

**MINUTES OF A REGULAR MEETING OF
THE MAIN SAN GABRIEL BASIN WATERMASTER
729 NORTH AZUSA AVENUE, AZUSA, CALIFORNIA
HELD WEDNESDAY, DECEMBER 9, 2009 AT 2:30 O'CLOCK P.M**

A regular meeting of the Main San Gabriel Basin Watermaster was duly and regularly held in the Conference Room of the City of Azusa Light and Water Administration Facility, at 729 North Azusa Avenue, in the City of Azusa, County of Los Angeles, State of California, 91702, on Wednesday, December 9, 2009 at the hour of 2:30 p.m.

CALL TO ORDER

James Byerrum, Chairman, called the meeting to order and presided thereover.

ROLL CALL OF WATERMASTER MEMBERS

The following members of Watermaster were present on roll call:

PRESENT: Dan Arrighi, James Byerrum, Robert W. Bowcock, Ed Chavez, Al Contreras, Pat Malloy and Michael Quinn.

ABSENT: Thomas Love and Charles E. Shaw

STAFF AND OTHERS PRESENT

Staff present at the meeting included: Carol Williams, Executive Officer; Fred Fudacz, Attorney; Stephen Johnson, Consulting Engineer; Tony Zampiello, Assistant Executive Officer; Donna DiLaura, Administrative Coordinator; and Wendy La, Staff Engineer.

Others present included: Chet Anderson, Don Berry, Brian Bowcock, Mark Carney, Barbara Carrera, Ken Deck, Brian Dickinson, Craig Gott, Garry Hofer, Marianna Lake, Ben Lewis, Tom Lindros, Claudine Meeker, Dave Michalko, James Prior, Richard Rich, Patrick Scanlon,

ADOPTION OF AGENDA

The Chairman then asked if there were any changes to be made to the agenda. On motion made by Mr. Contreras, seconded by Mr. Arrighi, and unanimously carried, the agenda was adopted as presented.

TIME RESERVED FOR PUBLIC COMMENT

Mr. Brian Bowcock reported that the Southern California Water Utilities Association Christmas Luncheon will be held tomorrow, December 10, at 11:00 a.m. at the Sheraton Fairplex in Pomona. He noted that those attending the luncheon must make a reservation no later than today.

CONSENT CALENDAR

On motion made by Mr. Contreras, seconded by Mr. Malloy, and unanimously carried, the following items were approved:

- a) Minutes of a Regular Meeting of Watermaster and All Basin Producers held November 4, 2009.
- b) Lists of Demands: Items 14144 through 14186 in the amount of \$391,679.77 on the Administrative Fund, and Items 866 and 867 in the amount of \$158,562.86 on the Replacement Water Fund.
- c) Financial Statements, November 2009

REPORT FROM BASIN WATER MANAGEMENT COMMITTEE

Mr. Bowcock reported that the Basin Water Management Committee met on November 19, 2009 and held a lengthy meeting. Of the three items discussed, two require board action today. As an informational item, Mr. Bowcock reported that the Committee reviewed the status of the Azusa/Glendora/Rowland/Walnut Groundwater recovery proposal. Mr. Bowcock noted that the project is intended to pump, treat and export approximately 10,000 acre-feet of water annually from the Basin. He also noted that the proposal is complex and requires considerable discussion relative to issues with Watermaster Rules and Regulations and the Judgment. He reported that staff was ultimately directed to develop a framework for the Committee to review in taking into consideration Watermaster's recently adopted Groundwater Storage Policies and Principles. Mr. Bowcock then addressed the two items requiring Watermaster action.

Recommendation to authorize purchase of up to 40,000 AF untreated imported water from USGVMWD at Tier 1 and Tier 2 rates, subject to acceptable funding plan - Mr. Bowcock reported that the Committee discussed in great length the potential for Replacement Water Deliveries, as presented by the Consulting Engineer. Mr. Johnson informed the Committee that possible deliveries of 20,000 to 40,000 acre-feet (AF) may be available to the Upper San Gabriel Valley Municipal Water District (USGVMWD) pending Metropolitan Water District of Southern California (MWD) Operations Model run and results. Mr. Bowcock stated, as noted in the Committee Report, that deliveries most likely will be subject to Untreated Tier 1 allocations and rates at \$526/AF and Tier 2 rates at \$655/AF. He noted that the Committee discussed many complex issues relative to the possible deliveries, including the purchase of such water at a rate higher than that collected at the anticipated 2010 replenishment rate of \$450/AF, and if water is available, should Watermaster accept Colorado River water, recognizing that the water quality will be poorer than State Water Project water.

Discussion among the Committee resulted in a recommendation that Watermaster authorize the purchase of up to 40,000 AF untreated imported water from Upper District (including the FY 2008-09 Replacement Water requirement), of the best available quality, at applicable Tier 1 and Tier 2 rates, subject to Watermaster's concurrence with a Finance Committee recommendation for funding the purchase.

Mr. Bowcock expressed concerns regarding Watermaster paying such high rates for replenishment water.

Mr. Contreras agreed with Mr. Bowcock, and stated that once an agency shows it can afford a higher rate, MWD will push for it. He also noted that Upper District is continuing to seek alternate sources of water. Chairman Byerrum stated that water is not getting any cheaper, as confirmed in the Consulting Engineer's report. In response to a question by Chairman Byerrum, the Executive Officer clarified that staff will work with the Finance Committee to determine an acceptable funding plan that may include the use of reserve funds prior to purchasing the water. In response to a question by Mr. Contreras relative to the approval of the purchase of Tier 1 water, the Executive Officer requested that such discussion be deferred to Item 8 on the agenda.

On motion made by Mr. Bowcock, seconded by Mr. Malloy, and unanimously carried, Watermaster authorized the purchase of up to 40,000 AF untreated imported water from USGVMWD at Tier 1 and Tier 2 rates, subject to an acceptable funding plan.

Recommendation for staff and counsel to work with affected producers and outside counsel re 1,2,3 TCP litigation – Mr. Bowcock reported that representatives from the law firm Baron & Budd provided a presentation on the historical background, current developments, and future potential impacts of 1,2,3 TCP litigation on behalf of public water providers in a cost recovery action under the product liability umbrella. Mr. Bowcock stated that the Committee recommendation is that Watermaster direct staff and counsel to work with affected Producers and Baron & Budd to determine the appropriate level of Watermaster involvement and to develop a legal services agreement with Baron & Budd, if appropriate.

By consensus, Watermaster agreed with the Committee recommendation and directed staff to work with affected Producers and Baron & Budd to determine the appropriate level of Watermaster involvement and to develop a legal services agreement with Baron & Budd, if appropriate.

AUTHORIZATION TO PURCHASE FY 2008-09 REPLACEMENT WATER REQUIREMENT

The Executive Officer reported that staff had calculated the amount of Replacement Water which should be purchased from each Responsible Agency for overproduction during Fiscal Year 2008-09. From Upper San Gabriel Valley Municipal Water District, Watermaster should purchase 24,682.06 acre-feet at a rate that has yet to be determined. The replenishment rate is not available and the water may be purchased at the current Tier 1 and/or Tier 2 rates, depending on available allocation. From Three Valleys Municipal Water District, Watermaster should purchase 32.55 acre-feet through cyclic storage at a rate not to exceed \$387.00 per acre-foot, and from San Gabriel Valley Municipal Water District, Watermaster should purchase 1,886.58 acre-feet at a rate not to exceed \$130.00 per acre-foot. The total amount of Replacement Water to be purchased is 26,601.19 acre-feet. The Executive Officer noted that the quantity to be purchased from USGVMWD includes 24,682.06 acre-feet as Replacement water, and 3,000 acre-feet through USG-5. The Executive Officer also noted that replenishment deliveries from MWD members remain unavailable.

In response to a question by Mr. Malloy, the Executive Officer clarified that following the proposed Replacement Water purchase from TVMWD, approximately 5,000 acre-feet remains in cyclic storage.

On a motion made by Mr. Contreras, seconded by Mr. Bowcock, and unanimously carried, Watermaster authorized the purchase of Replacement Water from the appropriate Responsible Agencies, as presented by staff, for overproduction during Fiscal Year 2008-09.

INFORMATION ITEMS

The following items listed on the agenda for information of Watermaster were noted, and ordered received and filed:

- a) Temporary assignment or lease of 21.57 acre-feet Production right from Jeanne Brondino to San Gabriel Valley Water Co. for FY 2009-10
- b) Temporary assignment or lease of 55 acre-feet Production Right from Del Rio Mutual Water Co. to San Gabriel Valley Water Co. for FY 2009-10
- c) Permanent Transfer of 742.00 acre-feet Prescriptive Pumping Right from USA Waste of California, Inc., to Aqua Capital Management LP
- d) Notice of Change of Designee for Golden State Water Company – San Gabriel Valley District to Benjamin Lewis, Jr.
- e) Notice of Hearing on Petition for Appointment of Watermaster Members for Calendar Year 2010, December 23, 2009
- f) Notice of Watermaster Status Conference, March 3, 2010
- g) Letter dated October 28, 2009, from Stetson Engineers re Replacement Waer delivered during FY 2008-09
- h) SGVMWD transmittal of monthly report for October 2009
- i) Various newspaper articles

ATTORNEY'S REPORT

The Attorney reported that a confirmation hearing is scheduled for December 23, 2009 for Watermaster nominees for 2010. He also reported that a status conference is scheduled for March 3, 2010. The conference is intended to educate the judge relative to the proposed Judgment amendments, the current water supply situation in the Basin and the need for replenishment water. He noted that the status conference is open to all Watermaster parties.

The Attorney also reported that a number of disputes raised by the Cooperating Respondents in the Baldwin Park Operable Unit continue. He noted that Watermaster is named in four disputes and is monitoring others. The Attorney expects that the first dispute to be mediated

will be the issue of lost water. Additionally, he also noted that Watermaster is set to file a joint statement with San Gabriel Valley Water Company and Suburban Water Systems today relative to the dispute regarding alternative water. Following that, the next step will be to begin discovery. Lastly, relative to the dispute regarding invoices approved by the project committee, the Attorney reported again that Watermaster held meetings with all parties, and provided backup for all invoices in question.

ENGINEER'S REPORT

The Consulting Engineer reported that the level of the Baldwin Park Key Well, as of December 4, was 189.2 feet. He noted that the previous low of 195.5 was set on December 3, 2004, and the current level is six feet below that. The Consulting Engineer stated that total production for FY 2008-09 is 253,000 acre-feet, significantly below total production of 261,000 acre-feet for FY 2007-08. For informational purposes, the Consulting Engineer reported that total production for FY 2005-06 was 262,000 acre-feet compared to 287,000 acre-feet for FY 2006-07. Additionally, the Consulting Engineer stated that the five area landfills were inspected and no violations were found.

The Consulting Engineer provided a brief hydrologic update and stated that the Basin received 1.5 inches of rainfall from the recent storm. He noted that the reservoirs remain at minimum pool and there is room for storage in the event of significant rainfall.

Relative to replenishment deliveries, the Consulting Engineer reported that deliveries remain under Drought Allocation through June 30, 2010. Of the 11,500 acre-foot allocation, Upper District is expected to take 7,000 to 9,000 acre-feet, leaving 2,000 to 4,000 acre-feet possibly available to Watermaster. He will provide more information on this as it becomes available.

EXECUTIVE OFFICER'S REPORT

The Executive Officer reported that staff will soon be meeting with Metropolitan Water District (MWD) to discuss the need for replenishment water and MWD water rates.

REPORT FROM RESPONSIBLE AGENCIES

Mr. Contreras reported that Upper District continues to move forward with the Memorandum of Understanding (MOU) for the GRIP project. He stated that Upper District staff is meeting frequently with interested parties. Mr. Contreras noted that Upper District is trying to support various proposed State water bills; however, there are concerns relative to the potential financial impact to each homeowner should they all be approved. Lastly, Mr. Contreras stated that Upper District approved cost overruns, as per the MOU, to Covina Irrigating Company for the feasibility study relative to its treatment plant upgrade project.

COMMENTS FROM WATERMASTER MEMBERS

Mr. Contreras wished everyone Happy Holidays.

Mr. Arrighi and Mr. Bowcock wished all a Merry Christmas and stated that they hope for a wet winter.

ADJOURNMENT

The Chairman asked if there were other business to come before Watermaster, and there being none, upon motion duly made by Mr. Contreras, seconded by Mr. Arrighi, and unanimously carried, the meeting was adjourned in honor of Mary Zampielo, Tony Zampielo's mother, to the next regular meeting of Watermaster on Wednesday, January 6, 2010, at 2:30 p.m. in the Conference Room of the City of Azusa Light and Water Administration Facility at 729 North Azusa Avenue, Azusa, CA 91702.

SECRETARY'S SIGNATURE

DAN ARRIGHI**ATTEST:**

JAMES BYERRUM
CHAIRMAN