

Minutes
CHINO BASIN WATERMASTER
AGRICULTURAL POOL
July 17, 2003

The Agricultural Pool meeting was held at the offices of the Chino Basin Watermaster, 8632 Archibald Ave., Suite 109, Rancho Cucamonga, CA, on July 17, 2003 at 1:00 p.m.

AGRICULTURAL POOL MEMBERS PRESENT

Nathan deBoom, Vice-Chair	Dairy - Milk Producers Council
Glen Durrington	Crops
Bob Feenstra	Dairy - Milk Producers Council
Don Galleano	Crops
Jack Hagerman	State of California Institution for Men
Sylvia Hale	State Attorney General's Office
John Huitsing	Dairy - Milk Producers Council
Gene Koopman	Dairy - Milk Producers Council
Jeff Pierson	Crops - Unitex Corporation
Rick Reese	State of California - Geomatrix

Watermaster Board Members Present

Geoffrey Vanden Heuvel	Dairy - Agricultural Pool
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Watermaster Staff Present

John Rossi	Chief Executive Officer
Sheri Rojo	Finance Manager
Mary Staula	Recording Secretary
Devonya Williams	

Watermaster Consultants Present

Michael Fife	Hatch & Parent
Dan McKinney	Reed & Hellyer
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

None

Chair deBoom called the meeting to order at 1:04 p.m.

AGENDA - ADDITIONS/REORDER

Mr. Feenstra introduced Don Galleano. Mr. Galleano's accomplishments, interest in protecting the environment and the water, concern for preservation and conservation, experience as a producer of groundwater in the ag preserve, 23 years of service at Jurupa Community Services District, and knowledge of OBMP projects will be an asset to the Agricultural Pool. Mr. Feenstra said the members are very proud to welcome him aboard.

Watermaster staff and members introduced themselves to Mr. Galleano.

Mr. Feenstra also reiterated that the Agricultural Pool would like to do something special in remembrance of the hard work and dedication of Mr. DeBerard who served several decades on the Agricultural Pool. They are considering an oil painting of him that could be presented to his family. He solicited the help of Watermaster staff to find a good photo of Mr. DeBerard to use for that purpose.

Motion by Feenstra, second by Durrington, and by unanimous vote

Moved, that the Agricultural Pool, with the assistance of Watermaster staff, acquire photos of Mr. DeBerard and chose one that would be appropriate for an oil painting with a brass plated inscription regarding his years of service on the Agricultural Pool and his interest in the water industry.

NOMINATION & SELECTION OF NEW CHAIR & VICE-CHAIR

With the passing of Chair DeBerard, it was necessary for the members to nominate and elect a new Agricultural Pool Chair and Vice-Chair to serve the remainder of Calendar-Year 2003. The CEO of Watermaster will remain the Pool Secretary.

After confirming that Vice-Chair deBoom could serve as Chair on both the Agricultural Pool and the Advisory Committee and remain a member of two Watermaster committees, the Personnel Committee and the Water Quality Committee, Mr. Feenstra nominated current Vice-Chair deBoom to serve as Pool Chair for the remainder of Calendar-Year 2003. As additional information, he reported that Mr. deBoom is currently working on his Master's Degree in Urban Development, is very professional and would be a great leader of the Pool. There were no other nominations.

Motion by Feenstra, second by Durrington, and by unanimous vote

Moved, to elect Nathan deBoom to serve as Chair of the Agricultural Pool for the remainder of Calendar-Year 2003.

Mr. Feenstra nominated Mr. Koopman to serve as Vice-Chair of the Agricultural Pool for the remainder of Calendar-Year 2003. There were no other nominations.

Motion by Feenstra, second by Durrington, and by unanimous vote

Moved, to elect Gene Koopman to serve as Vice-Chair of the Agricultural Pool for the remainder of Calendar-Year 2003.

I. CONSENT CALENDAR

A. MINUTES

1. Draft Minutes - Joint Meeting Appropriative & Non-Agricultural Pools held April 10
2. Draft Minutes - Meeting of the Appropriative Pool held May 15
3. Draft Minutes - Special Meeting of the Appropriative Pool held May 21
4. Draft Minutes - Joint Meeting Appropriative & Non-Agricultural Pools held June 12

B. FINANCIAL REPORTS

1. Cash Disbursement Report – June 2003
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2002 through May 31, 2003
3. Treasurer's Report of Financial Affairs For May 1 through May 31, 2003
4. 2002-03 Actual YTD Revenues And Expenses Compared With Adopted 2002-03 Budget

C. WATER TRANSACTIONS

1. Application to Recapture Water in Storage by Fontana Water Company in the amount of 2.516 acre-feet stored by the Nicholson Trust and Transfer Annual Production Right or Safe Yield from The Nicholson Trust to Fontana Water Company in the amount of 4 acre-feet (*Notice mailed June 11, 2003*)

Mr. Rossi reported that at the Appropriative Pool Meeting, Mr. McGraw said that Fontana Water Company had submitted the incorrect Recapture Plan with this transaction and will provide the correct plan upon returning to his office.

Motion by Feenstra, second by Durrington, and by unanimous vote

Moved, to approve Consent Calendar Items A through C, as presented.

II. BUSINESS ITEMS

A. **DISCUSS DIGESTER FUNDING BUDGET (*Agricultural Pool*)**

Mr. Rossi provided background regarding the digester funds. As part of the OBMP Phase I Report, in FY 2000-2001 a budget of \$150,000 was contemplated for salt management activities. Staff confirmed that the \$150,000 was never expended so it was included as a line item in the FY 2003-2004 budget.

Mr. Feenstra explained that it is very important to see that the funds are used for the removal of additional salts from the dairy area and to increase deliveries of manure through the compostor out of the Basin. To accomplish these goals, the funds should go to IEUA as the lead agency for the Anaerobic Digester Program.

For clarification, Chair deBoom asked if the recommendation was to split the \$150,000 between the two efforts, \$75,000 toward the digester program and \$75,000 to reduce tipping fees through IEUA's compostor. There was concern that only a small percentage of dairymen would benefit by the reduction in tipping fees. Mr. Feenstra felt this would be an opportunity to invite other dairies to use the compostor. Mr. Rossi agreed to attend future IEUA Biosolids Committee meetings. The next meeting will be on Wednesday at IEUA. A lengthy discussion ensued regarding current fees the dairies pay for hauling manure out of the Basin vs. compostor fees. Mr. Rossi will assemble findings and provide a report next month for the record.

Motion by Feenstra, second by Mr. Durrington, and by unanimous vote

Moved, that the digester program funds in the amount of \$150,000 be used by IEUA for the Anaerobic Digester Program and result in the removal of additional salts from the dairy area by increasing composting of manure to maximum capacity.

B. **REVIEW OF COST APPORTIONMENT RELATED TO OBMP SALT CREDITS**

At the end of May, Monte Vista Water District (MVWD) sent a letter to the Watermaster Board requesting staff look into the way the salt credit benefit would be cost apportioned to the parties and to consider asking the Regional Board to delay action on the Maximum Benefit Proposal/Basin Plan Amendment. Mr. Rossi reported that this matter has been discussed at five Appropriative Pool meetings since that time. Last Thursday, the Appropriators took the following action: "Because the Regional Board has not issued salt credits, the Appropriative Pool recommends that the Watermaster Board take no action on salt credits relative to the OBMP at this time". The motion received four nays, one abstention, and the remaining votes were affirmative. The differences in opinion and perspectives relate to each party's interpretation of the intent during negotiations of the Peace Agreement regarding salt credits and whether or not a salt credit program would ever come to fruition.

Mr. Kinsey explained that MVWD was talking about ways to incentivise the export of salt from the Chino Basin. He presented tables and charts supporting their position. In order to support maximum beneficial use, clean up of the Chino Basin will have to follow higher objectives and those objectives would then facilitate reclamation. During negotiations of the Peace Agreement, MVWD understood that in exchange for subsidizing the desalters, the Appropriators would receive a cost apportionment of salt credits. This business deal was based on Peace Agreement, Section 5.5, which states that salt credits will be allocated back to the Appropriative Pool without stipulating the individual Appropriators (some exceptions exist for the first desalter). Section 4.1 states that salt credits are allocated to each individual Appropriator on a pro-rata share. MVWD is concerned because this benefit will go away with State Board approval of the Maximum Benefit Proposal/Basin Plan Amendment. Another concern they have is that upon approval of the Maximum Benefit Proposal, MVWD will be

subsidizing the recharge operation in a basin that is outside their jurisdiction. He believes there are solutions that should be explored in order to eliminate this becoming a legal issue.

A lengthy discussion followed in which several of the Agricultural Pool producers expressed their perception of this issue. Board Member Vanden Heuvel pointed out that "Peace" itself is much more valuable than any small dip in the road. During negotiations of the Peace Agreement, all of the parties gave up individual claims in the interest of Peace. He asked that everyone continue to focus on the bigger picture, the benefits that exist today and the benefits that will accrue and be there tomorrow as a result of the Peace Agreement. He reminded them that the Regional Board could not move forward on the Maximum Benefit Proposal/Basin Plan Amendment without findings that it will benefit the people in the State of California. To his knowledge, this is the only place in the State that has had a serious chance of being successful. Watermaster is on the cutting edge of doing something really great for the people that live here and compromise is the price of Peace.

Mr. Kinsey concurred but explained that the Maximum Beneficial Use/Basin Plan Amendment was not a compromise; instead, it was a major change to a business deal. There was a general consensus that this issue should be resolved outside the Court if MVWD could provide a plan or a proposal for resolution. Otherwise, this issue will remain a difference in opinions.

No action.

C. FUTURE EXPANSION OF CHINO I AND CHINO II DESALTERS

On behalf of the CDA, Jurupa Community Services District (JCSD) wrote a letter to Watermaster concerning future desalter replenishment obligations. At the Appropriative/Non-Agricultural Pool meeting last week, Mr. O'Neill gave a presentation regarding current and future desalters. He reported that with the rapid development in the southern end of the Basin, they are concerned about the availability of land for desalters two-three years from now. It would be beneficial to acquire the land now for future desalting facilities and more cost effective if the future users of desalted water resided close to the wells for easy access to existing pipelines and booster stations. Before land can be purchased by the CDA, however, it is imperative to determine how any future replenishment obligations will be met.

Mr. Rossi reported that Appropriators and Non-Agricultural producers did not act on this matter. This is a significant issue that has no quick answer. This needs to be thought out and it was recommended a committee be formed comprised of one CDA member, Watermaster staff and one Non-CDA member (Mr. Wellington was selected) to work out the details.

Several questions were asked and considerable discussion took place regarding new development in the Chino area, associated development fees and costs, the increased exit of dairies, reduction in production creating water quality concerns, etc. To respond to some of the inquiries, Mr. Rossi offered to give Mr. O'Neill's presentation. After the presentation, Mr. Feenstra announced that within the next ten months, there are two major wells in Chino that will shut down. He asked what the impact might be on water quality when they go off-line. Mr. Rossi offered to discuss that with Mr. Wildermuth and provide a report in August. As part of the Maximum Beneficial Use proposal, Watermaster made a commitment not to allow other than de minimus amounts of water to leach out into the River.

No action.

II. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana Application Response to Protests
Legal Counsel filed Watermaster's Response to the four protests received. To date, Counsel has not seen any responses from other applicants. At the Appropriative Pool meeting, there was a question about the timing and all that Counsel could really report is that it has been 13 years and they are now at the beginning of the process. The next phase is actually the more difficult phase. However, Watermaster's application was filed as a defensive strategy against the other users in the watershed of the Santa Ana River. Watermaster's application covers storm flows in the Chino Basin that could be tributary to the Santa Ana River. The recharge project being constructed is designed to take those flows. Watermaster is not asking for anything new so timing is not a concern.
2. Hearing regarding Cyclic Storage Agreement Amendment
The Cyclic Storage Agreement Seventh Amendment extending the agreement with Metropolitan Water District a few more years was signed at the last Watermaster Board meeting and yesterday, the Court gave Counsel a date for hearing, which is September 4.
3. Chino Land & Water
Counsel Fife said the Chino Land & Water is a newly instituted cooperation that claims to be the successor in interest to deed restrictions that they say are in deeds on 33,000 acres of agricultural land in the southern end of the Basin that gives them the water rights to the property. They filed a lawsuit that Judge Norell dismissed after determining that they did not know what kind of water rights they possess. They have now appealed and the Court of Appeals has set a briefing schedule. Chino Land and Water's opening brief will be due by August 11. Best, Best & Krieger is handling the appeal on behalf of Lewis Homes and Watermaster will want to consider coming in as an amicus under the Court. A copy of their appeal will be distributed.
4. Continuance of the Subsidence Interim Plan Workshop
In October 2002, the Court ordered an MZ1 Workshop be held on July 17, 2003 with the Special Referee to receive an update on the progress of the MZ1 Subsidence Interim Plan. Watermaster requested a continuance to August 7 because there didn't seem to be enough information to warrant a workshop at this time. The Special Referee concurred and the Court continued the workshop to October 30, 2003. The extensometer is a key component of the monitoring program and it was completed on schedule around June 30. With more time, more data can be gathered to present at the workshop.

B. CEO REPORT/UPDATES

1. Balance of Recharge & Discharge in all Areas, Determination of Operating Storage & Safe Storage, and the Cumulative Impact of Transfers
A Draft Technical Memorandum on the Dry-Year Yield findings will be mailed to the parties within the next two weeks for consideration at the meetings in August.
2. Storage & Recovery Workshops have been scheduled monthly at 8:30 a.m. just prior to the 10:00 a.m. Joint Pool Meeting
At the workshop held at 8:30 a.m. July 20, the parties discussed a scope of work presented by Dave Argo to help culminate the work that has been done and all of the components necessary to market storage capacity. The scope of work should come forward to the pools for consideration in August.
3. Status regarding MWD Operating Plan Meeting held July 3 @ IEUA
Mr. Rossi had nothing new to report at this time.
4. Report regarding opportunities to recharge water in the Chino Basin.
Items 3 and 4 were combined for reporting purposes. Watermaster is on part of the State Project System and because Metropolitan has water available, they are offering it for recharge purposes in the Chino Basin. Staff has had a series of meetings with Metropolitan staff and IEUA staff and it was decided to put water into the Trust Storage Account until the new storage account has been approved. Two connections have been turned on to receive

wet water into the Basin at 100% deferred cost as part of the Long Term Storage Program and Metropolitan will begin delivering water tomorrow morning. Also, the Appropriators will be able to take portions of this water as an in-lieu delivery through their water treatment plants at no cost, at a higher water quality for blending purposes later this year. Watermaster first has to commit to Metropolitan to turn off wells and allow water to build up in the Basin. There is another Metropolitan program that gives a \$92 of subsidy or buy-down for long-term in-lieu storage if Watermaster can shut off wells and build up storage. It would be better to go with the first program for 100% deferred cost. Staff is working with the Appropriators to find out what availability they have, if any.

5. Status regarding Hydraulic Control Monitoring Meeting held July 8 @ IEUA
Based on requests, staff will present a more comprehensive report on the Hydraulic Control Monitoring Program at the next meeting.
6. Watermaster/IEUA awarded \$250,000 AB303 Grant from Department of Water Resources.
Reported earlier.

Item Added...

7. Recruiting Efforts
Mr. Wildermuth, Mr. Argo and Mr. Mills assisted Mr. Rossi with interviewing eight candidates last week to fill the two engineering positions. The level of applicants, qualifications and experience, was impressive. Three candidates were asked to return for a second interview and after references were checked, he made offers to the top two. He received one offer letter back accepting the position of Project Engineer to begin Monday. Gordon Treweek has about 25-30 years experience working for Montgomery Watson, TetraTech and his own firm. He actually did the earlier characterizations of water anomalies at the Stringfellow Acid Pits years ago for Montgomery. He graduated from Caltech with a PhD. The other person offered the Sr. Engineer position is still making a decision.

C. OTHER AGENCY REPORTS

None

IV. COMMITTEE MEMBER COMMENTS

None

V. OTHER BUSINESS

Special Counsel, Dan McKinney, asked to speak to the Agricultural Pool members confidentially.

VI. FUTURE MEETINGS AND EVENTS

July 17, 2003	08:30 a.m.	MZ1 Workshop with Special Referee
	01:00 p.m.	Agricultural Pool Meeting
July 23, 2003	09:00 a.m.	MZ1 Technical Committee Meeting @ City of Chino
July 24, 2003	10:00 a.m.	Advisory Committee Meeting
	1:00 p.m.	Watermaster Board
August 14, 2003	8:30 a.m.	Storage & Recovery Workshop
	10:00 a.m.	Joint Meeting of the Appropriative & Non-Agricultural Pools
	1:00 p.m.	Agricultural Pool Meeting

Chair deBoom adjourned the meeting at 3:30 p.m.

Secretary

Minutes Approved: August 14, 2003