

FONTANA WATER COMPANY

A DIVISION OF SAN GABRIEL VALLEY WATER COMPANY

15966 ARROW ROUTE • P.O. BOX 987, FONTANA, CALIFORNIA 92334 • (909) 822-2201

August 11, 2025

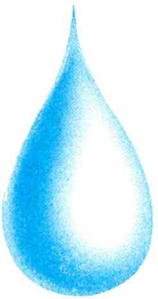
Todd Corbin
Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA 91730

Subject: Response to Implementation of Court of Appeal's Ruling Regarding the
Fiscal Year 2021-22 and 2022-23 Assessment Packages - Workshop 1

Mr. Corbin:

On July 23, 2025, the Chino Basin Watermaster ("Watermaster") held a workshop regarding the implementation of the April 18, 2025, Court of Appeal's opinion and subsequent remittitur dated June 20, 2025. Watermaster has requested that any written comments be provided by August 11, 2025. All comments would be considered for incorporation into a decision tree that will be presented at the next workshop scheduled for August 20, 2025. In response, Fontana Water Company ("FWC") offers the following comments:

- FWC disagrees with the claim made by Ontario at the workshop that amendment of the FY 2021/2022 and FY 2022/2023 Assessment Packages does not require resolution of the four subsequent issues listed in Section III of the Opinion referenced above. To the contrary, the Court specifically left resolution of these issues "in the hands of the parties" which "should be resolved by the parties **prior to judicial intervention.**" Resolution of these issues is necessary to amend the assessment packages as directed by the Court and is essential for parties in understanding the far-reaching implications of the Court of Appeal's opinion and subsequent remittitur, including to ensure that cost shifting activities by Ontario and other Parties are addressed in these and subsequent Assessment Packages.
- During Workshop 1, a summary of the quantity, type and beneficiary of all water in storage was requested including the status of whether or not that water has been assessed. The table should identify and quantify cost shifting due to avoided assessments by party so a reasonable determination of the impact can be made and incorporated in any amended or future Assessment Package prepared by Watermaster. For example, are Non-Agricultural Pool transfers to Appropriate Pool Parties assessed? Is stored water dedicated to desalters assessed?
- Ontario asserts economic injury but is yet to offer an explanation of specific causes, scope and magnitude of injury. Understanding their claims is essential and will inform the parties of further cost shifting that may occur in any proposed



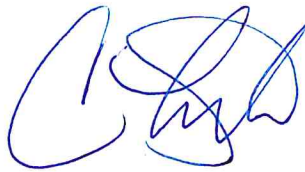
changes of past and subsequent Assessment Packages that may likely cause economic injury to FWC and other parties.

- The Peace Agreement as amended in 2004 and in 2007 prohibits the approval of a water storage and recovery project if it will cause any **Material Physical Injury** to any party to the judgment. Additionally, the Funding Agreement requires that groundwater storage agreements are to contain terms that will preclude operations having a **substantial adverse impact** on other producers. FWC seeks clarification on the relationship between definitions of “Material Physical Injury” and “substantial adverse impact” to ensure alignment in interpretation and application among all the parties involved.
- Prior to the letter agreement titled Chino Basin Storage Actions and Voluntary Purchase Methodology dated February 5, 2019 (“2019 Letter Agreement”)ⁱ signed by Metropolitan Water District of Southern California (“MWD”), Inland Empire Utilities Agency (“IEUA”), Three Valleys Municipal Water District (“TVMWD”) and Watermaster, MWD had delivered to their storage account more than 45,000 acre-feet of imported water. In an effort to ensure MWD’s stored water would be extracted from storage prior to the expiration of the agreement and as a result of past experience during Dry Year Yield Program (“DYYP”) calls, and the ability to perform by certain agencies, including Ontario, MWD agreed to allow voluntary withdrawals from their storage account subject to the terms of the 2019 Letter Agreement. FWC reasonably relied on the provisions of the 2019 Letter Agreement to inform its operational decisions and elected to participate in this voluntary program. FWC requests clarity on how interpretation of the Court of Appeal’s opinion and subsequent remittitur referenced above will affect storage allocations, assessment responsibilities, and reimbursement for DYY water purchased, particularly for FWC and other participating parties.
- If it is determined, as Ontario argued in its briefs and argument to the Court of Appeal that all water produced from the Basin should be assessed by Watermaster, then desalter production should also be assessed retroactively from the FY 2021-22 and all subsequent and future Assessment Packages to address substantial cost shifting impacts to non-desalter parties that receive minimal benefit.
- If it is determined that not all water produced from the Basin should be assessed by Watermaster, then what specific measures will be implemented to mitigate potential cost-shifting among different parties? Those measures must be developed through the lens that “[s]ubsurface storage space in a groundwater basin is a public resource, which must be put to beneficial use under Article X, section 2 of the California Constitution.” If stored water is not being put to beneficial use what are the impacts to the safe yield? How does that impact the parties and do the impacts lead to cost-shifting?

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FWC requests Watermaster consider a methodology that takes a holistic approach and provides a fair and equitable distribution of assessments among Watermaster parties. FWC appreciates the opportunity to provide comments. If you have any questions, please contact me at (909) 201-7338.

Very truly yours,



Cris Fealy
Director of Water Resources

MEZ:cif:arr:mn
Enclosure

ⁱ FWC agrees with and hereby incorporates the comments of Cucamonga Valley Water District that the 2019 Letter Agreement is not invalid.