		FEE EXEMPT
1 2 3 4 5 6 7 8 9	ELIZABETH P. EWENS (SB #213046) elizabeth.ewens@stoel.com MICHAEL B. BROWN (SB #179222) michael.brown@stoel.com WHITNEY A. BROWN (SB #324320) whitney.brown@stoel.com STOEL RIVES LLP 500 Capitol Mall, Suite 1600 Sacramento, CA 95814 Telephone: 916.447.0700 Facsimile: 916.447.4781 Attorneys for CITY OF ONTARIO SUPERIOR COURT OF THE	EXEMPT FROM FILING FEES PURSUANT TO GOV. CODE, § 6103 E STATE OF CALIFORNIA
10	COUNTY OF SAI	
11	CHINO BASIN MUNICIPAL WATER DISTRICT,	Case No. RCVRS 51010
12	Plaintiff,	ASSIGNED FOR ALL PURPOSES TO HONORABLE GILBERT G. OCHOA
13	V.	DECLARATION OF COURTNEY JONES IN SUPPORT OF CITY OF
14	CITY OF CHINO, et al.,	ONTARIO'S MOTION CHALLENGING WATERMASTER'S
15 16	Defendants.	NOVEMBER 17, 2022 DECISION TO APPROVE THE FY 2022/2023 ASSESSMENT PACKAGE
17		Date: March 21, 2023
18		Time: 9:00 a.m. Dept: S24
19		Judge: Gilbert Ochoa
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STOEL RIVES LLP Attorneys at Law	-1 DECLARATION OF COURTNEY JONES IN SUPI	
Sacramento	WATERMASTER'S NOVEMBER	

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I, Courtney Jones, declare as follows:

I have personal knowledge of the facts stated in this Declaration and, if called as a
 witness, could and would testify competently to those facts.

- I am the Water Resources and Regulatory Affairs Director at the City of Ontario
   ("Ontario") and have held that position since March 2021. Prior to March 2021, I was employed
   by Ontario as a Senior Associate Civil Engineer and subsequently the Water Resources Manager.
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A.

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### I. DRY YEAR YIELD PROGRAM AND PERFORMANCE CRITERIA

November 17, 2022 Actions/Decision to Approve the FY 2022/2023 Assessment Package.

I make this Declaration in support of Ontario's Motion Challenging Watermaster's

## 10

### Storage and Recovery Application, and Storage Agreement

4. On April 2, 2003 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. (See Request for Judicial Notice ("RJN"), Ex. 14 at 13:16-18.)
 This storage account would be used to implement the terms of the Groundwater Storage Program
 Funding Agreement ("Funding Agreement") that was executed by the Metropolitan Water District
 ("MWD"), Inland Empire Utilities Agency ("IEUA"), Three Valleys Municipal Water District
 ("TVMWD"), and Chino Basin Watermaster ("Watermaster") on June 19, 2003. (*Id.*, Ex. 8.)

- 18 5. On October 23, 2003, the Advisory Committee and Board considered the
  19 Application and adopted the findings and recommendation of the staff report to approve the
  20 Application conditioned upon yearly approval of the Annual Operating Plan. (See RJN, Ex. 14 at
  21:20-22.)
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6. On June 24, 2004, the Watermaster's Motion for Approval of Storage and Recovery Program Agreement (DYY Storage Agreement) was argued and submitted to the Court. The DYY Storage Agreement was approved by the Court on the same date (the "2004 Court Order"). (RJN, Ex. 15.) The DYY Storage Agreement states that "Any modification of facilities that is materially different from those contemplated by the Local Agency Agreement will require the filing of a new

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STOEL RIVES LLP Attorneys at Law Sacramento application..." (Id., Ex. 14 at Ex. A, ¶ III.A.2.) Also, "Watermaster shall not approve an Annual

Operating Plan that may cause Material Physical Injury..." (*Id.*, Ex. 14 at Ex. A, ¶ IV.F.)

7. 2 The 2004 Court Order also states "Finally, the Judgment provides that agreements 3 for storage 'shall first be approved by written order of the Court' and must include terms that will 4 'preclude operations which will have a substantial adverse impact on other producers." (RJN, 5 Ex. 15 at 3:6-9, quoting Judgment at ¶ 28 [RJN, Ex. 1].) The 2004 Court Order also states "The 6 DYY Storage Agreement calls for the development of Annual Operating Plans...and is to have 7 sufficient detail to allow Watermaster to assess the potential for any adverse impacts on producers. 8 Pursuant to Judgment paragraph 28, Watermaster may not approve an Annual Operating Plan that 9 will have a substantial adverse impact on producers." (Id., Ex. 15 at 4:3-8; see also id., Ex. 1 at 10 ¶ 28.)

8. The Local Agency Agreements and DYY Storage Agreement as referenced in the
 2003 and 2004 Court Orders, are the Dry Year Yield Program ("DYY Program"). Any substantial
 changes that affect these elements of the DYY Program must be approved through the Watermaster
 Approval Process and not only approved by the signatories of the Funding Agreement.

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В.

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### 2003 Funding Agreement and Exhibit G Performance Criteria

9. The Groundwater Storage Program Funding Agreement ("Funding Agreement")
was approved through the Chino Basin Watermaster approval process in February 2003 and signed
by MWD, IEUA, TVMWD, and Watermaster in June 2003. (See RJN, Ex. 8.) As noted, above,
this Funding Agreement was ultimately approved via a June 5, 2003 Court Order ("2003 Court
Order"). (*Id.*, Ex. 9.) A flow chart depicting the approval process for the Funding Agreement is
attached as Exhibit 3.

10. As stated within the 2003 Court Order, "Watermaster takes the position that the
Funding Agreement itself is a not a 'Storage Agreement,' as that term is used in the Judgment.
'[W]hile the [Funding] Agreement commits the parties to allocate 100,000 AF of the 500,000 AF
Storage and Recovery Program to Metropolitan, the specific location and operation of the facilities
necessary to accomplish this commitment must still be analyzed by Watermaster under the Material
Physical Injury standard of the Peace Agreement and Rules and Regulations. This approval will

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1 take the form of Watermaster approval of the Local Agency Agreements by way of a Storage and 2 Recovery Application filed under Article X of Watermaster's Rules and Regulations." (RJN, Ex. 9 3 at 3:1-9.) 4 11. Also stated is, "However, it is clear that until Watermaster and this Court approve 5 the Local Agency Agreements and Storage and Recovery Application, or some equivalent approval 6 process is completed, the storage and recovery cannot be undertaken. The Judgment mandates that 7 the Funding Agreement be reviewed in this context." (RJN, Ex. 9 at 3:22-26.) 8 12. The 2003 Court Order only declares that the Dry Year Yield Program is "described" 9 in the Funding Agreement: "The Court finds that the weight of evidence support Watermaster's 10 finding that the **DYY Program**, as described in the Funding Agreement, will provide broad mutual 11 benefits to the parties to the Judgment." (RJN, Ex. 9 at 6:15-17 (emphasis added).) 12 13. Exhibit G of the Funding Agreement also describes the "Chino Basin Conjunctive 13 Use 'Dry Year' Storage Project Performance Criteria." (RJN, Ex. 8 at Ex. G.) However, because 14 IEUA and TVMWD are not local water producers, these performance criteria are placed onto their 15 member agencies to perform. 16 14. The Exhibit G Performance Criteria include both groundwater and imported water 17 criteria. (RJN, Ex. 8 at Ex. G.) The imported water criteria require a roll-off from imported water 18 supplies and onto groundwater production from the DYY Program. In this way, an agency can only 19 claim DYY credit that is equal to their shift off of their use of imported water and onto DYY 20 Program groundwater in any one year. 21 C. 2003 Local Agency Agreements<sup>1</sup> 22 15. From March to July 2003, Local Agency Agreements were executed between 23 IEUA/TVMWD and their Member Agencies (see list below): 24 Cucamonga Valley Water District (CVWD) (a)

- (b) City of Pomona (Pomona)
- City of Chino Hills (Chino Hills) (c)

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Copies of the CVWD, Ontario, and JCSD via Ontario Local Agency Agreements are included in the RJN at Exhibits 10-12. 28 -4-

1	(d) City of Chino (Chino)
2	<ul><li>(e) Monte Vista Water District (MVWD)</li></ul>
3	(f) City of Ontario (Ontario)
4	
	<ul> <li>(g) City of Upland (Upland)</li> <li>(b) Low Constitution Distribute (LCCD) in Optimized</li> </ul>
5	(h) Jurupa Community Services District (JCSD) via Ontario
6	16. These Local Agency Agreements contain an Exhibit A, which specifies each
7	agency's facilities to be used towards operation of the DYY Program as funded by the Funding
8	Agreement. (See RJN, Exs. 10-12 at Ex. A.) Also, Exhibit B of these agreements describes each
9	agencies' performance targets for both the reduction in imported water demand and corresponding
10	increase in local groundwater pumping. (Id. at Ex. B.) These local agency performance targets
11	describe how the MWD performance criteria to be performed by IEUA and TVMWD would be
12	met.
13	17. FWC does not have a Local Agency Agreement. Notwithstanding this fact,
14	Watermaster permitted FWC to claim DYY Production resulting in a financial windfall to FWC at
15	the expense of other parties, like Ontario, who were required to absorb the additional financial
16	burden.
17	D. <u>2019 Letter Agreement Approval, 2015 Amendment Approval, and Impact to</u>
18	Performance Criteria
19	18. Watermaster did not have the authority to approve the 2019 Letter Agreement at a
20	staff level and/or defer their obligations as required by Court orders and court approved agreements
21	to another agency.
22	19. The Funding Agreement, the Storage Agreement and a subsequent material
23	amendment, Amendment 8, to the DYY Program were approved through the Watermaster
24	Approval Process with amendments to Local Agency Agreements. This included compliance with
25	the Watermaster Approval Process as agenized business items with proper notice.
26	20. The chart below compares the 2015 Amendment No. 8 timeline versus 2019 Letter
27	Agreement Timeline. A flow chart depicting the approval process for the 2015 Amendment No. 8
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STOEL RIVES LLP Attorneys at Law Sacramento	-5- DECLARATION OF COURTNEY JONES IN SUPPORT OF ONTARIO'S MOTION CHALLENGING WATERMASTER'S NOVEMBER 17, 2022 ACTIONS- RCVRS 51010 118336458.5 0077104-00002 Include Draft

1 and the 2019 Letter Agreement are attached as Exhibits 1 and 2. (See RJN, Exs. 17-22, 27-29.) 2 Milestones 2015 Amendment No. 8 **2019 Letter Agreement** 3 Consideration amongst Prior to June 2014 Prior to September 2018 **Operating Parties** 4 Local Agency Agreements Amended between June & No Amendments with IEUA December 2014 5 Watermaster Pool Meeting 10/09/2014 - Agenda Item for 09/13/2018 - GM Report 6 Approval Item, no approval Item Watermaster Advisory 10/16/2014 - Agenda Item for 09/20/2018 - GM Report 7 **Committee Meeting** Approval Item, no approval 10/23/2014 - Agenda Item for 8 Watermaster Board Meeting 09/27/2018 - GM Report Approval Item, no approval 9 October 28, 2014 Watermaster General February 19, 2019 Manager Signature 10 **Fully Executed** March 20, 2019 January 23, 2015 11 12 21. The Funding Agreement has been amended eight times since the initial agreement 13 was signed. Amendments Nos. 1 thru 7 were not approved through the Watermaster Approval 14 Process because, according to Watermaster's own staff report, "[p]rior amendments to the 15 Agreement pertain to the completion timing of facilities and changes in sources of funds..." (See

16 RJN, Ex. 22 at p. 2.) The amendments include:

17		(a)	Amendment No. 1 to Funding Agreement, dated May 6, 2004
18		(b)	Amendment No. 2 to Funding Agreement, dated August 31, 2004
19		(c)	Amendment No. 3 to Funding Agreement, dated 2005
20		(d)	Amendment No. 4 to Funding Agreement, dated May 16, 2008
21		(e)	Amendment No. 5 to Funding Agreement, dated March 6, 2009
22		(f)	Amendment No. 6 to Funding Agreement, dated September 2, 2009
23		(g)	Amendment No. 7 to Funding Agreement, dated July 2010
24		(h)	Amendment No. 8 to Funding Agreement, dated January 28, 2015
25	22.	The 2	015 Amendment No. 8 would be the first actual amendment to the DYY
26	Program (not	the Fu	nding Agreement) since it amended the performance criteria and needed the
27	amending of t	the Loc	al Agency Agreements, which all are based on that performance criteria. The

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performance criteria are included in the Funding Agreement, but as stated in Section II. below, the DYY Program itself is comprised of the Local Agency Agreements (which contain the performance criteria) and the Storage Agreement.

4 23. The 2019 Letter Agreement amended one of the performance criteria (by making 5 production out of the DYY Program voluntary without needing an MWD Call) and changed who 6 could participate in the DYY Program. FWC was not part of the DYY Program since they had no 7 local agency agreement, and neither Ontario nor other parties were ever informed that the DYY 8 Program under the 2019 Letter Agreement would allow non-DYY participants to participate. 9 Watermaster staff did not have the authority to approve and sign this 2019 Letter Agreement 10 without approval through the Watermaster Approval Process. The 2019 Letter Agreement changed 11 the performance criteria and should have been approved through the Watermaster Approval Process 12 as an Amendment to the DYY Program.

24. Watermaster authority in regard to cooperation with other agencies is limited under
the Judgment. "Subject to prior recommendation or approval of the Advisory Committee,
Watermaster may act jointly or cooperate with agencies of the United States and the State of
California or any political subdivisions, municipalities or districts or any person to the end that the
purpose of the Physical Solution may be fully and economically carried out." (See RJN, Ex. 1 at
¶ 26.)

19 25. Under the Judgment, the powers and functions of the Advisory Committee includes:
20 "In the event Watermaster proposes to take discretionary action, other than approval or disapproval
21 of a Pool Committee action or recommendation property transmitted, or execute any agreement not
22 theretofore within the scope of an Advisory Committee recommendation, notice of such intended
23 action shall be served on the Advisory Committee and its members at least thirty (30) days before
24 the Watermaster meeting at which such action is finally authorized." (See RJN, Ex. 1 at ¶ 38(b)[2],
25 Ex. 3 at pp. 18, 21, 25.)

26 26. The 2019 Letter Agreement revised court orders and court approved agreements,
27 was not properly noticed, and was not authorized at any Watermaster meeting.

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#### E. Proper Noticing - 2012 Non-Agricultural Pool versus Appropriative Pool Ruling and Appeal

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27. The within Challenge is not the first challenge to Watermaster's failure to comply 3 4 with required notice and approval processes. In 2010, the Non-Agricultural Pool ("Non-Ag Pool") filed a motion to have the court find and declare pursuant to paragraph 31 of the Judgment that, 5 (1) Watermaster on behalf of the Appropriative Pool did not deliver to the members of the Non-6 Agricultural pool a notice of intent to purchase in the time and manner required by the purchase 7 and sale agreement for the purchase of water by Watermaster from the overlying (Non-8 Agricultural) pool dated September 27, 2007 (see RJN, Ex. 26 at Ex. G); and (2) all of the water 9 subject thereto should be restored to the accounts of the members of the Non-Agricultural 10 (overlying) pool. (*Id.*, Ex. 4 at 3:11-17.) 11 28. "The trial court ruled that the Watermaster did give notice, by means of the agenda 12 packages and the related discussions..." (RJN, Ex. 5 at p. 3.) 13 29. The Non-Ag Pool appealed the ruling and contended that: 14 "The Trial Court erred by finding that the Watermaster give notice, because: 15 The notice never became final. (a) 16 (b) The Watermaster did not give notice in the manner specific in the judgment. 17 The Watermaster did not give notice to individual members of the (c) Non-Agricultural Pool. 18 Participants in meetings did not actually receive an agenda package; (d) they merely received an email saying that the agenda package was 19 available online." (RJN, Ex. 5 at p. 4.) 20 21 30. The Court of Appeal agreed with the Non-Ag Pool's contention. "We agree that the 22 notice never became final. Or, to put it another way, everything that was communicated to the 23 Non-Agricultural Pool (or its representative) about giving notice or purchasing the water came with 24 the caveat that the Watermaster had not yet definitively decided to do either; thus, these

- 25 communications did not constitute notice of intent to purchase." (RJN, Ex. 5 at p. 4.) The Court of
- 26 Appeal concluded that it "must reverse the trial court's order." (*Id.* at p. 5.)
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31. On June 29, 2012 the Trial Court reversed its ruling pursuant to the order of the

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Court of Appeal. (RJN, Ex. 6.)

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### II. <u>2019 LETTER AGREEMENT, 2019 PEACE AGREEMENT AMENDMENT,</u> <u>DESALTER REPLENISHMENT OBLIGATION</u>

**A**.

## <u>2019 Letter Agreement</u>

32. In 2018, IEUA initiated discussions with the participating agencies for implementing and approving revisions to the DYY Program. These revisions would significantly change the DYY Program by allowing voluntary production out of the DYY Program storage account. These changes provided exemptions from the approved and amended performance criteria in the local agency agreements and allowed for unprecedented amounts of DYY Program production by any one agency. This letter agreement, as implemented, also allowed for agencies without a local agency agreement to participate in the DYY Program.

33. In September 2018, the topic of the letter agreement was listed as "Proposed Changes to DDY Program Operation" under the General Manger's Report in the Pools, Advisory Committee, and Board meeting packages. However, there was no staff report and the General Manager's report was only verbal. The letter agreement was not approved through the Watermaster Approval Process and there was no amendment to the local agency agreements or storage agreement. (See RJN, Exs. 27-29 at Item III.D.1.) Attached hereto as Exhibits 4-6 are true and correct copies of transcripts of the General Manager's report at the meetings of the Appropriative Pool, Advisory Committee and Board.

34. Through the discussion, Ontario staff had questions and concerns with the proposed changes. On July 31, 2018, Ontario emailed IEUA explaining that the City is "neutral" regarding the proposed letter agreement and "Ontario cannot a position of support because we cannot know the full effects of the proposed changes. Without these details, which would best be explained and memorialized in an amendment, we will take a wait-and-see approach regarding impacts, and we reserve the right to address any harm or detriment that may arise." Ontario did not approve the 2019 Letter Agreement. A true and correct copy of the July 31, 2018 email correspondence is attached hereto as Exhibit 7.

35. The 2019 Letter Agreement was signed by the parties to the Funding Agreement in

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February 2019. (RJN, Ex. 34.) The 2019 Letter Agreement both references and attaches the
 Exhibit G Performance Criteria.

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**B**.

### 2019 Appropriative Pool Pooling Plan and Peace Agreement Amendment

4 36. On November 27, 2018, the Appropriative Pool approved the "2018 Agreement to 5 Appropriative Pool Pooling Plan and CAMA Amendments" and "[f]urther, the Pool directs its 6 counsel to join in the motion to approve the Appropriative Pool Pooling Plan and CAMA 7 Amendments." (RJN, Ex. 33.) On March 15, 2019 the Court ordered changes to the Appropriative 8 Pool Pooling Plan and amendments to the Peace Agreement. (Id., Ex. 7.) Article VI of the Peace II 9 Agreement was significantly amended to expand upon Section 6.2 with respect to Desalter Replenishment. (Id., Ex. 7, Ex. A at ¶ 6.) For the purposes of determining "Adjusted Physical 10 11 Production" as part of calculating each party's Remaining Desalter Replenishment Obligation 12 (RDRO), subsection (b)(iv) was added to Section 6.2. (Ibid.) Specifically, under subsection 13 (b)(iv)(3), the following was added "Production associated with *approved* storage and recovery 14 programs (e.g., Dry Year Yield recovery program with MWD) is not counted in Adjusted Physical 15 Production, except for in-lieu participation in such programs; in-lieu put quantities shall be added 16 to physical production, and in-lieu take quantities shall be subtracted from physical production." 17 (*Ibid.* (emphasis added).)

37. This amendment to the Peace Agreement was ordered by the Court in March 2019,
the month after the 2019 Letter Agreement. This Court order amending a Court approved
agreement allowed for DYY Program water production to be exempt from the RDRO calculation,
but does not grant any exemption from Watermaster administrative and special project expenses.
This is an example that material changes related to Storage & Recovery Programs including the
DYY Program can, should, or are tied to the Peace Agreement, which amendments required formal
Watermaster and Court approvals.

38. As described in the Section II, *supra*, the DYY Program consists of both the Local
Agency Agreements and DYY Storage Agreement. As specified in the amendment to the Peace
Agreement, this exemption only applies to "approved" storage and recovery programs. (RJN, Ex. 7)

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STOEL RIVES LLP Attorneys at Law Sacramento at Ex. A, ¶ 6(b)(iv)(3).) It should be concluded that the DYY Program consistent with approved
 and amended local agency agreements and the approved storage agreement in effect in 2015 is the
 only "approved" storage and recovery program.

39. The 2019 Letter Agreement significantly changed the DYY Program, but was not
approved through the Watermaster Approval Process, was signed only by signatories to the Funding
Agreement, and was executed without amending the local agency agreements. (See RJN, Ex. 34.)

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## III. HISTORY AND PRACTICE FOR WATERMASTER ASSESSMENTS

A. <u>Assessable Production</u>

9 40. The relevant governing documents of the Chino Groundwater Basin state that all
10 water produced is assessed. The Judgment defines "Produce or Produced" as "[t]o pump or extract
11 ground water from Chino Basin." (RJN, Ex. 1 at 3:16.) "Production" is defined as "[a]nnual
12 quantity, stated in acre feet, of water produced." (*Id.* at 3:18.)

13 41. The Judgment further provides that "[p]roduction assessments, on whatever basis,
14 may be levied by Watermaster pursuant to the pooling plan adopted for the applicable pool." (RJN,
15 Ex. 1 at ¶ 51.)

16 42. The Appropriative Pool Pooling Plan states, "[c]osts of administration of this pool
17 and its share of general Watermaster expense shall be recovered by a uniform assessment applicable
18 to all production during the preceding year." (RJN, Ex. 1 at Ex. H, ¶ 6.)

19 43. The Judgment also provides that "Watermaster shall have the power to levy
20 assessments against the parties (other than minimal pumpers) based upon production during the
21 preceding period of assessable production..." (RJN, Ex. 1 at ¶ 53.)

44. Under Article IV of the Watermaster's Rules and Regulations, "Watermaster shall
levy assessments against the parties...based upon Production during the preceding Production
period. The assessment shall be levied by Watermaster pursuant to the pooling plan adopted for
the applicable pool. [Based on Judgment ¶ 53.]" (RJN, Ex. 2 at § 4.1.) Under Section 4.4,
assessment adjustments are described, but neither production from a storage and recovery program
or the DYY Program is applicable. (*Id.* at § 4.4.)

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STOEL RIVES LLP Attorneys at Law Sacramento 45. From review of the above governing documents and relevant agreements and court
 orders, it must be concluded that nothing exempts groundwater produced through the Dry Year
 Yield Program from assessments. It can be concluded that any water produced from the Chino
 Basin is subject to production-based assessments unless otherwise exempt from a court approved
 agreement or court order.

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**B**.

### Supplemental Water is Assessed

7 46. As described above, the governing documents state that all production is assessed. 8 For the purposes of assessable production, there is no distinction between native, stored, or 9 supplemental water. Stored supplemental water is also subject to Watermaster assessments when 10 it is produced, as evidenced in the most recent Watermaster Assessment Package for Assessment 11 Year 2021-2022 (Production Year 2020-2021). (See RJN, Ex. 53.) The Fontana Water Company 12 ("FWC") purchased the City of Fontana's recharged recycled water credit and transferred 13 2,722.510 AF from FWC's Local Supplemental Storage Recharged Recycled Account to its Excess 14 Carryover (ECO) Storage Account which was then used as Annual Production Right and was 15 included in FWC's assessable production. (Id. at pp. 8.1, 10.1-14.1.) Recycled water is a mixture 16 of multiple water sources (imported, groundwater, stormwater) treated through IEUA's regional 17 treatment plants and cannot reasonably be categorized as native water.

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С.

### Imported Water is Assessed

19 47. Like Supplemental Water, imported water purchased for replenishment purposes is 20 included as assessable production. This is also evidenced in the most recent Assessment Package, 21 specifically for Niagara Bottling LLC ("Niagara"). (RJN, Ex. 53 at pp. 8.1, 10.1, 25.1.) Niagara 22 does not own any water rights in the Chino Basin but is a party to the Judgment and in the 23 Appropriative Pool. Every year, Niagara pays both the replenishment costs and Watermaster 24 production-based assessments on any water it produces from the Chino Basin. If only "native" 25 water is assessed, then it would be concluded that Niagara should only pay replenishment 26 assessments and not Watermaster assessments since Niagara is essentially producing imported water out of the basin. 27

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1	48.	There is no c	ourt approved	agreement of	r court order tl	nat exempts w	ater produced
2	48. There is no court approved agreement or court order that exempts water produced from a Storage and Recovery program from assessments and there is no evidence that only						
3	production of native water is assessed.						
4	D. <u>First (</u>	Cycle of DYY	Program Wa	ter was Asses	ssed		
5	49.	The first cycl	e of the DYY	Program occu	urred from Pro	duction Years	2002/2003 to
6	2010/2011, u	nder Assessn	nent Packages	\$ 2003/2004	to 2011/2012	2. (See RJN,	Exs. 37-45.)
7	Approximatel	y 90% all wate	r within the D	YY Program s	torage account	t was subject to	Watermaster
8				C	C	U U	why "In Lieu
	-	• •	1 0 11	1			•
9	Recharge" wa	s subject to W	atermaster ass	essments and	why "Wet Wa	iter Recharge"	was not.
10	E. <u>Secon</u>	d Cycle of DY	<u>Y Program V</u>	Vater was No	ot Assessed		
11	50.	The second c	ycle of the DY	Y Program o	ccurred from I	Production Yea	ars 2016/2017
12	to 2021/2022,	under Assess	ment Packages	s 2017/2018 t	to 2022/2023.	(See RJN, Ex	xs. 46-53.) No
13	water within t	ne DYY Progr	am storage acc	count was sub	ject to Waterm	aster assessme	ents. Attached
14	as Exhibit 8 is a true and correct copy of my correspondence with IEUA relating to the DYY						
15	Program and v	oluntary with	drawal prograi	n.			
16	C	2	r c				
	FIRST DYY Cycl	e Put & Take A	"PUT" - Wet	"PUT" - In		Mater	Mater Net
17	Production	Assessment	Water	Lieu	"TAKE" (AF) <sup>1</sup>	Water Assessed	Water Not Assessed
18	Year	Year	Recharge (AF)	Recharge (AF)		(AF)	(AF) <sup>1</sup>
19				3,000.00		3,000.00	
	2002/2003	2003/2004		-			
.,	2003/2004	2004/2005	2,463.40	16,098.30		16,098.30	2,463.40
	2003/2004 2004/2005	2004/2005 2005/2006	2,463.40	16,098.30 13,623.25		16,098.30 13,623.25	2,463.40
20	2003/2004 2004/2005 2005/2006	2004/2005 2005/2006 2006/2007	2,463.40	16,098.30 13,623.25 20,673.56		16,098.30 13,623.25 20,673.56	2,463.40
	2003/2004 2004/2005 2005/2006 2006/2007	2004/2005 2005/2006 2006/2007 2007/2008		16,098.30 13,623.25 20,673.56 19,636.00		16,098.30 13,623.25 20,673.56 19,636.00	
20	2003/2004 2004/2005 2005/2006 2006/2007 2007/2008	2004/2005 2005/2006 2006/2007 2007/2008 2008/2009	2,463.40	16,098.30 13,623.25 20,673.56	10,065.94	16,098.30 13,623.25 20,673.56	2,463.40
20	2003/2004 2004/2005 2005/2006 2006/2007 2007/2008 2008/2009	2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010		16,098.30 13,623.25 20,673.56 19,636.00	38,886.20	16,098.30 13,623.25 20,673.56 19,636.00	
20 21 22	2003/2004 2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010	2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011		16,098.30 13,623.25 20,673.56 19,636.00	38,886.20 25,260.60	16,098.30 13,623.25 20,673.56 19,636.00	
20 21	2003/2004 2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011	2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010	8,200.70	16,098.30 13,623.25 20,673.56 19,636.00 1,169.25	38,886.20 25,260.60 8,372.23	16,098.30 13,623.25 20,673.56 19,636.00 1,169.25	8,200.70
20 21 22 23	2003/2004 2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010	2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011		16,098.30 13,623.25 20,673.56 19,636.00 1,169.25	38,886.20 25,260.60	16,098.30 13,623.25 20,673.56 19,636.00	
20 21 22	2003/2004 2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011 Totals	2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011	8,200.70	16,098.30 13,623.25 20,673.56 19,636.00 1,169.25	38,886.20 25,260.60 8,372.23	16,098.30 13,623.25 20,673.56 19,636.00 1,169.25	8,200.70
20 21 22 23	2003/2004 2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011 Totals Note:	2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011 2011/2012	8,200.70	16,098.30 13,623.25 20,673.56 19,636.00 1,169.25	38,886.20 25,260.60 8,372.23 82,584.97	16,098.30 13,623.25 20,673.56 19,636.00 1,169.25	8,200.70
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20 21 22 23 24 25 26 27	2003/2004 2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011 Totals Note: 1. Due to basi (See RJN, Exs	2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011 2011/2012 n losses, less w	8,200.70	16,098.30 13,623.25 20,673.56 19,636.00 1,169.25	38,886.20 25,260.60 8,372.23 82,584.97	16,098.30 13,623.25 20,673.56 19,636.00 1,169.25	8,200.70
20 21 22 23 24 25 26 27 28	2003/2004 2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011 Totals Note: 1. Due to basi (See RJN, Exs	2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011 2011/2012 n losses, less w	8,200.70	16,098.30 13,623.25 20,673.56 19,636.00 1,169.25	38,886.20 25,260.60 8,372.23 82,584.97	16,098.30 13,623.25 20,673.56 19,636.00 1,169.25	8,200.70
20 21 22 23 24 25 26 27 28 Stoel Rives LLP	2003/2004 2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011 Totals Note: 1. Due to basi (See RJN, Exs ///	2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011 2011/2012 n losses, less w	8,200.70 84,86 ater was availal	16,098.30 13,623.25 20,673.56 19,636.00 1,169.25 4.45 ble for "Take" t	38,886.20 25,260.60 8,372.23 82,584.97 han was "Put"	16,098.30 13,623.25 20,673.56 19,636.00 1,169.25 74,200.35	8,200.70
20 21 22 23 24 25 26 27 28	2003/2004 2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011 Totals Note: 1. Due to basi (See RJN, Exs ///	2004/2005 2005/2006 2006/2007 2007/2008 2008/2009 2009/2010 2010/2011 2011/2012 n losses, less w s. 37-45.)	8,200.70	16,098.30 13,623.25 20,673.56 19,636.00 1,169.25 44.45 ble for "Take" t -13-	38,886.20 25,260.60 8,372.23 82,584.97 han was "Put"	16,098.30 13,623.25 20,673.56 19,636.00 1,169.25 74,200.35	8,200.70

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1	Second DYY C	ycle Put & Take	e Assessments				
-			"PUT" - Wet	"PUT" - In		Water	Water Not
2	Production	Assessment	Water	Lieu	"TAKE" (AF) <sup>1</sup>	Assessed	Assessed
2	Year	Year	Recharge	Recharge		(AF)	(AF) <sup>1</sup>
3			(AF)	(AF)		(/ /	
4	2016/2017	2017/2018	6,314.90				6,314.90
т	2017/2018 2018/2019	2018/2019	35,069.50				35,069.50
5	2018/2019	2019/2020 2020/2021	4,617.44 17,419.53		17,394.80		4,617.44 17,419.53
	2019/2020	2020/2021	17,419.55		23,000.00		17,419.55
6	2020/2021	2022/2023			22,912.80		
7	Totals		63,42	21.36	63,307.60	0.00	63,307.60
8	Note: 1. Due to basi	n losses, less wa	ater was availal	ole for "Take"	than was "Put"		
9	(See RJN, Exs	. 46-53.)					
10		IV. <u>DYY</u>	COST SHIF	<b>FING AND </b>	FINANCIAL 3	<b>IMPACT</b>	
11	A. <u>Cost S</u>	hifting of Wa	termaster Pro	oduction Bas	sed Assessmen	ts	
12	1.	Judgment A	dministration	and OBMP	and Program	Elements 1-9	9 Fixed Costs
13	51.						
14	51. The Judgment provides that "Watermaster shall have the power to levy assessments against the parties (other than minimal pumpers) based upon production" (RJN, Ex. 1 at ¶ 53.)						
15		× ×	-	• /			
	52. "The expenses of administration of this Physical Solution shall be categorized as						
16	either (a) general Watermaster administrative expense, or (b) special project expense." (RJN, Ex. 1						
17	at ¶ 54.) These two categories of expenses are a Watermaster related fixed cost as approved with						
18	the annual budget.						
19	53.	The Judgmen	nt provides that	at general W	atermaster adr	ninistrative ex	xpenses "shall
20	include office	rental, gener	al personnel	expenses, su	pplies and off	ice equipmen	t, and related
21	incidental exp	ense and gener	ral overhead."	(RJN, Ex. 1 a	at ¶ 54(a).)		
22	54.	All three $(3)$ F	Pools, (Approp	riative, Agric	ultural, and No	on-Agricultura	l) are assessed
23	for Watermast	ter administrat	ive expenses l	based on prod	duction. The A	Appropriative	Pool pays the
24	Agricultural P	ool's share of	administrative	expenses per	r Section 5.4 of	f the Peace Ag	greement. (See
25	RJN, Ex. 23 at	t § 5.4.)					
26	55.	Under the Jud	lgment, specia	l project expe	enses "shall be	allocated to a	specific pool,
27	or any portion	thereof, only u	pon the basis	of prior expre	ess assent and f	inding of bene	fit by the Pool
28				1 /			
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Committee, or pursuant to written order of the Court." (RJN, Ex. 1 at ¶ 54(b).)

2 56. The annual fixed costs associated with Watermaster administration of the Optimum 3 Basin Management Program ("OBMP") Program Elements (PE) 1 thru 9 are assessed based on 4 production to all three (3) Pools, (Appropriative, Agricultural, and Non-Agricultural) for 5 Watermaster administrative expenses based on production. The OBMP and its related expenses 6 were agreed to by the Parties as memorialized in the Court Ordered "Peace Agreement" (2000) and 7 "Peace II Agreement" (2007). (See RJN, Ex. 23 at § VII, Ex. 33, generally.)

8

9

1

57. This is categorized in the Watermaster Annual Assessment Package as "OBMP & Program Elements 1-9" as a fixed cost based on the approved annual budget.

10 58. These two categories of expenses are fixed annual costs and are assessed to 11 Appropriative Pool parties based on each party's prior year's total groundwater production and 12 exchanges. The determination of actual assessable production is subject to adjustments based on 13 provisions within court ordered agreements.

14 59. When "Storage & Recovery Program(s)" or DYY Program production was claimed 15 by a party, that party's annual total production and exchanges number decreases by the same 16 amount. This then decreases the total annual production number used to determine the unit cost 17 for fixed costs. This invariably shifts the costs onto other Parties by increasing the overall unit cost, 18 which is applied to Parties based on their individual production amounts.

19

#### **Cost Shifting of Remaining Desalter Replenishment Obligation B**.

20 60. The determination of Remaining Desalter Replenishment Obligation ("RDRO") by 21 each Party is a function of the calculated adjusted physical production. Similar to the adjustments 22 explained above, any "Storage and Recovery Programs" production claimed by a Party reduces that 23 Party's physical production and results in a reduced adjusted physical production.

24 61. The "Total Remaining Desalter Replenishment Obligation" is an annual fixed 25 amount that must be replenished by Appropriative Pool Parties. The share applied to each Party is 26 a function of each Party's adjusted physical production. When one Party has a reduced adjusted 27 physical production (e.g. reduction due to DYY production claims), that Party's share of the RDRO

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is proportionately reduced and shifted onto the other Parties. RDRO is met by most Parties using
 existing stored water rights and those water rights have financial value.

3 62. There was an amendment to the Peace Agreement which allows for water produced 4 from "approved" Storage & Recovery programs to be reduced from physical production. (See RJN, 5 Ex. 26.) However, the 2nd cycle of the DYY Program was operated based on provisions of the 6 2019 Letter Agreement which is not the Approved DYY Program. The Approved DYY Program 7 consists of the provisions of the 2015 Amendment, which went through the Watermaster Approval 8 Process. The 2nd cycle of the DYY Program does not meet the criteria established as part of the 9 Approved DYY Program, therefore DYY Program production claims should not have been reduced 10 from the physical production.

# 11

12

C.

### <u>Failure to Assess All DYY Production, Including a Failure to Enforce the Exhibit G</u> <u>Performance Criteria, and Resulting Injury to Ontario</u>

As demonstrated by the tables, below, Watermaster's failure to assess all DYY
Program production, and associated failure to enforce the Exhibit G performance criteria, resulted
in a windfall to CVWD and FWC, and a substantially higher assessment for Ontario. The financial
impact was a combination of both a higher unit cost for Watermaster assessments and a shifting the
share of Desalter Replenishment Obligation (DRO) via water rights.

64. The Exhibit G performance criteria pertaining to the shift off of imported water
remain in full force and effect even after the 2019 Letter Agreement. Indeed, Exhibit G was
explicitly mentioned in, and attached to, the 2019 Letter Agreement. Notwithstanding the fact that
the Exhibit G performance criteria as they pertain to the use of imported water remained in effect,
in the 2022/23 assessment year, Watermaster failed to enforce the Exhibit G performance criteria.
Specifically, Watermaster allowed agencies to overclaim their DYY production thus exempting
this additional water from production assessments.

65. In the 2022/23 assessment year, CVWD shifted off of imported water by only
13, 915 AF but claimed DYY production in the amount of 17,912, thus overclaiming 4,000 AF of
DYY production.

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66. In the 2022/23 assessment year, FWC shifted off of imported water by only 1,718 AF but claimed DYY production in the amount of 5,000 AF, thus overclaiming 3,282 AF.

3 67. Watermaster's administration of the DYY program, and failure to assess all DYY 4 production, has resulted in the shifting of both Watermaster Fixed Costs and DRO Costs. 5 Specifically, under the approved 2022/23 Assessment Package, Watermaster's failure to assess all 6 DYY production has resulted in shifting \$2,400,186 of costs from CVWD and \$398,996 costs 7 from FWC to other parties, with a corresponding increase in the financial burden born by Ontario in the amount of \$693,964, as follows: 8

9	Chino Basin	Actual FY		Total Production and Exchanges	Costs Shifted due to CVWD & FWC
10	Parties	Production (AF)	DYY Claimed (AF)	(AF)	DYY Claimed
11	Cucamonga Valley Water District	27,281.10	17,912.8	9,368.3	-\$2,400,186
12	Fontana Water Company	16,387.10	5,000.0	11,387.1	-\$398,996
13	City of Ontario	14,390.00		14,390.0	\$693,964
14	Other Parties	43,266.40		43,266.4	\$2,105,221
	TOTAL	101,324.60	22,912.8	78,412	\$0.00
15	Notes				
16	The total annual fixe		\$8,643,258 and total	production and exch	anges is 99,715 AF
17		d the total productio	n from 122,629 to 99	,715 which increased	unit cost from
18	\$70.48/AF to \$86.68	S/AF = \$16.20/AF.			
19	(RJN, Ex. 56.)				
20	68. A subset of the above cost-shifting impacts corresponds to Watermaster's <b>failure to</b>				
21	enforce the Exhibit G performance criteria as it relates to imported water. Similar to the				
22	above, Watermaster's administration of the DYY program has resulted in the shifting of both				
23	Watermaster Fixed Costs and DRO Costs. Under the 2022/23 Assessment Package, both CVWD				
24	and FWC overclain	ned their DYY prod	duction in violation	of the Exhibit G p	erformance criteria,
25	resulting in a finance	cial windfall to CV	WD and FWC in th	ne amounts of \$391	,878 and \$386,979,
26	respectively, and an	additional financia	l burden and injury	to Ontario in the am	nount of \$193,186.
27					
28			. –		
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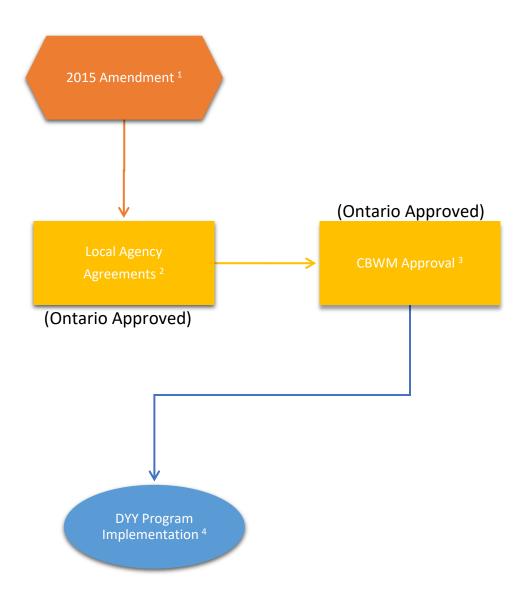
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1 2 3 4	Chino Basin Parties	Actual FY Production (AF)	Imported Water Shift (AF)	DYY Claimed (AF)	DYY Incorrectly Claimed (AF)	Costs Shifted due to CVWD & FWC Incorrect DYY Claim
5	Cucamonga Valley Water District	27,281.10	13,913.1	17,912.8	4,000	-\$391,878
6 7	Fontana Water Company	16,387.10	1,718.0	5,000.0	3,282	-\$386,979
/	City of Ontario	14,390.00				\$193,186
8	Other Parties	43,266.40				\$585,671
9	TOTAL	101,324.60	15,631.1	22,912.8	7,282	\$0.00
10 11 12	Notes The total annual fixed cost is assumed at \$8,643,258 and total production and exchanges is 115,347 AF for a unit cost of \$74.93/AF DYY claims decreased the total production from 122,629 to 115,347 which increased unit cost from \$70.48/AF to \$74.93/AF = \$4.45/AF.					
13	(RJN, Ex. 56.)					
14	I declare	under penalty of	f perjury under th	ne laws of the Sta	ate of California	that the
15	foregoing is true and correct.					
16	Executed on this 14th day of February, 2023, at Ontario, California.					
17 18	Courtney Jones					
19	Courtney Jones					
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# EXHIBIT 1

## 2015 DYY PROGRAM AMENDMENT APPROVALS



### Note:

- 1. Consideration amongst Operating Parties for the 2015 Amendment No. 8, for amending Exhibit G of the DYY Program, started prior to June 2014.
- 2. Local Agency Agreements with IEUA were amended June through December 2014.
- 3. Approved through the Watermaster process in October 2014.
  - a. Pool Meeting Item: October 9, 2014
  - b. Advisory Committee Item: October 16, 2014
  - c. Board Meeting Item: October 23, 2014
- 4. 2015 Amendment fully executed on January 23, 2015.



# **2019 LETTER AGREEMENT PROCESS**

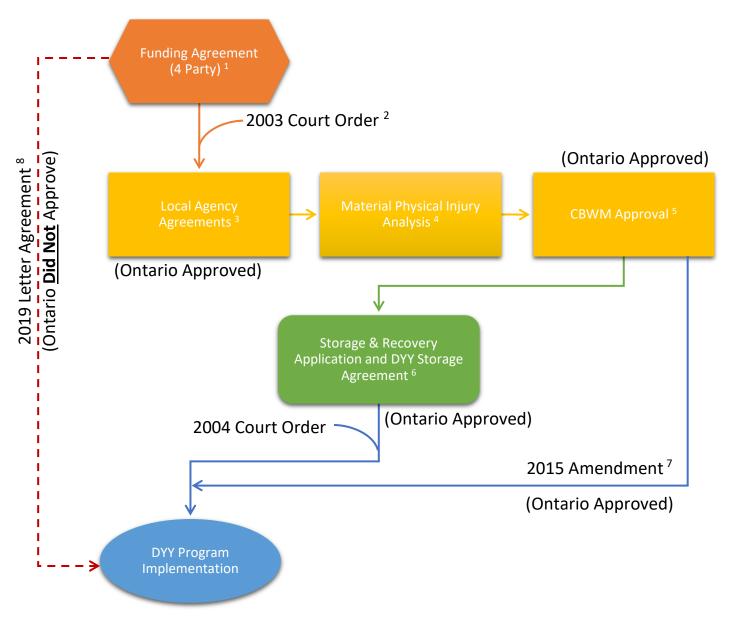


### Note:

- 1. Consideration amongst Operating Parties for the 2019 Letter Agreement started prior to September 2018.
- 2. Local Agency Agreements with IEUA were not amended.
- 3. 2019 Letter Agreement was listed as a General Manager report item and no additional discussion provided and no approval from Pools, Advisory Committee, or Board during these meetings in September 2018.
  - a. Pool Meeting Item: September 13, 2018
  - b. Advisory Committee Item: September 20, 2018
  - c. Board Meeting Item: September 27, 2018
- 4. 2019 Letter Agreement was fully executed on March 20, 2019 and signed by MWD, TVMWD, IEUA, and Chino Basin Watermaster, without Ontario approval.

# EXHIBIT 3

# DYY PROGRAM APPROVALS



Note:

- 1. Approved through Watermaster process (Pool, Advisory Committee, Board) in February 2003 and signed by MWD, TVMWD, IEUA, and Chino Basin Watermaster.
- 2. Ordered by the Court in June 2003, until the Court approves the Local Agency Agreements and Storage and Recovery Application, the storage and recovery program cannot be undertaken.
- 3. Between March 2003 & July 2003, agreements executed with IEUA & TVMWD Member Agencies
- 4. MPI Analysis performed in July 2003 by Wildermuth Environmental, Inc and presented in August 2003 through the Watermaster process.
- 5. MPI Analysis approved through Watermaster process in September 2003.
- 6. Approved through Watermaster process in October 2003 and March 2004, respectively.
- 7. The 2015 Amendment was approved through Watermaster process in October 2014, revised the performance criteria of Exhibit G, and all Local Agency Agreements were subsequently amended.
- 8. The 2019 Letter Agreement was not approved through the Watermaster process, did not receive Ontario's approval, and was signed by the Funding Agreement Parties in February 2019.



### **Appropriate Pool Meeting**

1	In Re: Chino Basin Watermaster)
2	9/13/2018 Appropriate Pool )
3	Meeting )
4	)
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16	AUDIO TRANSCRIPTION
17	OF APPROPRIATE POOL MEETING
18	MEETING DATE: 9/13/2018
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20	
21	
22	
23	Transcribed by: JOSIE C. GONZALEZ
24	CSR No. 13435 Job No. 10100869
25	

#### Appropriate Pool Meeting

In Re: Chino Basin Watermaster) 9/13/2018 Appropriate Pool ) Meeting ) ) Audio Transcription of Appropriate Pool Meeting, transcribed on May 13th, 2022 in San Diego, California, by JOSIE C. GONZALEZ, Certified Shorthand Reporter No. 13435, in and for the State of California.

\* \* \* 1 2 Start of Audio 3 \* \* 4 CHAIR LAYTON: The general manager, Peter. 5 MR. KAVOUNAS: A few items to bring to your attention, Madam Chair, members of the pool. There's 6 some proposed changes to the dry year yield program 7 operation that are being circulated. A letter has been 8 9 prepared. I wanted to advise you that we do plan to 10 sign it on behalf of Watermaster if it's necessary for 11 acknowledgment at the -- the changes don't commit 12 Watermaster to -- to anything. We actually don't think 13 a letter is even required. It's just MWD offering its 14 water at better terms to the parties, which they're 15 entitled to do. So if there is a letter, we do plan to 16 sign it. 17 CHAIR LAYTON: Peter -- sorry. Just because I 18 don't know the proposed changes, do you -- do you happen 19 to have a --20 MR. KAVOUNAS: In a nutshell they -- they -- MWD 21 are planning to make it so that instead of them only 22 being able to call the water when they want to, to also 23 allow the parties to purchase the water when they want 24 to and still get the OMN discount. 25 CHAIR LAYTON: Okay.

1	MR. KAVOUNAS: Which is a great boon for the
2	parties.
3	CHAIR LAYTON: Great. Thank you.
4	MR. KAVOUNAS: It's a good thing. Again, it
5	doesn't affect Watermaster, but we are signatories to
6	the original DYY. So if they want us to sign a letter
7	of acknowledgement, I will go ahead and do that.
8	I wanted to alert you Item Number 2 wanted to
9	alert you to CDA production has had some reduction
10	because of water quality concerns. We don't have an
11	updated model run at this point to be able to understand
12	the effect, if there is any, on hydraulic control. We
13	do plan to make the updated model run in November and
14	will evaluate the changes and impacts, if there are any,
15	and we'll advise you. CDA production is important.
16	It's essential to maintain hydraulic control. So we're
17	keeping a close eye on that.
18	The next item was to alert you to a business
19	item on the
20	CHAIR LAYTON: Sorry, Peter.
21	MR. KAVOUNAS: No worries.
22	CHAIR LAYTON: Going back to the water quality
23	concerns.
24	MR. KAVOUNAS: Yeah.
25	CHAIR LAYTON: I thought the CDA wells are

### Chino Basin Watermaster

1	supposed to be handling the water quality concerns. So
2	I'm kind of confused what what's going on there.
3	MR. KAVOUNAS: I believe they they ran into
4	is it they ran into 123 TCP that they were not
5	prepared to treat, they're not designed to treat.
6	CHAIR LAYTON: Okay. Thank you.
7	MR. KAVOUNAS: And so they had to shut down one
8	of the wells.
9	CHAIR LAYTON: All right. Thank you. I
10	appreciate that.
11	MR. KAVOUNAS: Next on my agenda was to report
12	to you that the non ag pool has an item on their agenda
13	that isn't on your agenda as is Watermaster practice.
14	They're reviewing their pooling plan, and I believe Todd
15	probably had some conversations with them and he can
16	report back to you if there's anything else.
17	And under other, 1 and 2 three things to
18	bring to your attention. One is we're sending out a
19	save the date on Tuesday, December 4th at 4:00 o'clock.
20	We plan to host an event to commemorate the 40th
21	anniversary of a judgment. So we'll be sending out
22	invitations to boards, city councils, city managers,
23	general managers, people that attend the pools, people
24	that have been involved in the past but no longer
25	involved with Chino basin. And we're looking forward to

**Appropriate Pool Meeting** 

1 having a keynote speaker and maybe a panel. And then 2 the event will be followed by some form of libations, 3 possibly dinner and that kind of thing. So I'd like to 4 put that on your radar. Hope you can -- you can join 5 us. б I mentioned to you earlier that we are preparing the assessment package. You can plan on getting 7 invitation to a workshop in October. We'll probably do, 8 as we've done before, the same format as before, and 9 10 look to have it approved in November. And this would be 11 the assessment package, again, with the existing rules 12 which would be an assessment package that would later be 13 revised if there is a -- and when there's a change in 14 the rules. So it'll be based on a safe yield of 140,000. It'll be based on equal priority between land 15 16 use conversion and early transfers, and everything else 17 as has been done in the past. 18 And last but not least is -- there's an 19 organization called CalDesal. I don't know if anybody 20 heard of CalDesal. They're looking for membership. 21 They sent us a letter asking if Watermaster would join. 22 I plan to decline the invitation. I passed it onto IUA. 23 And I think if IUA, Sean with its huge budget can join, 24 it would be representing the region. I think IUA, CDA 25 are probably a lot more qualified entities to belong to

### **Appropriate Pool Meeting**

1	CalDesal. I encourage any of you that are especially
2	those that are big participants in the CDA to consider a
3	membership because these organizations do need support,
4	but I don't think Watermaster is the right organization.
5	So I plan to decline it unless they get a strong sense
6	that Watermaster should be a part of it. Now, I'll
7	share this at advisory again and at the board, but my
8	my instinct is to decline.
9	Andy, can you please go to non ag. Thank you.
10	And that concludes my report, Madam Chair.
11	CHAIR LAYTON: All right. Any questions from
12	Peter for Peter?
13	
14	* * *
15	End of Audio
16	* * *
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1	REPORTER'S CERTIFICATION
2	
3	
4	I, Josie C. Gonzalez, a Certified Shorthand
5	Reporter in and for the State of California, do hereby
6	certify:
7	
8	That the foregoing audio file was reported by me
9	stenographically to the best of my ability and later
10	transcribed into typewriting under my direction; that
11	the foregoing is a true record of the audio file.
12	
13	IN WITNESS WHEREOF, I have subscribed my name
14	this 22nd day of May, 2022.
15	
16	Jerie - Chene dan
17	JOSIE C. GONZALEZ
18	UUSIE C. GONZALEZ
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# EXHIBIT 5

### **Advisory Committee Meeting**

1	In Re: Chino Basin Watermaster)
2	9/20/2018 Advisory Committee )
3	Meeting )
4	)
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16	AUDIO TRANSCRIPTION
17	OF ADVISORY COMMITTEE MEETING
18	MEETING DATE: 9/20/2018
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20	
21	
22	
23	Transcribed by: JOSIE C. GONZALEZ
24	CSR No. 13435 Job No. 10100870
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#### Advisory Committee Meeting

In Re: Chino Basin Watermaster) 9/20/2018 Advisory Committee ) Meeting ) ) Audio Transcription of Advisory Committee Meeting, transcribed on May 13th, 2022 in San Diego, California, by JOSIE C. GONZALEZ, Certified Shorthand Reporter No. 13435, in and for the State of California.

1	* * *						
2	Start of Audio						
3	* * *						
4	CHAIR PIERSON: It appears that Joe does not						
5	want to talk any further today, so we'll move into						
б	Peter, general manager's report.						
7	MR. KAVOUNAS: Mr. Chairman, my report my						
8	report is the same as last week at the pools, and there						
9	is one item I would like to highlight that's under other						
10	which is to ask you to please block on your calendars						
11	the date of Tuesday, December the 4th at 4:00 o'clock.						
12	We're planning an event to commemorate the 40th						
13	anniversary of a judgment, and it would be a great						
14	opportunity to hear some thoughtful remarks from people						
15	who have been around and know a lot of things.						
16	CHAIR PIERSON: Very good. That's very						
17	important to identify, so everybody put down that.						
18							
19							
20	* * *						
21	End of Audio						
22	* * *						
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1	REPORTER'S CERTIFICATION
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4	I, Josie C. Gonzalez, a Certified Shorthand
5	Reporter in and for the State of California, do hereby
6	certify:
7	
8	That the foregoing audio file was reported by me
9	stenographically to the best of my ability and later
10	transcribed into typewriting under my direction; that
11	the foregoing is a true record of the audio file.
12	
13	IN WITNESS WHEREOF, I have subscribed my name
14	this 22nd day of May, 2022.
15	
16	Josie Gonzalez
17	JOSIE C. GONZALEZ
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## Watermaster Board Meeting

1	In Re: Chino Basin Watermaster)
2	9/27/2018 Watermaster Board )
3	Meeting )
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16	AUDIO TRANSCRIPTION
17	OF WATERMASTER BOARD MEETING
18	MEETING DATE: 9/27/2018
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20	
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22	
23	Transcribed by: JOSIE C. GONZALEZ
24	CSR No. 13435 Job No. 10100872
25	

## Watermaster Board Meeting

1	In Re: Watermaster Board )
2	Meeting, 9/27/2018 )
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22	Audio Transcription of Watermaster Board
23	Meeting, transcribed on May 13th, 2022 in San Diego,
24	California, by JOSIE C. GONZALEZ, Certified Shorthand
25	Reporter No. 13435, in and for the State of California.

1	* * *
2	Start of Audio
3	* * *
4	CHAIR PIERSON: General manager report.
5	MR. KAVOUNAS: Thank you, Mr. Chairman. A few
6	items to bring to the board's attention. The first one
7	is you're familiar with the dry year yield program that
8	we have with Metropolitan Water District. That is an
9	agreement that involves Watermaster among others; IUA,
10	Three Valleys and Conservation District. The
11	Metropolitan Water District has proposed some changes
12	that are favorable to the parties. We don't believe
13	they constitute a change to the agreement, so we don't
14	intend to bring an agreement amendment to the board.
15	There may be an acknowledgement letter. If there is, I
16	wanted to let you know that I would be signing that
17	acknowledgement letter.
18	Second is we are aware of some impacts to CDA
19	production due to water quality. CDA production has
20	has changed especially in the west end of of the CDA
21	well field, and we are looking at that to make sure the
22	hydraulic control is not affected. We don't have any
23	conclusions at this point in time. We're just simply
24	letting you know that this is an item that we're
25	tracking.

1	Any questions?						
2	CHAIR PIERSON: Any questions?						
3	MR. KAVOUNAS: Okay. And a few a few other						
4	items. First one is you have at your packets a a						
5	reminder of the save the date for the Tuesday,						
6	December 4th. We plan to have an event to commemorate						
7	the 40th judgment anniversary which was this year. We						
8	do plan to make it a substantive event with some key						
9	takeaways for people that reflecting on the last 40						
10	years of Chino basin being under local management of the						
11	I wouldn't say the good, the bad and the ugly. I						
12	would say the good and the lessons learned. So we very						
13	much look forward to having you. Staff is working very						
14	hard to have brought outreach, and we hope to bring						
15	together a lot of very important people that need to						
16	hear that they share this amazing resource called the						
17	Chino basin.						
18	So a couple other notes in your in your						
19	packets relate to personnel movements. Most notable is						
20	that Mr. Rick Hanson has decided to retire from Three						
21	Valleys. He didn't take this lightly. I think he						
22	served something like 83 years. Sorry. 38 years. So						
23	someone else is there.						
24	So that concludes my report, Mr. Chairman.						
25	CHAIR PIERSON: Okay. Thank you very much.						

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13	IN WITNESS WHEREOF, I have subscribed my name
14	this 22nd day of May, 2022.
15	
16	Josie Gonzalez
17	JOSIE C. GONZALEZ
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# EXHIBIT 7

From:	Katie Gienger
Sent:	Tuesday, July 31, 2018 3:45 PM
То:	'Elizabeth Hurst'
Subject:	RE: DYY letter revisions to clarify credits.

Hi Liz,

I appreciate your recent efforts to sit down and explain the program. Based on the information provided by IEUA, I am currently neutral regarding the proposed letter agreement between IEUA and MWD. As long as there are parameters that are undecided or unclear, Ontario cannot take a position of support because we cannot know the full effects of the proposed changes. Without these details, which would best be explained and memorialized in an amendment, we will take a wait-and-see approach regarding impacts, and we reserve the right to address any harm or detriment that may arise.

Sincerely,



From: Elizabeth Hurst [mailto:ehurst@ieua.org]
Sent: Monday, July 30, 2018 4:14 PM
To: Katie Gienger
Subject: FW: DYY letter revisions to clarify credits.

Katie, Great! Thank you for Ontario's support. We will move forward with the letter. Best Liz

Elizabeth Hurst Water Resources Planner



"Water Smart - Thinking in Terms of Tomorrow" 6075 Kimball Ave / Chino, California 91708 Tel: 909-993-1634 / Fax: EMail: <u>ehurst@ieua.org</u> Website: <u>www.ieua.org</u>



From: Katie Gienger <<u>KGienger@ontarioca.gov</u>> Sent: Monday, July 30, 2018 3:43 PM To: Elizabeth Hurst <<u>ehurst@ieua.org</u>> Subject: RE: DYY letter revisions to clarify credits.

Liz,

Thank you for sitting down with me to discuss! The version attached to your email seems more clear based on my understanding of the changes from our conversations.

Katie Gienger, P.E. Water Resources Manager Ontario Municipal Utilities Company

Sent from my phone.

On Jul 26, 2018 4:55 PM, Elizabeth Hurst <<u>ehurst@ieua.org</u>> wrote:

Katie,

Thank you for meeting to discuss the DYY revisions this afternoon. Per our conversation, Option 1 has been edited to the following:

- Credits will be applied if a Party chooses voluntarily to purchase stored water by increasing groundwater pumping, based upon the following:
  - The first and any instance in which an individual party's pumping is above its groundwater baseline as described in Exhibit G, the party will submit a certification for extraction from the account. Metropolitan will invoice IEUA and Three Valleys for the additional pumping at the prevailing untreated water rate at that time and will pay the O&M, power, and treatment credits as outlined in the Section VI.E of the Agreement. IEUA, Three Valleys, and the Watermaster will debit the purchased amounts from Metropolitan's CUP account.
  - In the event that stored water is purchased over a 5-year period as outlined in Section XIII.C.2 of the agreement the O&M, power, and treatment credits would also apply as defined in Section VI.6 of the Agreement

The full letter is attached. Please let me know if you have any additional tweaks, and if Ontario can now support the letter. Thank you, Liz

Elizabeth Hurst Water Resources Planner



"Water Smart - Thinking in Terms of Tomorrow" 6075 Kimball Ave / Chino, California 91708 Tel: 909-993-1634 / Fax: EMail: <u>ehurst@ieua.org</u> Website: <u>www.ieua.org</u>



From: Elizabeth Hurst
Sent: Thursday, July 26, 2018 9:59 AM
To: P. E. Katie Gienger (<u>kgienger@ontarioca.gov</u>) <<u>kgienger@ontarioca.gov</u>>
Subject: DYY letter revisions to clarify credits.

Hi Katie,

Here are some thoughts about how to clarify the credits etc after our discussion on Monday and my follow up conversations with MWD. Look forward to discussing with you after the TAC meeting this afternoon! Liz

#### Option 1:

- If a Party chooses-to voluntarily to purchase stored water by increasing groundwater pumping, credits will be applied based upon the following:
  - <u>o</u> The first and any instance in which an individual party's pumping is above its groundwater baseline as described in Exhibit G, the party will submit a certification for extraction from the account. Metropolitan will invoice IEUA and Three Valleys for the additional pumping at the prevailing untreated water rate at that time and will pay the O&M, power, and treatment credits as outlined in the Section <u>VI.E6</u> of the Agreement. IEUA, Three Valleys, and the Watermaster will debit the purchased amounts from Metropolitan's CUP account.
  - O&M, power, and treatment credits as outlined in Section VI.6 of the Agreement would also apply lin the event that stored water is in the account upon termination of the agreement, the parties will-purchased the water over a 5-year period, as outlined in XIII.C.2 of the agreement.

Option 2:

- If a Party chooses to voluntarily to purchase stored water by increasing groundwater pumping, credits will be applied based upon the following:
  - The first and any instance in which an individual party's pumping is above its groundwater baseline as described in Exhibit G, the party will submit a certification for extraction from the account. Metropolitan will invoice IEUA and Three Valleys for the additional pumping at the prevailing untreated water rate at that time and will pay the O&M, power, and treatment credits as outlined in the Section <u>VI.E6</u> of the Agreement. IEUA, Three Valleys, and the Watermaster will debit the purchased amounts from Metropolitan's CUP account. In the event that stored water is in the account upon termination of the agreement, the parties will purchase the water over a <u>5-year period</u>, as outlined in XIII.C.2 of the agreement.



From:	Elizabeth Hurst <ehurst@ieua.org></ehurst@ieua.org>
Sent:	Wednesday, August 4, 2021 1:11 PM
То:	Courtney Jones
Cc:	Christopher T. Quach; Liza Muñoz; Ashley Alamo
Subject:	RE: DYY Program Follow Up
Attachments:	Ontario DYY Request.docx

Good morning Courtney,

Attached please find the information you requested. Please let us know if you have any additional questions on the program. Please note that the Agreement file is too large to send via email, but it is located on the Member Agency Portal under the DYY section.

Best,

Liz

#### **Elizabeth Hurst**

Senior Environmental Resource Planner



From: Courtney Jones <CJJones@ontarioca.gov>
Sent: Monday, July 26, 2021 5:00 PM
To: Elizabeth Hurst <ehurst@ieua.org>
Cc: Christopher T. Quach <CQuach@ontarioca.gov>
Subject: DYY Program Follow Up

Hi Liz,

Thank you for taking the time to Chris and myself last week regarding the DYY Program and the voluntary withdrawal program per the Letter Agreement. We had a few follow up questions/requests for information as listed below following our discussion last week.

- How much did MWD recharge over the last three fiscal years (FY 2019/20, 2020/21, and anticipated for 2021/22)?
- Can you provide a copy of the approved Operations Plans for the parties who participated in the last three fiscal years (FY 2019/20, 2020/21, and anticipated for 2021/22)?
- Can you provide the baselines and the pumping reimbursement for the parties who participated in the last three fiscal years (FY 2019/20, 2020/21, and anticipated for 2021/22)?
- Can you provide a copy of the "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" approved in 2004? This document is also referred to as the IEUA Storage Agreement by Watermaster.

Please let me know if you have any questions.

Thanks!

Courtney

Courtney Jones, P.E. Water Resources and Regulatory Affairs Director



1425 S. Bon View Avenue Ontario, CA 91761-4406 Phone: (909) 395-2640 E-mail: <u>cijones@ontarioca.gov</u>

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

1. How much did MWD recharge over the last three fiscal years (FY 2019/20, 2020/21, and anticipated for 2021/22)?

	B.G. undle	Planned		Certified					
	Month	Recharge	ASR	TAKES	Recharge	ASR	Losses	Basin Losses	TAKES***
FY 16/17	June	6,000	-	-	6,318.7	-	3.8	-	-
	July	6532	-	-	7,345.9	-	-	-	-
	August	6532	-	-	7,074.8	-	6.7	-	-
	September	6321	250	-	3,793.8	154.5	-	-	-
	October	2923	250	-	4,538.1	277.6	249.2	-	-
	November	1483	300	-	2,504.4	267.5	61.3	-	-
FY 17/18	December	1222	400	-	3,639.3	276.4	285.8	-	-
	January	1222	400	-	4,195.3	247.5	(86.0)	-	-
	February	1222	400	-	-	316.2	-	-	-
	March	1222	400	-	-	362.7	-	-	-
	April	1696	100	-	-	287.0	-	-	-
	May	4083	-	-	· · · ·	305.6	-	-	-
	June	6144	-	-	-	-	-	4.4	-
FY 18/19	May	-	-	-		-	-	-	-
	June	5000	350	-	4413.5	389.4	185.4		-
	July	6000	350	2548	4314.0	457.8	181.2	-	2421.
	August	6000	350	2852	4803.9	434.2	201.8	-	2861.4
	September	5000	350	2206	2218.6	403.3	144.5	-	269
	October	4000	350	1874	1842.5	277.3	105.8	-	2922.
	November	2000	350	1280	1223.5	267.6	44.0	-	1995.0
	December	2000	350	971	1176.3	211.1	17.6	-	50
FY 19/20	January	-	-	844	491.7	0	7.4	-	-
	February	-	-	780	-	-	-	-	-
	March	-	-	1204		-			-
	April	-	-	1710	-	-	-	-	-
	May	-	-	1988	-	-	-	-	150
	June	-		1743	-	-	-	32.2	250
	July	-		1, 13		-	-	-	270
	August	-				-	-		250
	September				_	-			250
	October***								500
	November								500
			-		-				350
FY 20/21**	December							-	
	January	-	-		-	-		-	-
	February	-	-		-	-	-	-	-
	March		-		-	-	-	-	-
	April	-	-		-	-	-	-	200
	May	-	-		-	-	-	-	260
	June	· · ·	-						220
	Subtotal	76,602	4,950	20,000	59,894.3	4,935.7	1,408.5	36.6	40,394.8

a. Please note that MWD does not anticipate recharging any water for fiscal year 2021/22.

DYY Account Balance (June 2017-Present)				
"PUTS"				
Recharged water	58,449.22			
ASR injection	4,935.70			
"TAKES"				
CVWD	37,894.80			
Fontana Water Co.	2,500.00			
TOTAL	22,990.12			

2. Can you provide a copy of the approved Operations Plan for the parties who participated in the last three fiscal years (FY 2019/20, 2020/21, and anticipated for 2021/22)?

CVWD	July	August	September	October	November	December	January	February	March	April	May	June	Total
FY19/20	2,548	2,852	2,206	1,874	1,280	971	844	780	1,204	1,710	1,988	1,743	20,000
FY20/21	2,700	2,500	2,500	5,000	-	3,500	-	-	-	1,000	2,600	2,700	22,500
FY21/22	2,700	2,100	2,300	2,100	1,900	1,900	650	650	700	1,000	1,000	1,000	18,000

a. Below is the approved Operations Plan for CVWD

b. Below is the approved Operations Plan for FWC

FWC	July	August	September	October	November	December	January	February	March	April	May	June	Total
FY19/20	-	-	-	-	-	-	-	-	-	-	-	-	-
FY20/21	-	-	-	2,500	-	-	-	-	-	-	-	-	2,500
FY21/22	1,000	1,000	1,000	1,000	-	-	150	150	150	150	200	200	5,000

- 3. Can you provide the baselines and the pumping reimbursement for the parties who participated in the last three fiscal years (FY 2019/20, 2020/21, and anticipated for 2021/22)?
  - a. Below are the baselines for CVWD and FWC
    - Please note that for the DYY the baseline is defined as the lesser of the 3-year average pumping or the sum of the party's share of the operating safe yield + the ag reallocation. Fontana was not an original member of the DYY.

CVWD	Baseline (AF)	FWC	Baseline (AF)
FY19/20	5,920.6	FY19/20	-
FY20/21	5,718.0	FY20/21	-
FY21/22	5,536.0	FY21/22	863.0

b. Below is the DYY credit for producing water from the DYY account.

	D	YY Power & O&M Credit
FY19/20	\$	298.67
FY20/21	\$	374.00
FY21/22	\$	389.00

4. Can you provide a copy of the "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" approved in 2004? This document is also referred to as the IEUA Storage Agreement by Watermaster.

Please see attachment. This is the original program agreement. It is also posted on the Member Agency Portal under the DYY program.

## <u>CHINO BASIN WATERMASTER</u> 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. DECLARATION OF COURTNEY JONES IN SUPPORT OF CITY OF ONTARIO'S MOTION CHALLENGING WATERMASTER'S NOVEMBER 17, 2022 DECISION TO APPROVE THE FY 2022/2023 ASSESSMENT PACKAGE
- /X / 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.
- /X / BY ELECTRONIC MAIL: I transmitted notice of availability of electronic documents by electronic transmission to the email address indicated. The transmission was reported as complete on the transmission report, which was properly issued by the transmitting electronic mail device.

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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Carolina Sanchez Casey Costa Cassandra Hooks Chad Blais Chander Letulle Charles Field **Charles Moorrees** Chino Hills City Council Chris Berch Chris Diggs Christiana Daisy Christofer Coppinger Christopher M. Sanders Christopher Quach Christopher R. Guillen **Cindy Cisneros** Cindy Li City of Chino, Administration Department

**Courtney Jones** Craig Miller **Craig Stewart** Cris Fealy **Curtis Burton** Dan Arrighi Dan McKinney Daniel Bobadilla Danny Kim Dave Argo **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 Eric Fordham Eric Garner Eric Grubb Eric N. Robinson **Eric Papathakis** Eric Tarango Erika Clement

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## Eunice Ulloa Eunice Ulloa - City of Chino (eulloa@cityofchino.org)

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