

PERS00380

Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING
September 15, 2011

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9841 San Bernardino Road, Rancho Cucamonga CA, on September 15, 2011 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT WHO SIGNED IN

Non-Agricultural Pool

Ken Jeske, Chair
Brian Geye
Scott Burton

California Steel Industries
Auto Club Speedway
City of Ontario

Agricultural Pool

Jeff Pierson
Bob Feenstra
Pete Hall
Jennifer Novak

Ag Pool – Crops
Ag Pool – Dairy
Ag Pool – State of California – CIM
State of California Department of Justice

Appropriative Pool

Mark Kinsey
Jo Lynne Russo-Pereyra
Raul Garibay
Dave Crosley
Bill Kruger
Charles Moorrees
Mohamed El-Amamy
Ben Lewis
J. Arnold Rodriguez
Robert Young
Josh Swift
Rosemary Hoerning

Monte Vista Water District
Cucamonga Valley Water District
City of Pomona
City of Chino
City of Chino Hills
Santa Antonio Water Company
City of Ontario
Golden State Water Company
Santa Ana River Water Company
Fontana Water Company
Fontana Union Water Company
City of Upland

BOARD MEMBERS PRESENT WHO SIGNED IN

Bob Kuhn
Bob Bowcock

Three Valleys Municipal Water District
Vulcan Materials Company (Calmat Division)

Watermaster Staff Present

Desi Alvarez
Danielle Maurizio
Gerald Greene
Joe Joswiak
Janine Wilson

Chief Executive Officer
Senior Engineer
Senior Environmental Engineer
Chief Financial Officer
Recording Secretary

Watermaster Consultants Present

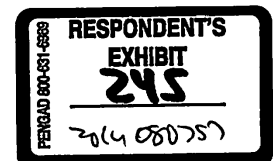
Michael Fife
Andy Malone

Brownstein, Hyatt, Farber & Schreck
Wildermuth Environmental Inc.

Others Present Who Signed In

Tom Harder
Curtis Paxton
Brian Dickinson
Jack Safely
Van Jew

Jurupa Community Services District
Chino Desalter Authority
Chino Desalter Authority
Western Municipal Water District
Monte Vista Water District



PERS00379

Minutes Advisory Committee Meeting

September 15, 2011

Justin Scott-Coe
Tom Love
Craig Miller
Terry Catlin
Ryan Shaw
Bob Gluck
Ron Craig
Eunice Ujioa
Rick Hansen
David DeJesus
Sheri Rojo
Seth Zielke

Monte Vista Water District
Inland Empire Utilities Agency
Inland Empire Utilities Agency
Inland Empire Utilities Agency
Inland Empire Utilities Agency
City of Ontario
City of Chino Hills
Chino Basin Water Conservation District
Three Valleys Municipal Water District
Three Valleys Municipal Water District
Fontana Water Company
Fontana Union Water Company

Chair Jeske called the Advisory Committee meeting to order at 9:03 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES – *Deferred until October*

1. Minutes of the Advisory Committee Meeting held August 18, 2011

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of July 2011
2. Watermaster VISA Check Detail for the month of July 2011
3. Combining Schedule for the Period July 1, 2010 through July 31, 2011
4. Treasurer's Report of Financial Affairs for the Period July 1, 2011 through July 31, 2011
5. Budget vs. Actual July 2010 through July 2011

*Motion by Young, second by Pierson, and by unanimous vote
Moved to approve Consent Calendar Item B, as presented*

II. BUSINESS ITEMS

A. APPLICATION OF THE 85/15 RULE (For Information and Discussion)

Mr. Alvarez stated this is an item which is being brought back for discussion. Mr. Alvarez stated a presentation on this item was given at the Pool meetings last week; it can be given again today if this Committee desires. Mr. Alvarez stated he has contacted several parties and a notice will be sent out today regarding the 85/15 Rule Workshop which has been scheduled for September 20, 2011 at 9:00 a.m. This was requested by the Appropriative Pool members. Chair Jeske stated the workshop is scheduled for next Tuesday and background information is provided in the meeting packet for review, and inquired if there were any comments with this regard. Mr. El-Amamy stated he was prepared to make several comments today. However, he will defer most of those until the workshop. Mr. El-Amamy stated he brought up this issue a few months ago to understand the rule, and see that it is applied correctly and consistently; the staff report covers most of this request. Mr. El-Amamy stated it was also asked that staff go back four or five years and list all the transactions, including whether or not that transaction received the 85/15 Rule credit, and also to list whether or not the agency was eligible for the 85/15 Rule credit. The table provided today was incomplete and did not include all that was requested. Mr. El-Amamy stated that he had his staff redo the list which gives a better outline of what has transpired and clearly shows inconsistency as to how Watermaster has been applying the 85/15 Rule over the last few years. Mr. El-Amamy offered further comment regarding this matter. Mr. Alvarez stated there will be an updated table which reflects all of the transfers at the upcoming workshop. Chair Jeske stated the 85/15 Rule only applies to certain members of the Appropriative Pool and does not apply to the other two Pools. Chair Jeske offered comment on the "go back period" which was established a few years ago and that should be looked up so that everyone is on the same page with that regard. A discussion regarding Mr. El-Amamy's

PERS00378

Minutes Advisory Committee Meeting

September 15, 2011

comments ensued. Mr. Kinsey asked that the updated tables be made available prior to the workshop. Mr. Kinsey asked that the four year go-back history be included in the provided documents because he is not sure if that was a written policy or just an agreed upon practice. Mr. Kinsey stated the Appropriative Pool is more than willing to sit down and discuss how the Pool wants to approach the 85/15 Rule application. Mr. Kinsey offered further comment regarding this matter. Mr. Kinsey asked that as many documents as possible that are going to be handed out at the workshop, be sent out prior so parties can have ample opportunity for review. Mr. Alvarez stated it is possible that some of the documents will be ready as early as tomorrow and they will be sent out prior to the workshop. Mr. Alvarez stated staff is in the process of preparing the Assessment Package so if this matter is going to impact that, then resolution of this needs to be done sooner rather than later. Mr. Alvarez stated Watermaster's intent, as stated last week when this was presented, is staff was not intending to go back and was just presenting clarification of how the rule would be applied on go forward basis. Chair Jeske stated at the last Watermaster Board meeting, general counsel was involved in a discussion on pre-purchase for desaliner water and outlined a methodology that may set up a separate accounting, and suggested at the workshop a discussion take place on looking at ways to handle replenishment for the desaliner in light of the 85/15 Rule for the losses. Ms. Hoerning inquired if the workshop could be moved time to 8:30 a.m. instead of 9:00 a.m. and it was noted by staff, the time change would be fine. Chair Jeske noted the workshop is open to all Watermaster parties.

B. PRESENTATION ON THE STATE OF THE BASIN REPORT (For Information Only)

Mr. Alvarez noted this presentation has been given at all the Pool meetings and inquired if this committee wanted to defer it. Mr. Malone noted the presentation will be given in full by Mr. Wildermuth at the Watermaster Board meeting next week. There were no further comments or questions.

C. GROUNDWATER MODEL UPDATE (For Information Only)

Mr. Malone stated Mr. Wildermuth had given him a short message to relay to the Advisory Committee since he was unable to attend today. Mr. Malone stated Wildermuth Environmental has received a lot of good data and are currently updating the geometry of the model; a lot of new well data has come in from the agencies. Mr. Malone stated the model is in the process of being recalibrated and at next month's October meetings Mr. Wildermuth will be making a presentation on the groundwater production projections and associated replenishment. Mr. Malone stated if any party has any questions or comments to email those Mr. Alvarez first and he will then forward them to Mr. Wildermuth. Mr. Garibay inquired if the data needs to go through Mr. Alvarez and Mr. Malone noted only questions on the projections that are being developed need to go through that route.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Next hearing Schedule and Preparation

Counsel Fife stated the next court hearing is scheduled for October 28, 2011 at 10:30 a.m. The main subject of that hearing will be the approval of the CDA Resolution. Counsel Fife stated counsel has been developing all the pleadings, declarations and testimony, and has been working with all the CDA parties on those items. Counsel Fife stated it is expected to have a copy of the motion that Watermaster will be filing available for review next week at the Watermaster Board meeting. Counsel Fife stated the motion and all supporting documents will be filed shortly after that. The deadline to make the October 28th hearing would be in the first week of October. Chair Jeske stated there have been actions, by at least the Non-Agricultural Pool, regarding some unclear actions and Pool placement such as General Electric, and inquired if those were going to go forward as well. Counsel Fife stated yes. The main event for October 28th will be the CDA Resolution, and other items will be the filing of the Annual Report and filing of the most recent Status Report. Counsel Fife commented on General Electric (GE) who was originally placed into the Appropriative Pool and then at some point in history migrated over to the Non-Agricultural Pool. This needs to

PERS00377

Minutes Advisory Committee Meeting

September 15, 2011

be cleaned up and made sure GE is appropriately put in the Non-Agricultural Pool. Counsel Fife stated the Restated Judgment will also be presented to the court.

2. Restated Judgment Process

Counsel Fife stated the Restated Judgment was divided up into a few phases. The first one was to simply produce a copy of the Judgment that incorporated the approved amendments and make no other changes. That has been done and distributed and posted on the Watermaster ftp site for a few months now. A few comments were received about typographical errors and it appears all the parties are fine with that document and that will be presented to the court at the October 28th hearing. Counsel Fife stated the second and third phases which have been discussed at length are still to come and still to be decided on how to move forward on those. Mr. Kinsey stated he is not sure where parties are at on the characterization of moving forward with phases two and three. Counsel Fife stated it seems like phase one is done, and now it is a question as what to do from here. Mr. Kinsey offered comment on doing the other phases with regard to the parties and the court. Mr. Pierson inquired if an updated Agricultural Pool listing of the current participants in the Judgment is going to be provided. Counsel Fife stated that is a good question. If that needs to be teed up for this hearing some legal research is being done on whether counsel/staff needs to go as far as originally proposed, because there is a Successor and Interest clause in the Judgment. Counsel Fife stated some other legal counselors have made some suggestions to that effect. Counsel Fife stated all the work that has been developed to figure out who those agricultural parties are and update Watermaster's database is still important because we all need to know who those people are, including having mailing addresses for them. Counsel Fife stated there may be a more streamlined procedure with the court.

Mr. Garibay inquired if legal counsel had a generic status on what is happening with the Paragraph 31 Motion. Counsel Fife stated the Paragraph 31 Motion is on appeal and the Non-Agricultural Pool was given an extension to file their reply briefs until September 21, 2011. Counsel Fife stated after that time, the Appeal Court will look at the pleadings and noted there have been instances when the court has a unanimous decision where they will put out a tentative and indicate that they don't need to have a hearing. A tentative order may be seen if the court is unanimous in their opinion of the outcome.

B. CEO/STAFF REPORT

1. Recharge Update

Mr. Alvarez stated this item is regarding the replenishment water, which is ongoing, and there has been 29,000 acre-feet recharged. Metropolitan Water District (MWD) is projecting that water will be exhausted by the end of this month. If recharge continues at the current rate it is anticipated to have 34,000 acre-feet recharged, which will be approximately 68-78% of the anticipated 50,000 acre-feet. Mr. Alvarez offered comment on the history of this item. Mr. Alvarez stated Watermaster staff is finalizing the Replenishment Agreements for the acquisition of the water that is above the 26,000 acre-feet. Mr. Alvarez stated the Replenishment Agreements are what's been developed per the direction of the Watermaster Board as a substitute for the Storage Agreements through the use of the Replenishment Agreement. Watermaster will not be assigning a loss factor to the water which is a significant savings. Mr. Alvarez stated the status of the those Replenishment Agreements is that they are drafted and staff is finalizing some language changes with Inland Empire Utilities Agency and several other Appropriators that are entering into the Replenishment Agreements. Mr. Alvarez stated Watermaster will be covered for the remainder of the water that is going to be delivered through the end of this month and there may be some additional water that will extend through October. A discussion regarding any additional water being offered by MWD ensued.

2. GE Injection Wells

Mr. Alvarez stated the City of Ontario and General Electric has come to an agreement on the impact of these wells and an application will be moving through in the November time frame.

PERS00376

Minutes Advisory Committee Meeting

September 15, 2011

C. INLAND EMPIRE UTILITIES AGENCY

1. MWD Update

Mr. Love stated it is very unlikely MWD will increase the replenishment water amount from the 225,000 acre-feet as he was at the MWD board meeting was earlier this week and they did not take any action on that matter. Mr. Love stated the replenishment program, as a whole, is under review and the MWD board has asked their staff to come back to them with a revised program by the end of the year. Mr. Love offered further comment with this regard. Mr. Love stated IEUA is concerned that there is not a Storage Agreement in place nor are there funds necessarily available or secured to purchase this water. Mr. Kinsey asked what the outstanding issues are. Mr. Love stated, from IEUA's standpoint, IEUA has a draft Preemptive Replenishment Agreement; although there are still a few issues. Mr. Love stated if IEUA purchases this water, IEUA wants a certain time it will be purchased. Mr. Love stated IEUA is willing to agree that it is designated for the desalter replenishment obligation for a period of time and in the draft Storage Agreement it was stated that by 2016 if it is not utilized or purchased for the desalter replenishment obligation, IEUA needs latitude to be able to make it available for other purposes, so that time frame is important. Mr. Love stated with regard to the financing, IEUA is comfortable with the financing terms, LAIF plus 1.5%, but IEUA is concerned with the flexibility of using funds for that. IEUA has been considering moving some of their LAIF money into more long-term investments to get a better rate of return, and IEUA is going to give up that flexibility if they secure this water. Mr. Love stated IEUA feels it is important that the water remains in IEUA's name or that there is an asset associated with the purchase of this water. Mr. Kinsey stated the last Watermaster Board meeting was very confusing as to what the actual direction of the terms of the storage deal were, which can't be called storage because of storage losses. Mr. Kinsey offered further comment regarding this issue and cost. A discussion regarding this matter and a possible agreement with IEUA and storage losses ensued. Mr. Alvarez stated all the parties agree the terms will be LAIF plus 1.5%. Mr. Alvarez stated with regard to the terms of usage, the anticipated time of usage is 2016 and noted language is still being worked on regarding terms and the matters discussed today. Mr. Catlin acknowledged there is an urgency that IEUA receive some sort of formal funding agreement for them to move forward. A discussion regarding this matter ensued.

2. State and Federal Legislative Reports

No comment was made on this item.

3. Community Outreach/Public Relations Report

No comment was made on this item.

4. IEUA Monthly Water Newsletter

No comment was made on this item.

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

Mr. DeJesus stated next month there is going to be a tour of northern California and there are several seats left for this two day tour; if any party is interested to please call Rick Hanson know as soon as possible.

IV. INFORMATION

1. Cash Disbursements for August 2011

No comment was made.

2. Newspaper Articles

No comment was made.

PERS00375

Minutes Advisory Committee Meeting

September 15, 2011

V. POOL MEMBER COMMENTS

No comment was made.

VI. OTHER BUSINESS

No comment was made.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to the Advisory Committee Rules & Regulations, a Confidential Session may be held during the Watermaster Pool meeting for the purpose of discussion and possible action.

No confidential session was called.

VIII. FUTURE MEETINGS

Thursday, September 15, 2011	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
Thursday, September 15, 2011	9:00 a.m.	Advisory Committee Meeting @ CBWM
Thursday, September 15, 2011	10:30 a.m.	Land Subsidence Committee Meeting @ CBWM
Thursday, September 22, 2011	11:00 a.m.	Watermaster Board Meeting @ CBWM
Tuesday, September 27, 2011	9:00 a.m.	GRCC Meeting @ CBWM
* Friday, October 28, 2011	10:30 a.m.	Watermaster Court Hearing @ Chino Court

* Note: The court hearing has changed from September 30, 2011 to October 28, 2011

The Advisory Committee meeting was dismissed by Chair Jeske at 9:45 a.m.

Secretary: _____

Minutes Approved: October 20, 2011