



NINETEENTH
ANNUAL REPORT
OF THE
CHINO BASIN WATERMASTER
FISCAL YEAR 1995-1996

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Case No. RCV 51010

CHINO BASIN MUNICIPAL WATER DISTRICT
V.
CITY OF CHINO, ET. AL.

March 1999

To: ALL ACTIVE AND CONCERNED PARTIES IN CHINO BASIN CASE NO. RCV 51010
(Formerly CASE NO. SCV 164327)

Subject: Nineteenth Annual Report of Chino Basin Watermaster

The Chino Basin Watermaster is pleased to present this Nineteenth Annual Report covering the fiscal year 1995-96. The Honorable Judge J. Michael Gunn of the Superior Court in the County of San Bernardino West District received and filed this report on September 9, 1998.

A brief summary of activities during this reporting period (July 1, 1995 through June 30, 1996) is as follows:

Total production from the Basin during 1995-96 was 150,669 acre-feet, with production by Pool as follows:

<u>Pool</u>	<u>Production (AF)</u>	<u>Initial Operating Safe Yield (AF)</u>
Appropriative	101,606	54,834
Overlying (Agricultural) Pool	43,639	*82,800
Overlying (Non-Agricultural) Pool	5,424	7,366
Totals	<u>150,669</u>	<u>145,000</u>

* The Allocated safe yield for the Overlying (Agricultural) Pool is 414,000 acre feet during any consecutive five year period. The amount shown above (82,800 acre-feet) is the annual average.

A total of 20,982,323 acre-feet of water was leased among the members of the Appropriative Pool and the Watermaster to be used to offset current or potential overproduction.

A total of 3,060.948 acre-feet of water was purchased by Watermaster and sold to offset fiscal year 1994-95 overproduction.

As of June 30, 1996 there was 33,749.1 acre-feet of water in the Metropolitan Water District Cyclic Storage Account and 2,611.900 acre-feet of water was placed in Cooperative Storage Accounts by the City of Ontario and the Monte Vista Water District.

Fiscal year 1995-96 marks the thirteenth year that the Overlying (Agricultural) Pool has not produced its total five year allocation of safe yield which allows such water to be available for reallocation to members of the Appropriative Pool (Exhibit "H", Paragraph 10, Page 73 of the Watermaster Judgment).


There was 223,749.380 acre-feet of water in local storage accounts at the close of fiscal year 1997-98.

Assessments billed by Pool during 1995-96 for 1994-95 production are as follows:

Appropriative Pool	\$1,249,119.51
Overlying (Agricultural) Pool	.00
Overlying (Non-Agricultural) Pool	<u>15,691.82</u>
	\$1,264,811.33

Your continued cooperation and input has been greatly appreciated.

Sincerely,



Traci Stewart
Chief of Watermaster Services

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NINETEENTH ANNUAL REPORT OF THE CHINO BASIN WATERMASTER

The Chino Basin Watermaster was established under a Judgment entered in the Superior Court of the State of California for the County of San Bernardino, entitled "Chino Basin Municipal Water District v. City of Chino, et al," (originally Case No. SCV 164327, file transferred August, 1989, by order of the Court and assigned new Case No. RCV 51010). The Honorable Judge Howard B. Wiener signed the Judgment on January 27, 1978. The effective date of this Judgment for accounting and operations was July 1, 1977. This Nineteenth Annual Report presents an overview of the Watermaster process including the Pool and Advisory Committee and Watermaster activities, and an accounting of production for fiscal year 1995-96.

I. INTRODUCTION

Beginning in the early 1970's and continuing for several years, studies and discussions among concerned water producers resulted in the passage in 1974 of a "Memorandum of Agreement on the Chino Basin Plan." In January 1975, Senator Ruben S. Ayala introduced Senate Bill (S.B. 222) in the California Legislature. This bill authorized a production assessment levy in the amount of \$2.00 per acre-foot per year for a period of three years. The funds were utilized to finance what came to be the final effort to draw up a management plan. This effort included conducting essential studies and negotiations to implement a water management program for the Chino Groundwater Basin.

S.B. 222, was renumbered as a part of the Municipal Water District Law at Section 74120 of the Water Code. It was approved by Governor Ronald Reagan and filed with the Secretary of State on June 28, 1975. Three major groups that represented the majority of the producer's interest became active in the early negotiations under S.B. 222. The groups formalized into committees and eventually became known as the: 1) Overlying (Agricultural) Pool, including the State of California and minimal producers; 2) Overlying (Non-Agricultural) Pool representing industries; and 3) Appropriative Pool, representing cities, water districts and water companies. Engineering, legal and other working sub-committees were formed for the purpose of analyzing and defining specific problem areas. Representatives of the three pools, when acting together, were called the "Watermaster Advisory Committee." The Watermaster Advisory Committee forwarded recommendations for formal action to the Chino Basin Municipal Water District (CBMWD), which was assigned the responsibility of administering S.B. 222.

Socio-economic, safe yield and other studies were conducted to provide the information necessary to reach an agreement regarding the allocation of rights between and within the pool committees. Cost savings were achieved by terminating many of the studies as soon as the necessary information was compiled in draft form.

The Watermaster Advisory Committee was established as the policy setting body and charged with oversight of Watermaster's discretionary activities. Members of each of the three pool committees met regularly to transact the business concerns of its respective producers. Decisions affecting more than one pool committee were forwarded to the Watermaster Advisory Committee. The Judgment provided a method to determine the voting power of the producers on the committees, through a formula based on assessments paid in the prior year and allocated safe yield.

Approximately five percent (5%) of the Chino Groundwater Basin is located in Los Angeles County, fifteen percent (15%) in Riverside County and the remaining portion is in the west end of San Bernardino County.

Production information for each pool is provided on Appendix "B".

II. WATERMASTER

The fiscal year 1995-96 Chino Basin Watermaster members and elected officers were:

Bill Hill	Chairman
George Borba	Vice-Chairman
John L. Anderson	Secretary/Treasurer
Anne W. Dunihue	Member
Wyatt L. Troxel	Member

Regular meetings were scheduled for the first Wednesday following each month that contained five Wednesdays and were held in the CBMWD Board Room located at 9400 Cherry Avenue, Building A, Fontana, at 8:30 a.m. Special meetings were noticed as required.

During fiscal year 1995-96, five (5) regular meetings were held as follows:

JULY 19, 1995
OCTOBER 18, 1995
DECEMBER 20, 1995
MARCH 20, 1996
APRIL 3, 1996

During fiscal year 1995-96, it was determined that the reappointment of the CBMWD board as Watermaster had not been submitted to the court for approval in 1993. In January, 1996, a motion was made and supported by a majority of the Advisory Committee to appoint the Advisory Committee to serve as Watermaster. Initially, this motion was supported by 71.64% of

the Advisory Committee and as provided in Paragraph 16 of the Judgment, Watermaster Counsel was directed by the Advisory Committee to file the motion with the Court. A Watermaster Ad Hoc Transition Committee of pool members and interested parties was formed to work out the logistics involved with changing the Watermaster. Shortly after the motion was filed, the case was assigned to the Honorable Judge J. Michael Gunn. Fifteen (15) committee members attended the first Ad Hoc Transition Committee meeting on January 31, 1996, and agreed unanimously to propose that an arbitrator or an arbitration process be put in place to address initial concerns raised by some parties to the Judgment regarding the Advisory Committee serving as Watermaster.

By early March, the Overlying (Agricultural) Pool and a few appropriators had reconsidered their position and were opposed to the motion to appoint the Advisory Committee as Watermaster, even with an arbitration process. As a result, the motion was taken off calendar, and additional Ad Hoc Transition Committee meetings were held. These meetings resulted in the development of a proposal for a nine member board which was approved by the Advisory Committee in April, 1996. Watermaster Counsel was directed to file a motion to appoint this nine member board which was set for hearing on June 18, 1996.

On June 3, 1996, CBMWD filed an ex-parte motion to shorten the time on a motion to appoint itself as Interim Watermaster, to appoint itself "nunc pro tunc" Watermaster and to disqualify Watermaster Counsel based on the allegation that Counsel had a conflict of interest in serving both Watermaster and the Advisory Committee. The motion to shorten time was granted and the hearing was also set for June 18, 1996. At the June 18, 1996 hearing, the Honorable Judge J. Michael Gunn granted the motions to appoint CBMWD nunc pro tunc and Interim Watermaster, and denied the motion to disqualify Watermaster Counsel. The Judge also ordered the parties to meet and confer regarding the nine member proposal, which continued the matter into the subsequent fiscal year.

Detailed information with regard to the transition to a new Watermaster Board is on file at the offices of Watermaster Services. Information will be provided upon request.

III. ADVISORY AND POOL COMMITTEES

A. Overlying (Agricultural) Pool

Each year an annual election is held to nominate members and officers to serve on the Overlying (Agricultural) Pool Committee and Advisory Committee for the next fiscal year. At the annual meeting held on March 9, 1995, the following individuals were designated to serve during fiscal year 1995-96:

Chairman	Robert DeBerard
Vice-Chairman	Jeff Pierson
Secretary	Traci Stewart, Chief of Watermaster Services
Treasurer	Larry Rudder, Financial Services Officer

The members designated to administer the pool's activities and serve as representatives on the Watermaster Advisory Committee during fiscal year 1995-96 are shown in Appendix A-1.

It has become the practice of the pool committee to designate the entire existing slate of regular and alternate members as pool representatives in order to insure a quorum for the Overlying (Agricultural) Pool meetings. During the fiscal year, Roger Larkin returned to active participation; Dana Oldenkamp filled the position vacated when Wendy Vander Dussen relocated; and Pete Hall filled the vacancy created when Ernie Reyes transferred out of the area.

During fiscal year 1995-96, eight (8) regular meetings and two (2) special meetings were conducted. Some of the meetings were held concurrently with other committees, to act on matters affecting the members of this pool and to discuss actions to be forwarded by the Advisory Committee to the Watermaster. Regular meetings were scheduled so that the Overlying (Agricultural) and Appropriative Pool met on the same day. By action taken in June 1988, any Overlying (Agricultural) Pool Committee member that attends Appropriative Pool meetings is to be compensated for attendance. During fiscal year 1995-96 concurrent meetings were held on a trial basis in an effort to foster better communication between the pools and the various committee members and to minimize duplication of effort on behalf of the staff.

B. Overlying (Non-Agricultural) Pool

Each year an annual election is held to nominate officers to serve on the Overlying (Non-Agricultural) Pool Committee and Advisory Committee for the next fiscal year. At the annual meeting held on March 16, 1995, the following individuals were nominated and elected to serve during fiscal year 1995-96:

Chairman	Rob Hartman, *Kaiser Ventures Inc.
Vice-Chairman	David Cooper, Sunkist Growers, Inc.
Secretary	Traci Stewart, Chief of Watermaster Services
Treasurer	Larry Rudder, Financial Services Officer

**On July 20, 1995, notice was received that Kaiser Resources Inc. changed its name to Kaiser Ventures Inc.*

Representatives from the following entities were designated to administer the pool's activities and to serve on the Watermaster Advisory Committee during fiscal year 1995-96. A complete list of member entities and their designated representatives is included as Appendix A-2.

Steve Arbelbide	California Steel Industries
Rick Darnell	Southern California Edison
Rob Hartman	Kaiser Ventures Inc. (Kaiser)

Rob Hartman left Kaiser in June, 1995, thereby creating a vacancy on the committee. Rick Darnell accepted the position of Chairman and Steve Arbelbide became the Vice-Chairman at the June 16, 1995 pool meeting.

During fiscal year 1995-96, six (6) regular meetings and one (1) special meeting of the Overlying (Non-Agricultural) Pool were conducted. Some of these meetings were held concurrently with the other committees to act on matters affecting the members of this pool and to discuss actions to be forwarded by the Advisory Committee to the Watermaster.

C. Appropriative Pool

Each year an annual election is held to nominate officers to serve on the Appropriative Pool Committee and Advisory Committee for the next fiscal year. At the annual meeting held on March 9, 1995, the following individuals were nominated and elected to serve during fiscal year 1995-96:

Chairman	Gerald Black, Fontana Union Water Company
Vice-Chairman	Edwin James, Jurupa Comm. Services District
Secretary	Traci Stewart, Chief of Watermaster Services
Treasurer	Larry Rudder, Financial Services Officer

A complete list of member entities and their designated representatives is included as Appendix A-3. During fiscal year 1995-96, eight (8) regular meetings and one (1) special meeting of the Appropriative Pool were conducted. Some of these meetings were held concurrently with the other committees to act on matters affecting the members of this pool and to discuss actions to be forwarded by the Watermaster Advisory Committee to the Watermaster.

D. Advisory Committee

The annual meeting of the Advisory Committee was held March 23, 1995. Formerly, it was the practice of the pools to utilize a rotation process to designate the Chairman of the Advisory Committee each year. Based on this rotation process, the following individuals were designated to serve as officers during fiscal year 1995-96:

Chairman	Rob Hartman
1st Vice-Chairman	Gerald Black
2nd Vice-Chairman	Robert De Berard
Secretary	Traci Stewart, Chief of Watermaster Services
Treasurer	Larry Rudder, Financial Services Officer

A complete list of Advisory Committee members is included as Appendix A-4. The chairman's position became vacant as a result of Rob Hartman leaving Kaiser in June, 1995. Rather than following the rotation process, it was decided to hold a special election at the beginning of fiscal year 1995-96 to elect a new chairman. Tom Shollenberger, General Manager of the Cucamonga County Water District, was elected by a unanimous vote of the Advisory Committee to fill the vacant chairman's position.

During fiscal year 1995-96, seven (7) regular meetings and two (2) special meetings of the Advisory Committee were conducted to act on matters affecting the pools and to discuss actions to be forwarded by the Watermaster Advisory Committee to the Watermaster.

E. Special Ad Hoc Committees and Workshops

During fiscal year 1995-96, twenty (20) special ad hoc meetings and/or workshops were held, some with multiple topics of discussion. There were eight (8) separate or combined meetings held to discuss the transition to a new Watermaster, eleven (11) to discuss the desalter project, four (4) to discuss storage limits and the 85/15 rule, two (2) workshops regarding budget and three (3) workshops regarding conjunctive use programs.

Minutes and/or audio tapes of all committee meetings, and special ad-hoc meetings and workshops are available and may be reviewed by any interested party by contacting the Chief of Watermaster Services, at 8632 Archibald Avenue, Suite 109, Rancho Cucamonga, CA 91730. Requests must be in writing and are accepted via regular mail or facsimile.

IV. ADMINISTRATION OF THE JUDGMENT

A. Employment of Experts and Agents

1. Watermaster Insurance Coverage

Chino Basin Watermaster insurance coverage was originally secured in August 1978, and continued with Chino Basin Watermaster as an additional insured under CBMWD's policy in the amount of one million dollars during the fiscal year. The new Watermaster offices were added as a remote location to allow the coverage to expire in the next fiscal year before procuring separate insurance.

2. Unqualified Audit Opinion and Annual Audit Report

For the period ended June 30, 1996, the firm of Charles Z. Fedak & Company, performed the certified financial audit required under the Judgment and submitted an Unqualified Audit Opinion and Audit Report to the Chino Basin Watermaster as shown in Appendix N.

3. Engineering Services

During fiscal year 1995-96, engineering services were continued through Stetson Engineers and Mark J. Wildermuth, Water Resources Engineer, for projects within the Chino Basin.

4. Legal Services

During fiscal year 1995-96, general counsel services were continued through the firm of Nossaman, Guthner, Knox and Elliott, LLP. Specialized legal services were procured by the Overlying (Agricultural) Pool Committee through the firm of Reid and Hellyer for services associated with the Chino Basin Desalter project.

5. Computer Consulting Services

The computer services contract remained in effect during fiscal year 1995-96. Computer services are utilized to maintain the three Watermaster operating systems and various software packages necessary to administer the Judgment. Watermaster Services staff currently uses Microsoft Office Professional, Quick Books Pro and Arc View in addition to the software developed specifically to monitor production and other relative well and producer information.

B. Assessments

The Judgment provides for separate and distinct replenishment assessment formulas for each of the three pools. The administrative assessment formula for each pool is determined on a per acre-foot basis for each acre-foot of water produced by a particular pool. Costs per acre-foot vary among the pools in accordance with their respective total budgeted amounts for pool administration and total production during the previous production period. Costs to replace any water extracted in excess of each respective pool's share of safe yield and operating safe yield amount is recovered by the application of the following replenishment assessment formulas:

1. The Overlying (Agricultural) Pool pays on a gross basis, such that the total cost of the replenishment water plus the estimated spreading costs are divided equally on each acre-foot of water produced during the previous production year. One member of this pool, Los Serranos Country Club, was also assigned to the Appropriative Pool. Under this special arrangement, Los Serranos is assessed as an appropriator on the portion of its production (65%) that serves an area outside the Chino Groundwater Basin's adjudicated boundary and pays a 100% net replenishment assessment on this portion of its production.

For fiscal year 1995-96 the Overlying (Agricultural) Pool was assessed \$11.67620 per acre-foot. By action taken at the Appropriative Pool Committee meeting on June 7, 1988, the Appropriative Pool agreed to assume the administrative assessments of the Overlying (Agricultural) Pool, in exchange for the reallocation or transfer of all unpumped agricultural water to the Appropriative Pool following the fiscal year 1987-88 production year and for each fiscal year thereafter. Therefore, the total administrative and special projects assessment levied against the Overlying (Agricultural) Pool and paid by the Appropriative Pool was \$449,557. It was calculated at $\$11.67620 \times 38,502,000$ acre-feet and apportioned to each Appropriative Pool member based on its share of the initial operating safe yield.

Since reported production had only declined from 96,567 acre-feet in fiscal year 1974-75, to 83,934 acre-feet in fiscal year 1977-78, the Overlying (Agricultural) Pool Committee decided in fiscal year 1978-79 to purchase and place in a local storage account, 2,000 acre-feet of replenishment water to provide for a potential increase in production during the balance of the five year period. However, because production of the Overlying (Agricultural) Pool continued to decline, the pool members decided during fiscal year 1987-88 to sell the water in storage. Revenue from the sale was placed in a restricted interest earning account for future use by the Overlying (Agricultural) Pool as became

necessary. Through June 30, 1996, proceeds from the sale, including interest earned, totaled \$387,168.

2. The **Overlying (Non-Agricultural) Pool** pays on a net basis, such that each producer pays the current cost of replenishment water plus the estimated cost of spreading for each acre-foot of water produced in excess of each producer's respective share of the safe yield.

In fiscal year 1995-96, the Overlying (Non-Agricultural) Pool was assessed \$5.82 for budgeted administrative and special project costs and \$233.15 (\$229 per acre-foot of water and \$4.15 spreading costs) on each acre-foot of production in excess of each producer's share of the operating safe yield.

3. In the **Appropriative Pool** seven (7) producers pay replenishment assessments on a net basis, such that each pays the current cost of replenishment water plus the estimated costs of spreading: Arrowhead Mountain Spring Water Company, Chino Basin Municipal Water District, Los Serranos Country Club, Marygold Mutual Water Company, City of Pomona, Pyrite Canyon Group and San Bernardino County (Prado Olympic Shooting Park, formerly SB County Prado Tiro). The City of Norco pays replenishment on a net basis for any replenishment obligation in excess of 1,567 acre-feet. Any replenishment necessary by the City of Norco up to the 1,567 acre-feet is assessed under the 85/15 formula as discussed below.

The remaining Appropriative Pool members are subject to the 85/15 formula which assesses the total cost of replenishment water in two ways: 1) fifteen percent (15%) on a gross basis (uniformly among all producers on each acre-foot produced), and 2) eighty-five percent (85%) on a net basis (on each acre-foot of production over a producer's share of the operating safe yield).

In fiscal year 1995-96, the Appropriative Pool members who participate in the 85/15 formula were assessed \$1.21 per acre-foot for the gross 15% assessment and \$198.18 per acre-foot for the 85% net assessment respectively. In addition, each producer was assessed \$1.57 per acre-foot to cover the budgeted administrative and special project costs.

C. Fiscal Year 1996-97 Administrative Budget

A Noticed Public Hearing was conducted by Watermaster on April 3, 1996, to ratify the fiscal year 1996-97 Administrative Budget. A summary of the budget is attached hereto as Appendix C.

D. Special Projects

Special projects were initiated by separate work orders and approved by the Watermaster Advisory Committee and Watermaster, for projects other than general administration of the Judgment. Additional special project task orders are designated and budgeted as required to carry out the management plan. The following new or existing special projects were approved for fiscal year 1995-96 and are described below.

1. **The Well Inspection and Meter Installation Project** was originally initiated to provide a service to those parties under the Judgment who are required to purchase and install meters in order to accurately report well production. Following field inspections, Watermaster Services staff made a recommendation for each well regarding the type and placement of each meter. The choices were either kilowatt hour, hour, or in-line meters. Of the 650 wells to be inspected, 603 were finished by fiscal year end. 528 wells either had meters installed or data was being accumulated through a kilowatt hour meter. The purpose of this project is to insure that all wells with annual production over ten acre-feet have at least one of the three types of meters that is operational and accurate.

To improve the accuracy of the reported production, the project also provides for well inspection, meter installation and plumbing modifications, repair of previously installed non-functioning in-line flow meters and installation of meters on wells that were previously unmetered.

2. **The Meter Testing and Calibration Program** is required under Section 21, Measuring Devices and Section 54, Administration Expense of the Judgment which includes record maintenance and calibration of measuring devices. These Judgment provisions were intended to cause the testing and calibration of every propeller type meter in the Chino Groundwater Basin at least once every two years in order to obtain more accurate production records on each well. Additionally, Section 3.07.1 of the Watermaster Rules and Regulations was added to require testing and calibration of other meter types on an annual basis.

3. **The Groundwater Quality and Level Monitoring Program** is comprised of two primary tasks. Task One is the portion of the program necessary to collect groundwater quality samples and levels and to extract data from Department of Health Services (DOHS) and Regional Water Quality Control Board (RWQCB) records. Task One represents the majority of effort and reason for the program because the agricultural producers avoid individual monitoring

requirements from the RWQCB by participating in this program. Task Two is to compile data from the lab, to check the data for quality assurance and control of the data, to prepare maps such as TDS, groundwater level and nitrate contours, and to prepare the necessary monitoring reports.

4. The purpose of the **TDS/Nitrogen Study** is to reevaluate the wasteload allocations, basin plan objectives, and sub-zones established for the Santa Ana River and the surrounding groundwater basins. The study is being managed by the Santa Ana Watershed Project Authority (SAWPA). In 1994, the RWQCB updated the Basin Plan for the Santa Ana River Watershed. The allowable reclaimed water use, the surface and groundwater TDS and nitrogen objectives, the groundwater basin and sub-basin boundaries, and the various beneficial uses that must be protected and preserved are established in the Basin Plan. Among the tasks to be completed in this study are (1) to identify the effect on receiving and downstream water quality and quantity from increased reclamation by type of reclamation use; (2) to determine the impact of changes on the quality of the receiving water in groundwater basins; (3) to compare any proposed water quality changes to the existing legal and institutional arrangements to determine if changes in water quality objectives can be made, and determine if the evidence supports a change; (4) to recommend appropriate basin/sub-basin boundaries (based on water quality, manageability and hydrology); and (5) to identify the impact of changes in objectives on the basins, the river reaches and the on-off river areas.

5. The **Chino Basin Water Resources Management Study** was initiated in an effort to produce a water resources management plan that would enable all water agencies within the Chino Groundwater Basin boundaries to meet future water demands, with an appropriate level of reliability for a predictable cost. The final report was completed in September 1995. It indicated that production should be maintained in the lower end of the basin and that additional recharge facilities and alternative sources of water should be developed to the maximum extent feasible.

E. Principal Office

The Watermaster Rules and Regulations, Section 2.01 state the principal office of the Watermaster may be designated from time to time by order of the Court or by amendment to the rules and regulations. As a result of action taken by the Advisory Committee at its meeting held March 7, 1996, and ratified by the Watermaster on April 3,

1996, the principal office of the Watermaster has been designated as 8632 Archibald Avenue, Suite 109, Rancho Cucamonga, California, 91730.

F. Mailing Lists

Mailing lists of the active parties are updated on a routine basis through the use of the United States Post Office "Address Correction Requested Service," whereby any address change reported to them is provided to Watermaster Services after each mailing. File changes are made upon receipt of notice and other sources of address change. A current listing of active parties is available for review upon request.

G. New Party Interventions

New Party Interventions are accumulated on a regular basis as land ownership changes or new parties begin production. Changes in ownership are most frequently discovered during the production reporting and well inspection processes. New party production is normally discovered when new wells are located by Watermaster Services staff during routine field inspections. Parties who no longer own property with water production facilities are considered inactive and are accounted for as such. On April 25, 1996, a request for an order confirming and approving the interventions of the parties as shown in in Appendix J, came before the Honorable Judge J. Michael Gunn for hearing and was granted.

H. Redetermination of the Chino Groundwater Basin's Safe Yield

On June 30, 1996, the Chino Basin Watermaster Program closed its nineteenth year of operation under the Judgment. June 30, 1982 marked the date in which work could have commenced on redetermination of the Chino Groundwater Basin's safe yield. There were no changes recommended during the fiscal year. Pursuant to Exhibit I, Page 80, Paragraph 2b of the Judgment, Quantitative Limits: "In no event shall Operating Safe Yield in any year be less than the Appropriative Pool's share of Safe Yield, nor shall it exceed such share of Safe Yield by more than 10,000 acre-feet. The initial Operating Safe Yield is hereby set at 54,834 acre-feet per year. Operating Safe Yield shall not be changed upon less than five (5) years notice by Watermaster." Pursuant to this provision of the Judgment, Watermaster hereby posts its fourteenth "Notice of Intent to Change the Safe Yield in the Chino Groundwater Basin" as shown in Appendix K.

V. RESOURCES MANAGEMENT

A. Quarterly Accounting of Water Production

Production request forms were mailed to users of all active wells in the Chino Basin on a quarterly basis. The Overlying (Agricultural) Pool's quarterly production was compiled from meter readings taken on those wells equipped with water measuring

devices. On wells without measuring devices, a water duty method which relates the acreage of specific crops grown or the number of animals maintained to water use in acre-feet was used.

B. San Bernardino County Flood Control District Agreement (SBCFCD)

There was very little spreading activity during the fiscal year. The agreement with the SBCFCD expired in June, 1996. A written request to renew the existing agreement for an additional five (5) year term was sent in May, 1996 and was being processed by SBCFCD as of the close of the fiscal year.

C. San Sevaine Creek Water Project Agreement

During fiscal year 1994-95, a concern had been raised by several Watermaster Committee members over the potential impact on the basin's natural recharge from the proposed San Sevaine Creek Water Project. Several meetings were held with SBCFCD regarding the impact of channel lining and whether or not the SBCFCD had made an adequate demonstration that the project would mitigate the loss of storm flow recharge that now occurs through the existing unlined channels. It was proposed that prior to initiation of the project, a study be conducted to ensure that no adverse impacts would occur. Due to the deadline for SBCFCD to obtain financing, Watermaster agreed not to oppose the project through the CEQA process as long as specific conditions were met. Those conditions were addressed in an agreement between the SBCFCD and Watermaster which was approved by Watermaster on November 17, 1994. A copy of the agreement can be obtained by contacting the Watermaster Services office.

During fiscal year 1995-96, it was determined that the study being conducted by the SBCFCD did not include an evaluation of the proposed San Sevaine Creek Water Project from a conservation perspective, as was previously thought. At approximately the same time this conclusion was reached, Watermaster entered into a Memorandum of Understanding with the Chino Basin Water Conservation District to jointly develop a Chino Basin Wide Groundwater Recharge Master Plan (Plan). The Plan includes an evaluation of the San Sevaine Creek Project. Pursuant to the agreement with SBCFCD, the San Sevaine portion of the scope of the Recharge Master Plan Study was expanded and is being funded separately by Watermaster and the SBCFCD. As of June 30, 1996, the study remained in the data collection phase with the bulk of information still to be received from the SBCFCD. It was anticipated that the study and a formal report would be available by spring, 1997.

D. Cyclic Storage Agreement

Cyclic storage is defined in Paragraph 1.2.2 Cyclic Storage in the Uniform Groundwater Rules and Regulations, as the "predelivery of replenishment water." The

Cyclic Storage Agreement with Metropolitan Water District (Met) was extended for a period of one year while the pool committees continued workshops regarding storage limits. Additionally, because cyclic water became available in the spring of 1996, the cyclic storage account was allowed to be increased to the extent that water was "deposited" by Met through "in-lieu" exchange into the basin. A copy of the Fourth Amendment to the Cyclic Storage Agreement is included as Appendix M.

E. Stringfellow Acid Pits

During fiscal year 1985-86, various mitigation measures were addressed by each pool committee regarding the Stringfellow Acid Pits. The Committees determined the need for a cooperative effort throughout the water industry in dealing with contamination problems in the Chino Groundwater Basin. Pursuant to the Watermaster Advisory Committee's action, Watermaster petitioned the Court to allow the export of a maximum of 300 acre-feet of water annually. The petition was approved by the Court in November 1985. During fiscal year 1995-96, 60.3 acre-feet of contaminated wastewater was removed and exported from the site. As of June 30, 1996, a total of 338.9 acre-feet of contaminated water had been exported from the Stringfellow Acid Pits.

F. Water Rights Agreement between Kaiser Ventures Inc. and the Regional Water Quality Control Board

During fiscal year 1994-95, Watermaster had approved a resolution which provided that 25,000 acre-feet of water stored by Kaiser could be abandoned to Watermaster under an agreement between Kaiser and the RWQCB. The agreement was the result of efforts by the RWQCB and Kaiser to negotiate mitigation measures for a plume located in the Chino Basin which also provides a regional benefit to the Chino Basin. Before the provisions of the agreement could be carried out, it was necessary that the ongoing water rights dispute between Kaiser and California Steel Industries (CSI), was settled.

During fiscal year 1995-96, Watermaster approved Resolution 95-3, a settlement agreement between Kaiser and CSI that allowed the transfer of water rights from Kaiser to CSI to occur "nunc pro tunc" or back in time, as if it had occurred at the time of the sale of property by Kaiser to CSI. The settlement agreement divided Kaiser's water rights between Kaiser and CSI and once entered into, allowed Kaiser to abandon water to Watermaster to be used to meet Kaiser's commitment under the Salt Offset Agreement (see Appendices H and L-1).

G. Desalter Project Agreement

During fiscal year 1995-96, several meetings were held to discuss the desalter agreement. One of the major questions facing the basin producers was who should be

signatory to the agreement. Ultimately it was decided to include the RWQCB in the agreement. During the negotiations, concerns such as whether additional mitigation would be necessary, whether the agreement would effectively dismiss the agricultural producers from further mitigation and/or affect their ability to continue to operate cost effectively, the actual amount of water that was needed, and the additional requirement by the RWQCB that tied co-composting to the desalting effort was discussed.

When the agreement was presented to the RWQCB for approval, concerns were also expressed by Western and Orange County Municipal Water Districts regarding accumulated pollution associated with historic dairy operations and the potential need for additional desalters. Additionally, Kaiser was concerned that they would be contributing twice should the basin producers assess themselves to offset any unmet replenishment obligations of the desalter.

Finally, as of the fiscal year end, the "Agreement Regarding An Alternative Water Supply Source For The Replenishment Obligation Offset Of The Chino Basin Desalter" and Resolution No. 96-3, "A Resolution Of The Chino Basin Watermaster To Financially Support The Development Of Additional Desalting In The Chino Basin To Protect The Safe Yield Of The Basin" where it is economically justified, were approved (see Appendices L-2, L-3).

H. Local Water in Storage for Recapture/Sales/Transfers

Recapture, sales and transfers of water in local storage negotiated among the Appropriative and Overlying (Non-Agricultural) Pool members during fiscal year 1995-96 totaled 36,280.260 acre-feet (see Appendix I-1).

I. Assignments/Transfers or Lease of Water Rights

Water Rights Lease Agreements, negotiated among the Appropriative Pool members during fiscal year 1995-96 totaled 22,282.323 acre-feet (see Appendix I-2).

J. Assignments

Pursuant to the Judgment, Exhibit G, Paragraph 6, Assignment, "...any appropriator who may, directly or indirectly, undertake to provide water service to such overlying lands may, by an appropriate agency agreement on a form approved by Watermaster, exercise said overlying right to the extent, but only to the extent necessary to provide water service to said overlying lands." Therefore, all assignments approved in fiscal year 1995-96 were for service provided during the fiscal year. Assignments between FWC and CSI, and City of Chino and the San Bernardino County through its Airports Division in the amounts of 1,695.500 and 79.020 respectively, are shown on Appendix I-3. For the past several years, assignments have occurred between Jurupa

Community Services District (JCSD) and the City of Norco, between JCSD and Mutual Water Company of Glen Avon Heights, JCSD and Mobile Community Management Company for Swan Lake, and JCSD and Santa Ana River Water Company. In fiscal year 1995-96 these assignments were in the amounts of 615,616, 104,860, 239,580, and 961,117 acre-feet respectively. Previous years assignments were not recorded in the Annual Report, however they have been a part of the Summary of Groundwater Production reported each year.

The process to assign 3,662,970 acre-feet from Praxair to Fontana Water Company (FWC) was approved by the Overlying (Non-Agricultural) and Appropriative Pools on June 26, 1996, "nunc pro tunc" based on actual service records from prior years. It was then forwarded to the Advisory Committee for approval at the first scheduled meeting in fiscal year 1996-97. Copies of service records were provided to the Watermaster Services staff for verification. Additionally, copies of the service records were provided to committee members upon request.

K. Local Storage

1. Storage Limits During fiscal year 1995-96, the pool committees began considering the establishment of storage limits and what losses, if any, should be assigned to local water in storage. Since the final report of the Chino Basin Water Resources Management Study was completed in September, 1995, Mark Wildermuth, engineering consultant, was asked to review the model results and make a recommendation with regard to losses. Additionally, Watermaster Counsel was asked to review the Uniform Groundwater Rules and Regulations and recommend possible changes to add clarity and reflect the consensus if one could be reached. Due to the activities and workshops necessary to address transitioning to a new Watermaster, the process of setting storage limits and assigning losses continued into the next fiscal year. The amount of water that could be stored was capped effective June 30, 1996 and no new storage accounts were to be entered into in anticipation of completing this process.

2. Local Storage Agreements Due to the continuation of the process discussed above to set storage limits, there were no new Local Storage Agreements approved during fiscal year 1995-96.

L. Land Use Conversion

On November 17, 1995, a petition and motion of the Chino Basin Watermaster for an order approving amendments to the Judgment to simplify conversion claim procedures was granted by the Honorable Judge Ben T. Kayashima. Paragraph 10(b), Conversion Claims of Exhibit H of the Judgment was ordered deleted and replaced with a new Paragraph 10(b). Additionally, a list of parcels eligible for conversion within various city limits was submitted to the Court and is included in Appendix O-1.

APPENDIX A-1
OVERLYING (AGRICULTURAL) POOL COMMITTEE
FISCAL YEAR 1995-96

<u>Regular Members</u>	<u>Representing</u>
*George Borba Jr.	Dairy Industry
Robert Bridges	State of CA
Robert DeBerard	Grape Growers
Dick Dykstra	Dairy Industry
*Jack Hagerman	State of CA
*Gene Koopman	Milk Producers Council
*Marilyn Levin, Deputy Attorney General	State of California
Jeff Pierson	Unitex Management Co.
Wendy Vander Dussen	Milk Producers Council
*Arian Van Leeuwen	Dairy Industry

<u>Alternate Members</u>	
Sheila Anderson	State of CA
Fred Hector	State of CA
Anthony Kolath	State of CA
Carlos Lozano	State of CA
Richard Matamoros	State of CA
Bill Mills	Orange Co. Water District
Ernie Reyes	State of CA

* Newly elected members for a two-year term.

Note: Alternate members can replace any pool member that is not present at a Pool or Advisory Committee meeting. During fiscal year 1995-96 it was decided to increase the regular members to ten. Additionally, Roger Larkin, Pete Hall and Dana Oldenkamp were designated to replace positions vacated during the year (as indicated on page 3).

APPENDIX A-2
OVERLYING (NON-AGRICULTURAL) POOL COMMITTEE
FISCAL YEAR 1995-96

<u>Member Entity</u>	<u>Representative</u>
Ameron	Mark Ward
Angelica Rental Service	Eric Vaughn
California Steel Industries	Steve Arbelbide
Calmat (Conrock)	Gene Block
General Electric Company	Debra Hankins
Kaiser Ventures Inc.	Rob Hartman
Mobile Community Management\Swan Lake	David Starnes
Praxair	Mike Stenberg
San Bernardino Cty Aviation Division	Glen Porter
Sunkist Growers Inc.	David Cooper
Southern California Edison	Rick Darnell
Space Center Mira Loma	Michael Thies

APPENDIX A-3
APPROPRIATIVE POOL COMMITTEE
FISCAL YEAR 1995-96

<u>Member Entity</u>	<u>Representatives</u>
Arrowhead Mt. Sprg Water Comp.	David Kubitz
Chino Basin MWD	Robert G. Westdyke
Chino, City of	Dave Crosley
Chino Hills, City of	Terry Kimbro
Cucamonga County Water District	Tom Shollenberger
Fontana Union Water Company	Gerald Black
Fontana Water Company	Mike McGraw
Jurupa Community Services Dist.	Edwin James
Los Serranos Country Club	Kevin Sullivan
Marygold Mutual Water Company	Bill Stafford
Monte Vista Irrigation Company	Harold Andersen
Monte Vista Water District	P. Joseph Grindstaff
Mutual Water Comp.\Glen Avon Hts	Terri Horn
Norco, City of	Joe Schenk
Ontario, City of	Mike Teal
Pomona, City of	Robert DeLoach
Pyrte Canyon Group	Daniel Bergman
San Antonio West End-Water Comp.	Ray Wellington
Santa Ana River Water Comp.	Arnold Rodriguez
San Bernardino, County of	Dulcie Crowder
Southern California Water Comp.	Chet Anderson
City of Upland	Jim Moody
West San Bern. Cty Water District	Anthony Araiza

APPENDIX A-4
ADVISORY COMMITTEE
FISCAL YEAR 1995-96

Agricultural Pool

Regular Members

George Borba Jr., Dairy
 Robert Bridges, State of CA
 Robert DeBerard, Grapes
 Dick Dykstra, Dairy
 Jack Hagerman, State of CA

Gene Koopman, Dairy
 Marilyn Levin, Deputy AG, State of CA
 Jeff Pierson, Unitex Management Co.
 Wendy Vander Dussen, MPC
 Arlan Van Leeuwen, Dairy

Alternate Members

Sheila Anderson, State of CA
 Anthony Kolath, State of CA
 Richard Matamoros, State of CA
 Bill Mills, Orange Co Water Dist.

Fred Hector, State of CA
 Carlos Lozano, State of CA
 Ernie Reyes, State of CA

Non-Agricultural Pool

Member Entity

California Steel Industries
 Southern California Edison
 Kaiser Ventures Inc.

Representative

Steve Arbelbide
 Rick Darnell
 Rob Hartman

Appropriative Pool

Member Entity

City of Chino
 City of Chino Hills
 City of Ontario
 City of Pomona
 City of Upland
 Cucamonga County Water Dist.
 Fontana Union Water Company
 Monte Vista Water District
 Jurupa Community Services Dist.*
 Fontana Water Company*

Representative

Dave Crosley
 Terry Kimbro
 Mike Teal
 Robert De Loach
 Jim Moody
 Tom Shollenberger
 Gerald Black
 P. Joseph Grindstaff
 Edwin James
 Mike McGraw

**Non-major Appropriator representatives*

APPENDIX B
PRODUCTION BY POOL
(Acre-Feet)

Fiscal Year	Appropriative Pool	Overlying (Agricultural) Pool	Overlying (Non-Agricultural) Pool	Total
74/75	70,312	96,567	8,878	175,757
75/76	79,312	95,349	6,356	181,017
76/77	72,707	91,450	9,198	173,355
77/78	60,659	83,934	10,082 (1)	154,675
78/79	60,597	73,688	7,127	141,412
79/80	63,834	69,369	7,363	140,566
80/81	70,726	68,040	5,650	144,416
81/82	66,731	65,117	5,684	137,532
82/83	63,481	56,759	2,395	122,635
83/84	70,558	59,033	3,208	132,799
84/85	76,912	55,236	2,415	134,563
85/86	80,859	52,061	3,193	136,113
86/87	84,662	59,847	2,559	147,068
87/88	91,579 (2)	57,865	2,958	152,042
88/89	93,617 (3)	46,762	3,619	143,998
89/90	101,344 (4)	48,420	4,856	154,620
90/91	86,658 (5)	48,085	5,407	140,150
91/92	91,982 (6)	44,682	5,240	141,904
92/93	86,367 (7)	44,092	5,464	135,923
93/94	80,798 (8)	44,298	4,588	129,682
94/95	93,419 (9)	55,022	4,327	152,768
95/96	101,606 (10)	43,639	5,424	150,669

- (1) Includes 3,945 acre-feet of mined water pumped by Edison as agent for CBMWD.
- (2) Does not include 7,674.3 acre-feet exchanged with MWD.
- (3) Does not include 6,423.6 acre-feet exchanged with MWD.
- (4) Does not include 16,377.1 acre-feet exchanged with MWD.
- (5) Does not include 14,929.1 acre-feet exchanged with MWD.
- (6) Does not include 12,202.4 acre-feet exchanged with MWD.
- (7) Does not include 13,657.3 acre-feet exchanged with MWD.
- (8) Does not include 20,194.7 acre-feet exchanged with MWD.
- (9) Does not include 4,221.9 acre-feet exchanged with MWD.
- (10) Does not include 6,167.2 acre-feet exchanged with MWD.

APPENDIX C

SUMMARY OF ADMINISTRATIVE REPLENISHMENT ASSESSMENT BUDGETS

FISCAL YEAR 1996-97

	TOTALS	APPROPRIATIVE POOL		AGRICULTURAL POOL		NON-AGRICULTURAL POOL	
		Amount	Ratios & Rates (\$/Acre Ft)	Amount	Ratios & Rates (\$/Acre Ft)	Amount	Ratios & Rates (\$/Acre Ft)
1994-95 Production in Acre Feet & Exchanges	156,989,300	97,640,700	62.196%	\$5,021,700	35.048%	4,326,900	2.756%
1995-96 Production & MWD Exchange in Acre Feet	156,836,112	107,773,694	68.717%	43,638,570	27.824%	5,423,848	3.458%
ADMINISTRATIVE BUDGET							
GENERAL & ADMINISTRATION							
Watermaster Admin (Sum Watermaster-Advisory, Comm (1))	\$719,929	\$494,714		\$200,312		\$24,896	
Pool Administration	104,249	46,972		49,000		8,277	
TOTAL GENERAL & ADMINISTRATION	\$824,178	\$541,686	\$5.0261	249,312	\$5.7131	\$33,173	\$6.1161
SPECIAL PROJECTS							
Water Testing Program - Admin (1)	24,384	16,756		6,785		\$843	
Water Testing Program - Pool Specific	94,156	14,890		74,358		4,908	
Monitoring - Admin (1)	23,083	15,862		6,423		798	
Monitoring - Pool Specific	77,219	4,638		71,713		1,408	
TDS/Nitrogen - Admin (1)	3,079	2,116		857		106	
TDS/Nitrogen - Pool Specific	15,579	7,897		2,466		1,216	
TOTAL SPECIAL PROJECTS	233,500	62,159	0.5768	162,062	3.7137	9,279	1.7108
TOTAL ADMINISTRATIVE BUDGET	1,057,678	603,845	5.6029	411,374	9.4268	42,452	7.8269
Add 33% Operating Reserve	349,031	199,269	1.8290	135,753	3.1109	14,009	2.5829
SUB-TOTAL	1,406,709	803,114	7.4519	547,127	12.5377	56,461	10.4098
Project Budget Carryover from 95/96							
Metrol Installation & Repair - Pool Specific	45,715	0		45,715	1.0476	0	
Monitoring-Pool Specific	11,825	0		11,825	0.2710	0	
Total 95/96 Carryover Projects	\$57,540	0	0.0000	\$57,540	1.3186	0	0.0000
TOTAL 96/97 BUDGET AND 95/96 CARRYOVER	1,464,249	803,114	7.4519	604,667	13.8563	56,461	10.4098
Less 95/96 Interest Revenue on SB222 Funds (2) and Pool Reserves	(65,452)	(63,594)	(0.5901)	0	0.0000	(1,858)	(0.3426)
CASH DEMAND for Fiscal Year 1996/1997	\$1,398,797	739,520	6.8618	604,667	13.8563	54,603	10.0672
ESTIMATED Funds on Hand for Admin. Accts 3/1/96 (3)		(342,230)	(3.1755)	(57,540)	(1.3186)	(13,672)	(2.5207)
Cash deficit (excess) at end of Fiscal Year 1995/1996	\$397,290	\$3.6863		\$547,127	\$12.5377	\$40,931	\$7.5465
RECOMMENDED 1996/1997 ASSESSMENTS:							
General Administration Assessments	Per Acre Foot	\$3.6863		\$0.0000	Per Producer	\$7.5465	
Minimum Assessments	Per Producer	5.0000		0.0000		5.0000	
Water Rationing Costs (Revenues) (4)	Per Acre Foot			\$19.69620			

APPENDIX D

SUMMARY OF REALLOCATION OF UNPRODUCED OVERLYING (AGRICULTURAL) POOL SAFE YIELD TO THE APPROPRIATIVE POOL

FISCAL YEAR 1995-1996

Member Entity	Land Use Conversions		Balance Available (acre-feet)	Total Reallocated (acre-feet)
	First 50%	Remaining 50% (acre-feet)		
Chino Basin MWD	0	0	0	0
Chino, City of	1,466.335	430.757	1,181.994	3,079.086
Chino Hills, City of	530.283	225.469	618.685	1,374.437
Cucamonga CWD	598.400	386.504	1,060.567	2,045.471
Fontana UWC		683.077	1,874.362	2,557.439
Fontana WC		0	0	0
Jurupa CSD	2,506.500	170.124	466.821	3,143.445
Marygold Mutual Water Co.		69.978	192.020	261.998
Monte Vista WD		515.127	1,413.507	1,928.634
Monte Vista Irr. Co.		72.268	198.302	270.570
Mutual Water Co. Of Glen Avon		49.973	137.125	187.098
Norco, City of		21.522	59.057	80.579
Ontario, City of	753.946	1,214.556	3,332.738	5,301.240
Pomona, City of		1,197.688	3,286.451	4,484.139
San Antonio Water Co.		160.913	441.546	602.459
San Bdo Cnty/Olympic Shtg Park		0	0	0
Santa Ana River Water Co.		138.968	381.326	520.294
So. Cal Water Company		43.940	120.570	164.510
Upland, City of		304.594	835.807	1,140.401
West End Cons. Water Co.		101.202	277.698	378.900
West San Bdo Cnty Water Dist.		68.804	188.796	257.600
TOTALS	5,855.464	5,855.464	16,067.372	27,778.300

Source: 1996-97 Assessment Package

APPENDIX E-1

**SUMMARY OF MWD DELIVERIES⁽¹⁾
(Acre-Feet)**

FISCAL YEAR 1995-96

DATE	WATER FACILITIES AUTHORITY CB 12				WFA (CB 12) & CB 2	CB 1	CB 7 & CB 16	TOTAL	PM 15
	UPLAND	CHINO	CHINO HILLS	MVWD	ONTARIO	SCE	CCWD		POMONA _{adj}
July	50	355	937	617	758	43	1,740	4,500	82
August	174	354	1,139	929	1,009	56	1,906	5,567	197
September	159	339	1,093	852	935	70	1,754	5,202	205
October	0	373	1,040	172	422	0	1,669	3,676	14
November	0	359	391	123	635	0	1,459	2,967	0
December	69	363	725	26	285	0	1,774	3,242	0
January	204	366	451	4	288	0	1,737	3,050	0
February	318	333	508	313	615	0	1,198	3,285	0
March	575	355	644	540	605	0	275	2,994	0
April	694	339	787	844	672	0	0	3,336	0
May	5	362	1,082	339	822	0	979	3,589	3
June	129	423	1,280	353	886	0	1,648	4,719	59
TOTAL	2,377	4,321	10,077	5,112	7,932	169	16,139	46,127	560

Total MWD deliveries used in Chino Basin (includes Pomona)

46,687 AF

- (1) A breakdown of categories of water is available upon request. Does not include water exchanged with MWD.
- (2) Figures reflect 37.8% of the total MWD water delivered that was used over the Chino Basin (based on land area physically located within the Chino Basin adjudicated boundary). The water delivered to Pomona is not included in the summary totals, however it is reflected in the MWD total deliveries in Appendix F.

APPENDIX E-2

SUMMARY OF COOPERATIVE, REPLENISHMENT AND CYCLIC ACTIVITIES

FISCAL YEAR 1995-96

(Acre-Feet)

COOPERATIVE ACTIVITY		DIRECT REPLENISHMENT ACTIVITY			CYCLIC ACTIVITY		TOTAL
MONTH	COOP. DELIVERED BY EXCHANGE	CB-13T SAN SEVAINE	CB-14T ETIWANDA	CB-59T MONTCLAIR	CYCLIC DELIVERED BY EXCHANGE	PRODUCED FROM CYCLIC	
July	537.4	0	0	0	0	0	537.4
August	1,113.1	0	0	0	0	0	1,113.1
September	961.4	0	0	0	0	0	961.4
October		0	0	0	0	0	0
November		0	0	0	0	0	0
December		0	0	0	0	0	0
January		0	0	0	0	0	0
February		0	0	0	532.0	0	532.0
March		0	0	0	1,475.4	0	1,475.4
April		82.4	0	0	1,547.9	0	1,630.3
May		0	0	0	0	0	0
June		0	0	0	0	0	0
TOTAL	2,611.9	82.4	0	0	3,555.3	0	6,249.6

Cyclic storage balance as of June 30, 1995

30,193.8

Direct deliveries by spreading: 95-96

0.0

Deliveries by exchange: 95-96:

3,555.3

BALANCE:

33,749.1

Produced during 1995-96:

0.0

BALANCE as of June 30, 1996

33,749.1

BREAKDOWN OF MWD CYCLIC ACTIVITY

	Chino Hills	MVWD	Upland	CCWD	Ontario	Total
February 96	313.3	218.7				532.0
March 96	284.9	540.4	574.8	75.3		1,475.4
April 96		843.6	693.5		10.8	1,547.9
	284.9	1,697.3	1,487.0	75.3	10.8	3,555.3

BREAKDOWN OF COOPERATIVE ACTIVITY

July 95	179.3	358.1	537.4
August 95	503.9	609.2	1,113.1
September 95	428.8	534.6	961.4
	1,110.00	1,501.9	2,611.9

The Jurupa Community Services District purchased 82.4 acre-feet of direct replenishment water.

APPENDIX F

SUMMARY OF OTHER IMPORTED SUPPLIES

FISCAL YEAR 1995-96

(Acre-Feet)

Member Entity	Other Basins	Surface Diversions	Other Imported Surface Diversions	Reclaimed Water ⁽¹³⁾
Chino Basin Municipal Water District ⁽¹⁾				22.6
Cucamonga County Water District ⁽²⁾	15,190.9	7,563.2		
Fontana Water Company ⁽³⁾	13,719.7	12,360.8		
Marygold Mutual Water Company ⁽⁴⁾			1,393.9	
Metropolitan Water District ⁽⁵⁾			46,687.0	
Ontario, City of ⁽⁶⁾				930.3
Pomona, City of ⁽⁷⁾	5,994.0		4,039.0	
San Antonio Water Company ⁽⁸⁾	6,311.0	3,384.0		
San Bernardino County ⁽⁹⁾				1,339.6
Upland, City of ⁽¹⁰⁾		3,454.6		206.7
West End Consolidated Water Co ⁽¹¹⁾	3,374.0			
West San Bernardino CWD ⁽¹²⁾	7,021.9			
Subtotal	51,611.5	26,762.6	52,119.9	2,499.2
TOTAL	130,494			

- (1) CBMWD - RP-1 water to Kessler Construction for 60 freeway construction.
- (2) Includes water produced from Cucamonga Basin and local runoff captured from Day Creek, Deer Canyon and water treated at Lloyd Michael and Royer-Nesbitt WTP's.
- (3) Includes water pumped from other basins and Lytle Creek surface water production.
- (4) Includes water produced from wells owned by the City of Rialto, located in the Rialto Basin.
- (5) Includes total MWD water delivered to CBMWD service area excluding cooperative and cyclic water.
- (6) Includes water delivered for use at Whispering Lakes Golf Course.
- (7) Includes water pumped from other basins and MWD water delivered to Pomona thru Three Valleys MWD and used in Chino Basin.
- (8) Includes water from Cucamonga Basin, Claremont Basin, the San Antonio Tunnel and the Main Box.
- (9) CBMWD - RP-1 water delivered to Prado Park.
- (10) Surface water from San Antonio Canyon and treated at city owned facility.
- (11) Includes water from Claremont Heights Basin.
- (12) Includes water delivered in "meter book" service area.
- (13) Reclaimed water totals are not included in summary total as they do not represent water utilized exclusively in Chino Basin.

E-1 Total MWD	46,687 AF
E-2 Direct Cyclic	0 AF
Total MWD Deliveries	46,687 AF

APPENDIX G
TOTAL WATER USED WITHIN CHINO BASIN ⁽¹⁾
(Acre-Feet)

Fiscal Year	Chino Basin Extractions ⁽²⁾	Other Imported Supplies ⁽³⁾	Total
1974-75	175,757	49,383	225,140
1975-76	181,017	57,686	238,703
1976-77	173,355	55,765	229,120
1977-78	154,675	61,567	216,242
1978-79	141,314	75,864	217,178
1979-80	140,566	70,727	211,293
1980-81	144,416	77,765	222,181
1981-82	137,532	67,491	205,023
1982-83	122,635	76,000	198,635
1983-84	132,799	99,257	232,056
1984-85	134,563	92,952	227,515
1985-86	136,113	114,624	250,737
1986-87	147,068	126,493	273,561
1987-88	152,402	116,175	268,577
1988-89	143,998	128,167	272,165
1989-90	154,620	139,004	293,624
1990-91	140,151	116,493	256,644
1991-92	141,904	104,480	246,384
1992-93	135,923	117,205	253,128
1993-94	129,682 ⁽⁴⁾	136,038	265,720
1994-95	152,767	116,797	269,564
1995-96	150,669	130,494	281,166

(1) Total includes water used over Cucamonga Basin.

(2) Source: Watermaster Assessment Packages. Total production in Approp. Pool (excluding exchanges) plus Non-Ag and Ag Pool production.

(3) Total does not include reclaimed water or water delivered by exchange and used for replenishment.

(4) Correction for Appendix G in 17th and Appendix H in 18th Annual Reports (reported as 129,664).

APPENDIX H

LOCAL STORAGE ACCOUNT STATUS

FISCAL YEAR ENDED JUNE 30, 1996

Appropriative Pool Entity	No. #	Date of Agreement	Amount of Agreement	Amount in Storage	Total
Chino, City of	12	01/23/85	15,000.000	2,775.327	2,775.327
Chino Hills, City of	18	05/07/86	2,400.000	2,400.000	17,177.915
	18.1	04/06/88	15,000.000	14,777.915	
Cucamonga CWD	10	05/30/84	5,000.000	5,000.000	38,584.782
	10.1	05/06/87	5,000.000	5,000.000	
	10.2	04/06/88	20,000.000	20,000.000	
	10.3	06/07/89	50,000.000	8,584.782	
Fontana UWC	2	07/30/80	31,500.000	0.000	0.000
	2.1	04/06/88	31,500.000	0.000	
Fontana WC	28	08/05/92	5,000.000	132.670	132.670
Junipra CSD	30	07/06/94	20,000.000	12,866.749	12,866.749
Marygold MWC	16.1	04/06/88	500.000	0.000	1,682.006
	16.2	06/07/89	2,000.000	0.000	
	16.3	07/07/93	2,000.000	1,682.006	
Monte Vista Irr. Co.	17	05/07/89	500.000	500.000	4,277.874
	17.1	06/06/90	2,500.000	3,777.874	
Monte Vista WD	27	08/05/92	2,500.000	5,336.477	5,336.477
Mutual Water Co/ G.A.H.	28	06/05/91	500.000	108.204	108.204
Norco, City of	31.0	11/02/94	2,000.000	0.000	0.000
Ontario, City of	11	06/07/89	10,000.000	10,000.000	10,000.000
	11.1	07/06/94	20,000.000		
Pomona, City of	15	01/29/86	7,000.000	0.000	29,805.688
	15.1	04/06/88	13,000.000	2,637.000	
	15.2	06/06/90	10,000.000	10,000.000	
	15.3	08/05/92	10,000.000	10,000.000	
	15.4	07/07/93	10,000.000	7,168.688	
San Antonio Water Co.	3	08/15/80	2,500.000	2,500.000	15,464.168
	3.1	11/05/86	2,500.000	2,500.000	
	3.2	04/06/88	10,000.000	10,464.168	
Santa Ana Riv. Wter Co.	20	05/06/87	1,500.000	271.977	271.977
Southern Calif. Wter Co.	23	12/07/88	500.000	1,321.652	1,321.652
Upland, City of	24	04/05/89	1,000.000	1,000.000	5,182.834
	24.1	06/06/90	8,000.000	4,182.834	
West End Cons. W.Co.	13	06/05/85	2,500.000	2,500.000	16,958.193
	13.1	04/06/88	6,000.000	6,000.000	
	13.2	08/05/92	6,000.000	8,458.193	
WSUCWD	25	01/10/91	3,000.000	2,751.319	2,751.319
Watermaster	29	08/05/92	10,000.000	28,948.946	28,948.946
Total Appropriative Pool Agreements			346,400.000		
Total Appropriative Pool in Storage				193,646.781	193,646.781

APPENDIX H
LOCAL STORAGE ACCOUNT STATUS
 (continued)

FISCAL YEAR ENDED JUNE 30, 1996

Overlying (Non-Agricultural) Pool Entity	No. #	Date of Agreement	Amount of Agreement	Amount in Storage	Total
Ameron	6	03/30/83	100,000	100,000	
	6.1	04/06/88	500,000	500,000	
	6.2	06/05/92	500,000	394,002	994,002
Angelica Rental Service	22	04/06/88	100,000	0,000	0,000
Caimat	1	06/30/79	1,589,220	1,589,220	
	1.1	05/30/84	1,589,220	1,589,220	
	1.2	02/07/90	1,589,220	2,224,908	5,403,348
*California Steel Ind.	TBA	12/20/95		277,020	277,020
Kaiser Ventures Inc.	9	05/30/84	15,000,000		
	9.1	10/07/87	15,000,000	6,477,654	6,477,654
Praxair	8	03/30/83	150,000		
	8.1	11/05/86	2,000,000		
	8.2	04/06/88	3,000,000	1,793,166	1,793,166
San Bern. Cty Airp. Div.	5	03/31/82	400,000	54,700	54,700
SCE	14	06/05/85	500,000		
	14.1	04/06/88	5,000,000	2,320,934	2,320,934
Space Center Mira Loma	4	03/31/82	100,000	100,000	
	4.1	11/05/86	200,000	252,598	352,598
Sunkist	7	03/31/83	2,500,000	2,500,000	
	7.1	11/05/86	5,000,000	6,311,363	10,811,363
Swan Lake	21	05/06/87	300,000	300,000	
	21.1	05/06/91	500,000	999,970	1,299,970
Total Overlying (Non-Agricultural) Pool Agreements			55,617,660		
Total Overlying (Non-Agricultural Pool in Storage				30,102,599	30,102,599
Total Agreements			402,017,660		
Total in Storage					223,749,380

*CSI received a portion of Kaiser's stored water as a result of a settlement agreement between Kaiser and CSI.

APPENDIX I-1

LOCAL WATER IN STORAGE
RECAPTURES, SALES AND TRANSFERS

FISCAL YEAR 1995-96

(Acre-Feet)

From	To	Use*	Transfers	Sales	Recapture
California Steel Ind.	Fontana WC	4			233.12
Kaiser Ventures Inc.	Chino Basin WM	3	18,000.000		
Marygold Mutual WC	Fontana WC	2		2,500.000	
Monte Vista Irr. Co.	City of Chino	2		500.000	
City of Norco	City of Norco	2			393.17
City of Pomona	SCE	2		2,976.000	
San Antonio Water Co.	Jurupa CSD	1		6,000.000	
San Bern. Cnty Airports	City of Chino	4			129.97
Southern California WC	Fontana WC	2		500.000	
City of Upland	City of Chino	2		548.000	
	Jurupa CSD	2		2,500.000	
	City of Ontario	2		2000.000	
			18,000.000	17,524.000	756.260

Total 36,280,260

*Use

- (1) placed in storage
- (2) offset production
- (3) abandonment per KVI/RWQCB agreement
- (4) to partially satisfy assignment of production for service by appropriator.

APPENDIX I-2
 ASSIGNMENTS/TRANSFERS/LEASES
 FISCAL YEAR 1995-96

(Acre-Feet)

From	To	Type	Use*	Amount	Total
Cucamonga CWD	Watermaster	L	1	3,060.948	
	MWD	L	2	75.3	3,136.248
City of Chino Hills	MWD	L	2	284.900	284.900
Fontana UWC	Cucamonga CWD	L	4	2,557.439	
		L	4	6,396.736	8,954.175
Kaiser Ventures, Inc.	California Steel Ind.	T	NA**	1,300.000	1,300.000
Monte Vista WD	MWD	L	2	1,697.300	
	MWD/MVWD	L	3	1,110.000	2,807.300
City of Ontario	MWD/Ontario	L	3	1,501.900	
	MWD	L	2	10.8	1,512.700
Santa Ana Riv. Water Co.	Jurupa CSD	L	5	1,800.000	1,800.000
City of Upland	MWD	L	2	1,487.000	1,487.000
West SB Cnty WD	Jurupa CSD	L	5	1,000.000	1,000.000
Total Assignments/Transfers/Leases					22,282.323

- * Use
 (1) replenishment
 (2) MWD Cyclic
 (3) MWD Cooperative
 (4) operating yield
 (5) offset 95-96 production

**transfer of water right pursuant to water rights agreement, see Appendix L-1.

APPENDIX I-3
ASSIGNMENTS
FISCAL YEAR 1995-96
(Acre-Feet)

From	To	Use*	Amount	Total
City of Chino	County of San Bernardino through its Airport Division	2	79.020	79.020
Subtotal				79.020
Fontana Water Company	Praxair Inc.	2	169.200	3,832.170
	Praxair Inc.	1	3,662.970	
	California Steel Industries	2	1,695.500	
Subtotal				5,527.670
Jurupa CSD	Mutual Water Co/Glen Avon Heights	2	104.860	104.860
	Mobile Comm. Mgmt. Co. for Swan Lake	2	239.580	239.580
	City of Norco	2	615.616	615.616
	Santa Ana River Water Company	2	961.117	961.117
Subtotal				1,921.173
Total Agency Agreements for Provision of Water Service				7,527.863

*Use
(1) offset 95-96 overproduction
(2) annual assignment of production for receipt of same amount of water.

APPENDIX J
NEW PARTY INTERVENTIONS
APPROVED IN
FISCAL YEAR 1995-96

Overlying (Non-Agricultural) Pool

General Electric Company

Overlying (Agricultural) Pool

Elizabeth H. Rohrs
Richard Van Loon
S.N.S. Dairy
Wineside 45
Frank Lizzaraga

Appropriative Pool

City of Fontana

APPENDIX K

WATERMASTER'S "NOTICE OF INTENT"
TO CHANGE THE OPERATING SAFE YIELD
OF THE CHINO GROUND WATER BASIN

PLEASE TAKE NOTICE that on this 30th day of June 1996, Chino Basin Watermaster hereby files this "NOTICE OF INTENT" to change the operating safe yield of the Chino Ground Water Basin pursuant to the Judgment entered in Chino Basin Municipal Water District v. City of Chino, et al., San Bernardino Superior Court, Case No. RCV 51010 (Exhibit I, Paragraph 2b, Page 80).

Approved by the

WATERMASTER ADVISORY COMMITTEE

CHINO BASIN WATERMASTER

BY: s/s P. Joseph Grindstaff
P. Joseph Grindstaff

BY: s/s Bill Hill
Bill Hill

Attest:

By s/s John L. Anderson
John L. Anderson, Secretary

APPENDIX L-1

RESOLUTION No. 95-3

**RESOLUTION OF CHINO BASIN WATERMASTER APPROVING
SETTLEMENT BETWEEN KAISER VENTURES INC. ("Kaiser") AND
CALIFORNIA STEEL INDUSTRIES INC. ("CSI") AND ACCEPTING
ABANDONMENT OF WATER BY KAISER**

WHEREAS on January 24, 1978, the Chino Basin Watermaster ("Watermaster") was appointed by the Superior Court of the State of California in and for the County of San Bernardino ("Court") to administer and enforce the provisions of the Judgment in Case No. RCV 51010 ("Judgment").

WHEREAS Kaiser is the successor to Kaiser Steel Corporation ("Kaiser Steel") and Kaiser Resources Inc. ("Kaiser Resources") and has been and is a party to the Judgment and a member of the Non-Agricultural Overlying Pool. CSI is also a party to the Judgment and a member of the Non-Agricultural Overlying Pool.

WHEREAS from 1942 until 1983 Kaiser Steel operated a large steel production and processing facility on property near Fontana, California ("Fontana Property"). In 1984 CSI purchased a portion of the Fontana Property from Kaiser Steel and in 1988 and 1989 acquired additional portions of the Fontana Property.

WHEREAS from 1984 to the present CSI has operated a steel processing plant on its portions of the Fontana Property. From 1984 to the present Kaiser has delivered water to CSI pursuant to certain utility services agreements.

WHEREAS on October 21, 1993 the California Regional Water Quality Control Board, Santa Ana Region adopted Resolution No. 93-72, which was intended to allow Kaiser to fulfill certain groundwater remediation obligations described therein by participating in a desalter project being undertaken by the Santa Ana Watershed Project Authority pursuant to the terms of a Salt Offset Agreement (the "Salt Offset Agreement").

WHEREAS Kaiser and CSI now desire to resolve certain disputes and to allocate certain rights and liabilities as between them including certain water rights and rights to water stored pursuant to the terms of the Judgment. Kaiser and CSI intend to enter into agreements entitled Water Rights Acknowledgment and Water Rights Agreement to help achieve these purposes. In addition,

Kaiser desires to abandon water to Watermaster for the purpose of meeting its obligations pursuant to the Salt Offset Agreement and Watermaster desires to accept the abandonment of water by Kaiser for this purpose. Kaiser intends to execute an agreement entitled an "Election To Abandon Water To Watermaster" for this purpose.


NOW, THEREFORE, Watermaster does hereby resolve and determine as follows:

1. Watermaster approves the Water Rights Acknowledgment and Water Rights Agreement, attached hereto as Exhibits "1" and "2" respectively.
2. Watermaster approves and agrees to accept the abandonment of water by Kaiser to Watermaster for the purpose of meeting its obligations under the Salt Offset Agreement. A copy of the agreement effecting this abandonment, the Election To Abandon Water To Watermaster (the "Election"), is attached hereto as Exhibit "3."
3. Watermaster's approvals and acceptances set forth in Paragraphs 1 and 2 above are conditioned upon (i) the execution of the Water Rights Acknowledgment and the Water Rights Agreement by Kaiser and CSI, (ii) the execution of the Election To Abandon Water To Watermaster by Kaiser, (iii) the execution of appropriate water rights and water storage assignments from Kaiser Steel and Kaiser Resources in favor of Kaiser Ventures Inc. so that all the water rights and water in storage are held by Kaiser Ventures Inc., (iv) Kaiser Ventures Inc. intervenes in the Judgment herein, and (v) the Court approves the Water Rights Agreement, the Water Rights Acknowledgment, the Election, and Kaiser Ventures' intervention in the Judgment.

ADOPTED this 18th day of October, 1995


Bill Hill, Chairman

ATTEST:


Secretary

WATER RIGHTS ACKNOWLEDGMENT

This Water Rights Acknowledgment (the "WATER RIGHTS ACKNOWLEDGMENT") is entered into as of June 1, 1995, by and between Kaiser Ventures Inc. ("KAISER") and California Steel Industries, Inc. ("CSI").

RECITALS

A. From 1942 until 1983, Kaiser Steel Corporation operated a large steel production and processing facility on approximately 2,000 acres of land near Fontana, California, owned by Kaiser Steel Corporation (the "FONTANA PROPERTY"). Pursuant to an Agreement of Purchase and Sale entered into effective as of August 17, 1984, CSI purchased approximately 378 acres of the FONTANA PROPERTY. In 1988 and 1989, CSI acquired from third parties approximately 43 and 29 acres, respectively, of property previously owned by Kaiser Steel Corporation and comprising a portion of the FONTANA PROPERTY. The 378, 43 and 29 acres of the FONTANA PROPERTY formerly owned by Kaiser Steel Corporation and now owned by CSI are hereinafter collectively referred to as the "CSI PROPERTY."

B. Pursuant to the judgment (the "1978 JUDGMENT") in Chino Basin Municipal Water District v. City of Chino, et al., San Bernardino Superior Court, Case No. RCV 51010 (the "WATER

LM2792143.8

September 26, 1995

CASE"), non-agricultural overlying rights to the beneficial use of 2,930.274 acre-feet of water annually from the safe yield of the Chino groundwater basin was decreed as set forth at page 60, line 9 of Exhibit "D" to the 1978 JUDGMENT (the "WATER RIGHTS"). The WATER RIGHTS are more specifically described in Section II.B.8 and Exhibits "D" and "G" of the 1978 JUDGMENT.

C. From 1984 through the date of this WATER RIGHTS AGREEMENT, CSI has operated a steel processing plant on the CSI PROPERTY. From 1984 through the date of this WATER RIGHTS AGREEMENT, KAISER delivered water to CSI pursuant to certain utility services agreements.

D. On or about August 25, 1992, CSI and the Chino Basin Watermaster (the "WATERMASTER") filed a "Joint Motion to Interpret, Enforce, Carry-out, Modify, Amend or Amplify the Judgment Herein" in the WATER CASE (the "JOINT MOTION"). KAISER disputed CSI's and WATERMASTER's claims in the JOINT MOTION. The Court referred the JOINT MOTION to a Special Referee for the preparation of a report and recommendation. Although the Special Referee's report has been filed with the Court, no final order on the JOINT MOTION has been entered by the Court.

E. On or about March 25, 1993, CSI filed "California Steel Industries, Inc.'s Notice of Motion to Interpret, Enforce, Carry-out, Modify, Amend, or Amplify Paragraph 7, Page 66 of Exhibit G of the 1978 Judgment" (the "EXHIBIT G MOTION"). KAISER disputed CSI's claims in the EXHIBIT G MOTION. The Court

Judgment Herein" in the WATER CASE (the "JOINT MOTION"). KAISER disputed CSI's claims in the JOINT MOTION.

F. On or about March 25, 1993, CSI filed "California Steel Industries, Inc.'s Notice of Motion to Interpret, Enforce, Carry-out, Modify, Amend, or Amplify Paragraph 7, Page 66 of Exhibit G of the 1978 Judgment" (the "EXHIBIT G MOTION"). KAISER disputed CSI's claims in the EXHIBIT G MOTION. The Court has not ruled on the EXHIBIT G MOTION.

G. On October 21, 1993, the California Regional Water Quality Control Board, Santa Ana Region (the "RWQCB") adopted Resolution No. 93-72, which was intended to allow KAISER to fulfill certain groundwater remediation obligations described therein by participating in a desalter project being undertaken by the Santa Ana Watershed Project Authority pursuant to the terms of a "Salt Offset Agreement" (the "SALT OFFSET AGREEMENT"). CSI objected to the SALT OFFSET AGREEMENT and filed a petition for a writ of mandate, which has now been dismissed.

H. Concurrently with their execution of this WATER RIGHTS ACKNOWLEDGMENT, the parties are entering into a "Settlement Agreement" (the "SETTLEMENT AGREEMENT") and a Ground Water Indemnity Agreement (the "GROUNDWATER INDEMNITY AGREEMENT"), for the purposes of resolving certain disputes and allocating certain liabilities and potential liabilities as between them, and a "Water Rights Agreement," for the purpose of resolving their disputes relating to the WATER RIGHTS and

carryover and storage rights associated therewith (the "WATER RIGHTS AGREEMENT"). The PARTIES are entering into this WATER RIGHTS ACKNOWLEDGMENT for the purpose of effectuating the foregoing Agreements.

IT IS THEREFORE agreed that:

1. Incorporation of defined terms.

Except as explicitly set forth herein, each of the terms defined in the SETTLEMENT AGREEMENT and the exhibits to the SETTLEMENT AGREEMENT used in this WATER RIGHTS ACKNOWLEDGMENT shall have the meaning ascribed to them in the SETTLEMENT AGREEMENT and the exhibits to the SETTLEMENT AGREEMENT.

2. Acknowledgment of CSI WATER RIGHTS.

KAISER hereby recognizes CSI's sole ownership and exclusive right to use the following portions of the WATER RIGHTS and formally relinquishes any right title, claims or interest in said portions of the WATER RIGHTS to CSI:

a. 1000 acre feet annually of the decreed WATER RIGHTS as of August 17, 1984, including all right, title and interest to carried-over and stored water resulting from an under exercise of those rights occurring on and after August 17, 1984;

b. 100 acre feet annually of the decreed WATER RIGHTS as of July 1, 1995, including all right, title and interest to carried-over and stored water resulting from an under exercise of those rights occurring on and after July 1, 1995;

c. The unused balance of the 1000 acre feet of the decreed WATER RIGHTS referred to at paragraph 2(a), above, consisting of 510.14 acre feet of existing storage, as of June 30, 1994, held under the LOCAL STORAGE AGREEMENTS; and

d. 3024.09 acre feet of KAISER's capacity storage right under the LOCAL STORAGE AGREEMENTS, which provide, or it is anticipated will provide, for a total storage capacity of 30,000.00 acre feet.

3. Acknowledgment of KAISER WATER RIGHTS.

CSI hereby recognizes KAISER's sole ownership and exclusive right to use the following portions of the WATER RIGHTS and formally relinquishes any right title, claims or interest in said portions of the WATER RIGHTS to KAISER:

a. 2930.274 acre feet annually of the decreed WATER RIGHTS, including all right, title and interest to carried-over and stored water resulting from an under exercise of those rights from the date of the entry of the 1978 JUDGMENT through August 17, 1984;

b. 1000 acre feet annually of the decreed WATER RIGHTS, including all right, title and interest to carried-over and stored water resulting from an under exercise of those rights, effective August 17, 1984, and at all times thereafter;

c. 21,535.44 acre feet of stored water, as of June 30, 1994, held under the LOCAL STORAGE AGREEMENTS with WATERMASTER;

LA02/92143.0

September 25, 1995

d. 1,930.274 acre-feet of carried over water;
and

e. 26,975.91 acre feet of the capacity storage
right in the LOCAL STORAGE AGREEMENTS.

4. Acknowledgment of Joint WATER RIGHTS.

KAISER and CSI acknowledge that they have jointly held
ownership of the following WATER RIGHTS:

a. 930.274 acre feet annually of the decreed
WATER RIGHTS, including all right title and interest to carried-
over and stored water resulting from an under exercise of those
rights, effective August 17, 1984 and continuing through and
including June 30, 1995; provided that KAISER had the exclusive
right to the use of the foregoing water, together with the rights
to carried-over and storage water resulting from the under
exercise of those rights.

b. 630.274 acre feet annually of the decreed
WATER RIGHTS, including all right, title and interest to carried-
over and stored water resulting from an under exercise of those
rights, effective July 1, 1995 (the "JOINT WATER RIGHTS");
provided that:

(1) Interim Period.

CSI shall have the first priority for
use of the JOINT WATER RIGHTS on its lands from July 1, 1995
through June 30, 2005 (the "INTERIM PERIOD"), provided it first
puts to use the 1,300 acre-feet referred to at paragraphs 2(a)

and 2(b) of this WATER RIGHTS ACKNOWLEDGMENT plus any water in CSI's carry-over and/or storage account. KAISER shall have the right to use any portion of the JOINT WATER RIGHTS not used by CSI during the INTERIM PERIOD. KAISER shall have the exclusive right to carry over and store for its benefit, including satisfaction of its obligations under the SALT OFFSET AGREEMENT, any unexercised portion of the JOINT WATER RIGHTS during the INTERIM PERIOD.

(2) July 1, 2005 and thereafter.

KAISER shall have the first priority for the use of the JOINT WATER RIGHTS on the KAISER PROPERTY, or in fulfillment of its obligations under the SALT OFFSET AGREEMENT, from July 1, 2005 and thereafter (the "FINAL PERIOD"), provided: (1) with respect to its use to fulfill its obligations under the SALT OFFSET AGREEMENT, KAISER shall first exhaust any water it may have in its storage account and then shall have put to beneficial use on the KAISER PROPERTY, or used in fulfillment of its salt offset obligations, its right to the 1000 acre feet of water referred to in paragraph 3(b) above before making any use of the JOINT WATER RIGHTS and (2) with respect to its use on the KAISER PROPERTY, KAISER shall first exhaust its right to the 1000 acre feet referred to at paragraph 3(b) above and then any water that it may have in its storage account before making any use of the JOINT WATER RIGHTS. CSI shall have the right to use any portion of the JOINT WATER RIGHTS not used by KAISER during the

FINAL PERIOD. KAISER shall have the right to carry over and store for its sole benefit any unexercised portion of the JOINT WATER RIGHTS during the FINAL PERIOD.

(3) KAISER's use of the JOINT WATER RIGHTS, and any water carried over and stored for KAISER's benefit as a result of the JOINT WATER RIGHTS, is subject to KAISER's obligations under the WATER RIGHTS AGREEMENT.

Dated: October 5, 1995 KAISER VENTURES INC.

By: *Donald H. Law* *Pres. - CEO*

Dated: _____, 1995 CALIFORNIA STEEL INDUSTRIES, INC.

By: *[Signature]*

APPROVED AS TO FORM:

Dated: Oct. 17, 1995 BEST, BEST & KRIEGER

By: *Arthur L. Littleworth*
Arthur L. Littleworth
Anne T. Thomas
Gene Tanaka
Attorneys for KAISER
Ventures, Inc.

Dated: Oct 24, 1995 LAW OFFICES OF JOHN D. MUSICK, JR.
AND ASSOCIATES

By: *John D. Musick, Jr.*
John D. Musick, Jr.
Attorneys for California Steel
Industries, Inc.

STATE OF CALIFORNIA
San Bernardino
COUNTY OF LOS-ANGELES

On October 5, 1995, before me, Patricia M. Williams,
personally appeared Renee N. Lopez, personally known
to me (~~or proved to me on the basis of satisfactory evidence~~) to
be the person(s) whose names are subscribed to the within
instrument and acknowledged to me that he/she executed the same
in his/her authorized capacity(ies), and that by his/her/their
signature(s) on the instrument the person(s), or the entity upon
behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



Patricia M. Williams
Signature of Notary Public

WATER RIGHTS AGREEMENT

This WATER RIGHTS AGREEMENT is entered into as of June 1, 1995, by and between Kaiser Ventures Inc. ("KAISER") and California Steel Industries, Inc. ("CSI") with reference to the following facts:

RECITALS

A. From 1942 until 1983, Kaiser Steel Corporation operated a large steel production and processing facility on approximately 2,000 acres of land near Fontana, California, owned by Kaiser Steel Corporation (the "FONTANA PROPERTY"). Pursuant to an Agreement of Purchase and Sale entered into effective as of August 17, 1984, CSI purchased approximately 378 acres of the FONTANA PROPERTY. In 1988 and 1989, CSI acquired from third parties approximately 43 and 29 acres, respectively, of property previously owned by Kaiser Steel Corporation and comprising a portion of the FONTANA PROPERTY. The 378, 43 and 29 acres of the FONTANA PROPERTY formerly owned by Kaiser Steel Corporation and now owned by CSI are hereinafter collectively referred to as the "CSI PROPERTY."

B. Pursuant to the judgment (the "1978 JUDGMENT") in Chino Basin Municipal Water District v. City of Chino, et al., San Bernardino Superior Court, Case No. RCV 51010 (the "WATER

CASE"), non-agricultural overlying rights to the beneficial use of 2,930.274 acre feet of water annually from the safe yield of the Chino groundwater basin was decreed as set forth at page 60, line 9 of Exhibit "D" to the 1978 JUDGMENT (the "WATER RIGHTS"). The WATER RIGHTS are more specifically described in Section II.B.8 and Exhibits "D" and "G" of the 1978 JUDGMENT.

C. KAISER has entered into Chino Basin Local Storage Agreements 9.0 and 9.1, which permit the storage of a total of 30,000 acre feet of overlying water rights carried over from preceding years. As of June 30, 1994, 21,046.61 acre feet of water were in storage under those contracts and 2,930.274 acre-feet of water was held as carryover water. Those contracts have expired and, as of the date of this WATER RIGHTS ACKNOWLEDGMENT, KAISER is attempting to renew or to replace those contracts. As used herein, the term "LOCAL STORAGE AGREEMENTS" refers to Local Storage Agreements 9.0 and 9.1, as well as to any renewals or replacements of those agreements that KAISER may obtain.

D. From 1984 through the date of this WATER RIGHTS ACKNOWLEDGMENT, CSI has operated a steel processing plant on the CSI PROPERTY. From 1984 through the date of this WATER RIGHTS ACKNOWLEDGMENT, KAISER delivered water to CSI pursuant to certain utility services agreements.

E. On or about August 25, 1992, CSI and the Chino Basin Watermaster (the "WATERMASTER") filed a "Joint Motion to Interpret, Enforce, Carry-out, Modify, Amend or Amplify the

has not ruled on the EXHIBIT G MOTION pending its ruling on the JOINT MOTION.

F. On October 21, 1993, the California Regional Water Quality Control Board, Santa Ana Region (the "RWQCB") adopted Resolution No. 93-72, which allowed KAISER to fulfill certain groundwater remediation obligations described therein by participating in a desalter project being undertaken by the Santa Ana Watershed Project Authority pursuant to the terms of a Salt Offset Agreement (the "SALT OFFSET AGREEMENT"). CSI objected to the Resolution and, on or about March 10, 1994, brought an action to contest the Resolution and the SALT OFFSET AGREEMENT, such action being entitled California Steel Industries, Inc. v. California Regional Water Quality Control Board, Santa Ana Region, San Bernardino County Superior Court Case No. SCV 10862 (the "SALT OFFSET ACTION"). The SALT OFFSET ACTION has been dismissed.

G. KAISER has entered into Chino Basin Local Storage Agreements 9.0 and 9.1, which permit the storage of a total of 10,000 acre feet of overlying water rights carried over from preceding years. As of June 30, 1994, 21,046.61 acre feet of water were in storage under those contracts and 2,930.274 acre-feet of water was held as carryover water. Those contracts have expired and, as of the date of this WATER RIGHTS AGREEMENT, KAISER is attempting to renew or to replace those contracts. As used herein, the term "LOCAL STORAGE AGREEMENTS" refers to Local

Storage Agreements 9.0 and 9.1, as well as to any renewals or replacements of those agreements that KAISER may obtain.

H. Concurrently with their execution of this WATER RIGHTS AGREEMENT, the parties are entering into a "Settlement Agreement" for the purpose of resolving a number of disputes as between them (the "SETTLEMENT AGREEMENT").

I. The parties would like to compromise and settle their disputes concerning CSI's and KAISER's entitlement to certain of the WATER RIGHTS and the proposed amendments to the Watermaster Rules and Regulations currently being litigated in the WATER CASE as a result of the JOINT MOTION and the EXHIBIT G MOTION.

In compromise of the disputes between the parties regarding the ownership and use of the WATER RIGHTS, including all carryover and storage rights associated therewith, and in consideration of the mutual promises set forth in the SETTLEMENT AGREEMENT and in this WATER RIGHTS AGREEMENT, the parties agree as follows:

1. Incorporation of defined terms.

Except as explicitly set forth herein, each of the terms defined in the SETTLEMENT AGREEMENT and the exhibits to the SETTLEMENT AGREEMENT used in this WATER RIGHTS AGREEMENT shall have the meaning ascribed to them in the SETTLEMENT AGREEMENT and the exhibits to the SETTLEMENT AGREEMENT.

2. Appointment of Escrow.

Concurrently with their execution of this WATER RIGHTS AGREEMENT, the parties hereto shall execute escrow instructions, in the form attached to the SETTLEMENT AGREEMENT as Exhibit "2," appointing State Street Bank and Trust of California, N.A. ("ESCROW HOLDER") to act as the escrow holder under the terms of this WATER RIGHTS AGREEMENT.

3. Allocation of WATER RIGHTS.

In compromise of the disputes between the parties, including their claimed entitlement to beneficially use the WATER RIGHTS and carryover and storage rights associated therewith, and in consideration of the mutual covenants set forth in the SETTLEMENT AGREEMENT, concurrently with their execution of this WATER RIGHTS AGREEMENT, KAISER and CSI shall execute and deliver to ESCROW HOLDER a "Water Rights Acknowledgment" in the form attached hereto as Exhibit "A" (the "WATER RIGHTS ACKNOWLEDGMENT"). Within seven (7) days of this WATER RIGHTS AGREEMENT becoming effective, ESCROW HOLDER shall deliver the WATER RIGHTS ACKNOWLEDGMENT to CSI, which may then record the WATER RIGHTS ACKNOWLEDGMENT in the Official Records of the County Recorder of San Bernardino County, California and otherwise proceed in accordance with the 1978 JUDGMENT by filing the WATER RIGHTS ACKNOWLEDGMENT with WATERMASTER.

4. ASSIGNMENT of WATER RIGHTS.

Immediately after executing this WATER RIGHTS AGREEMENT, the parties will jointly undertake to enter into an appropriate agency agreement, pursuant to Paragraph 6 of Exhibit "G" of the 1978 JUDGMENT, and the rules and regulations of WATERMASTER, and consistent with the provisions of this WATER RIGHTS AGREEMENT and the WATER RIGHTS ACKNOWLEDGMENT respecting the use and priorities of the "Joint Water Rights" described in the WATER RIGHTS ACKNOWLEDGMENT (the "JOINT WATER RIGHTS"), with the San Gabriel Valley Water Company (the "WATER COMPANY"), pursuant to which:

a. the PARTIES shall assign the JOINT WATER RIGHTS to the WATER COMPANY for a period ending upon June 30, 2005, and

b. the WATER COMPANY shall:

(1) provide water service to the overlying lands of CSI and KAISER, subject to the provisions of paragraph 4(b)(1) of the WATER RIGHTS ACKNOWLEDGMENT, and

(2) pay to KAISER an amount equal to at least 90% of the then-current replenishment charge for the CHINO BASIN for such portion of the JOINT WATER RIGHTS as may be used by CSI or KAISER.

In the event such an agency agreement is not consummated with the WATER COMPANY, CSI shall pay KAISER an amount equal to 90% of the then-current replenishment charge for

the CHINO BASIN for all or any portion of the JOINT WATER RIGHTS used by CSI on its lands.

5. Agreement to be delivered to WATERMASTER.

A copy of this WATER RIGHTS AGREEMENT and of the WATER RIGHT ACKNOWLEDGMENT shall be delivered to WATERMASTER by CSI and KAISER, with directions to modify WATERMASTER's records in accordance therewith. CSI and KAISER shall jointly request that WATERMASTER correct its records to reflect the allocation of water set forth in the WATER RIGHTS ACKNOWLEDGMENT.

6. Acknowledgment of source of water delivered to CSI by KAISER.

CSI and KAISER agree that, from 1984 through 1994, all of the water delivered to CSI by KAISER was derived from either KAISER's rights as a shareholder of Fontana Union Mutual Water Company or from the "CSI Water Rights" as described in the WATER RIGHTS ACKNOWLEDGMENT (the "CSI WATER RIGHTS"), or both. To the extent that the water produced and delivered by KAISER to CSI was derived from the CSI WATER RIGHTS, or CSI's stored water resulting from the CSI WATER RIGHTS, such water was delivered by KAISER to CSI at CSI's request and on CSI's behalf.

7. Effect of WATER RIGHTS AGREEMENT upon prior water charges.

Notwithstanding the provisions of this WATER RIGHTS AGREEMENT and the WATER RIGHTS ACKNOWLEDGMENT, neither KAISER nor CSI shall be entitled to any adjustments to previously

billed rates and charges for past deliveries of water to CSI by KAISER.

8. (1). WATER RIGHTS defined by 1978 JUDGMENT.

The WATER RIGHTS are subject to the provisions of the 1978 JUDGMENT, which defines and limits their use. Nothing in this WATER RIGHTS AGREEMENT or the WATER RIGHTS ACKNOWLEDGMENT is intended to change or modify the nature or use of the WATER RIGHTS in a manner inconsistent with the 1978 JUDGMENT.

9. Performance of SALT OFFSET AGREEMENT.

a. KAISER acknowledges its obligations, pursuant to the terms of the SALT OFFSET AGREEMENT, to abandon to the WATERMASTER 1,000 acre-feet of water a year for 25 years to satisfy the replenishment obligation of the SAWPA desalter project. KAISER and CSI agree that KAISER'S obligation to abandon water to WATERMASTER hereunder shall be an obligation expressly made for the benefit of WATERMASTER and enforceable by WATERMASTER pursuant to the continuing jurisdiction of the Court under the 1978 JUDGMENT. The parties agree that the obligations of KAISER to WATERMASTER under this agreement shall be binding upon KAISER's successors and assigns.

b. In partial satisfaction of its obligations under the SALT OFFSET AGREEMENT, on or before December 1, 1995, KAISER shall irrevocably abandon to the WATERMASTER at least 18,000 acre feet of its stored water for the purpose of

satisfying the replenishment obligation of the SAWPA desalter project.

c. To the extent that CSI does not make use of the JOINT WATER RIGHTS, as defined in the WATER RIGHTS ACKNOWLEDGMENT, during the INTERIM PERIOD, as defined therein, KAISER shall either:

(1) irrevocably abandon said water to the WATERMASTER for the purpose of satisfying the replenishment obligation of the SAWPA desalter project or

(2) store said water under the LOCAL STORAGE AGREEMENTS and account for the storage of such water separately from the remainder of the water stored under the LOCAL STORAGE AGREEMENTS.

d. To the extent that KAISER has not already fulfilled all of its obligations to provide water to the SAWPA desalter project, during the FINAL PERIOD, as that term is defined in the WATER RIGHTS ACKNOWLEDGMENT, KAISER shall either:

(1) irrevocably abandon to the WATERMASTER for the purpose of satisfying the replenishment obligation of the SAWPA desalter project the water to which it is entitled by reason of the JOINT WATER RIGHTS or

(2) store said water under the LOCAL STORAGE AGREEMENTS and account for the storage of such water separately from the remainder of the water stored under the LOCAL STORAGE AGREEMENTS.

e. To the extent that KAISER elects to store water as provided at paragraphs 9(c)(2) and 9(d)(2) of this WATER RIGHTS AGREEMENT, KAISER shall abandon a sufficient quantity of said water to the WATERMASTER for the purpose of satisfying the replenishment obligation of the SAWPA desalter project, at or before the time that it is obligated to provide such water under the SALT OFFSET AGREEMENT, so as to satisfy its obligations under the SALT OFFSET AGREEMENT at or before the time that said obligations are due.

10. Court approval of WATER RIGHTS AGREEMENT.

Within thirty days following their execution of this WATER RIGHTS AGREEMENT, the PARTIES shall jointly petition the court having jurisdiction over the WATER CASE for an order:

- a. approving this WATER RIGHTS AGREEMENT,
- b. decreeing CSI's exclusive right to the beneficial use of the CSI WATER RIGHTS and the parties' mutual rights to the beneficial use of the JOINT WATER RIGHTS as provided in the WATER RIGHTS ACKNOWLEDGMENT, and
- c. approving KAISER's abandonment of 18,000 acre feet of its stored water to the WATERMASTER for the SAWPA desalter project as described at paragraph 9(b) if this WATER RIGHTS AGREEMENT.

Pending the entry of such an order, the parties shall request that the court having jurisdiction over the WATER CASE stay all proceedings with respect to the JOINT MOTION and the EXHIBIT G

MOTION. Upon the entry of a final order as set forth above, and all of the conditions to the effectiveness of the SETTLEMENT AGREEMENT having been satisfied, CSI shall execute a "Notice of Withdrawal of Motion" with respect to the JOINT MOTION and the EXHIBIT G MOTION in the form attached hereto as Exhibit "B."

11. Condition to effectiveness of WATER RIGHTS AGREEMENT.

This WATER RIGHTS AGREEMENT shall become effective upon the entry of an order of the Court in the WATER CASE approving this WATER RIGHTS AGREEMENT as provided herein.

12. Advice of counsel.

The PARTIES represent and warrant that they have sought and obtained the advice and counsel of their attorneys with respect to this WATER RIGHTS AGREEMENT.

13. Amendment.

This WATER RIGHTS AGREEMENT cannot be modified except by written document signed by all of the PARTIES.

14. Choice of laws.

This WATER RIGHTS AGREEMENT shall in all respects be interpreted, enforced, and governed by and under the internal laws of the State of California.

15. Interpretation of WATER RIGHTS AGREEMENT.

This WATER RIGHTS AGREEMENT has been mutually drafted. The language of this WATER RIGHTS AGREEMENT shall be

construed as a whole according to a fair meaning, and not strictly for or against any of the parties.

16. Costs.

The parties shall each bear their own respective attorneys' fees and costs in connection with the JOINT MOTION, the EXHIBIT G MOTION and the preparation of this WATER RIGHTS AGREEMENT.

17. Attorney's fees.

In the event that either of the parties breaches this WATER RIGHTS AGREEMENT, the breaching party or parties shall pay each prevailing party all costs of any action or proceeding for damages and/or enforcement, including reasonable attorney's fees and costs.

18. Integration.

This WATER RIGHTS AGREEMENT is part of the SETTLEMENT AGREEMENT and is subject to its terms and conditions. Except as explicitly set forth in the SETTLEMENT AGREEMENT, this WATER RIGHTS AGREEMENT constitutes the final and complete agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior or contemporaneous negotiations, promises, covenants, agreements or representations concerning any matters directly, indirectly or collaterally related to the subject matter of this WATER RIGHTS AGREEMENT. The parties hereto have expressly and intentionally included in this WATER RIGHTS AGREEMENT and the SETTLEMENT AGREEMENT all

collateral or additional agreements which may, in any manner, touch or relate to any of the subject matter of this WATER RIGHTS AGREEMENT and, therefore, all promises, covenants and agreements, collateral or otherwise, are included herein and therein. It is the intention of the parties to this WATER RIGHTS AGREEMENT that it and the SETTLEMENT AGREEMENT shall constitute an integration of all their agreements, and each understands that in the event of any subsequent litigation, controversy or dispute concerning any of its terms, conditions or provisions, no party hereto shall be permitted to offer or introduce any oral or extrinsic evidence concerning any other collateral or oral agreement between the parties not included herein or in the SETTLEMENT AGREEMENT.

19. Counterparts.

This WATER RIGHTS AGREEMENT may be executed in counterparts by the PARTIES and shall become effective and binding at such time as all of the PARTIES have signed a counterpart of this WATER RIGHTS AGREEMENT.

WHEREFORE, the parties hereto have executed this WATER RIGHTS AGREEMENT as of the date and year set forth above.

Dated: October 5, 1995 KAISER VENTURES INC.

By: 

Dated: _____, 1995 CALIFORNIA STEEL INDUSTRIES, INC.

By: 

(Signatures continued to next page)

APPROVED AS TO FORM:

Dated: Oct 17, 1995 BEST, BEST & KRIEGER

By: Arthur L. Littleworth
Arthur L. Littleworth
Anne T. Thomas
Gene Tanaka
Attorneys for KAISER
Ventures, Inc.

Dated: Oct 24, 1995 LAW OFFICES OF JOHN D. MUSICK, JR.
AND ASSOCIATES

By: John D. Musick, Jr.
John D. Musick, Jr.
Attorneys for California Steel
Industries, Inc.

KAISER VENTURES INC.
ELECTION TO ABANDON WATER
TO WATERMASTER

RECITALS

1. Pursuant to the case entitled Chino Basin Municipal Water District v. City of Chino, et al., Case No. RCV 51010 (Formerly Case Number SCV 164327), January 30, 1978, hereafter "Chino Judgment", rights to the use of water in the Chino Groundwater Basin were adjudicated to various entities, and the Chino Basin Watermaster was appointed to administer the judgment subject to the jurisdiction of the court.

2. Under the Chino Judgment, Kaiser Ventures Inc. ("Kaiser") has an adjudicated right to the safe yield of the Chino Groundwater Basin of 2,930.274 acre-feet annually, and is a member of the Overlying (Non-Agricultural) Pool. In addition to its share of the safe yield, Kaiser also has rights to water held pursuant to storage agreements with the Watermaster, derived from its unexercised rights. Kaiser has 21,046.61 acre-feet of water in storage and 2,930.274 held as carryover water with Watermaster as of June 30, 1994.

3. Paragraph 6 of Exhibit "G" of the Chino Judgment provides that Overlying Non-Agricultural rights are appurtenant to the land and are only assignable with the land for overlying use, subject to an exception not relevant here. Therefore, Kaiser cannot directly transfer or assign its water rights except in accordance with the provisions of the Chino Judgment.

4. Paragraph 61 of the Chino Judgment provides that loss of water rights through abandonment, forfeiture, or otherwise can only be accomplished by a written election of the owner of the right filed with the Watermaster, or by court order.

5. On October 21, 1993, Kaiser entered into a Settlement Agreement with the Regional Water Quality Control Board, Santa Ana Region, (Salt Offset Agreement), in which, among other things, Kaiser agreed to execute a written election to abandon 1000 acre-feet of water annually from its storage accounts for 25 years, if the Chino Basin Watermaster determined that such abandoned water could be used to satisfy the replenishment obligations of the Santa Ana Watershed Project Authority Desalter Project ("Desalter").

6. On September 28, 1995, the Advisory Committee of the Chino Basin Watermaster recommended approval of Resolution 95-3, accepting Kaiser's abandonment of water and applying it for the use of the Desalter as replenishment water, subject to approval of the court. On October 18, 1995, the Chino Basin Watermaster approved the resolution, subject to approval by the court in the Chino Judgment.

7. Kaiser now desires to execute a written abandonment of 25,000 acre-feet of water in accordance with the Salt Offset Agreement, contingent on the Watermaster obtaining court approval of Resolution 95-3. Concurrently herewith, Kaiser and California Steel Industries, Inc. are entering into a "Water Rights Agreement" and a "Water Rights Acknowledgment" to resolve their dispute relating to water rights, storage rights and carryover rights accorded under the Chino Judgment.

ELECTION TO ABANDON STORED WATER

8. Recitals 1-7 are incorporated in, and made a part of this Election to Abandon Water.

9. Kaiser hereby agrees and elects to abandon to Watermaster a total of 25,000 acre-feet of water over a period of time not to exceed 25 years from the date at which court approval of Resolution 95-3 is obtained, in accordance with Kaiser's commitment under the Salt Offset Agreement and pursuant to Resolution 95-3 of the Chino Basin Watermaster. Kaiser further agrees that this Election to Abandon Water shall be an obligation owed to Watermaster and enforceable pursuant to the continuing jurisdiction of the Court in the Chino Judgment.

10. Kaiser will implement paragraph 9 above by abandoning specific amounts of water on an annual basis by means of written notice to the Watermaster, in amounts which will be no less than 1,000 acre-feet a year, provided that Kaiser may choose to abandon larger amounts of water in any year, and such larger amounts, to the extent they exceed 1,000 acre-feet, shall reduce or eliminate the 1,000 acre-feet per year obligation for future years. Such abandoned water shall be water held by Kaiser in local storage agreements with Watermaster or water to which it is entitled pursuant to water rights recognized under the Chino Judgment and accorded to it pursuant to the Water Rights Agreement and the Water Rights Acknowledgment.

11. Each year Kaiser shall file a statement with Watermaster indicating the following:

(a) The amount of water which Kaiser elects to abandon to Watermaster that fiscal year.

(b) An accounting of how much water in total has been abandoned to Watermaster in accordance with this Election. Any required statement shall be filed at or before the time required by the Rules and Regulations of the Chino Basin Watermaster for the filing by members of the Overlaying (Non-Agricultural) Pool of the final quarterly reports. For the first 18 years of operation pursuant to this Election, the requirement of this paragraph 11 for a statement is satisfied by the statement of abandonment contained in paragraph 12 below.

12. For the year 1995-96, Kaiser elects to abandon 18,000 acre-feet of water to Watermaster currently held by it in Storage Accounts with Watermaster in furtherance of the Salt Offset Agreement. Said abandonment shall be effective as of the date Court approval of Resolution 95-3 is obtained.

13. Kaiser requests that the Watermaster file this Election to Abandon with the Court and provide Kaiser and the Regional Water Quality Control Board, Santa Ana Region, with a written acceptance of the abandonment.

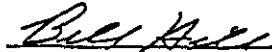
Executed on October 18 1995.

KAISER VENTURES INC.


By: Daniel M. Larson, Pres. & CEO

Agreed to and accepted on October 18 1995.

CHINO BASIN WATERMASTER


By: Bill Allen

APPENDIX L-2

AGREEMENT REGARDING AN ALTERNATIVE
WATER SUPPLY SOURCE FOR THE REPLENISHMENT
OBLIGATION OF THE CHINO BASIN DESALTER

The California Regional Water Quality Control Board, Santa Ana Region ("RWQCB"), the Chino Basin Watermaster ("Watermaster"), the Chino Basin Appropriative Pool, the Chino Basin Overlying (Agricultural) Pool, and the Chino Basin Overlying (Non-Agricultural) Pool hereby enter into the following Agreement:

WHEREAS the Chino Basin Watermaster was appointed on January 27, 1978, under the Judgment in Case No. RCV 51010 (formerly Case No. SCV 164327) entitled Chino Basin Municipal Water District v. City of Chino, et al. (the "Judgment"), with powers to levy and collect administrative and replenishment assessments necessary to replace water produced from the Chino Basin in excess of Safe Yield allocations and to cover the cost of administration of the Judgment; and

WHEREAS, pursuant to the Judgment the water producers in the Chino Basin were organized into three Pools, consisting of the Appropriative Pool, the Overlying (Agricultural) Pool, and the Overlying (Non-Agricultural) Pool; and

WHEREAS the RWQCB intends to mandate salt offset requirements for Basin clean-up on the Overlying (Agricultural) Pool members; and

WHEREAS the parties hereto are endeavoring to facilitate the development and construction of a desalter project to be constructed under Santa Ana Watershed Project Authority's Project Agreement 14 (the "Desalter") for the purpose of removing high-salinity/nitrate groundwater to stabilize and eventually improve water quality in the Chino Basin; and

WHEREAS a Desalter is necessary to effect cleanup of the Chino Basin as required by the RWQCB; and

WHEREAS operation of the Desalter will require production of water, by pumping groundwater from the Chino Basin, removing excess salts from the water, making the reclaimed water available for use, and placing the resulting brine in the Santa Ana Regional Interceptor line for disposal outside of the Chino Basin; and

WHEREAS the Desalter has no Safe Yield allocation in Chino Basin and all water produced by the Desalter must be replenished; and

WHEREAS due to the replenishment obligation, the Desalter will not be economically feasible for an uncertain period of time unless alternatives are found to offset said replenishment water obligation; and

WHEREAS the Watermaster has adopted Resolution 93-10-1 regarding the supply of replenishment water to be used to meet the replenishment water obligation resulting from the Desalter; and

WHEREAS the Watermaster has developed a list of various replenishment water sources to meet the replenishment obligation of the Desalter as shown on Exhibit "A" attached hereto; and

WHEREAS on or about October 21, 1993, Kaiser Resources, Inc. (now known as Kaiser Ventures, Inc.) ("Kaiser"), a party to the Judgment, and the RWQCB entered into an agreement (the "Salt Offset Agreement") pursuant to which Kaiser agreed to make certain payments and to provide water (sufficient to remove 4000 tons of salt per year for 25 years) to satisfy a portion of the replenishment water obligations of the Desalter; and

WHEREAS on or about October 18, 1995, in partial satisfaction of its obligations under the Salt Offset Agreement, Kaiser executed an Election to Abandon Water to Watermaster pursuant to which Kaiser agreed to abandon to Watermaster rights to 1,000 acre feet of water per year for 25 years (and made an initial abandonment of 18,000 acre feet of water) for the purpose of satisfying a portion of the replenishment water obligations of the Desalter; and

WHEREAS the parties hereto have proposed that Watermaster supply up to 12,000 acre feet per year of replenishment water pursuant to the terms and conditions of this Agreement; and

WHEREAS the Watermaster has stated that at current rates the value of 12,000 acre feet per year is at least \$2.7 million up to \$19.2 million each year; and

WHEREAS the parties hereto wish to enter into this Agreement to memorialize the obligations which they have undertaken;

NOW, THEREFORE the parties hereto do hereby agree as follows:

1. The Watermaster will provide up to 12,000 acre feet per year of the replenishment water obligation resulting from operations of the Desalter, subject to Section 11 hereof. The replenishment water sources stated on Exhibit "A" will be used by Watermaster to meet up to 12,000 acre feet per year of the replenishment water obligation resulting from operation of the Desalter, subject to Section 11 hereof. The 1,000 acre feet of water per year abandoned by Kaiser pursuant to its Election to Abandon Water to Watermaster shall be part of such 12,000 acre feet. Nothing in this Agreement shall be deemed to release Kaiser from any of its obligations under the Salt Offset Agreement or to release Kaiser or Watermaster from any of its obligations under the Election to Abandon Water to Watermaster.

2. Watermaster will have no obligation to supply any replenishment water in excess of 12,000 AF in any one year. Neither Watermaster nor any of the Pools created pursuant to the Judgment will be required by the RWQCB to make any contribution, including any contribution of water, water rights, or cash, to contribute to: (1) removal of salts or nitrates deposited in the Chino Basin prior to the date of this Agreement, and (2) removal of salts or nitrates contributed by agricultural sources subsequent to the date of this Agreement. This shall not limit the RWQCB's authority to require cleanup by specific dischargers of nonagricultural plumes of salts or nitrates, such as those from Kaiser, Chino Basin Municipal Water District facilities, or other regulated or unregulated nonagricultural facilities.

3. Nothing contained in this Agreement shall be construed to limit in any way the authority of the RWQCB to issue, impose and/or enforce waste discharge requirements for any agricultural operation within the Chino Basin. However, with regard to routine agricultural operations the RWQCB will not require or seek mitigation, including payment of any monies or provision of replenishment water, for deposit of salts or nitrates in the Chino Basin groundwater outside of such enforcement of waste discharge requirements. The RWQCB will adopt guidance at a later date defining waste discharges from routine agricultural operations. It is understood that the Regional Board, following public hearings, may modify the waste discharge requirements and that the modified requirements may be different or more stringent than those currently in place.

4. The legal rights and remedies of the parties to the Judgment to address the pollution of the Chino Basin groundwater or to require any regulatory agency, including the RWQCB, to fulfill its duties with respect to any

pollution of the Chino Basin groundwater, except as released herein, shall not be impaired by this Agreement.

5. Costs associated with securing the sources of replenishment water set forth in Exhibit "A" and satisfying the replenishment obligation of the Desalter will be of two types: (1) costs that are annual in nature and (2) costs that may be incurred to offset a specific replenishment water obligation once it is determined there is a deficiency. Costs that are annual in nature (such as maintenance, improvement or conveyance costs associated with spreading additional runoff or some quantity of reclaimed water) will be assessed by Watermaster as established in Section 6 of this Agreement and recovered annually. Prior to the initial year of Desalter operation, an estimate will be made of these costs and they will be presented during the budget process for assessment during the initial year of operation and annually thereafter. The Appropriative Pool shall decide which sources of replenishment water will be developed and therefore assessed. With regard to offsetting the specific replenishment water obligation of the Desalter, Watermaster will first determine if the replenishment water obligation exceeds the water developed from the replenishment water sources as stated in Exhibit "A" based on the information available each year during the budget process. If there is a replenishment water obligation, Watermaster will carryover the deficiency for the first five years of Desalter operation. In the sixth year of Desalter operation, a determination will be made whether the replenishment water obligation from the first five years of Desalter operation is greater than the replenishment water developed from the replenishment water sources stated in Exhibit "A." If the replenishment water obligation is greater, Watermaster may purchase additional replenishment water to satisfy such replenishment water obligation, or may make a determination as to whether there are any other sources of replenishment water that have not yet been utilized to offset the replenishment water obligation of the Desalter. If additional replenishment water cannot be developed, a special assessment may be levied as established in Section 6 of this Agreement.

6. The annual and special assessments will be levied 50% based on the prior years' Appropriative Pool total agricultural transfers, and 50% based on the prior years' Appropriative Pool total production. The annual and special assessment costs will be reduced by any amount covered by MWD's Groundwater Recovery Program. The Overlying (Agricultural) Pool and the Overlying (Non-Agricultural) Pool shall not be assessed for the costs identified in Section 5 hereinabove.

7. The quantity of water derived from each source specified in Exhibit "A" is anticipated to be in the range of that shown for each source in Exhibit "B."

8. After Kaiser is given salt removal rights of 4000 tons per year for 20 years, the Desalter replenishment water obligation offset provided by this Agreement shall be considered the total contribution by the Overlying (Agricultural) Pool to the Desalter. This contribution shall satisfy salt offset requirements mandated for Basin clean-up on the Overlying (Agricultural) Pool members by the RWQCB, if the Overlying (Agricultural) Pool reasonably utilizes the Chino Basin co-composting facility. Subject to Paragraph 3 of this Agreement, the RWQCB further agrees that those parties to the Judgment which are members of the Overlying (Agricultural) Pool, as such parties are identified in the Judgment, shall have no further liability or responsibility for mitigating any adverse impacts of salts or nitrates in the Chino Basin groundwater. The RWQCB and the Overlying (Agricultural) Pool and its members expressly agree not to assert or demand that any portion of the water supplies of the Chino Basin over and above the 12,000 acre feet per year specified in this Agreement should be dedicated for the purpose of mitigating any adverse impacts of salts or nitrates in the Chino Basin groundwater.

9. If more replenishment water is developed from the sources identified in Exhibit "A" than is necessary to meet the replenishment water obligation of the Desalter, then the excess water will be carried over to offset future obligations or may be sold for general replenishment purposes at the discretion of the Appropriate Pool. However, the cost of any such water purchased by a party within the Appropriate Pool for replenishment purposes shall be borne entirely by that party and shall not be subject to subsidy pursuant to the 85/15 rule.

10. Nothing herein stated shall be deemed an admission of wrongdoing by the producers of water from the Basin regarding water quality degradation currently or historically occurring in Chino Basin.

11. Watermaster agrees to continue to supply replenishment water as required by Section 1 hereof to offset Desalter production for as long as the Desalter is operational, to the extent it is necessary to make the cost of the product water from the Desalter competitive with the then current market cost of a treated replacement water supply from another source. However, Watermaster shall not have an obligation to purchase water to meet its replenishment obligations pursuant to Section 1 hereof after the period of time the Desalter is financed or 20 years, whichever is shorter.

12. This Agreement shall become effective upon its execution by the parties hereto and its approval by the Court having continuing jurisdiction with regard to the Judgment.

13. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof. No modification of this Agreement shall be valid unless in writing, signed by all parties hereto, and approved by the Court having continuing jurisdiction with regard to the Judgment. All parties shall be deemed to be the drafters of this Agreement and no provision of this Agreement shall be construed against any party as the drafter thereof.

14. This Agreement shall bind and enure to the benefit of the officers, employees, agents, heirs, executors, administrators, successors and assigns of the parties hereto.

CALIFORNIA REGIONAL WATER
QUALITY CONTROL BOARD,
SANTA ANA REGION

By 
William T. Hardy, Jr.
Its Chairman


ATTEST:


Secretary

CHINO BASIN WATERMASTER

By 
Billy Hill
Its Chairman

ATTEST:


Secretary

CHINO BASIN
APPROPRIATIVE POOL

By Edwin D. James
Edwin D. James
Its Chairman

ATTEST:

Lauri Stewart
Secretary

CHINO BASIN OVERLYING
(AGRICULTURAL) POOL

By Robert H. Deberard
Robert H. Deberard
Its Chairman

ATTEST:

Lauri Stewart
Secretary

CHINO BASIN OVERLYING
(NON-AGRICULTURAL) POOL

By Stephen R. Arpelbide
Stephen R. Arpelbide
Its Vice Chairman

ATTEST:

Lauri Stewart
Secretary

EXHIBIT A

1. Interception of rising water leaving the Basin.
2. Use of reclaimed water to recharge the Basin.
3. Water available from either transfers or abandonment by members of the Non-Ag Pool.
4. Water stored in Watermaster accounts.
5. Other new water introduced into the Basin. (This could include, but not be limited to: introduction of Santa Ana River water, increased inflow from other basins, and additional recharge of storm runoff.)

Exhibit B
Allocation of Replenishment Sources

Desalter Production Capacity (mgd)	5	8	16
Replenishment Obligation (acre-ft)	5,598	8,957	17,914
Replenishment Sources			
Interception of Rising Water (1)	1,679-2,239	2,687-3,583	5,374-7,166
Use of Reclaimed Water to Recharge Basin (2)	3,000-5,000	3,000-5,000	5,000-7,000
Water Available from either Transfers Or Abandonment by Members of the Non-Agricultural Pool; Includes Kaiser (3)	2,100-3,500	2,100-3,500	2,100-3,500
Water Stored in Watermaster Accounts (4)	548-548	548-548	548-548
Other New Water Introduced To the Basin (5)	2,000-4,000	2,000-4,000	4,000-8,000
Total Available Replenishment	9,327-15,287	10,335-16,630	17,022-26,213

Notes: (1) - assumes a range of 30 to 40 percent of desalter production; also assumes that total basin production exceeds safe yield.

(2) - assumes that agencies can implement recharge program at Ely and Lower Cucamonga Basin in next three years and expand to other spreading basins as needed.

(3) - assumes that no new water will go into storage accounts, unproduced rights will be transferred at a rate equal to .75 to 1.25 of 1989 to 1994 average (-2,800 acre-ft/yr) of unproduced water by non-ag pool.

(4) - assumes water currently on account by Watermaster of 10,950 acre-ft spread over 20 years.

(5) - assumes new water developed from stormwater recharge; 1,000 acre-ft/yr of new water is under development by CUWC1) at new Brook Street Basin

APPENDIX L-3

RESOLUTION NO. 96-3

**A RESOLUTION OF THE CHINO BASIN WATERMASTER TO FINANCIALLY SUPPORT THE
DEVELOPMENT OF ADDITIONAL DESALTING IN THE CHINO BASIN TO PROTECT THE
SAFE YIELD OF THE BASIN**

WHEREAS, the Chino Basin Watermaster (Watermaster) was appointed on January 27, 1978, under the Judgment in Case No. RCV 51010 (formerly Case No. SCV 164327) entitled Chino Basin Municipal Water District v. City of Chino Et al. (The "Judgment"), with powers to levy and collect replenishment assessments necessary to replace water produced from the Chino Basin in excess of Safe Yield allocations and to cover the cost of administration of the Judgment; and

WHEREAS, Watermaster has approved an agreement with the California Regional Water Quality Control Board, Santa Ana Region (RWQCB) to provide 12,000 acre feet of replenishment water for the Santa Ana Watershed Project Authority's Project Agreement 14 (Desalter) for the purpose of removing high-salinity/nitrate groundwater to stabilize and eventually improve water quality in the Chino Basin; and

WHEREAS, although the Desalter will begin to clean-up the southern portion of Chino Basin, additional desalting or other technologies may be required in order for agencies to be able to develop water in the lower portion of Chino Basin for domestic use and to protect the existing Safe Yield of the basin; and

WHEREAS, desalting is expensive and may not be economically viable if an agency must purchase replenishment water to offset production produced through a desalter;

NOW, THEREFORE the Watermaster does hereby determine as follows:

1. That when the demand for desalted water in the southern portion of the Chino Basin exceeds the 12,000 acre feet produced by the Desalter, Watermaster will provide additional replenishment water to offset the replenishment obligation for future desalting

projects that make economic sense and protect the Safe Yield of the basin. The replenishment sources used to offset the replenishment obligation will come from the interception of rising groundwater to the Santa Ana River, other water sources, including reclaimed, developed by Watermaster, and may include the purchase of replenishment water.

2. Watermaster will continue to provide replenishment water to future desalters to the extent that the incremental cost of desalting groundwater is greater than the cost of producing overdraft water that requires no wellhead treatment.

3. If Watermaster is required to purchase water to meet the replenishment obligation of the future desalters, a special assessment may be levied.

4. Watermaster hereby expresses support to the RWQCB in its attempt to regulate pollution that makes its way into the Chino Basin, and encourages them to continue that effort.


5. That the Secretary is hereby authorized and directed to transmit certified copies of Resolution No. 96-3, to the appropriate agencies.

*** APPROVED BY ADVISORY COMMITTEE BY A UNANIMOUS VOTE ON JUNE 26, 1996.

ADOPTED this 10th day of July, 1996.


Chairman
Chino Basin Watermaster

ATTEST:


Secretary
Chino Basin Watermaster

APPENDIX M

FOURTH AMENDMENT TO THE CHINO BASIN CYCLIC STORAGE AGREEMENT

This Amendatory Agreement (hereinafter "Amendment") is made as of January 5, 1996, by and between the Metropolitan Water District of Southern California (hereinafter "Metropolitan"), the Chino Basin Municipal Water District (hereinafter "Chino") and the Chino Basin Watermaster (hereinafter "Watermaster").

RECITALS

WHEREAS, The parties to this Amendment entered into an agreement titled Chino Basin Cyclic Storage Agreement (hereinafter, "Agreement"), dated December 4, 1978, for the purpose of giving Metropolitan the right to store up to 100,000 acre-feet of State Project water in the Chino Basin;

WHEREAS, the Agreement has been extended by previous amendments to January 5, 1996;

WHEREAS, water stored under the Agreement is used to meet Chino's groundwater replenishment demands pursuant to specific criteria set forth in Article 6 of the Agreement;

WHEREAS, under its terms, the Agreement allows Metropolitan to deliver State Project Water to the Chino Basin for spreading and percolation into the Chino Basin, and such quantities of water, less losses, are to be credited by the Watermaster to Metropolitan's Cyclic Storage Account;

WHEREAS, the parties to the Agreement are reviewing a number of policies and procedures that may affect the terms of storage and delivery of water under future amendments to the Agreement;

WHEREAS, the parties to the agreement desire to extend the term of the Agreement one year in order to continue the benefits that the Agreement provides while the aforementioned review is taking place;

NOW, THEREFORE, the parties hereby enter into this Amendment to the Agreement as follows:

COVENANTS

1. Article 9 (a) of the Agreement is hereby amended by extending the term of the Agreement an additional one year to January 5, 1997.

2. This Amendment shall be effective as of the date first above written, and Watermaster shall petition the Court for ratification of such approval as a portion of its next Watermaster Annual Report.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by its authorized officers.

ATTEST:

THE CHINO BASIN WATERMASTER

s/s John L. Anderson
Secretary

By: s/s Bill Hill

APPROVED AS TO FORM:

Attorney for Watermaster

ATTEST:

THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

s/s Karen E. Donli
Executive Secretary

By: s/s Wiley Horne
Deputy General Manager

APPROVED AS TO FORM:
Gregory Taylor
General Counsel

(SEAL)

s/s Gregory Taylor
General Counsel

ATTEST:

THE CHINO BASIN MUNICIPAL WATER
DISTRICT

s/s John L. Anderson
Secretary

By: s/s Bill Hill

APPROVED AS TO FORM
AND EXECUTION:

(SEAL)

Attorney for District

APPENDIX N

***Comprehensive
Annual Financial Report
for the
Fiscal Year Ended
June 30, 1996***

CHINO BASIN WATERMASTER

Bill Hill, Chairman

George Borba, Vice-Chairman

John Anderson, Secretary/Treasurer

Anne Dunihue, Member

Wyatt Troxel, Member

EXECUTIVE STAFF

Traci Stewart, Chief of Watermaster Services

AUDITORS

Charles Z. Fedak & Company

LEGAL COUNSEL

Nossaman, Guthner, Knox & Elliott

Fred Fudacz, Attorney at Law

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Charles Z. Fedak & Co.
Certified Public Accountants

Orange Valley
Professional Building
6081 Orange Avenue
Cypress, California 90630
(714) 527-1818
(310) 598-6565
FAX (714) 527-9154

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

The Board of Directors
Chino Basin Watermaster
Fontana, California

We have audited the accompanying financial statements of Chino Basin Watermaster as of and for the year ended June 30, 1996, as listed in the accompanying table of contents. These financial statements are the responsibility of the Watermaster's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chino Basin Watermaster as of June 30, 1996 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Cypress, California
October 4, 1996

Charles Z. Fedak & Co.

CHINO BASIN WATERMASTER
Comparative Balance Sheet
June 30, 1996
With Comparative 1995 Totals

ASSETS

	<u>1996</u>	<u>1995</u>
Assets		
Cash	\$162,453	\$114,847
Short-term investments	1,036,639	2,788,000
Accounts receivable	515,318	1,451,276
Prepaid expenses	13,783	3,509
Refundable deposits	<u>3,120</u>	<u>0</u>
Total current assets	<u>\$1,731,313</u>	<u>\$4,357,632</u>
Fixed Assets		
Office furniture & equipment	36,516	0
Accumulated depreciation	<u>(2,140)</u>	<u>0</u>
Total fixed assets	<u>34,376</u>	<u>0</u>
Total assets	<u>\$1,765,689</u>	<u>\$4,357,632</u>

LIABILITIES AND RETAINED EARNINGS

Liabilities

Unearned revenue	\$15,734	\$0
Accounts payable and accrued liabilities	<u>634,107</u>	<u>3,012,831</u>
Total liabilities	<u>\$649,841</u>	<u>\$3,012,831</u>

Retained Earnings

Unreserved	<u>1,115,848</u>	<u>1,344,801</u>
Total liabilities and retained earnings	<u>\$1,765,689</u>	<u>\$4,357,632</u>

See accompanying notes to the financial statements

CHINO BASIN WATERMASTER
Comparative Statement of Revenue, Expenses and Changes in Retained Earnings
For the Fiscal Year Ended June 30, 1996
With Comparative 1995 Totals

	<u>1996</u>	<u>1995</u>
Operating revenues		
Assessment revenue:		
Replenishment water assessments	\$713,652	\$95,901
Administrative assessments	551,147	842,985
Water sales:		
Stored water	<u>1,859,291</u>	<u>5,813,219</u>
Total operating revenues	<u>3,124,090</u>	<u>6,752,105</u>
Operating expenses		
Direct operating expenses:		
Replenishment water deliveries	700,957	95,901
Water purchases	1,858,949	5,992,320
Material & supplies	4,017	1,258
Printing and mailing	13,661	1,934
Contract labor and materials	256,882	177,806
Engineering fees	64,494	61,984
Audit fees	325	3,800
Depreciation	2,140	0
Legal fees	195,711	119,567
Insurance expenses	11,259	12,221
Meeting compensation	0	2,575
Other expenses	<u>28,601</u>	<u>25,657</u>
Total direct operating expenses	<u>3,136,996</u>	<u>6,495,023</u>
Chino Basin Municipal Water District (CBMWD) services contract		
Salaries, payroll burden & overhead	279,013	234,398
Material and supplies	326	1,202
Printing and mailing	2,537	3,938
Legal expenses	0	9,841
Other expenses	19,859	7,931
General and administrative	<u>5,287</u>	<u>4,353</u>
Total operating expenses	<u>3,444,018</u>	<u>6,756,866</u>
Operating income (loss)	<u>(319,928)</u>	<u>(4,581)</u>
Nonoperating revenues		
Miscellaneous revenues	0	5
Interest revenue	<u>90,975</u>	<u>68,038</u>
Total nonoperating revenues, net	<u>90,975</u>	<u>68,043</u>
Net income (loss)	<u>(228,953)</u>	<u>63,462</u>
Retained earnings at beginning of year	<u>1,344,801</u>	<u>1,281,339</u>
Retained earnings at end of year	<u>\$1,115,848</u>	<u>\$1,344,801</u>

See accompanying notes to the financial statements

CHINO BASIN WATERMASTER
Comparative Statement of Cash Flows
For the Fiscal Years Ended June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Cash Flows from operating activities:		
Operating income (loss)	(\$319,928)	(\$4,581)
Add/(deduct) items not requiring, or generating cash during the current period:		
Depreciation expense	2,140	0
(Increase)/decrease in accounts receivable	947,844	799,221
(Increase)/decrease in interest receivable	(11,886)	13,841
(Increase)/decrease in prepaid expenses	(10,274)	186
(Increase)/decrease in refundable deposits	(3,120)	0
Increase/(decrease) in unearned revenue	15,734	0
Increase/(decrease) in accounts payable and accrued liabilities	(2,378,724)	878,125
Total adjustments to operating income (loss)	<u>(1,438,286)</u>	<u>1,691,373</u>
Net cash provided (used) by operating activities	(1,758,214)	1,686,792
Cash flows from investing activities:		
Interest income from investments	90,975	68,038
Net increase/(decrease) from investing activities	<u>90,975</u>	<u>68,038</u>
Cash applied and other sources:		
Other non-operating expenses/revenues, net	0	5
Office furniture and equipment purchases	(36,516)	0
Net cash provided/(used) from other sources	<u>(36,516)</u>	<u>5</u>
Net cash provided/(used) by nonoperating activities	54,459	68,043
Net increase/(decrease) in cash and cash equivalents	(1,703,755)	1,754,835
Cash and cash equivalents at beginning of year	2,902,847	1,148,012
Cash and cash equivalents at end of year	<u>\$1,199,092</u>	<u>\$2,902,847</u>

See accompanying notes to the financial statements

**CHINO BASIN WATERMASTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

(1) Reporting Entity and Summary of Significant Accounting Policies:

Description of Reporting Entity

The Chino Basin Watermaster ("Watermaster"), was established under a judgment entered in Superior Court of the State of California for the County of San Bernardino as a result of Case No. WCV51010 (formerly Case No. SCV164327) entitled "Chino Basin Municipal Water District v. City of Chino et al", signed by the Honorable Judge Howard B. Wiener on January 27, 1978. The effective date of this judgment for accounting and operations was July 1, 1977.

Pursuant to the judgment, the Chino Basin Municipal Water District (CBMWD) five (5) member Board of Directors is appointed "Watermaster" to administer and enforce the provisions of the judgment. Their term of appointment of Watermaster is for five (5) years, and the Court, by subsequent orders, provides for successive terms or for a successor Watermaster. Three (3) Pool committees were formed: (1) Overlying (Agricultural) Pool which includes the State of California and all producers of water for overlying uses other than industrial or commercial purposes, (2) Overlying (Non-Agricultural) Pool which represents producers of water for overlying industrial or commercial (non-agricultural) purposes; and (3) Appropriative Pool which represents cities, districts, other public entities and public utilities. The three Pools act together to form the "Advisory Committee" which serves to make recommendations for formal action to the Chino Basin Watermaster.

The Watermaster provides the Chino Groundwater Basin service area with management services which primarily include: water appropriations, components of acre-footage of stored water by agency, purchase of replenishment water, groundwater monitoring and development of special projects.

Watermaster expenses are allocated to the Pools based on the prior year's production volume (or the same percentage used to set the annual assessments). Allocations for fiscal year 1995/96 expenses are based on the 1994/95 production volume, and allocations for fiscal year 1994/95 expenses are based on the 1993/94 production volume:

	1994/95		1993/94	
	Acre Feet	%	Acre Feet	%
Appropriative Pool	97,641	62.196	101,012	67.388
Overlying Agricultural Pool	55,022	35.048	44,298	29.552
Overlying Non-Agricultural Pool	4,327	2.756	4,586	3.060
Total Production	156,990	100.000	149,896	100.000

The Agricultural Pool members ratified an agreement with the Appropriative Pool at their meeting of June 16, 1988. The agreement required the Appropriative Pool to assume Agricultural Pool administrative expenses including special project allocations in exchange for an accelerated transfer of unpumped agricultural water to the Appropriative Pool. In addition, the Agricultural Pool transferred all pool administrative reserves at June 30, 1988 to the Appropriative Pool effective July 1, 1988.

The accounting policies of the Watermaster conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

Basis of Accounting

The accounts of the Chino Basin Watermaster are maintained on the accrual basis and are reported as a single enterprise. Separate accounting records are maintained to segregate the Watermaster activities, as well as to track cash and investment amounts for each individual fund's use, as required under the judgment and the rules and regulations of the Watermaster and each Pool. Investments are stated at cost, which approximates market.

Reclassifications

Certain reclassifications have been made to the 1994 memorandum column data to conform with the 1995 financial statement presentation.

(2) Cash, Deposits, Short-Term and Pooled Investments

State statutes and the Watermaster's investment policy authorize the Watermaster to invest in obligations of the U.S. Treasury and other U.S. agencies, banker's acceptances, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Records, certificates of deposit with financial institutions having an operating branch within the Watermaster geographic area, repurchase agreements, and the state treasurer's investment pool.

The Watermaster's deposits are categorized to give an indication of the level of risk assumed at year end by the following three categories:

Category 1

- Includes deposits insured or collateralized with securities held in the Watermaster's name.
- Includes investments that are insured or registered or for which the securities are held by the Watermaster or its agent in the Watermaster's name.

Category 2

- Includes deposits with collateralized securities held by the pledging financial institution's trust department or agent in the Watermaster's name.
- Includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Watermaster's name.

Category 3

- Includes uncollateralized deposits or deposits with collateralized securities held by the financial institution or its agent, but not in the Watermaster's name.
- Includes uninsured and unregistered investments for which securities are held by the broker or dealer or by its trust department or agent but not in the Watermaster's name.

In accordance with Government Accounting Standards Board Statement Number 3 ("GASB 3") criteria, the Watermaster's custodial credit risk on deposits and investments are categorized as follows:

	Categories			Bank Balance/ Contract Value	Carrying Amount
	1	2	3		
DEPOSITS					
Demand cash amounts	\$100,000	\$85,693	\$0	\$185,693	\$162,453
INVESTMENTS					
Pooled funds:					
Local Agency Investment Funds (LAIF)*	0	0	0	1,036,639	1,036,639
Total deposits and investments	\$100,000	\$85,693	\$0	\$1,222,332	\$1,199,092

* Monies pooled with the State Treasurer in the Local Agency Investment Fund (LAIF) are not subject to risk categorization.

The bank balance reflects the amount credited by a financial institution to the Watermaster's account as opposed to the Watermaster's own ledger balance for the account. The carrying value reflects the ledger value, which includes checks written by the Watermaster which have not cleared the bank as of June 30, 1996.

For the purposes of the statement of cash flows, the Chino Basin Watermaster considers cash and cash equivalents to be defined as demand deposits, savings accounts, LAIF investments and all securities with original maturities of three months or less from date of purchase. For financial presentation purposes, cash and cash equivalents are shown as cash and short-term investments.

(3) Appropriative Pool Interest Revenue Allocation

On August 30, 1979 the Appropriative Pool unanimously approved assessment procedures whereby any interest earned from the Watermaster assessments paid by Appropriative Pool members would reduce the total current assessment due from those members. Fiscal year 1994/95 interest revenue was allocated to the Appropriative Pool members based on the funds received in payment of the 1994/95 assessments, resulting in a reduction of the 1995/96 assessment.

(4) Agricultural Pool Sale

In June 1988, the Agricultural Pool sold 2,000 acre feet of water in storage to Cucamonga County Water District. Funds from this sale are held and invested by the Watermaster Treasurer for future use as determined by the Agricultural Pool members. At June 30, 1996 the proceeds from the sale and related interest earned thereon totaled \$387,168. From this amount, \$10,517 was authorized by the Pool for retention of special legal counsel for negotiations on the Desalter Agreement. This resulted in a remaining unexpended balance of \$376,651 at June 30, 1996.

(5) Replenishment Water Deliveries

The Watermaster assessed water producers 3,061 acre feet of replenishment water during fiscal year 1995/96, based on prior fiscal year production. During fiscal year 1995/96, an additional 8,976 acre feet was purchased internally to avoid purchasing water from Metropolitan Water District (MWD) at a higher price in the following year.

CHING BAST
TERMASTER

Adjustments to retained earnings:
Add back: Furniture & equipment purchases
Subtract: Depreciation expense
Retained earnings, end of period

Q3

1 NOSSAMAN, GUTHNER, KNOX & ELLIOTT
2 FREDERIC A. FUDACZ, STATE BAR NO. 050546
3 JOHN OSSIFF, STATE BAR NO. 120149
4 445 South Figueroa Street
5 Thirty-First Floor
6 Los Angeles, California 90071
7 Telephone: (213) 612-7800
8 Facsimile: (213) 612-7801

9 Attorneys for
10 CHINO BASIN WATERMASTER

APPENDIX O-1
ORDER APPROVING
AMENDMENTS TO JUDGMENT

FILED - West District
San Bernardino County Clerk

DEC 06 1995

Ben T. Kayashima

11 SUPERIOR COURT OF THE STATE OF CALIFORNIA
12 FOR THE COUNTY OF SAN BERNARDINO - WEST DISTRICT

13 CHINO BASIN MUNICIPAL WATER)
14 DISTRICT,)

15 Plaintiff,)

16 v.)

17 CITY OF CHINO,)

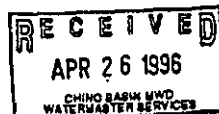
18 Defendant.)

Case No. RCV 51010

ORDER APPROVING
AMENDMENTS TO JUDGMENT

DATE: November 17, 1995
TIME: 2:00 p.m.
DEPT: WD-2

Specially assigned to the
Honorable Judge
Ben T. Kayashima



1 On November 17, 1995, at 2:00 p.m., the petition and motion of the Chino
2 Basin Watermaster for an order approving amendments to the judgment to simplify
3 conversion claim procedures came on regularly for hearing, the Honorable Judge E
4 T. Kayashima presiding.

5 Frederic A. Fudacz and John Ossiff, of Nossaman, Guthner, Knox &
6 Elliott, appeared on behalf of Chino Basin Watermaster. No other appearances were
7 made.

8 No opposition having been received and good cause appearing therefor,

9 IT IS HEREBY ORDERED:

- 10 1. That the petition and motion of Watermaster is granted.
- 11 2. Paragraph 10(b), "Conversion Claims" of Exhibit "H" of the
- 12 Judgment is hereby deleted and replaced with a new Paragraph 10(b), attached hereto
- 13 as Exhibit 1.

14

15 DEC 01 1995

16 Date: _____

17 BEN T. KAYASHIMA

18 _____
19 Ben T. Kayashima
20 Judge, San Bernardino County Superior Court

EXHIBIT "1"

AMENDMENT TO JUDGMENT

NEW PARAGRAPH 10(b) OF EXHIBIT "H"

(b) Conversion Claims. The following procedures may be utilized by any appropriator:

(1) Record of Unconverted Agricultural Acreage.

Watermaster shall maintain on an ongoing basis a record, with appropriate related maps, of all agricultural acreage within the Chino Basin subject to being converted to appropriative water use pursuant to the provisions of this subparagraph. An initial identification of such acreage as of June 30, 1995 is attached hereto as Appendix 1.

(2) Record of Water Service Conversion. Any appropriator who undertakes to permanently provide water service to lands subject to conversion may report such intent to change water service to Watermaster. Watermaster should thereupon verify such change in water service and shall maintain a record and account for each appropriator of the total acreage involved. Should, at any time, converted acreage return to water service from the Overlying

(Agricultural) Pool, Watermaster shall return such acreage to unconverted status and correspondingly reduce or eliminate any allocation accorded to the appropriator involved.

(3) Allocation of Safe Yield Rights.

(i) In any year in which sufficient unallocated Safe Yield from the Overlying (Agricultural) Pool is available for such conversion claims, Watermaster shall allocate to each appropriator with a conversion claim 1.3 acre-feet of unallocated Safe Yield water for each converted acre for which conversion has been approved and recorded by the Watermaster.

(ii) In any year in which the unallocated Safe Yield water from the Overlying (Agricultural) Pool is not sufficient to satisfy all outstanding conversion claims pursuant to subparagraph (i) herein above, Watermaster shall establish allocation percentages for each appropriator with conversion claims. The percentages shall be based upon the ratio of the total of such converted acreage approved and recorded for each appropriator's account in comparison to the total of converted acreage approved and recorded for all appropriators. Watermaster shall apply such allocation percentage for each

appropriator to the total unallocated Safe Yield water available for conversion claims to derive the amount allocable to each appropriator.

(4) Notice and Allocation. Notice of the special allocation of Safe Yield water pursuant to conversion claims shall be given to each appropriator and shall be treated for purposes of this physical solution as an addition to such appropriator's share of the operating Safe Yield for the particular year only.

(5) Administrative Costs. Any costs of Watermaster attributable to the administration of such special allocations and conversion claims shall be assessed against the appropriators participating in such reporting, apportioned in accordance with the total amount of converted acreage held by each appropriator participating in the conversion program.

APPENDIX O-2

ORDER CONFIRMING AND APPROVING INTERVENTIONS

NOSSAMAN, GUTHNER, KNOX & ELLIOTT
FREDERIC A. FUDACZ, STATE BAR NO. 050546
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Thirty-First Floor
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Attorneys for
CHINO BASIN WATERMASTER

FILED IN COURT
APR 25 1996
Wanda DeVinney



SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN BERNARDINO - WEST DISTRICT

CHINO BASIN MUNICIPAL WATER
DISTRICT,

Plaintiff,

v.

CITY OF CHINO,

Defendant.

Case No. RCV 51010

ORDER CONFIRMING AND
APPROVING INTERVENTIONS

DATE: April 25, 1996
TIME: 8:30 a.m.
DEPT: H

Specially assigned to the
Honorable Judge
J. Michael Gunn

1 On April 25, 1996, at 8:30 a.m., the request of the Chino Basin
2 Watermaster for an order confirming and approving the interventions of the City of
3 Fontana, Frank Lizarraga, Wineside 45, S.N.S. Dairy, Richard Van Loon, Elizabeth H.
4 Rohrs and the General Electric Company as parties in this action came on regularly for
5 hearing, the Honorable Judge J. Michael Gunn presiding.

6 Frederic A. Fudacz and John Ossiff, of Nossaman, Guthner, Knox &
7 Elliott, appeared on behalf of Chino Basin Watermaster. No other appearances were
8 made.

9 No opposition having been received and good cause appearing therefor,
10 IT IS HEREBY ORDERED:

11 1. That the City of Fontana is confirmed as a party in this action and
12 its production is assigned to the Appropriative Pool. The City of Fontana shall be
13 bound by all benefits and burdens of the Judgment, as amended, herein. The City of
14 Fontana shall pay a Net Assessment equal to 100% of the cost of replenishment water
15 required to replace all production in excess of the City of Fontana's allocated share of
16 the Basin Safe Yield. The City of Fontana shall have an initial share of the operating
17 Base Safe Yield of zero (0.0) percent. The City of Fontana shall pay the Administrative
18 Assessment on said production, and the Gross Assessment will not apply to said
19 production for which the City of Fontana pays a 100% Net Assessment.

20 2. That Frank Lizarraga is confirmed as a party in this action and his
21 production is assigned to the Overlying (Agricultural) Pool. Frank Lizarraga shall be
22 bound by all benefits and burdens of the Judgment, as amended, herein.

23 3. That Wineside 45 is confirmed as a party in this action and its
24 production is assigned to the Overlying (Agricultural) Pool. Wineside 45 shall be bound
25 by all benefits and burdens of the Judgment, as amended, herein.

26 4. That S.N.S. Dairy is confirmed as a party in this action and its
27 production is assigned to the Overlying (Agricultural) Pool. S.N.S. Dairy shall be bound
28 by all benefits and burdens of the Judgment, as amended, herein.

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5. That Richard Van Loon is confirmed as a party in this action and his production is assigned to the Overlying (Agricultural) Pool. Richard Van Loon shall be bound by all benefits and burdens of the Judgment, as amended, herein.

6. That Elizabeth H. Rohrs is confirmed as a party in this action and her production is assigned to the Overlying (Agricultural) Pool. Elizabeth H. Rohrs shall be bound by all benefits and burdens of the Judgment, as amended, herein.

7. That the General Electric Company is confirmed as a party in this action and its production is assigned to the Appropriative Pool. The General Electric Company shall have an initial share of the operating Base Safe Yield of zero (0.0) percent. The General Electric Company shall be bound by all benefits and burdens of the Judgment, as amended, herein.

APR 25 1996

Date: _____

J. Michael Gunn

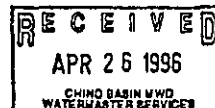
J. Michael Gunn
Judge, San Bernardino County Municipal
Court

ORDER RE APPROVAL OF
SEVENTEENTH ANNUAL REPORT

(COPY)
FILED IN COURT
on 4/25/96
Wanda DeVinney

1 NOSSAMAN, GUTHNER, KNOX & ELLIOTT
2 FREDERIC A. FUDACZ, STATE BAR NO. 050546
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4 445 South Figueroa Street
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10 CHINO BASIN WATERMASTER



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SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN BERNARDINO - WEST DISTRICT

CHINO BASIN MUNICIPAL WATER)	Case No. RCV 51010
DISTRICT,)	
)	(Proposed)
Plaintiff,)	
)	ORDER RE APPROVAL OF
v.)	SEVENTEENTH ANNUAL REPORT
)	
CITY OF CHINO,)	
)	DATE: April 25, 1996
Defendant.)	TIME: 8:30 a.m.
)	DEPT: H
)	
)	Specialty assigned to the
)	Honorable Judge
)	J. Michael Gunn

1 On April 25, 1996, at 8:30 a.m., the request of the Chino Basin
2 Watermaster for an order approving the Seventeenth Annual Report of the Chino Basin
3 Watermaster, Fiscal Year 1993-94, came on regularly for hearing, the Honorable Judge
4 J. Michael Gunn presiding.

5 Frederic A. Fudacz and John Ossiff, of Nossaman, Guthner, Knox &
6 Elliott, appeared on behalf of Chino Basin Watermaster. No other appearances were
7 made.

8 No opposition having been received and good cause appearing therefor,

9 IT IS HEREBY ORDERED that the Seventeenth Annual Report of the
10 Chino Basin Watermaster, Fiscal Year 1993-94 is approved.

11
12 Date: APR 25 1996
13

14 J. Michael Gunn
15 J. Michael Gunn
16 Judge, San Bernardino County Municipal
17 Court
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APPENDIX O-4
ORDER SHORTENING TIME

FILED IN COURT
on JUN 03 1996
Wanda DeVinney

1 **CIHIGOYENETCHE, GROSSBERG & CLOUSE**
2 **Jean Cihigoyenetché (Bar No. 105227)**
3 **3602 Inland Empire Boulevard, Suite C-315**
4 **Ontario, CA 91764**
5 **(909) 483-1850**

6 **Attorneys for Plaintiff,**
7 **CHINO BASIN MUNICIPAL WATER DISTRICT**

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

10
11 **CHINO BASIN MUNICIPAL WATER**
12 **DISTRICT,**

13 **Plaintiff(s),**

14 **vs.**

15 **CITY OF CHINO, et al.,**

16 **Defendant(s).**

CASE NO. RCV 51010

ORDER SHORTENING TIME

17
18 **Good cause having been shown therefor,**

19 **IT IS ORDERED** that the time for service of the Motion to Appoint Chino Basin Municipal
20 Water District as Interim Watermaster; Motion to Disqualify Counsel, Nossaman, Guthner, Knox
21 Elliott, LLP, and Frederic A. Fudacz and John Ossiff; and Motion to Continue the Hearing of
22 6/18/96 is shortened so that service by regular mail no later than JUNE 6

23 _____, 1996, is deemed sufficient notice for proceedings referenced therein.

24 **IT IS FURTHER ORDERED** that all papers in opposition must be filed in Department H I
25 5:00 p.m. on JUNE 11, 1996.

26 Proofs of service of the motions and this order must be filed in Department H no later than
27 5:00 p.m. on JUNE 6, 1996.

28 Opposition papers must include the following notation on the first page, immediately below:

1 the date, time and place of the hearing: "Opposition filed on JUNE 11, 1996

2 Pursuant to Ex Parte Order Shortening Time Issued on June 3, 1996."

3 Reply papers may be filed in Department H no later than 5:00 p.m. on
4 JUNE 13, 1996.

5 Reply papers must include the following notation on the first page, immediately below the

6 date, time and place of the hearing: "Reply filed on JUNE 13, 1996

7 Pursuant to Ex Parte Order Shortening Time Issued On June 3, 1996."

8

9 IT IS FURTHER ORDERED as follows:

10 The Motion to Appoint Chino Basin Municipal Water District as Watermaster Nunc Pro

11 Tunc; Motion to Continue the 6/18/96 Hearing; and Motion to Disqualify Counsel shall be heard on

12 6-18-96, 1996 at 8:00 a.m., in Department H.

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JUN 03 1996

J. Michael Gunn

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JUDGE OF THE SUPERIOR COURT

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APPENDIX O-5

NOTICE OF RULING



1 CHIHIGOYENETCHE, GROSSBERG & CLOUSE
Jean Chigoyenette (Bar No. 105227)
2 3602 Inland Empire Boulevard, Suite C-315
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3 (909) 483-1850

4 Attorneys for Plaintiff,
CHINO BASIN MUNICIPAL WATER DISTRICT
5
6
7

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 FOR THE COUNTY OF SAN BERNARDINO
10

11 CHINO BASIN MUNICIPAL WATER DISTRICT,
12
13 Plaintiff(s),
14 vs.
15 CITY OF CHINO, et al.,
16 Defendant(s).
17

CASE NO. RCV 51010
NOTICE OF RULING

18 TO ALL PARTIES AND TO THEIR ATTORNEYS OF RECORD:

19 NOTICE IS HEREBY GIVEN that this matter came before the court on ex parte application
20 for an order shortening time in Department H of the above-entitled court, the Honorable Michael
21 Gunn, Judge presiding. Upon review of the documents on file in this matter and the hearing of oral
22 argument, the court ordered as follows:

- 23 1. The moving party's ex parte application for an order shortening time is granted.
24 2. The moving party's Motion for Continuance of the June 18, 1996 Hearing on the
25 Motion to appoint a Watermaster; Motion for Disqualification of Counsel; and Motion to Appoint
26 Chino Basin Municipal Water District as Watermaster shall be heard on June 18, 1996, at 8:30 a.m.,
27 in Department H of the above-entitled court.

28 ///

- 1 3. All opposing papers to all motions are to be filed with the court on or before 5:00
2 p.m., June 11, 1996.
3 4. All reply papers shall be filed with the court on or before 5:00 p.m., June 13, 1996.
4 5. All active parties are to be served and a proof of service to be filed with the court on
5 or before 5:00 p.m., June 6, 1996.
6 6. A copy of the court's ruling is attached hereto as Exhibit "A" and incorporated herein.
7 DATED: June 3, 1996

8 CIHIGOYENETCHE, GROSSBERG & CLOUSE

9 
10 JEAN CIHIGOYENETCHE

11 Attorneys for
12 CHINO BASIN MUNICIPAL WATER DISTRICT
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APPENDIX O-6

ORDER ON MOTION PERTAINING TO APPOINTMENT OF WATERMASTER
FILED IN COURT
on JUL 26 1996
Wanda DeVinney

SUPERIOR AND MUNICIPAL COURT
STATE OF CALIFORNIA, COUNTY OF SAN BERNARDINO

CHINO BASIN MUNICIPAL WATER
DISTRICT

Plaintiff

v.

CITY OF CHINO,

Defendant

NO. RCV 51010

ORDER ON MOTION PERTAINING
TO APPOINTMENT OF
WATERMASTER

On June 18, 1996, the following motions came on before this court for hearing:

1. A motion brought on behalf of the Chino Basin Watermaster and supported by the Chino Basin Advisory Committee for an order to appoint as Watermaster a nine-member board, to appoint the individual members of the board, and to appoint the Chino Basin Municipal Water District as Watermaster nunc pro tunc from July 1, 1993, to June 18, 1996;
2. A motion of the Chino Basin Municipal Water District for an order to appoint Chino Basin Municipal Water District as Watermaster nunc pro tunc to July 1, 1993, and continuing until further order of the court;
3. A motion of the Chino Basin Municipal Water District for an order to continue the hearing on the motion for an order to appoint as Watermaster a nine-member board, to appoint the individual members of board, and to appoint the Chino Basin Municipal Water District as Watermaster nunc pro tunc from July 1, 1993, to June 18, 1996;

1 4. A motion of Chino Basin Municipal Water District for an order to disqualify the law
2 firm of Nossaman, Guthner, Knox & Elliott, LLP and attorneys John Ossiff and Frederic A.
3 Fudacz, as attorneys representing Chino Basin Water Master and Chino Basin Watermaster
4 Advisory Committee.

5 The following parties appeared:

- 6 (1) Chino Basin Watermaster appeared by Nossaman, Guthner, Knox & Elliott, LLP,
7 by Frederic A. Fudacz;
- 8 (2) Chino Basin Municipal Water District appeared by Cihigoyenette, Grossberg &
9 Clouse by Jean Cihigoyenette;
- 10 (3) City of Chino appeared by Jimmy L. Gutierrez, a Professional Corporation by
11 Jimmy Gutierrez;
- 12 (4) City of Chino Hills appears by Burke, Williams & Sorenson by Mark Hensley;
- 13 (5) City of Ontario appeared by Covington & Crowe by Robert E. Dougherty;
- 14 (6) City of Pomona appeared by Alvarez-Glassman & Clovin by Arnold M. Alvarez-
15 Glassman;
- 16 (7) Cucamonga County Water District appeared by Best, Best & Krieger, LLP, by
17 Gene Tanaka;
- 18 (8) Jurupa Community Services District appeared by Best, Best & Krieger, LLP, by
19 Gene Tanaka;
- 20 (9) Western Municipal Water District appeared by Best, Best & Krieger, LLP, by
21 Gene Tanaka;
- 22 (10) Kaiser Ventures, Inc. appeared by Best, Best & Krieger, LLP, by Gene Tanaka;
- 23 (11) Monte Vista Water District appeared by McCormick, Kidman, Behrens by Arthur
24 G. Kidman;
- 25 (12) Fontana Water Company appeared by Timothy J. Ryan;
- 26 (13) Fontana Union Water Company appeared by McPeters, McAlearney, Shimoff &
27 Hatt by Thomas H. McPeters;
- 28 (14) Monte Vista Irrigation Company appeared by McPeters, McAlearney, Shimoff &

1 Hatt by Thomas H. McPeters;

2 (15) State of California appeared by Attorney General Daniel E. Lungren by Marilyn
3 H. Levin;

4 (16) Three Valleys Municipal Water District appeared by Brunick, Alvarez &
5 Battersby by Steven M. Kennedy;

6 This Court has read all of the moving papers and oppositions and considered all of the
7 arguments during the hearing on these motions.

8 GOOD CAUSE APPEARING THEREFOR, THIS COURT ORDERS AS FOLLOWS:

9 1. To the extent this order differs from the verbal order of the Court issued on June 18,
10 1996, this written order supersedes the verbal order of June 18, 1996;

11 2. This Court hereby schedules an additional hearing on the motion for an order to
12 appoint as Watermaster a nine-member board and to appoint the individual members of that
13 board. The additional hearing on said motion shall be held before this Court on September 18,
14 1996, at 10:00 a.m. Any party to this case may file a brief regarding the appointment of a
15 Watermaster by August 30, 1996, by 4:00 p.m. in this department. The Court orders that the
16 parties and their attorneys meet and confer on the issue of appointment of a Watermaster on
17 Monday, July 29, 1996, at 10:00 a.m. at the City of Chino Council Chambers located at 13220
18 Central Avenue, Chino, California, 91710. The issues to be conferred upon at the meet and
19 confer meeting, among other things, are the need for a change of Watermaster; if a change of
20 Watermaster is necessary, who or what changes are necessary; and what checks and balances
21 would there be in any proposed change. The Watermaster is ordered to publish notice of the
22 September 18, 1996, hearing and the meet and confer dates and times in a newspaper(s) of
23 general circulation. Mark Hensley, City Attorney for the City of Chino Hills, is hereby ordered
24 to forthwith prepare an updated proof of service list to be filed with the Court distributed to all
25 parties in this case and to be submitted to the Watermaster. Further, the Court orders copies
26 of this order to be served by the City of Chino Hills on all persons and entities listed on the
27 updated proof of service list that are not already listed on the attached proof of service to this
28 written order;