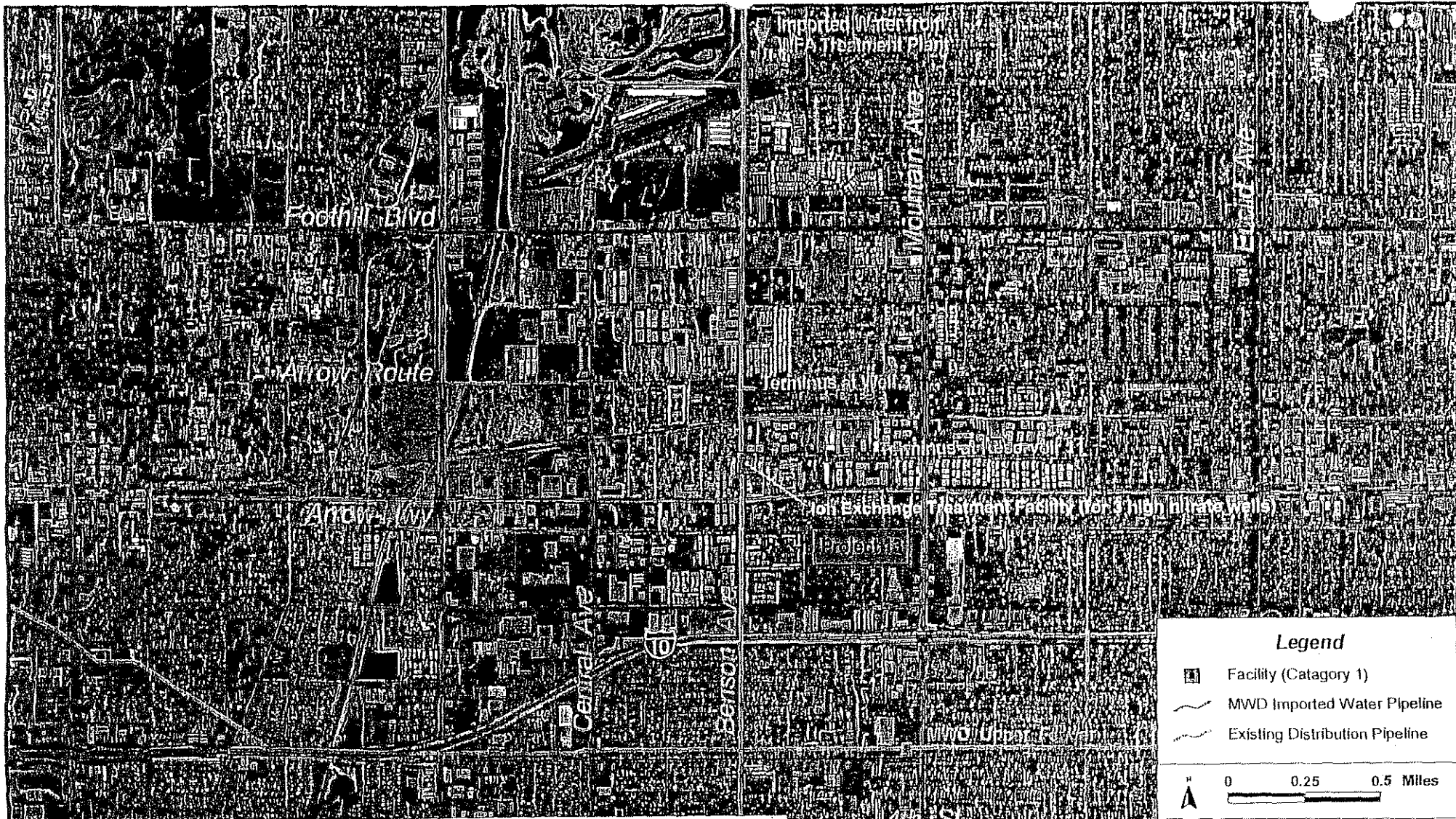
Note: Due to the proximity of MWD's Upper Feather pipeline, the facility and new well could be jointly equipped to serve as a utility water location for community use storage and recovery.

Legend

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

0 0.2 0.4 Miles

Drawing 11
Proposed Project Locations
San Antonio Water Company

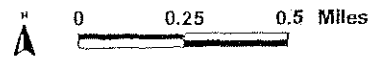


Water Supply Plan for City of Upland (acre-feet/year)

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

Legend

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



Drawing 12

Proposed Project Locations

City of Upland



Prepared by: Wildermuth Environmental

January 2001



SECTION 3.0
DETAILED INFORMATION
FOR SCORING



3A. REGIONAL BENEFIT

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

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

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

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

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

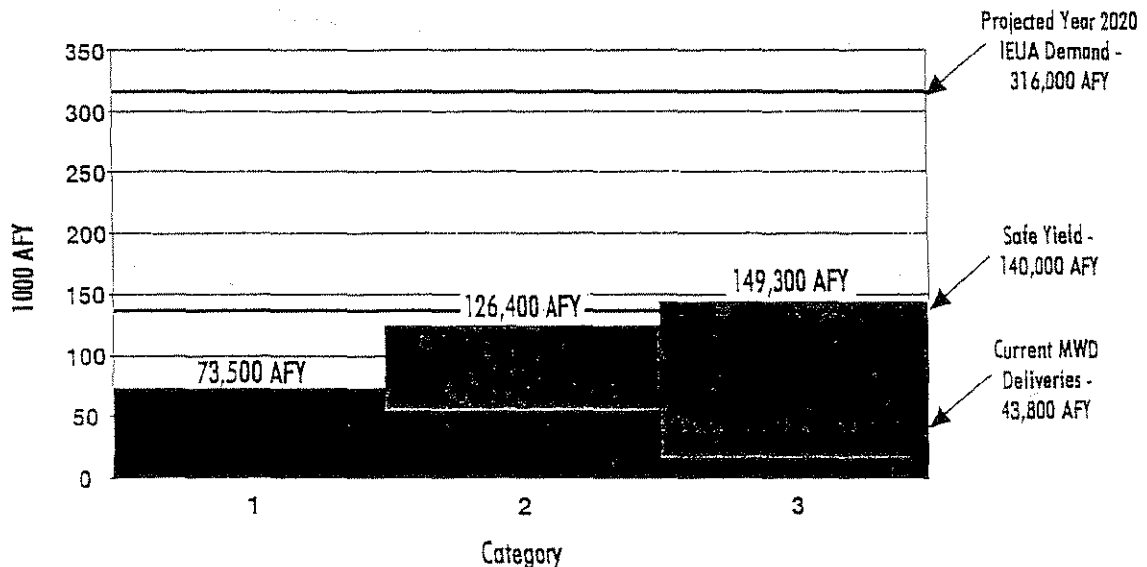
The dry year yield potential of the proposed projects can be summarized via four types of projects. These project types include groundwater production facilities, ASR facilities, wellhead treatment facilities, and transmission and interconnection improvements. The groundwater production projects include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



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

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

FIGURE 3A-1
Dry Year Yield Benefits





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

3A(ii) Seasonal Nature of Project Production

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

3A(iii) Institutional Arrangements for Curtailing Firm Deliveries

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

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

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

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



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

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

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



3B. PROJECT PARTNERSHIPS

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

3B(i) Local and Regional Support

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

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

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

3B(ii) CEQA Status

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



3B(iii) Potential Planning Uncertainties

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

3B(iv) Endorsements Needed for Project Approval

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

3B(v) Community Reaction

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

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

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

3B(vi) Metropolitan Actions

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



3B(vii) Project Status

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

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

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

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



3C. LOCAL NEEDS ADDRESSED

3C(i) Addressing the Needs of Local Proponents

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

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

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

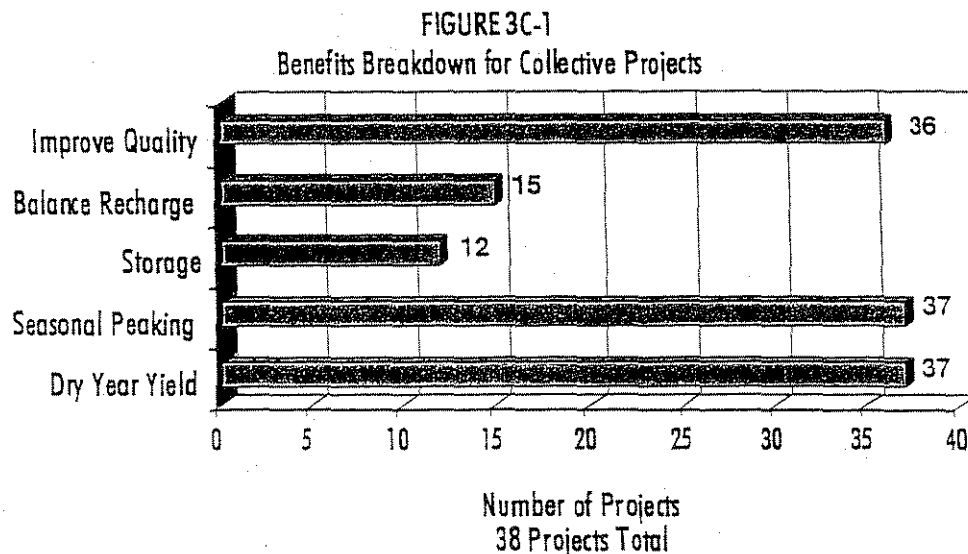




TABLE 3C-1
Summary of Projects

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



SECTION 3 DETAILED INFORMATION FOR SCORING
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

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



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

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

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



3D. WATER SUPPLY OR WATER QUALITY IMPACTS

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

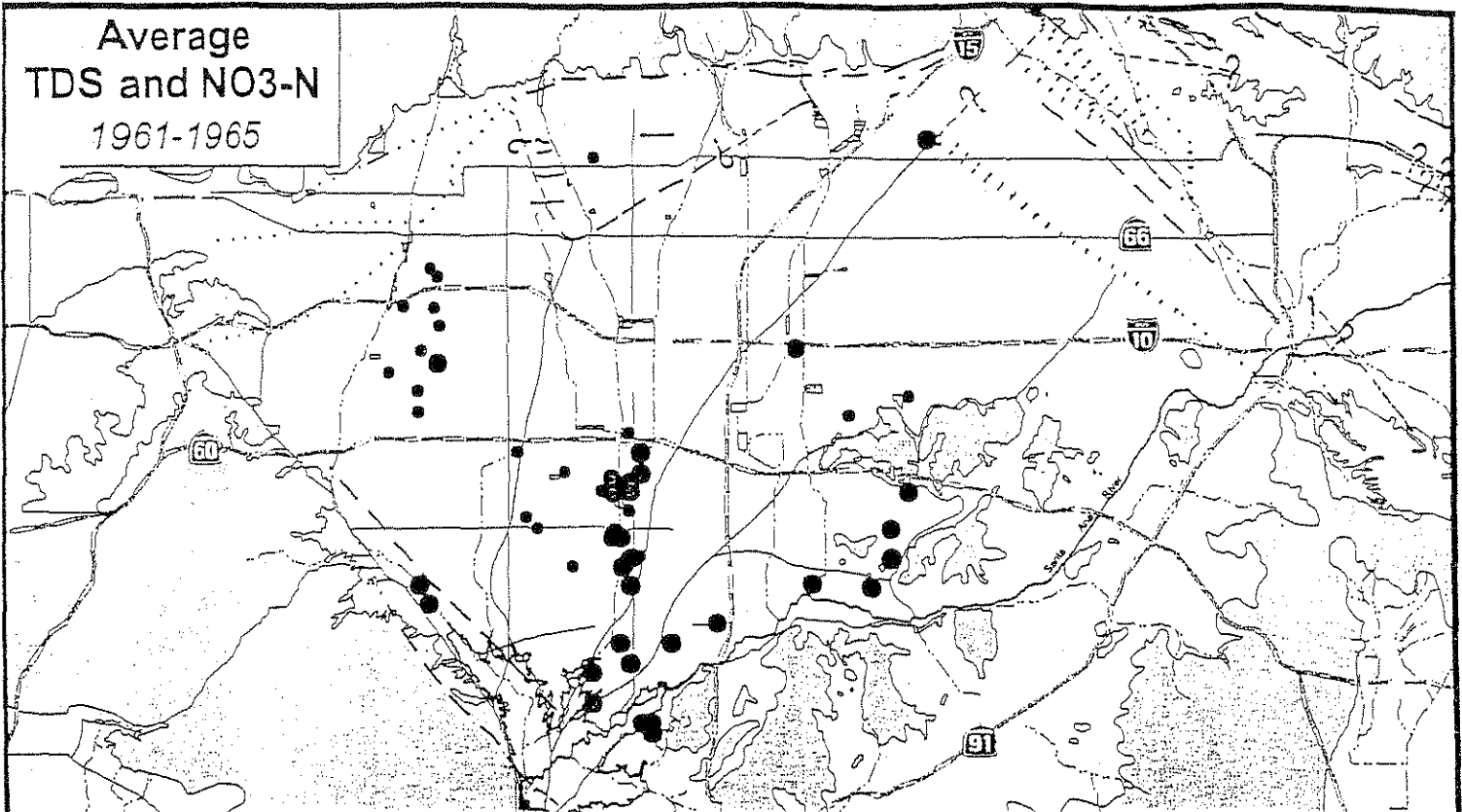
3D(i) Water Supply/Quality Impacts within the Basin

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

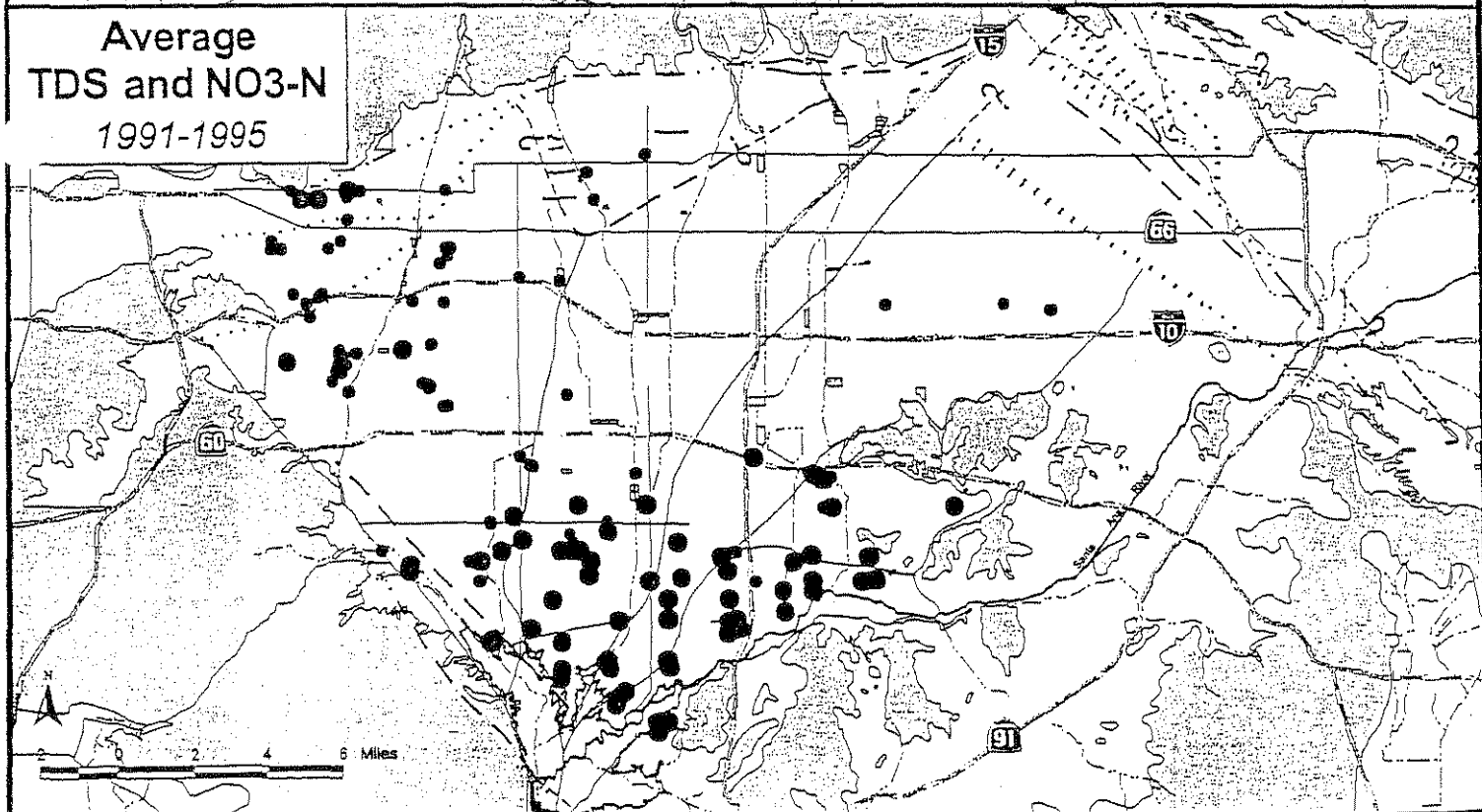
From a perspective of water supply, our approach provides Metropolitan dry year supply in advance of placing any water in storage. Depending on the total amount of financing from Metropolitan, we can make available more than 149,000 AF. Metropolitan can use these supplies not only for long-term dry-year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

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

Average
TDS and NO3-N
1961-1965



Average
TDS and NO3-N
1991-1995



Legend

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

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

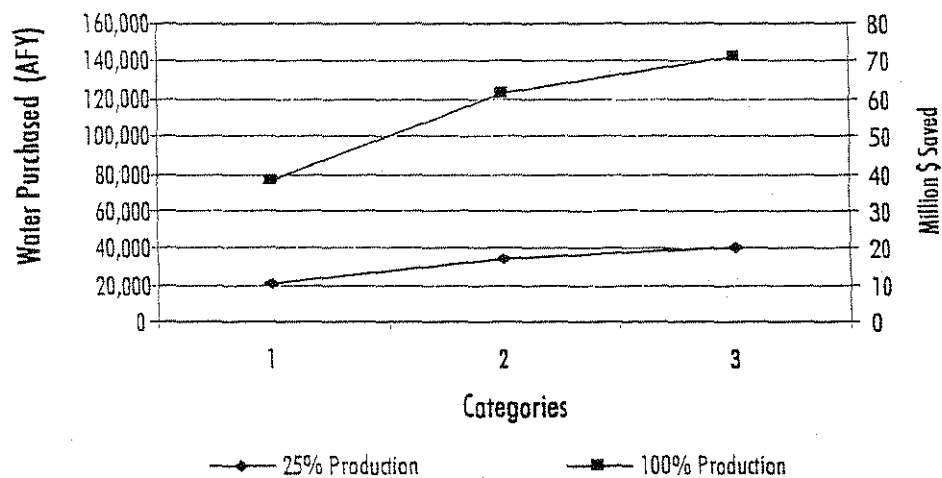


Date: January 2001



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

FIGURE 3D-2
Water Quality Benefits



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

3D(ii) Potential Negative Impacts

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



3D(iii) Anticipated Regulatory Requirements

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

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

3D(iv) Status and Schedule

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



3E. POTENTIAL IMPACT TO METROPOLITAN'S FINANCIAL INTEGRITY

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

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

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

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

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

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

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



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

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

3E(ii) Mitigation of Negative Impacts

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

3E(iii) Project Financing

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

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



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

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

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

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

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

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

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



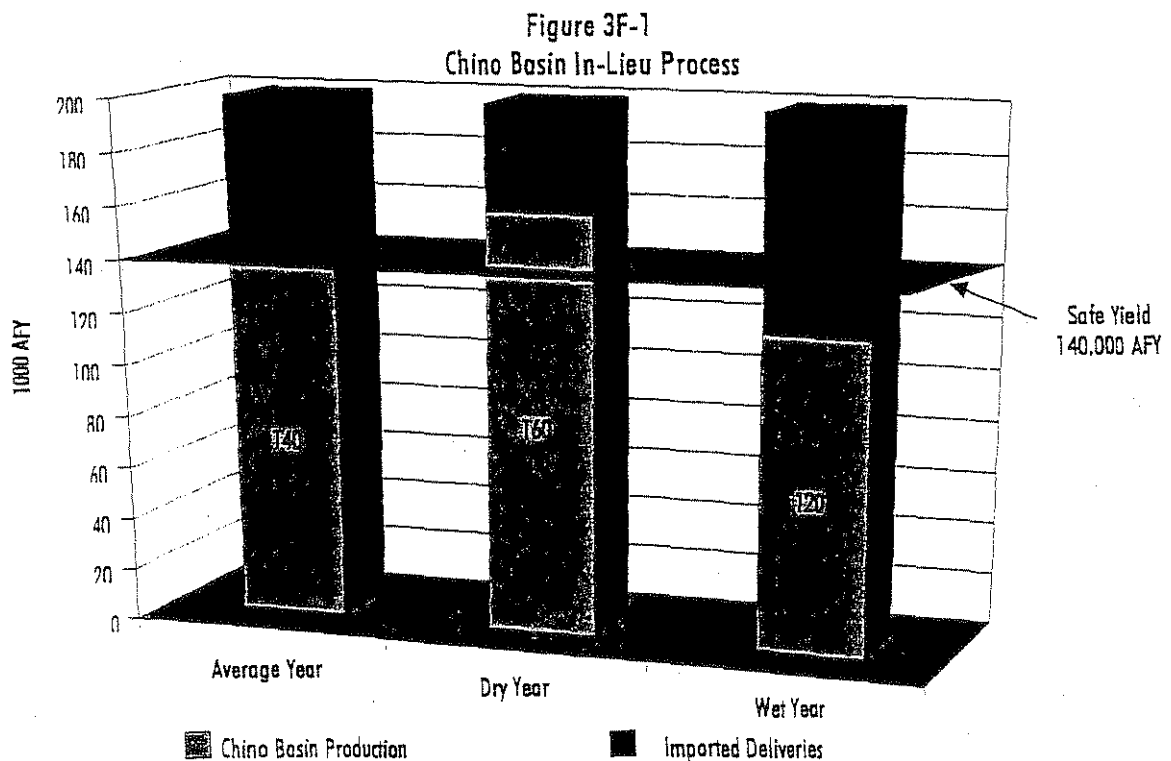
3F. DESCRIBE HOW PROJECTS WILL MEET OVERLYING DEMAND

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

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

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

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





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

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

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



3G RISK MANAGEMENT

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

3G(i) Description of Project Risks

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

3G(ii) Approach to Risk Management

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

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

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

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

3G(iii) Indemnification

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

Exhibit D

METROPOLITAN AWARD LETTER



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Office of the General Manager

April 10, 2001

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

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

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

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

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

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

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. Gastelum', written over a horizontal line.

Ronald R. Gastelum
General Manager

EF:cl

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Enclosure

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

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

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PROCEDURE FOR INITIAL CALCULATION OF
METROPOLITAN STORAGE ACCOUNT

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

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

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

ACCOUNTING METHODOLOGY

Annual Operating Plan

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

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

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

Calculation of Storage and Extraction

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

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

a. Initial storage balance upon execution of this Agreement shall be consistent with Exhibit E "Procedure for Initial Calculation of Metropolitan Storage Account". This initial storage balance is firm water to be billed at the rate designated in Exhibit E upon its extraction. This water, when extracted, shall be part of IEUA's firm water allocation pursuant to the rate structure. This water shall be first in, and first out of the Metropolitan Storage Account.

b. All other water delivered to the Metropolitan Storage Account shall be "new wet-water storage" to the Chino Basin, and not accomplished through an accounting transfer of pre-existing storage. New storage is achieved through demonstrated in-lieu delivery spreading, or injection of imported water supplied by Metropolitan.

c. Monthly amounts certified by IEUA or TVMWD as in-lieu storage cannot exceed:

1. extraction capacity available within IEUA's or TVMWD's service area in the month certified, and
2. amount of firm water purchased by IEUA or TVMWD from Metropolitan in the month certified.

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

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

Exhibit G

Chino Basin Conjunctive Use "Dry Year" Storage Project Performance Criteria

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

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

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

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

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

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

Exhibit H

DESCRIPTION OF PROGRAM FACILITIES & OPERATING PARTIES

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

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

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

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

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EXHIBIT 9

JUN 05 2003

By Wanda L. Downing Deputy

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

CHINO BASIN MUNICIPAL WATER
DISTRICT,

Plaintiff,

vs.

CITY OF CHINO, et al.,

Defendants

CASE NO. RCV 51010

ORDER CONCERNING
GROUNDWATER STORAGE
PROGRAM FUNDING AGREEMENT--
AGREEMENT NO. 49960.

Date: June 5, 2003

Dept: 8

Time: 1:30 p.m.

Background

Program Element 9 of the court-approved Implementation Plan for the Chino Basin Optimum Basin Management Program ("OBMP") calls for the development and implementation of storage and recovery programs to ensure that Chino Basin water and storage capacity are put to maximum beneficial use. The initial target for the cumulative quantity of water to be held in storage is an additional 500,000 acre-feet. (Implementation Plan, Program Element 9, subdivision (c)(iv)(a).) In developing storage and recovery programs, Watermaster is to give first priority to storage and

1 recovery programs that provide broad mutual benefits to the parties to the Judgment.
2 (*Id.* at subdivision (c)(iv)(b).)

3 Watermaster has taken the first step in developing storage and recovery
4 programs, by negotiating a Dry Year Yield ("DYY") Program for the Basin.
5 Watermaster seeks review, under paragraph 31 of the Judgment, of its approval on
6 March 27, 2003, of the Groundwater Storage Program Funding Agreement No. 49960
7 ("Funding Agreement"). The Funding Agreement contains the financial terms for a new
8 100,000 acre-foot storage account for Metropolitan Water District of Southern
9 California ("MWD").¹

10 Watermaster requests an order from this Court "declaring that the [Funding]
11 Agreement is consistent with its responsibilities under the Peace Agreement."² (Motion,
12 p. 2, lines 2-3.) Watermaster asserts that the question to be decided by the Court is
13 whether or not the Funding Agreement satisfies Watermaster's commitments under
14 section 5.2 (c) of the Peace Agreement. Consistent with the Implementation Plan, the
15 Peace Agreement provides, at section 5.2(c)(iv)(b), that Watermaster is to give first
16 priority to storage and recovery programs that provide broad mutual benefits to the
17 parties to the Judgment.

18
19 Discussion

20 A. Funding Agreement is not a "Storage Agreement" as that term is used in the
21 Judgment.

22 The Judgment provides, at paragraph 28, that groundwater storage agreements
23 are to contain terms that will preclude operations having a substantial adverse impact
24 on other producers. The Judgment further provides, at Exhibit "I," that groundwater
25 storage agreements are to contain specified information related to storage.

26
27
28 ¹ MWD has three existing storage accounts.

² All references to "Peace Agreement" are to the Chino Basin Peace Agreement, dated June 29, 2000.

1 Watermaster takes the position that the Funding Agreement itself is not a
2 "Storage Agreement," as that term is used in the Judgment. "[W]hile the [Funding]
3 Agreement commits the parties to allocate 100,000 AF of the 500,000 AF Storage and
4 Recovery Program to Metropolitan, the specific location and operation of the facilities
5 necessary to accomplish this commitment must still be analyzed by Watermaster
6 under the Material Physical Injury standard of the Peace Agreement and Rules and
7 Regulations. This approval will take the form of Watermaster approval of the Local
8 Agency Agreements by way of a Storage and Recovery Application filed under Article
9 X of Watermaster's Rules and Regulations.

10 "The [Funding] Agreement itself contemplates the necessity of such further
11 Watermaster approval. The Agreement contains the provisions that: 'Watermaster
12 reserves the right to approve the location and amount of storage and extraction
13 pursuant to this Agreement, in accordance with the Judgment, OBMP and its policies
14 applicable to the Judgment Parties.' [Citation.]" (Motion, p. 8, lines 11-22.) The Court
15 is concerned that the quoted language does not clearly state that a Storage
16 Agreement allowing use of the 100,000 acre-foot storage account contemplated by the
17 Funding Agreement has not yet been completed and must still be approved by both
18 Watermaster and this Court. As noted, Watermaster indicates that approval of a
19 Storage Agreement will be in "the form of Watermaster approval of the Local Agency
20 Agreements by way of a Storage and Recovery Application filed under Article X of
21 Watermaster's Rules and Regulations." It is not clear to the Court how or in what form
22 this approval process will be conducted. However, it is clear that until Watermaster
23 and this Court approve the Local Agency Agreements and Storage and Recovery
24 Application, or some equivalent approval process is completed, the storage and
25 recovery program cannot be undertaken. The Judgment mandates that the Funding
26 Agreement be reviewed in this context.

27 ///

28 ///

1 B. The Court's review of the evidence is "de novo."

2 Under paragraph 31 of the Judgment the Court's review of any Watermaster
3 action or decision is "de novo." Watermaster's findings, if any, may be received in
4 evidence at the hearing but shall not constitute presumptive or prima facie proof of any
5 fact in issue. Of course, this does not mean that Watermaster's decision is entitled to
6 no weight at all. (Cf. *Fukuda v. City of Angels* (1999) 20 Cal. 4th 805, 817.) The key is
7 that the Court looks at the evidence anew.

8
9 C. The weight of the evidence supports the finding of "broad mutual benefit."

10 As noted in the introduction, both the Implementation Plan for the OBMP and the
11 Peace Agreement, which facilitates implementation of the OBMP, provide criteria to
12 guide Watermaster in evaluating a storage and recovery program. "Watermaster shall
13 prioritize its efforts to regulate and condition the storage and recovery of water
14 developed in a Storage and Recovery Program for the mutual benefit of the parties to
15 the Judgment and give first priority to Storage and Recovery Programs that provide
16 broad mutual benefits..." (Implementation Plan, Program Element 9, subdivision
17 (c)(iv)(b); Peace Agreement, section 5.2 (c)(iv)(b).)

18 In support of its motion, Watermaster offers a copy of the Funding Agreement
19 itself (Exhibit 1), copies of the two Watermaster staff reports, upon which the Advisory
20 Committee and Board's decisions were based (Exhibits 2 & 3), and copies of previous
21 storage agreements with MWD (Exhibits 4-6). The Court has received no objections to
22 the evidence, nor any opposition to the motion. The evidence submitted establishes
23 the following.

24 In November 2000, MWD issued a request for proposals for groundwater
25 storage programs using funds from Proposition 13. In January 2001, Watermaster and
26 IEUA jointly submitted a proposal to MWD for a groundwater conjunctive use storage
27 program. In April 2001, MWD approved the proposal, which includes funding in the
28 amount of \$27.5 million to be used for new production facilities--wells and wellhead

1 treatment facilities. The new facilities will provide new pumping capacity for
2 participating parties. Of the \$27.5 million, \$9 million will come from the California
3 Department of Water Resources ("DWR"), using Proposition 13 funds, and \$19.5
4 million will come from MWD. MWD will advance \$1.6 million to IEUA for costs
5 associated with CEQA compliance and preliminary engineering studies, including
6 modeling of the Basin. CEQA approvals were completed in December 2002.

7 The term of the storage program is 25 years, with optional five-year renewal
8 terms, up to a maximum term of 50 years. The storage target for the program is
9 100,000 acre-feet per year, which is to be stored by MWD in wet years. The annual
10 yield target is 33,000 acre-feet per year, which is to be produced from the Basin in
11 times of imported water shortages, using the new facilities. A key point in the program
12 is that MWD will allow local control and use of the facilities to be constructed. Hence,
13 the new facilities will provide infrastructure that will be of general benefit to Basin
14 pumpers.

15 Several Appropriative Pool members will be participating in the Program: Cities
16 of Chino, Chino Hills, Ontario, Pomona³, Upland, and the Cucamonga County and
17 Monte Vista Water Districts. San Antonio Water Company, Fontana Water Company
18 and Jurupa Community Services District have also initiated negotiations concerning
19 their participation. When MWD delivers in-lieu water into the new storage account, that
20 water is to be provided to the participating entity at no cost, resulting in a deferred
21 water cost. When MWD calls for extraction of the water, it will pay the operation and
22 maintenance costs of the extraction facilities attributed to its use of the facilities, and
23 also will pay the unit electrical cost for pumping the stored water. Further, MWD will
24 pay an administrative fee of \$132,000 to offset the Watermaster staff time necessary to
25 administer the program, which will require detailed record keeping. The administrative
26 fee will be escalated using the lesser of 2.5% or the consumer price index.

27
28 ³ Three Valley Municipal Water District is a party to the Funding Agreement to facilitate the City of
Pomona's participation.

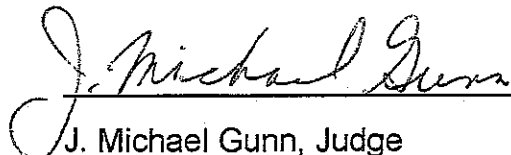
1 The benefits, costs and obligations of the Funding Agreement will be passed on
2 to the participating entities. Further, the DYY Program will have general benefits for
3 Basin Pumpers. The DYY Program benefits were addressed in Watermaster's Dry
4 Year Yield Project Memorandum ("DYY Memorandum"), dated February 13, 2003
5 (Exhibit 2); they are listed on page 6 of the DYY Memorandum. Black and Veatch
6 estimated cash flows for benefits and costs over the life of the program, and prepared a
7 financial analysis (Attachment III to the DYY Memorandum), which quantifies program
8 benefits. Black and Veatch also prepared a conceptual facilities report related to the
9 DYY Program (Attachment XII to the DYY Memorandum). Black and Veatch concludes
10 the DYY Program "will effectively meet overlying demands via in-lieu water deliveries.
11 Furthermore, the program meets the goals of the Basin's ... (OBMP), which are:
12 Enhance basin water supplies [¶] Protect and enhance water quality [¶] Enhance
13 management of the basin [¶] Equitably finance the OBMP" (Attachment XII, p. 5.)

14 Ruling

15 The Court finds that the weight of the evidence supports Watermaster's finding
16 that the DYY Program, as described in the Funding Agreement, will provide broad
17 mutual benefits to the parties to the Judgment.

18 The Court further finds that Watermaster's approval of the Funding Agreement
19 is consistent with its responsibilities under the Peace Agreement, which, in turn,
20 facilitates implementation of the court-approved OBMP.

21
22
23 Dated: June 5, 2003


J. Michael Gunn, Judge

Watermaster Files

FILED-Rancho Cucamonga District
SAN BERNARDINO COUNTY
SUPERIOR COURT

CHINO BASIN WATERMASTER

Case No. RCV 51010

Chino Basin Municipal Water District v. The City of Chino

JUN 12 2003

By *Wanda DeWine* Deputy
Q Jensen

PROOF OF SERVICE

I declare that:

I am employed in the County of San Bernardino, California. I am over the age of 18 years and not a party to the within action. My business address is Chino Basin Watermaster, 8632 Archibald Avenue, Suite 109, Rancho Cucamonga, California 91730; telephone (909) 484-3888.

On June 11, 2003 I served the following that were heard on:

June 5, 2003, 1:30 p.m., Dept. R8

- A. **Order Concerning Groundwater Storage Program Funding Agreement – Agreement No. 49960**
- B. **Order Receiving Watermaster's 25th Annual Report and Status Reports Nos. 5 & 6; Order Confirming Intervention of Niagara Bottling Company**

BY MAIL: in said cause, by placing a true copy thereof enclosed with postage thereon fully prepaid, for delivery by United States Postal Service mail at Rancho Cucamonga, California, addresses as follows:

See attached service list:
Attorney Service List
Mailing List 1

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

BY FACSIMILE: I transmitted said document by fax transmission from (909) 484-3890 to the fax number(s) indicated. The transmission was reported as complete on the transmission report, which was properly issued by the transmitting fax machine.

BY ELECTRONIC MAIL: I transmitted notice of availability of electronic documents by electronic transmission to the email address indicated. The transmission was reported as complete on the transmission report, which was properly issued by the transmitting electronic mail device.

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

Executed on June 11, 2003 in Rancho Cucamonga, California.

Mary Staula
Mary Staula
Chino Basin Watermaster

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EXHIBIT 10

LOCAL AGENCY AGREEMENT

Dated as of March 11, 2003

By and Among

INLAND EMPIRE UTILITIES AGENCY,

and

CUCAMONGA COUNTY WATER DISTRICT

original

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EXHIBITS

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LOCAL AGENCY AGREEMENT

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

WITNESSETH:

WHEREAS, in March 2000, California voters approved Proposition 13 ("Prop. 13") authorizing the State of California to sell \$1.97 billion in general obligation bonds for water related projects throughout the State. The Governor's Budget Act for 2000, Chapter 52, Statutes of 2000, appropriated to the California Department of Water Resources ("DWR") local assistance grants for groundwater storage and supply reliability projects in the amount of \$161,544,000 by budget item 3860-01-6027, payable from the Interim Reliable Water Supply and Water Quality Infrastructure and Managed Subaccount; and

WHEREAS, Metropolitan was subsequently selected by DWR as a grant recipient for \$45 million (the "Prop. 13 Funds") to be used for groundwater storage projects within its service area. In a letter dated October 13, 2000, DWR set forth the specific terms and conditions of the grant to Metropolitan; and

WHEREAS, on September 20, 2000, Metropolitan sent a letter to its twenty-six member public agencies (consisting of cities, municipal water districts and a county water authority within its 5,155 square-mile service area covering portions of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties), requesting a list of groundwater storage projects to be considered for Prop. 13 Funding. On November 1, 2000, Metropolitan delivered to those member public agencies that indicated an interest in the Prop. 13 groundwater storage programs, a Request for Proposals for Participation in Groundwater Storage Programs Using Proposition 13 Funds, RFP No. WRM-2 (the "RFP"); and

WHEREAS, Metropolitan anticipated that programs funded by the Prop. 13 Funds would store water (by various methods) that Metropolitan imports from the State Water Project and the Colorado River. This stored water would be pumped by the member agency (or a sub-agency) with a corresponding reduction in surface water deliveries from Metropolitan. As a result, Metropolitan would have a greater amount of water to distribute within its service area. In addition, such groundwater storage programs are part of a larger effort to meet water supply demands in Southern California, as specifically set forth in the Integrated Water Resources Plan approved by Metropolitan's Board of Directors in 1996, and the Groundwater Storage Principles adopted in connection therewith by Metropolitan's Board of Directors in January 2000; and

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

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

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

NOW THEREFORE, the parties hereto do agree as follows:

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

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

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

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

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

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

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

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

(i) Cause the Local Agency Facilities to be operated and maintained in as good and efficient condition as upon their construction, ordinary and reasonable wear and depreciation excepted, and otherwise in accordance with industry standards (and DWR standards and requirements, if any);

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

(iii) To the extent existing facilities are utilized for the Program, provide for all repairs, renewals, and replacements necessary to the efficient operation of such existing facilities;

and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Maintain Ownership of Program Property. Local Agency will not sell, abandon, lease, transfer, exchange, mortgage, hypothecate or encumber in any manner whatsoever all or any portion of any real or other property necessarily connected or used in conjunction with the Program.

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

Section 7. Miscellaneous.

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

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

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

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

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

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

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

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

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


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

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

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

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

INLAND EMPIRE UTILITIES AGENCY

By: 
General Manager

CUCAMONGA COUNTY WATER DISTRICT

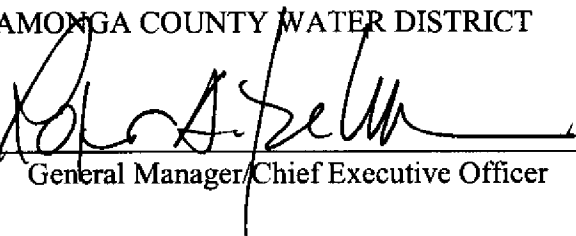
By: 
General Manager/Chief Executive Officer

EXHIBIT A

LOCAL AGENCY FACILITIES

CUCAMONGA COUNTY WATER DISTRICT

AMOUNT OF FUNDING CCWD WILL RECEIVE:

\$7,102,368

FOR THE FOLLOWING FACILITIES

NORTH CENTRAL IX TREATMENT PLANT - 1,500 gpm

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

WELLS TO BE TREATED:

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

WATER LINES INSTALLED:

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

CCWD NEW WELLS TO BE INSTALLED:

RESERVOIR 1C SITE

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

RESERVOIR 1B SITE

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

EXHIBIT B

PERFORMANCE TARGETS

Example

Cucamonga County Water District

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

9,620 AF reduced imported water reduction

9,620 AF pumped from MWD storage account

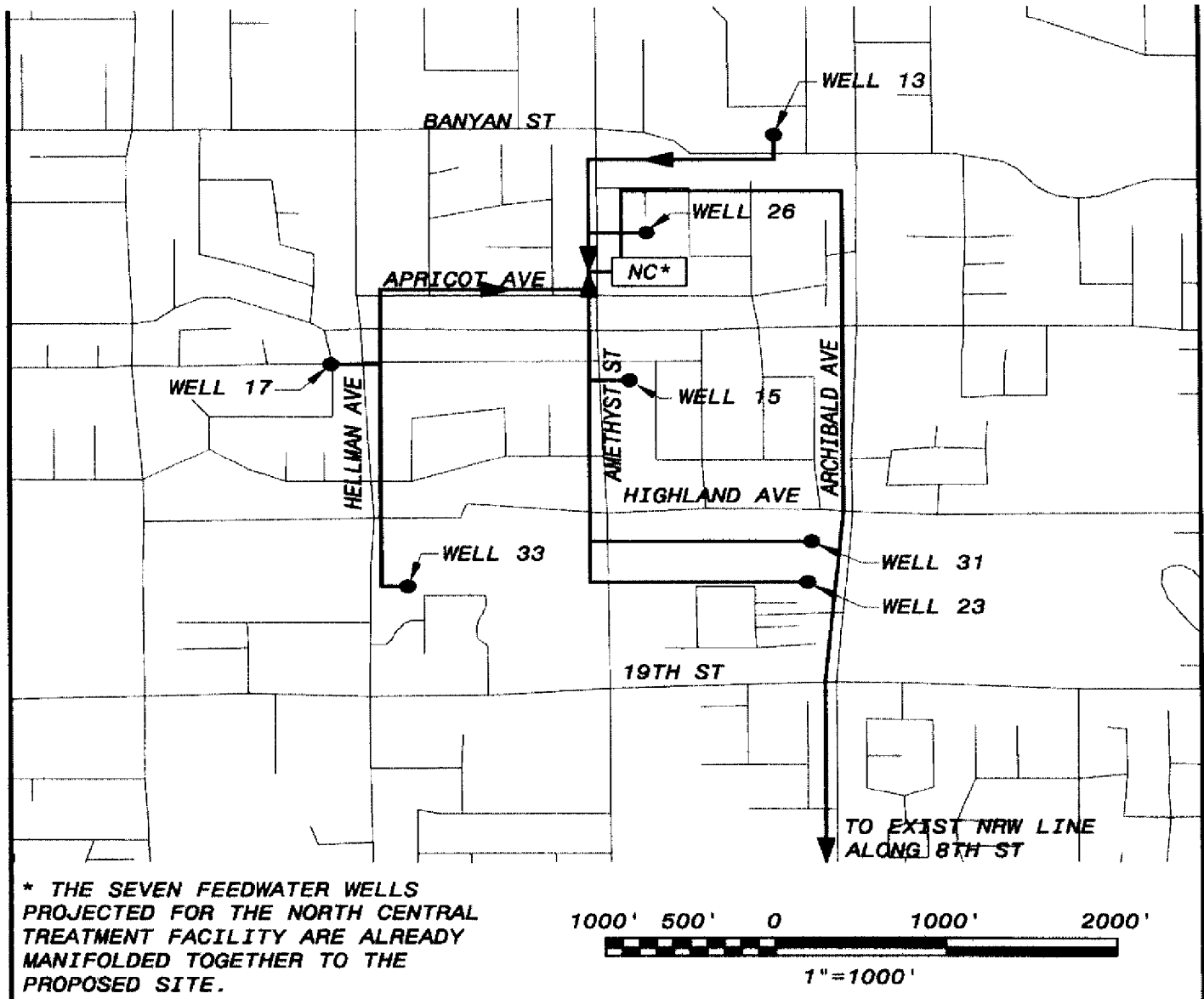
9,620 AF increase in CCWD overall local supply production

all three criteria must be met plus or minus 10 percent

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

CUCAMONGA COUNTY WATER DISTRICT

North Central Water Treatment Facility



CUCAMONGA COUNTY WATER DISTRICT

New Wells to Be Installed

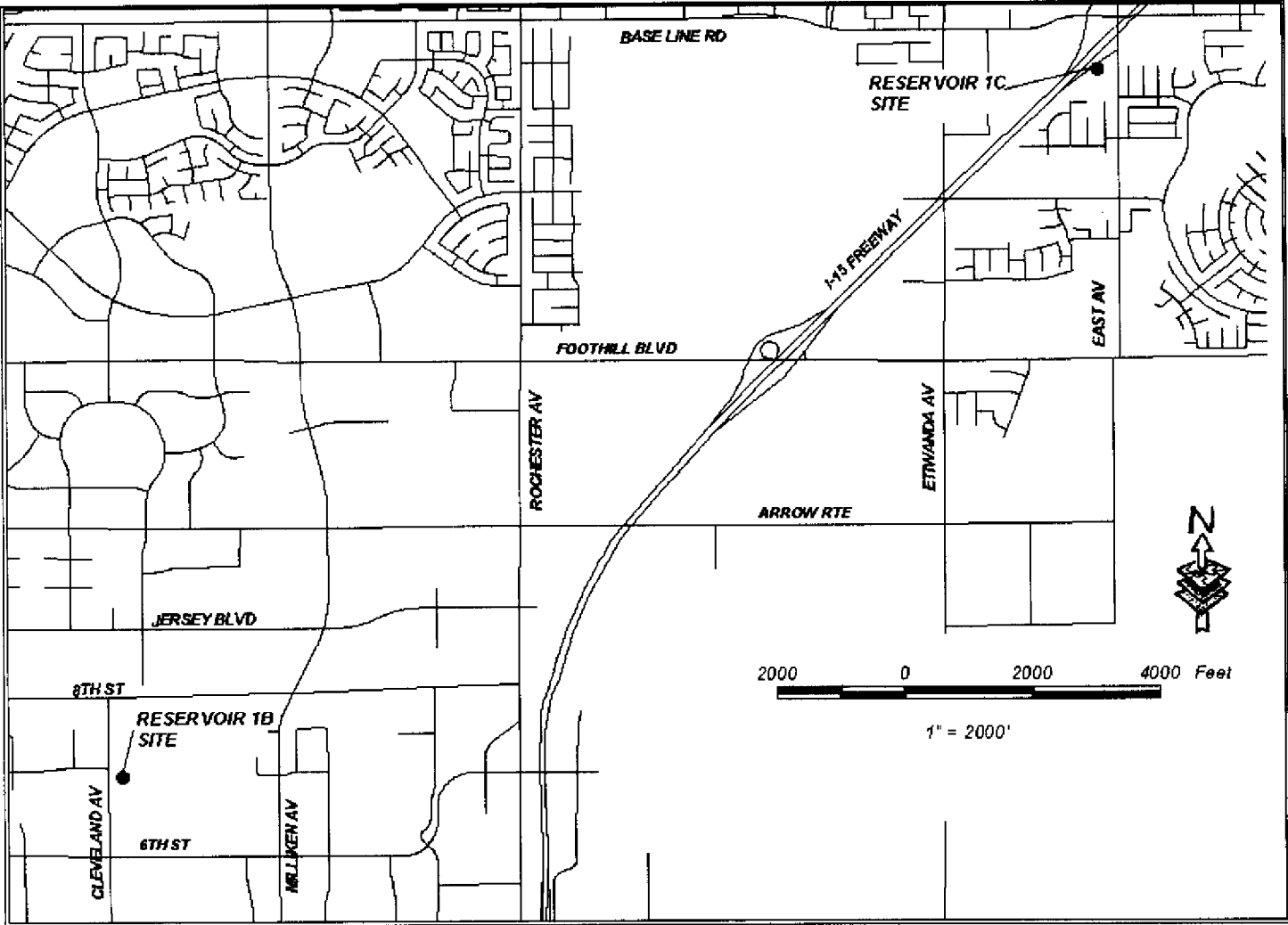


EXHIBIT B

PERFORMANCE TARGETS

Example

Cucamonga County Water District

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

9,620 AF reduced imported water reduction

9,620 AF pumped from MWD storage account

9,620 AF increase in CCWD overall local supply production

all three criteria must be met plus or minus 10 percent

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

EXHIBIT C

AGREEMENT NO. 49960

GROUNDWATER STORAGE PROGRAM
FUNDING AGREEMENT

BY AND AMONG

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

AND

INLAND EMPIRE UTILITIES AGENCY

AND

THREE VALLEYS MUNICIPAL WATER DISTRICT

AND

CHINO BASIN WATERMASTER

December 6, 2002 DRAFT

**GROUNDWATER STORAGE PROGRAM
FUNDING AGREEMENT**

BY AND AMONG

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

AND

INLAND EMPIRE UTILITIES AGENCY

AND

THREE VALLEYS MUNICIPAL WATER DISTRICT

AND

CHINO BASIN WATERMASTER

DATED AS OF _____, 200__

Items that need to be added or resolved:

p.2 Section I.G. List of agreements currently in force

p.3 Section I.K. TVMWD CEQA compliance

p.6 Section IVId. Trust storage agreement language.

p. 16 Section VI D. O&M costs covered by Met—add Brian's language.

p.23 Section IX B. Description of watermaster

p.32 Section XIII B. Does Rich still want to add penalty language for failure to maintain well capacity?

Exhibit F Review rewrite. Exhibit H: Need additional info on program facilities as noted.

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GROUNDWATER STORAGE PROGRAM FUNDING AGREEMENT

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

I. RECITALS

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

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

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

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

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

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

II. EFFECTIVE DATE AND TERM

A. Effective Date

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

B. Termination Date

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

III. CONDITIONS PRECEDENT TO FUNDING OBLIGATION AND PROGRAM IMPLEMENTATION

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

A. CEQA.

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

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

B. DWR Commitment

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

C. Permits and Approvals

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

D. No Litigation

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

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

IV. PROGRAM PLANNING AND CONSTRUCTION

A. Planning

1. General Description of Program

The Program includes the following components:

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

2. Operational Capacity Thresholds

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

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

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

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

3. Submission of Plans, Schedule and Budget

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

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

4. Review and Approval of Schedule and Budget

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

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

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

B. Construction

1. Contracting

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

2. Construction Supervision and Responsibility

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

3. Inspection Right

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

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

4. Completion of Construction

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

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

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

5. Ownership of Project

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

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

A. **Metropolitan Funding Obligation; Shortfalls**

1. After the Funding Obligation Date, subject to and in accordance with the terms and conditions of Section V(C) below, Metropolitan hereby agrees to fund the payment of *eligible* costs for constructing the Facilities in accordance with the Approved Budget (the "**Program Construction Costs**") in an amount not to exceed \$27.5 million, inclusive of design and construction of Facilities and the costs to comply with CEQA ("**Funding Obligation**"). However, IEUA, TVMWD and Watermaster understand and acknowledge that \$9 million of these Program Construction Costs are being funded by Prop. 13 Funds. In the event that DWR fails to provide all or a part of such funds for eligible costs as required by the DWR Funding Letter, Metropolitan shall be entitled, at its option, to make up such shortfall through other funding sources (subject to any necessary approvals or authorizations for such funding) or to have the size of the Program reduced, as set forth in paragraph (2) below.
2. Subject to paragraph (3) below, if less than \$27.5 million is made available toward eligible Program Construction Costs pursuant to Metropolitan's Funding Obligation ("**Funding Shortfall**"), then the size of the Program shall be reduced in an appropriate manner as agreed upon

by the Operating Committee. Reductions in Program size may include reductions in Facilities constructed, Operational Capacity Thresholds and Maximum Storage Amount. However, in no event shall such Program reductions be greater in proportion than that which the Funding Shortfall bears to Funding Obligation. The Term of the Agreement and other operating terms will not be affected by any Funding Shortfall.

3. *The size of the Program shall not be reduced where the amount of eligible Program Construction Costs incurred by IEUA or TVMWD is less than the amount of funds made available by Metropolitan. Similarly, the size of the Program shall not be reduced where the Program Construction Costs incurred by IEUA or TVMWD that are determined to be ineligible for reimbursement under this Agreement.*

B. Cost Overruns

1. IEUA agrees to pay, and Metropolitan shall have no liability for, any costs of constructing the Facilities in excess of the amounts set forth in the applicable Approved Budget (on line-item and aggregate bases); provided, however, that upon written request from IEUA, Metropolitan shall approve, conditional upon DWR approval, reallocation of any demonstrated costs savings from one line-item of the Approved Budget to another line item in order to cover any cost overruns for the \$9 million funded by Prop. 13 Funds for specific Program facilities.
2. Should bids for construction of the Program Facilities exceed the Approved Budget by more than 5%, IEUA may review such cost increase with Metropolitan to determine the appropriate way to proceed with the Program. Metropolitan and IEUA may mutually agree to a cost share, a change in scope of the Program, or to discontinue the Program.
3. IEUA agrees to reimburse Metropolitan for any of its costs intended to be reimbursed with Prop. 13 Funds that are disapproved by DWR, within thirty (30) days of receipt of invoice from Metropolitan for such reimbursement. IEUA agrees to pay interest computed at an annual rate equal to that earned by Surplus Money Investment Fund (SMIF) rate as provided for in Government Code Sections 16480 et seq., calculated monthly, on any outstanding amounts so invoiced by Metropolitan, beginning thirty days after the date such invoice is received until paid.

Deleted: Of these Program Construction Costs, \$9 million is funded by Prop. 13 Funds. Metropolitan shall fund the payment of Program Construction Costs from the Prop. 13 Funds and from other funds provided by Metropolitan (which may include the proceeds of future grants awarded to Metropolitan for disbursement).

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C. Disbursement Protocol

1. Invoice Payment.

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

2. Certification of Expenditures

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

3. Disbursement of Program Funds

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

VI. OPERATING COMMITTEE

A. Operating Committee

1. Composition of Committee.

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

2. Meeting of Operating Committee

The Operating Committee shall meet:

- a. as reasonably often as necessary to implement operations and take other needed action pursuant to this Agreement. Such tasks will include preparation of Operating Committee's certification to Watermaster regarding monthly storage achieved utilizing methodology specified in Exhibit F (Accounting Methodology).
- b. within thirty days after the execution of this Agreement; and thereafter at least sixty days prior to the end of each fiscal year (which fiscal year shall run from July 1 through June 30) to develop Program Annual Operating Plan for the subsequent year and to review need for adjustments to Electrical Costs and Operation and Maintenance Costs; and
- c. by August 31 of each year review prior fiscal year performance for storage and/or extraction in conformance with the Annual Operating Plan and Exhibit G, Performance Criteria; and for assessment of per-acre-foot Electrical Costs and Operation and Maintenance Costs to be paid by Metropolitan.

3. Annual Operating Plan

- a. The Annual Operating Plan shall provide an estimated schedule and location for all storage and extraction under this Agreement and in conformance with Exhibit G (Performance Criteria) on a monthly basis for the upcoming fiscal year and documentation of

adequate available capacity with respect to the Program Facilities capacity to accommodate Metropolitan's rights pursuant to Section VII hereof. Initial operation of the Metropolitan Storage Account prior to completion of Facilities funded under this Agreement shall be accomplished under the Annual Operating Plan. Until all Facilities are completed, partial performance shall be pro rata according to the proportion of Facilities listed in Exhibit H which are then complete.

- b. The Annual Operating Plan shall provide sufficient information to allow the Operating Committee and Watermaster to assess potential impacts from the Program on the Chino Basin and the Judgment Parties, such as : (1) current and projected water levels in the basin; and (2) short-term and long-term projections of Chino Basin water supply and water quality. The Operating Committee and the Watermaster may request additional information from the Operating Parties.
 - c. Consistent with Section VIII(A) below, the Annual Operating Plan shall not limit Metropolitan's ability to modify its call for extraction or storage of water upon fifteen (15) days advance notice as provided in Sections VII(A) and VII(C). Watermaster reserves the right to approve the location and amount of storage and extraction pursuant to this Agreement, in accordance with the Judgment, OBMP and its policies applicable to the Judgment Parties.
 - d. Storage and extraction operations under this Agreement shall be in accordance with the provisions of the Annual Operating Plan as adopted or as amended to accommodate changed circumstances or new information. The Annual Operating Plan may be amended: (1) at the request of a member of the Operating Committee and with the concurrence of the Operating Committee and approval of the Watermaster (2) as a requirement of the Watermaster in the implementation of the Judgment and OBMP with specific adjustments proposed by consensus of the Operating Committee and approved by the Watermaster.
4. Specific Duties

Without limiting the foregoing, the Operating Committee shall:

- a. Properly account for the amounts of all water stored and extracted and submit a report of these amounts achieved for the Metropolitan Storage Account to Watermaster and Metropolitan on a monthly basis but not more than two months in arrears. At the end of the

fiscal year, an annual reconciliation shall be performed of storage and extraction, and any adjustments to the monthly submittals shall be submitted to the Watermaster and to Metropolitan in a timely manner for consideration in the preparation of the Watermaster's annual assessment package.

- b. Within two months following formal issuance of Watermaster's annual report, perform an annual reconciliation of Metropolitan and IEUA's and TVMWD's records with Watermaster's annual report and Metropolitan's water billing inclusive of credits for the Operation and Maintenance Costs and Electrical Costs, and prepare any needed paperwork for adjustments to the billing.
- c. Consistent with Section VIII(A) below, confirm that sufficient excess operable production capacity was maintained for the conjunctive use Program during the prior year, unless different criteria are agreed upon by the Operating Committee.
- d. Prepare and deliver to the Parties, on or before September 1 of each year, a written annual report outlining the Program Annual Operating Plan for the subsequent year, and the Operating Committee's actions during the prior year (the "**Operating Committee Annual Report**").
- e. Every five years, commencing upon the Completion Date, the Operating Committee shall review the maintenance charge set forth in Section VI(D)(1) of this Agreement. To such end, the Operating Committee shall conduct a survey of operation and maintenance costs with respect to facilities within the Program Basin and which are comparable to the Facilities. Based on such survey and other information the Operating Committee deems relevant, the Operating Committee shall approve a new Operation and Maintenance Cost for the next five-year period.
- f. Every year commencing upon Completion Date, determine the electrical power unit rates(s) (dollars per AF of Stored Water Deliveries) for the respective Operating Party(ies) to extract water. The electrical power cost to extract Program Water (the "Electrical Costs") shall be equal to Stored Water Deliveries (as defined in Section VII(C) below) for the applicable period multiplied by the applicable electrical power unit rate(s) for the Operating Party(ies) that extracted the water. The Operating Committee shall ensure that the electrical power unit rate per acre-foot of extracted water calculated for each Operating Party is reflective of actual energy costs.

B. IEUA and TVMWD Obligations

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

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

C. Watermaster Obligations

Watermaster hereby agrees to:

1. Maintain records of the amounts of all water stored in and extracted from the Chino Basin pursuant to this Agreement and consistent with the Judgment and Rules and Regulations, and provide to Metropolitan an amount specified in an account to be designated as the **Metropolitan Storage Account**. Watermaster will maintain a monthly statement regarding the account as information becomes available and will document in its annual report all water stored in and withdrawn from the Metropolitan Storage Account. Watermaster shall account for Metropolitan stored water as follows:
 - a. The amount of any water stored in the Chino Basin on behalf of Metropolitan prior to the Effective Date of this Agreement shall be credited to the Metropolitan Storage Account on the Effective Date pursuant to the procedure set forth in Exhibit E.
 - b. Watermaster shall credit water which Metropolitan delivers for

storage to the Metropolitan Storage Account on an acre-foot for acre-foot basis, less any losses assessed.

- c. Losses assessed by Watermaster against the Metropolitan Storage Account will be equivalent to losses assessed Judgment parties for participation in the Storage and Recovery Program.
 - d. Watermaster shall debit the Metropolitan Storage Account one acre-foot for each acre-foot of water produced from the account. Watermaster accounting for water produced from the Metropolitan Storage Account shall specify quantities produced by each Operating Party.
 - e. Watermaster shall obtain from Operating Committee on a monthly basis its report of the amount of storage achieved using the methodology specified in Section VII(B) and Exhibit F of this Agreement.
2. Report the total active and inactive annual extraction capacity of the Operating Parties in the Watermaster's annual report.

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D. Metropolitan Obligations

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

1. Pay costs of operating and maintaining the Facilities at the unit rate (dollars per AF of Stored Water Deliveries) determined by the Operating Committee for the Operating Party(ies) that extracted water as adjusted when and as required by Section VI(A)(4)(e) (the "**Operation and Maintenance Costs**"). Operation and Maintenance Costs will include a dollar per AF amount for each AF produced by an Operating Party from Metropolitan's Storage Account through the funded ion exchange facilities equal to the Operating Party's variable costs of treating Metropolitan's State Water Project surface deliveries (expressed as dollar per AF of treating such water). Such variable costs shall exclude capital, debt service, or replacement costs and include only variable operating and maintenance costs at the Water Facilities Authority Treatment Plant, CCWD Lloyd Michael Filtration Plant, or the Miramar Treatment Plant. The dollar per AF cost shall be calculated by dividing the variable costs by the quantity of water produced by the treatment plants. The dollar per acre-foot shall be determined by the Operating Committee pursuant to Section VI(A)(4)(e);
2. Pay the Electrical Costs as determined in Section VI(A)(4)(f) to extract water from the basin, if any, equal to **Stored Water Deliveries** (as defined

in Section VII(C) below) for the applicable period for the Operating Party(ies) that extracted the water; and

3. From and after the first full year in which water is stored in the Program Basin on Metropolitan's behalf, and on or prior to July 1 of each subsequent year, pay an administrative fee in an annual amount of \$132,000 to the Watermaster (as such amount is adjusted on each anniversary of the execution of this Agreement by the lesser of 2.5% or the Retail Consumer Price Index for the City of Los Angeles published by the Engineering News Record), for the incremental costs and expenses of administering the Program during such year. Such administrative fee is subject to adjustment from time to time as approved by the Operating Committee.

E. Payment of Operation and Maintenance Costs and Electrical Costs

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

F. Annual Reconciliation

1. Reconciliation of Metropolitan Storage Account and Costs.

As noted in Section VI(A)(4)(a) above, the Operating Committee will conduct an annual reconciliation of the prior year's credits and debits to the Metropolitan Storage Account. If such reconciliation reveals that the actual amount of water delivered by Metropolitan for storage pursuant to Section VII(A)(1), or the actual amount of Stored Water Deliveries, as defined in Section VII(C) below, during the prior year were not accurately accounted for, then the Operating Committee shall reflect this in its year-end assessment of storage and extraction provided to the Watermaster. The Watermaster shall determine the manner in which any credits or debits to the Metropolitan Storage Account shall be made.

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

VII. GROUNDWATER STORAGE AND EXTRACTION

A. Metropolitan's Storage Account Rights

1. During any fiscal year of the term of this Agreement, Metropolitan may deliver up to 25,000 AF of Program Water for storage in the Program Basin with an equivalent amount to be accounted for in the Metropolitan Storage Account pursuant hereto; provided, however, that total Program Water stored on behalf of Metropolitan in the Program Basin, pursuant to this Agreement, shall never exceed the Maximum Storage Amount unless approved by the Watermaster. Deliveries shall be subject to the prior approval of the Watermaster pursuant to the policies described in subsection 5 below. Metropolitan shall not be obligated to pay any fees associated with basin utilization.
2. Metropolitan may make such deliveries to IEUA or TVMWD on fifteen (15) days advance notice to such Party and Watermaster. Watermaster will credit the Metropolitan Storage Account by the amount of Program Water delivered to IEUA or TVMWD.
3. Upon notification by Metropolitan pursuant to Section VII(A)(2), IEUA or TVMWD and Watermaster may either: (a) directly store the amount of any such delivery of Program Water in the Chino Basin (e.g., by injection or spreading); or (b) store the amount of any such delivery of Program Water in the Chino Basin by in lieu storage, i.e., by reducing pumping from the Chino Basin by the amount of such delivery.
4. The quantity of Program Water delivered to the Metropolitan Storage Account in any given month shall be determined in accordance with the accounting methodology set forth in Exhibit F.
5. The Watermaster's Storage and Recovery Policies shall be applied to Program Water stored under this Agreement in a non-discriminatory manner consistent with the application of such policies to any other participant in the Storage and Recovery Program, including all parties to the Judgment. Furthermore, the Watermaster shall not impose any policies upon the Program Water, whether or not imposed on other parties, that would materially alter the benefits provided to or the obligations imposed upon Metropolitan under this Agreement. Without limiting the foregoing, the Watermaster shall not impose any policies that would create any significant discrepancies between the amount of Program Water delivered by Metropolitan for storage in the Program Basin and the amount of Program Water that Metropolitan is entitled to extract from such basin pursuant to this Agreement.

B. Certification of Deliveries to Metropolitan Water Account

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

C. Extraction of Stored Water

1. In lieu of providing all or some of its regular surface water deliveries to IEUA or TVMWD, Metropolitan may, on fifteen (15) days advance notice, deliver water to such Party on the first of the following month by requesting such Party to debit the Metropolitan Water Account (each such delivery being a "Stored Water Delivery"); provided, however, that unless permitted by Watermaster, such Stored Water Deliveries shall not, in any fiscal year exceed the lesser of (a) 33% of the Maximum Storage Amount or (b) the amount then remaining in the Metropolitan Storage Account. Metropolitan's regular surface water deliveries to IEUA and TVMWD will be reduced by the amount of such Stored Water Delivery. During an emergency or unforeseen operational condition, IEUA and TVMWD will use their best efforts in responding to Metropolitan's request for a Stored Water Delivery.
2. IEUA and TVMWD, as applicable, shall pump the amount of the Stored Water Delivery from the Chino Basin in lieu of receiving its regular surface water deliveries in accordance with specific direction from the Watermaster.

3. IEUA and TVMWD shall have twelve months to comply with Metropolitan's extraction request in accordance with the performance criteria described in Exhibit "G" to this Agreement.

D. Payment for Extraction of Stored Water

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

VIII. OTHER USES OF FACILITIES

A. Allowed Use

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

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

IX. REPRESENTATIONS, WARRANTIES AND AFFIRMATIVE COVENANTS OF PARTIES

A. Of IEUA and TVMWD

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

1. Power and Authority

That it is a municipal water district, duly organized and validly existing under the laws of the State of California; that it has all necessary power and authority to enter into this Agreement and to perform its obligations

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

2. Authorization; Valid Obligation

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

3. No Litigation

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

4. Compliance with Laws

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

- a. the Fair Employment and Housing Act (Government Code, Section 12900 et seq.), and the regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285.0 et seq.);
- b. Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (Government Code, Sections 11135-11139.5) and the regulations or standards adopted by the DWR relating thereto;
- c. the nondiscrimination program requirements of Government Code, Section 12990, and Title 2, California Code of Regulations, Section 8103;

- d. Section 3700 of the California Labor Code, requiring every employer to be insured against liability for workers' compensation or to undertake self insurance in accordance with the provisions of that code, and such Party affirms that it will comply with such provisions before commencing the construction of the Facilities and will exercise best efforts to make the its contractors and subcontractors aware of this provision;
- e. the Drug-Free Workplace Act of 1990 (Government Code 8350 et seq.) and have or will provide a drug-free workplace; and
- f. the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.) which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant thereto.

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

5. Compliance with DWR Requirements

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

6. No Construction

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

7. Capacity

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

8. Oversight and Supervision of Construction

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

9. Maintain Ownership of Program Property

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

10. Protection of Others' Rights

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

B. Of Watermaster

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

1. Power and Authority

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

2. Authorization; Valid Obligation

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

3. No Litigation

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

4. Compliance with Laws

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

- a. the Fair Employment and Housing Act (Government Code, Section 12900 et seq.), and the regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285.0 et seq.);
- b. Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (Government Code, Sections 11135-11139.5) and the regulations or standards adopted by the DWR relating thereto;
- c. the nondiscrimination program requirements of Government Code, Section 12990, and Title 2, California Code of Regulations, Section 8103;
- d. Section 3700 of the California Labor Code, requiring every employer to be insured against liability for workers' compensation or to undertake self insurance in accordance with the provisions of that code, and Watermaster affirms that it will comply with such provisions before commencing the construction of the Facilities

and will exercise best efforts to make the its contractors and subcontractors aware of this provision;

- e. the Drug-Free Workplace Act of 1990 (Government Code 8350 et seq.) and have or will provide a drug-free workplace; and
- f. the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.) which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant thereto.

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

5. Compliance with DWR Funding Letter

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

6. Capacity

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

C. Of Metropolitan

Metropolitan represents, warrants and covenants as follows:

1. Power and Authority

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

2. Authorization; Valid Obligation

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

3. No Litigation

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

X. RECORD KEEPING, REPORTING, INSPECTION AND AUDIT

A. Record Keeping

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

Deleted: respective

B. Reporting

1. Construction Progress Reports

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

2. O&M Reports

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

C. Inspection

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

D. Audit Rights and Obligations

1. Pursuant to California Government Code Section 8546.7, IEUA and its contractors and subcontractors shall be subject to the examination and audit by the State Auditor for a period of three years after Program completion. IEUA agrees that, IEUA and its contractors and subcontractors shall be subject to examination and audit by Metropolitan and DWR for such period.
2. Within thirty days after the Completion of a Program Facility, IEUA shall, at its expense, cause an audit of all Program Construction Costs and expenses with respect to such Facility to be conducted by an independent

certified public accountant and deliver to Metropolitan a report prepared by such accountant in connection therewith.

XI. INDEMNITY

A. General Indemnity

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

B. IEUA Specific Indemnity

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

C. TVMWD Specific Indemnity

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

D. Watermaster Specific Indemnity

Without limiting the indemnity in clause(A) above, Watermaster hereby agrees to indemnify, defend and hold harmless Metropolitan and IEUA and TVMWD, and their elected officials, officers and employees from and against any and all Claims, in any way arising out of or connected with the Program, including any Claims by DWR or any other branch, agency or department of the State of

California in connection with the Program (except for a breach of the DWR Funding Letter attributable to Metropolitan or IEUA's and TVMWD's breach of its obligations hereunder), or otherwise to the extent of Watermaster's responsibility hereunder or to the extent that it caused or exacerbated such Claim(s).

E. Metropolitan Specific Indemnity

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

XII. INSURANCE

A. General Required Coverages

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

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

B. Specific Policy Requirements

Each policy of insurance required to be carried pursuant to this Agreement: (1) shall, except with respect to Worker's Compensation Insurance, name Metropolitan as an additional insured; (2) shall be in a form reasonably

satisfactory to Metropolitan; (3) shall be carried with companies reasonably acceptable to Metropolitan; (4) shall provide that such policy shall not be subject to cancellation, lapse or change except after at least thirty (30) days prior written notice to Metropolitan, and (5) shall, except with respect to the Environmental Liability Insurance required under clause (D) below, be on an "occurrence" basis and not on a "claims-made" basis.

C. Deductibles/Self-Insurance.

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

1. Insurance Certificates.

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

2. Acceptability of Insurers

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

D. Environmental Liability Insurance

If IEUA, TVMWD and Metropolitan agree to procure environmental liability insurance, IEUA and TVMWD shall obtain and Metropolitan shall pay 50% of the cost of the policy of environmental liability insurance that, at a minimum, shall cover: (1) the costs of on-site and off-site clean-up of pollution conditions relating to or arising from the Program (including natural resource damages, changes in water quality regulatory requirements and/or changes in the quality of

water in the basin below original water quality readings); and (2) losses resulting from tort claims for bodily injury and property damage resulting from pollution conditions relating to or arising from the Program. Such insurance shall have limits of liability and terms and conditions (including premiums) reasonably approved by Metropolitan. Notwithstanding the foregoing, if Metropolitan reasonably agrees that, despite IEUA's and TVMWD's good faith and diligent efforts to obtain such environmental liability insurance, the coverage required herein is not available on commercially reasonable terms, IEUA and TVMWD shall obtain the coverage that most closely approximates the coverage required herein that is available on commercially reasonable terms or consider other risk financing alternatives. Metropolitan shall pay 50% of the cost of any such alternative coverage or risk financing alternative selected by IEUA and TVMWD, provided that the terms and conditions (including premiums) have been reasonably approved by Metropolitan.

For purposes of this Section XII(B), the "costs" of environmental liability insurance, alternative coverage or risk financing alternatives to be shared by the parties as provided in the prior paragraph shall include (1) insurance premiums and other up-front or periodic costs of coverage; (2) deductibles payable in connection with claims; and (3) any out-of-pocket costs (including court costs, attorneys' fees and other litigation expenses) incurred in connection with enforcement or collection under the policy, alternative coverage or other risk financing alternative.

XIII. DISPUTE RESOLUTION; DEFAULTS AND REMEDIES

A. Dispute Resolution

If any dispute arises between or among the Parties regarding interpretation or implementation of this Agreement (or the Operating Committee is unable to reach agreement on a matter being considered by it), the Parties will endeavor to resolve the dispute by using the services of a mutually acceptable consultant. The fees and expenses of the consultant shall be shared equally by the Parties. Except for disputes relating to exercises of Metropolitan discretion pursuant to Sections V(C); VII(A); VII(C); VII(D); XII(A) and XIII(B), if a consultant cannot be agreed upon, or if the consultant's recommendations are not acceptable to all Parties (or, in the case of the Operating Committee, to the members thereof), and unless the Parties (or members of the Operating Committee) otherwise agree, such dispute shall be settled by arbitration in accordance with the Rules of the American Arbitration Association in the County of Los Angeles, California. The arbitration panel acting pursuant to said rules may order any legal or equitable relief permitted by California law, including, without limitation, (1) declaratory and injunctive relief, (2) **SPECIFIC PERFORMANCE OF THE TERMS, CONDITIONS AND OBLIGATIONS OF THIS AGREEMENT**, (3) monetary liability, or (4) any other relief (including, without limitation, termination of this Agreement, as set forth in Section XIII(B) below) consistent

with the purposes of this Agreement and applicable to the matter. The arbitration panel shall also be empowered to make final and binding determinations with respect to matters before the Operating Committee, where the members of the Committee were unable to reach agreement. Judgment upon the award rendered by the arbitration panel may be entered and enforced by any court having jurisdiction thereof.

B. Defaults and Remedies

1. Should IEUA or TVMWD, each acting through agreement with its respective Operating Parties, fail to fully perform in the extraction of Program Water from the Metropolitan Water Storage Account in accordance with Exhibit G in response to a call from Metropolitan that has been approved by the Watermaster, and upon a determination by the Operating Committee that full performance could and should have occurred, then Metropolitan shall invoice to IEUA or to TVMWD, as appropriate, water delivered equal to the quantity in acre-feet of non-performance at two times the Tier 2 full service water rate (or its equivalent, as determined by Metropolitan in its reasonable discretion) currently then in effect (“Nonperformance Penalty”).

2. Should the Operating Committee in its review of incomplete performance, as specified in paragraph B (1) above, determine that unanticipated operational or water quality considerations precluded full performance, the Operating Committee shall not recommend to Metropolitan that the Nonperformance Penalty be assessed. In such case, IEUA or TVMWD, whichever is the responsible Member Agency, shall work with the nonperforming Operating Party to promptly set out a mutually agreeable course of action and schedule to correct the deficiency and present such to the Operating Committee for its concurrence. Future nonperformance outside of the agreed-upon schedule (provided that the Operating Committee has concurred with such schedule) would be subject to the Nonperformance Penalty.

C. Termination

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

Upon full reimbursement and payment of the amounts required pursuant to this Section XIII(C), this Agreement shall be fully terminated as to the breaching Party.

2. Notwithstanding anything to the contrary herein, upon a breach of any provision of this Agreement by Metropolitan, IEUA and TVMWD may terminate its participation in this Agreement by written notice to Metropolitan. Upon such termination, the terminating Party shall be responsible to purchase in equal installments over a 5 year period, at Metropolitan's then applicable full-service rate (or its equivalent as determined by Metropolitan in its reasonable discretion), the balance of any water then identified in the Metropolitan Storage Account.

D. Remedies Are Cumulative

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

XIV. FORCE MAJEURE EVENTS

A. Excuse to Performance

In addition to specific provisions of the Agreement, lack of performance by any Party shall not be deemed to be a breach of this Agreement, where delays or defaults are due to acts of God, or the elements, accident, casualty, labor disturbances, unavailability or delays in delivery of any product, labor, fuel, service or materials, failure or breakdown of equipment, strikes, lockouts, or other labor disturbances, acts of the public enemy, orders or inaction of any kind from the government of the United States, the State of California, or any other governmental, military or civil authority (other than Metropolitan, IEUA, TVMWD or Watermaster), war, insurrections, riots, epidemics, landslides, lightning, droughts, floods, fires, earthquakes, arrests, civil disturbances, explosions, freight embargoes, lack of transportation, breakage or accidents to vehicles, or any other inability of any Party, whether similar or dissimilar to those enumerated or otherwise, which are not within the control of the Party claiming such inability or disability, which such Party could not have avoided by exercising due diligence and care and with respect to which such Party shall use all reasonable efforts that are practically available to it in order to correct such condition (such conditions being herein referred to as "Force Majeure Events").

B. Responding to Force Majeure Events

The Parties agree that in the event of a Force Majeure Event which substantially interferes with the implementation of this Agreement, the Parties will use their

best efforts to negotiate an interim or permanent modification to this Agreement which responds to the Force Majeure Event and maintains the principles pursuant to which this Agreement was executed.

XV. MISCELLANEOUS

A. Entire Agreement

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

B. Interpretation

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

C. Further Assurances

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

D. Counterparts

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

account for more than one counterpart thereof signed by the Party against whom enforcement is sought.

E. Assignment

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

F. Venue

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

G. Governing Law; Attorneys Fees and Costs

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

H. Notice

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

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

To TVMWD: Three Valleys Municipal Water District
 General Manager

March 28, 2003 DRAFT

1021 E. Miramar Avenue
Claremont, CA 91711

To Watermaster: Chino Basin Watermaster
Chief Executive Officer
8632 Archibald Avenue, Suite 109
Rancho Cucamonga, CA 91730

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

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

I. Successors

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

J. Severability

Should any provisions of this Agreement prove to be invalid or illegal, such invalidity or illegality shall in no way affect, impair or invalidate any other provisions hereof, and such remaining provisions shall remain in full force and effect; provided, however, if the illegality or invalidity of any provision undermines the intent of the Parties, then the Parties shall attempt in good faith to amend the agreement in order to fulfill the intent of the Parties. If the Parties are unable to so amend the Agreement, then the Agreement shall terminate and be of no further force or effect.

K. Time is of the Essence

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

L. Amendment

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

March 28, 2003 DRAFT

[Remainder of Page Intentionally Blank – Signature Pages Follow]

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

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

By: _____
Ronald R. Gastelum
Chief Executive Officer

Date: _____

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

By: _____
(Name)
Assistant General Counsel

Date: _____

INLAND EMPIRE UTILITIES AGENCY

By: _____
Richard Atwater
General Manager

Date: _____

APPROVED AS TO FORM:

By: _____
(Name)
General Counsel

Date: _____

**THREE VALLEYS MUNICIPAL WATER
DISTRICT**

By: _____
(Name)
General Manager

Date: _____

APPROVED AS TO FORM:

By: _____
(Name)
General Counsel

Date: _____

CHINO BASIN WATERMASTER

By: _____
(Name)
Watermaster

Date: _____

APPROVED AS TO FORM:

By: _____
(Name)
General Counsel

Date: _____

EXHIBIT A

DWR FUNDING LETTER

Exhibit B

REQUEST FOR PROPOSAL

Exhibit C

THE PROPOSAL

Exhibit D

METROPOLITAN AWARD LETTER

Exhibit E

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

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

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

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

Exhibit F

ACCOUNTING METHODOLOGY

Annual Operating Plan

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

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

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

Calculation of Storage and Extraction

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

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

a. Initial storage balance upon execution of this Agreement shall be consistent with Exhibit E “Procedure for Initial Calculation of Metropolitan Storage Account”. This initial storage balance is firm water to be billed at the rate designated in Exhibit E upon its extraction. This water, when extracted, shall be part of IEUA’s firm water allocation pursuant to the rate structure. This water shall be first in, and first out of the Metropolitan Storage Account.

b. All other water delivered to the Metropolitan Storage Account shall be “new wet-water storage” to the Chino Basin, and not accomplished through an accounting transfer of pre-existing storage. New storage is achieved through demonstrated in-lieu delivery spreading, or injection of imported water supplied by Metropolitan.

c. Monthly amounts certified by IEUA or TVMWD as in-lieu storage cannot exceed:

1. extraction capacity available within IEUA’s or TVMWD’s service area in the month certified, and
2. amount of firm water purchased by IEUA or TVMWD from Metropolitan in the month certified.

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

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

Exhibit G

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

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

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

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

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

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

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

Exhibit H

DESCRIPTION OF PROGRAM FACILITIES & OPERATING PARTIES

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

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

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

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

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EXHIBIT 11

LOCAL AGENCY AGREEMENT

Dated as of April 15, 2003

By and Among

INLAND EMPIRE UTILITIES AGENCY,

And

THE CITY OF ONTARIO

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EXHIBITS

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LOCAL AGENCY AGREEMENT

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

WITNESSETH:

WHEREAS, in March 2000, California voters approved Proposition 13 ("Prop. 13") authorizing the State of California to sell \$1.97 billion in general obligation bonds for water related projects throughout the State. The Governor's Budget Act for 2000, Chapter 52, Statutes of 2000, appropriated to the California Department of Water Resources ("DWR") local assistance grants for groundwater storage and supply reliability projects in the amount of \$161,544,000 by budget item 3860-01-6027, payable from the Interim Reliable Water Supply and Water Quality Infrastructure and Managed Subaccount; and

WHEREAS, Metropolitan was subsequently selected by DWR as a grant recipient for \$45 million (the "Prop. 13 Funds") to be used for groundwater storage projects within its service area. In a letter dated October 13, 2000, DWR set forth the specific terms and conditions of the grant to Metropolitan; and

WHEREAS, on September 20, 2000, Metropolitan sent a letter to its twenty-six member public agencies (consisting of cities, municipal water districts and a county water authority within its 5,155 square-mile service area covering portions of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties), requesting a list of groundwater storage projects to be considered for Prop.13 Funding. On November 1, 2000, Metropolitan delivered to those member public agencies that indicated an interest in the Prop. 13 groundwater storage programs, a Request for Proposals for Participation in Groundwater Storage Programs Using Proposition 13 Funds, RFP No. WRM-2 (the "RFP"); and

WHEREAS, Metropolitan anticipated that programs funded by the Prop. 13 Funds would store water (by various methods) that Metropolitan imports from the State Water Project and the Colorado River. This stored water would be pumped by the member agency (or a sub-agency) with a corresponding reduction in surface water deliveries from Metropolitan. As a result, Metropolitan would have a greater amount of water to distribute within its service area. In addition, such groundwater storage programs are part of a larger effort to meet water supply demands in Southern California, as specifically set forth in the Integrated Water Resources Plan approved by Metropolitan's Board of Directors in 1996, and the Groundwater Storage Principles adopted in connection therewith by Metropolitan's Board of Directors in January 2000; and

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

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

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

NOW THEREFORE, the parties hereto do agree as follows:

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

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

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

Section 4. Local Agency Duties Generally. Local Agency hereby accepts and agrees to perform all of IEUA's duties under the Metropolitan Agreement relating to the Local Agency Facilities, it being the intention of IEUA and Local Agency that Local Agency will be directly responsible for all aspects of constructing, operating and maintaining the Local Agency Facilities in accordance with the Metropolitan Agreement. Local Agency shall only be required to increase its overall local groundwater production capacity in an amount equal to that percentage of 8,076 acre feet that equals the percentage of IEUA payment to the Local Agency of the \$5,674,168.

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

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

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

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

(i) Cause the Local Agency Facilities to be operated and maintained in as good and efficient condition as upon their construction, ordinary and reasonable wear and depreciation excepted, and otherwise in accordance with industry standards (and DWR standards and requirements, if any);

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

(iii) To the extent existing facilities are utilized for the Program, provide for all repairs, renewals, and replacements necessary to the efficient operation of such existing facilities; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Maintain Ownership of Program Property. Local Agency will not sell, abandon, lease, transfer, exchange, mortgage, hypothecate or encumber in any manner whatsoever all or any portion of any real or other property necessarily connected or used in conjunction with the Program without the written consent of IEUA, which consent shall not unreasonably be withheld. IEUA shall have the burden of persuasion with respect to the unreasonableness of any proposed Local Agency action regarding the property. Local Agency shall use reasonable efforts to avoid material legal injury to third parties and to comply with lawful regulatory agency requirements in the construction and operation of Local Agency Facilities.

Section 7. Miscellaneous.

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

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

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

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

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

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

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

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

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

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

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

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

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

INLAND EMPIRE UTILITIES AGENCY

By: 
~~President~~

CITY OF ONTARIO


By: 
Gregory C. Devereaux
City Manager

EXHIBIT A

CITY OF ONTARIO

LOCAL AGENCY FACILITIES

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

EXHIBIT B

PERFORMANCE TARGETS

CITY OF ONTARIO

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

8,076 AF reduced imported water reduction

8,076 AF pumped from Metropolitan Water District storage account

8,076 AF increase in City of Ontario's overall local supply production
all three criteria must be met plus or minus 10 percent

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

EXHIBIT 12

COPY

LOCAL AGENCY AGREEMENT

Dated as of January 12, 2004

By and Among

INLAND EMPIRE UTILITIES AGENCY,

And

THE CITY OF ONTARIO AND JURUPA COMMUNITY SERVICES DISTRICT

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EXHIBITS

Exhibit A	Local Agency Facilities	A-1
Exhibit B	Performance Target	B-1

LOCAL AGENCY AGREEMENT

This Agreement is entered into as of January ____, 2004, by and among the Inland Empire Utilities Agency ("IEUA"), a municipal water district duly organized and existing under the laws of the State of California, and the City of Ontario and Jurupa Community Services District (the latter two collectively the "Local Agencies"), a General Law City, and a Community Services District, respectively, both of which are duly organized and existing under the laws of the State of California.

WITNESSETH:

WHEREAS, in March 2000, California voters approved Proposition 13 ("Prop. 13") authorizing the State of California to sell \$1.97 billion in general obligation bonds for water related projects throughout the State. The Governor's Budget Act for 2000, Chapter 52, Statutes of 2000, appropriated to the California Department of Water Resources ("DWR") local assistance grants for groundwater storage and supply reliability projects in the amount of \$161,544,000 by budget item 3860-01-6027, payable from the Interim Reliable Water Supply and Water Quality Infrastructure and Managed Sub account; and,

WHEREAS, Metropolitan was subsequently selected by DWR as a grant recipient for \$45 million (the "Prop. 13 Funds") to be used for groundwater storage projects within its service area. In a letter dated October 13, 2000, DWR set forth the specific terms and conditions of the grant to Metropolitan; and,

WHEREAS, on September 20, 2000, Metropolitan sent a letter to its twenty-six member public agencies (consisting of cities, municipal water districts and a county water authority within its 5,155 square-mile service area covering portions of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties), requesting a list of groundwater storage projects to be considered for Prop. 13 Funding. On November 1, 2000, Metropolitan delivered to those member public agencies that indicated an interest in the Prop. 13 groundwater storage programs, a Request for Proposals for Participation in Groundwater Storage Programs Using Proposition 13 Funds, RFP No. WRM-2 (the "RFP"); and,

WHEREAS, Metropolitan anticipated that programs funded by the Prop. 13 Funds would store water (by various methods) that Metropolitan imports from the State Water Project and the Colorado River. This stored water would be pumped by the member agency (or a sub-agency) with a corresponding reduction in surface water deliveries from Metropolitan. As a result, Metropolitan would have a greater amount of water to distribute within its service area. In addition, such groundwater storage programs are part of a larger effort to meet water supply demands in Southern California, as specifically set forth in the Integrated Water Resources Plan approved by Metropolitan's Board of Directors in 1996, and the Groundwater Storage Principles

adopted in connection therewith by Metropolitan's Board of Directors in January 2000;
and,

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

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

WHEREAS, in exchange for such amounts, the Parties hereto intend that the Local Agencies assume the obligations specified herein of IEUA under the Metropolitan Agreement and all obligations relating to the Local Agency Facilities, whether such obligations are imposed by Metropolitan, DWR or another entity;

NOW THEREFORE, the Parties hereto do agree as follows:

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

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

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

Section 4. IEUA Duties. As between IEUA and the Local Agencies, IEUA shall have the following duties included in the Metropolitan Agreement relating to the Local Agency Facilities:

- (a) CEQA. To the extent IEUA determines the Local Agency Facilities listed in Exhibit "A" hereto are not adequately addressed in IEUA's Final Program Environmental Impact Report for the Chino Basin Watermaster Optimum Basin Management Program certified by IEUA on July 12, 2000, or Finding of Consistency (Addendum) certified by IEUA on December 18, 2002, IEUA shall undertake additional environmental review pursuant to the California Environmental Quality Act (CEQA) and prepare, adopt and certify a

Finding of Consistency or other document(s) as appropriate under CEQA.

- (b) Permits and Approvals. IEUA shall be responsible for delivering to Metropolitan the Required Approvals specified in Section III.C. of the Metropolitan Agreement following coordination with and understandings between IEUA and the Local Agencies with respect to any Required Approvals which will be secured by the Local Agencies in connection with the construction and operation of the Local Agency Facilities.
- (c) No Litigation. IEUA shall be responsible for the no litigation certification to Metropolitan described in Section III.D. of the Metropolitan Agreement.

Section 5. Local Agencies Duties. As between IEUA and the Local Agencies, the Local Agencies shall have the following duties included in the Metropolitan Agreement relating to the Local Facilities.

- (a) Program Planning. The Local Agencies shall provide to IEUA the Plans, Schedule and Budget as provided for in, and consistent with, Section IV.A.3 of the Metropolitan Agreement for the Local Agency Facilities listed in Exhibit "A" hereto within a sufficient amount of time to enable IEUA to deliver these items to Metropolitan by September 1, 2004. In the event of disapproval of these items by Metropolitan or DWR (Section IV.A.4.c. of the Metropolitan Agreement), the Local Agencies and IEUA shall agree upon the correction of any deficiencies prior to IEUA meeting with Metropolitan. The Local Agencies shall have responsibility for the items specified in Section IV.A.3.d. & e. of the Metropolitan Agreement.
- (b) Construction. The Local Agencies shall perform all of IEUA's duties included in Section IV.B. of the Metropolitan Agreement with respect to the construction of the Local Agency Facilities listed in Exhibit "A" hereto. The Local Agencies may let contracts for the Local Agency Facilities through addendum or change order consistent with their and IEUA's enabling authorities.
- (c) Project Construction Funding. The Local Agencies agree to pay for any cost overruns (Section V.B. of the Metropolitan Agreement) allocable to the Local Agency Facilities listed in Exhibit "A" hereto subject to prior consultation with IEUA and approval by the Local Agencies. The Local Agencies shall provide IEUA with the information and certifications necessary for IEUA to submit an Invoice pursuant to Section V.C. of the Metropolitan Agreement.
- (d) Operation and Maintenance of Local Agency Facilities. With respect to the Local Agency Facilities listed in Exhibit "A" hereto, the Local Agencies shall be responsible for performing the duties set forth in Section VI.B. of the Metropolitan Agreement.

- (e) Delivery of Metropolitan Water. Watermaster and IEUA will allocate Metropolitan water supplied by Metropolitan's Storage Account (replenishment, injection or in lieu) through an annual operating plan to be approved by IEUA and Watermaster. To the extent the Local Agencies are allocated Metropolitan in lieu water, rate and charges paid by the Local Agencies for such in lieu deliveries shall be based upon IEUA rates and charges adopted its Board of Directors for the Metropolitan Dry Year Storage Program from time-to-time.
- (f) Groundwater and Pumping Responsibilities. The Local Agencies acknowledge that Metropolitan has the right to demand the pumping of stored water in the Chino groundwater basin. The Local Agencies shall provide for the pumping of stored water (on a pro rata basis determined by IEUA on the basis of all applicable groundwater pumpers that have agreements with IEUA similar to this Agreement) upon Metropolitan's request of a Stored Water Delivery, all in accordance with Section VII(C) of the Metropolitan Agreement, and consistent with Exhibit "B" hereto. The Local Agencies shall be reimbursed by Metropolitan for operation and maintenance expenses incurred when pumping stored water upon Metropolitan's demand, all in accordance with Section VII(D) of the Metropolitan Agreement.
- (g) Record Keeping, Reporting, Inspection and Audit Duties. The Local Agencies shall perform all of IEUA's record keeping, reporting, inspection and audit duties, which relate to the Local Agency Facilities, all in accordance under Section X of the Metropolitan Agreement.
- (h) Indemnity. The Local Agencies shall immediately reimburse IEUA for any amounts expended for compliance with Section XI of the Metropolitan Agreement which are allocable or which in any way relate to the Local Agency Facilities to the extent such indemnification is directly related to the Local Agencies' duties expressly specified in this Agreement.
- (i) Insurance. The Local Agencies shall be responsible for providing and paying for all insurance with respect to the Local Agency Facilities required by Section XII of the Metropolitan Agreement.

Section 6. Representations, Warranties and Covenants. The Local Agencies represent, warrant and covenant as follows:

- (a) Power and Authority. That the City of Ontario is a general law city and Jurupa Community Services District is a Community Services District, duly organized and validly existing under the laws of the State of California; that they have all necessary power and authority to enter into this Agreement and to perform their obligations hereunder on the terms set forth in this Agreement, and that the

execution and delivery hereof by them and the performance of their obligations hereunder will not violate or constitute an event of default under the terms or provisions of any agreement, document or instrument to which they are a party or by which they are a party or by which they are bound.

- (b) Authorization; Valid Obligation. That all proceedings required to be taken by or on behalf of the Local Agencies to authorize them to make, deliver and carry out the terms of this Agreement have been duly and properly taken, and that this Agreement is their valid and binding obligation enforceable in accordance with its terms, except as the same may be affected by bankruptcy, insolvency, moratorium or similar laws or by legal or equitable principles relating to or limiting the rights of contracting parties generally.
- (c) No Litigation. To the best of the Local Agencies' knowledge, there is no litigation, proceeding or investigation pending or threatened, to which they are or would be a party, or which does or would bind or relate to the Chino Basin, directly or indirectly, which, individually or in the aggregate, if adversely determined, might materially and adversely affect their ability to perform their obligations under this Agreement, or which raises a question as to the validity of this Agreement, or any action to be taken hereunder.
- (d) Compliance with Laws. In the performance of their obligations hereunder, the Local Agencies and their contractors and subcontractors will comply with all applicable laws, regulations and ordinances, including, without limitation, those listed in Section IX of the Metropolitan Agreement.
The Local Agencies and their contractors and subcontractors will give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement. The Local Agencies and their contractors will include the nondiscrimination and compliance provisions of this clause in all contracts and subcontracts let for the construction of the Local Agency Facilities.
- (e) No Construction. Construction of the Local Agency Facilities and related work (including planning activities), for purposes of Prop. 13 Funds eligibility, did not commence prior to the Effective Date.
- (f) Capacity. The Local Agencies and their contractors, subcontractors and their respective agents will at all times act in an independent capacity and not purport to act as, or represent to others that they are, officers, employees, representatives or agents of Metropolitan, DWR or the State of California.
- (g) Oversight and Supervision of Construction. The Local Agencies will oversee and supervise all contractors and keep control of all work and provisions of services and materials in connection with the Program.

- (h) Maintain Ownership of Program Property. The Local Agencies will not sell, abandon, lease, transfer, exchange, mortgage, hypothecate or encumber in any manner whatsoever all or any portion of any real or other property necessarily connected or used in conjunction with the Program.

Section 7. Miscellaneous.

- (a) Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed a part of this Agreement.
- (b) Partial Invalidity. If any one or more of the covenants or agreements provided in this Agreement to be performed should be determined to be invalid or contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.
- (c) Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.
- (d) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.
- (e) Notices. Any notices required or permitted to be given hereunder shall be given in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, (c) by Federal Express or another reputable commercial overnight courier that guarantees next day delivery and provides a receipt, or (d) by telefacsimile or telecopy, and such notices shall be addressed as follows:

If to IEUA:

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

New Address:

6075 Kimball Avenue
Chino, CA 91710

With a copy to:

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

If to Watermaster: Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, California 91730
Attention: John Rossi

If to Local Agency: Jurupa Community Services District
11201 Harrel Street
Mira Loma, California 91752
Attention: Carole A. McGreevy

With a copy to: John J. Schatz, Esq.
P.O. Box 7775
Laguna Niguel, California 92607

If to Local Agency: City of Ontario

Attention: _____

With a copy to: _____

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

- (f) Merger of Prior Agreements. This Agreement and the exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof.
- (g) Time of the Essence. Time is of the essence in the performance of this Agreement.

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

INLAND EMPIRE UTILITIES AGENCY

By: John L. Anderson
President

JURUPA COMMUNITY SERVICES DISTRICT

By: Kenneth J. McLaughlin
Kenneth J. McLaughlin, President

CITY OF ONTARIO

By: _____

EXHIBIT A

LOCAL AGENCY FACILITIES

City Of Ontario

Central Ion Exchange Nitrate Removal Facility at Cucamonga Avenue between Fourth Street and I Street.

5 Wells at Conours & Milliken Ave; 1335 Holt Blvd, G Street & Dupont Ave; Jurupa Street & Dupont Ave.

Jurupa Community Services District

Roger D. Teagarden Ion Exchange Water Treatment Facility, 4150 Etiwanda Avenue, Mira Loma.

EXHIBIT B

PERFORMANCE TARGET

Jurupa Community Services District:

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

2,000 AF reduced imported water reduction

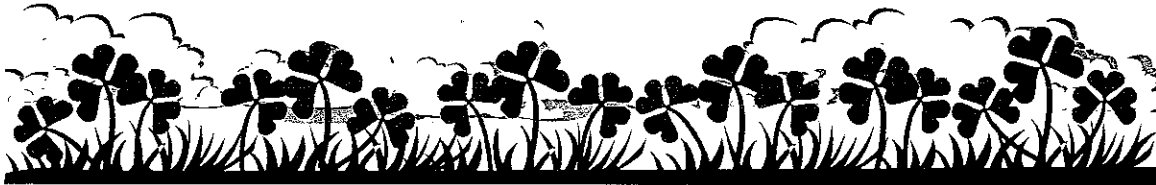
2,000 AF pumped from MWD storage account

2,000 AF increase in JCSD overall local supply production

all three criteria must be met plus or minus 10 percent

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

EXHIBIT 13



CHINO BASIN WATERMASTER

Thursday, March 25, 2004

10:00 a.m. – Advisory Committee Meeting

1:00 p.m. – Watermaster Board Meeting

II. BUSINESS ITEMS

A. IEUA Storage Agreement

Consider Approval of The Dry Year
Yield Program's Storage Agreement
with The IEUA



CHINO BASIN WATERMASTER

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

JOHN V. ROSSI
Chief Executive Officer

STAFF REPORT

DATE: March 11, 2004
March 16, 2004
March 25, 2004

TO: Committee Members
Watermaster Board Members

SUBJECT: MWD/IEUA/TVMWD GROUNDWATER STORAGE ACCOUNT

SUMMARY

Issue – Approval of Storage Agreement for IEUA/TVMWD/MWD Groundwater Storage Program

Recommendations – Staff recommends that the Pools, Advisory Committee and Watermaster Board approve the IEUA/TVMWD/MWD groundwater storage agreement and direct counsel to transmit the agreement to the Court for approval.

Fiscal Impact – Approval of this item has no financial impact. Financial impacts were analyzed as part of the Master Agreement approval process.

BACKGROUND

On April 2, 2003 Inland Empire Utilities Agency ("IEUA") submitted an Application under Article X of the Watermaster Rules and Regulations for a 100,000 acre-foot storage account in Watermaster's Storage and Recovery Program. This storage account will be used to implement the terms of the Groundwater Storage Program Funding Agreement (Agreement No. 49960) ("Funding Agreement") that was executed by IEUA, Three Valleys Municipal Water District, Watermaster, and the Metropolitan Water District of Southern California ("Metropolitan") on June 19, 2003.

Pursuant to Watermaster's Rules and Regulations § 10.10, Watermaster provided Notice of this Application on April 30, 2003. This Notice included the Application and supporting materials as well as a staff report which summarized the Application, the Article X procedures relative to applications to participate in the Storage and Recovery Program, and a brief summary and analysis of the potential for Material Physical Injury to any person or the Basin due to the 100,000 acre-foot account. This analysis for the potential for Material Physical Injury was based upon the previous CEQA analysis for the project, and a preliminary analysis performed by Wildermuth Environmental. The referenced CEQA analysis was the Programmatic Environmental Impact Report for the Chino Basin Optimum Basin Management Program, which was certified by IEUA on July 12, 2000. With specific reference to the Dry Year Yield storage project with MWD, the PEIR was supplemented by a Findings of Consistency certified by IEUA on December 28, 2002. As a further supplement, Wildermuth Environmental, Inc., under a subcontract agreement with Black & Veatch Corp., produced a Chino Basin Dry-Year Yield Program Modeling Report, which analyzed the operation of the contemplated storage under reasonably foreseeable basin management conditions not developed at the time of the PEIR.

At the August 2003 Pool Committee meetings, the Application and Watermaster's analysis were considered. Watermaster's staff report recommended approval of the Application. All pools recommended unanimously that the Advisory Committee and Board approve the Application.

In order to provide all parties an opportunity to fully consider the Application along with the completed Report, the Application was not considered by the Advisory Committee and Board until their October meetings. There were no contests to the Application, and thus, pursuant to the Rules and Regulations, Watermaster was permitted to approve the Application without holding a hearing. On October 23, 2003, the Advisory Committee and Board considered the Application. Based upon the findings of no Material Physical Injury, both bodies unanimously recommended approval.

Based on this approval, staff and legal counsel have negotiated a storage agreement with IEUA and TVMWD which will allow for the creation of a storage account in order to implement the terms of the Funding Agreement.

This storage agreement contains assurances of Watermaster's discretionary powers in order to continue to monitor the implementation of the Dry Year Yield project to ensure that it does not cause Material Physical Injury to any party or to the Basin. It is protective of Watermaster's duties under the Judgment and carries forward the commitments of the parties embodied in the Funding Agreement and described through the Application approval process.

All three Pools have unanimously recommended that the Advisory Committee and Board approve the agreement and direct legal counsel to file it with the Court for final approval.

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

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

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

WHEREAS, Exhibit B to the Peace Agreement was the Implementation Plan: Optimum Basin Management Program (“Implementation Plan”) and the Court ordered Watermaster to proceed in accordance with the Peace Agreement and Implementation Plan on _____, 2000.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

WHEREAS, the additional analysis completed at the direction of Watermaster demonstrated that there

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

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

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

NOW IT IS HEREBY AGREED THAT:

I. Definitions.

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

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

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

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

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

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

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

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

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

IV. Annual Operating Plan.

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

B. Pursuant to the Funding Agreement, use of the storage account will be according to the terms described in each Annual Operating Plan.

- C. The Annual Operating Plan shall provide sufficient information to allow the Operating Committee and Watermaster to assess potential impacts from the Storage and Recovery of Supplemental Water under this Agreement on the Chino Basin and the Judgment parties, such as: (1) current and projected water levels in the basin; and (2) short-term and long-term projections of Chino Basin water supply and water quality. Watermaster shall not approve an Annual Operating Plan that does not, in Watermaster's discretionary judgment, provide sufficient detail to allow Watermaster to assess the potential for Material Physical Injury to be caused by the Storage and Recovery of Supplemental Water.
 - D. The Annual Operating Plan shall provide an estimated schedule and location for all Storage and Recovery of Supplemental Water under this Storage Agreement on a monthly basis for the upcoming fiscal year.
 - E. The Initial Annual Operating Plan shall not become effective until approved by Watermaster.
 - F. Watermaster shall not approve an Annual Operating Plan that may cause Material Physical Injury, nor shall Watermaster approve an Annual Operating Plan that conflicts with other OBMP projects or programs, including, but not limited to, the Interim or Long Term Plan for the Management of Subsidence in Management Zone 1, the maintenance of hydraulic control or the operation of the Chino Basin desalters as such programs may be amended and approved by Watermaster in accordance with the Judgment and the Peace Agreement.
 - G. Neither IEUA, TVMWD nor Watermaster will approve an Annual Operating Plan that will conflict with Watermaster's responsibilities to provide for the replenishment needs of the Chino Basin.
 - H. Any substantial variance from the terms of the Annual Operating Plan shall require further Watermaster approval.
- V. Delivery Maximum. The maximum rate of placement of water into storage by IEUA and TVMWD through the Participating Appropriator's facilities shall be 25,000 acre-feet in any year, unless Watermaster in its discretion authorizes additional annual deliveries up to the cumulative maximum of 100,000 acre-feet.
- VI. Withdrawal Maximum. The maximum rate of recapture of water from storage by IEUA and TVMWD through the Participating Appropriator's facilities shall be the lesser of (a) 33,000 acre-feet per year, or (b) the amount of water remaining in the IEUA and TVMWD Storage and Recovery account.
- VII. Regulation of Water in Storage. IEUA and TVMWD acknowledge that any Storage and Recovery of Supplemental Water under this Agreement shall occur only under Watermaster's control and regulation

in accordance with the Judgment and the Peace Agreement. However, Watermaster agrees that the Watermaster's Storage and Recovery Policies shall be applied to water stored pursuant to this Agreement in a non-discriminatory manner consistent with the application of such policies to any other participant in the Storage and Recovery Program, including all parties to the Judgment. Watermaster shall not impose any policies upon the water stored pursuant to this Agreement, whether or not imposed on other parties, that would materially alter the benefits provided to or the obligations imposed upon Metropolitan under the Funding Agreement. Without limiting the foregoing, Watermaster shall not impose any policies that would create any significant discrepancies between the amount of water placed into storage and the amount of water that is available for recapture.

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

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

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

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

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

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

CHINO BASIN WATERMASTER

By: _____

Dated: _____

Approved as to Form:

INLAND EMPIRE UTILITIES AGENCY

By: _____

Dated: _____

Approved as to Form:

THREE VALLEYS MUNICIPAL WATER DISTRICT

By: _____

Dated: _____

Approved as to Form:

CHINO BASIN WATERMASTER

Case No. RCVRS 51010

Chino Basin Municipal Water District v. City of Chino, et al.

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 action within. My business address is Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California 91730; telephone (909) 484-3888.

On February 15, 2023, I served the following:

1. APPENDIX OF EVIDENCE IN SUPPORT OF CITY OF ONTARIO'S MOTION CHALLENGING WATERMASTER'S NOVEMBER 17, 2022 ACTIONS/DECISION TO APPROVE THE FY 2022/2023 ASSESSMENT PACKAGE
VOL 2: EXHIBITS 7 – 13

BY MAIL: in said cause, by placing a true copy thereof enclosed with postage thereon fully prepaid, for delivery by the United States Postal Service mail at Rancho Cucamonga, California, addresses as follows:
See attached service list: Mailing List 1

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

BY FACSIMILE: I transmitted said document by fax transmission from (909) 484-3890 to the fax number(s) indicated. The transmission was reported as complete on the transmission report, which was properly issued by the transmitting fax machine.

BY ELECTRONIC MAIL: I transmitted notice of availability of electronic documents by electronic transmission to the email address indicated. The transmission was reported as complete on the transmission report, which was properly issued by the transmitting electronic mail device.
See attached service list: Master Email Distribution List

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

Executed on February 15, 2023 in Rancho Cucamonga, California.



By: Ruby Favela Quintero
Chino Basin Watermaster

PAUL HOFER
11248 S TURNER AVE
ONTARIO, CA 91761

JEFF PIERSON
2 HEXAM
IRVINE, CA 92603

Ruby Favela Quintero

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Cassandra Hooks
Chad Blais
Chander Letulle
Charles Field
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Chino Hills City Council
Chris Berch
Chris Diggs
Christiana Daisy
Christofer Coppinger
Christopher M. Sanders
Christopher Quach
Christopher R. Guillen
Cindy Cisneros
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City of Chino, Administration Department

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Cris Fealy
Curtis Burton
Dan Arrighi
Dan McKinney
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Danny Kim
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Dave Crosley
David Aladjem
David De Jesus
David Huynh
Dawn Forgeur
Denise Garzaro
Dennis Mejia
Dennis Williams
Derek Hoffman
Diana Frederick
Ed Means
Edgar Tellez Foster
Eduardo Espinoza
Edward Kolodziej
Elizabeth M. Calciano
Elizabeth P. Ewens
Elizabeth Skrzat
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Eric Garner
Eric Grubb
Eric N. Robinson
Eric Papathakis
Eric Tarango
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