NOTE TIME AND DATE

Beaumont Basin Watermaster
MEETING AGENDA

DATE: Tuesday September 11, 2007

TIME: 10:00 AM

PLACE: Department of Public Works
Banning City Hall
99 East Ramsey Street, Banning, California 92220

1. Call to Order

2. Roll Call

   A. City of Banning: Paul Toor
   B. City of Beaumont: Dee Moorjani
   C. Beaumont Cherry Valley Water District: Chuck Butcher
   D. South Mesa Water Company: George Jorritsma
   E. Yucaipa Valley Water District: Joe Zoba

3. Pledge of Allegiance

4. Oral and Written Communication

Anyone wishing to address the Watermaster on any matter not on the Agenda of this meeting may do so now. The oral communications portion of this Agenda is to hear comments. If any question or concern arises related to any issues not on the Agenda, it will be referred to Staff for appropriate response. Anyone wishing to speak on an item on the Agenda may do so at the time the Watermaster considers that item. All persons wishing to speak must fill out a Request to Speak Form and give it to the Clerk at the beginning of the meeting. Forms are available from Clerk upon request.

5. Consent Calendar

   A. Approve Minutes of June 19, 2007 Meeting
   B. Treasurer Report
   C. List of Task Orders Issued
   D. Correspondence Received and Responded

6. Status Reports

   A. Draft Bi-Annual Engineers Report
      Recommendation – Comment and Review (Wildermuth-Verbal Report)

   B. Draft Salt Mitigation Fee Study
      Recommendation – Comment and Review (Mr. Wildermuth – Verbal Report)

   C. Draft 4th Annual Watermaster Report
      Recommendation – Comment and Review (Mr. Wildermuth – Verbal Report)

   D. Draft Water Supply Demand Report
      Recommendation – Comment and Review

   E. Subsidence Report and Progress (Mr. Wildermuth – Verbal Report)
      Recommendation – Comment and Review

NOTE TIME AND DATE

7. Action Items

   A. City of Beaumont Application for a Beaumont Storage Agreement
   Recommendation – Approve

   B. San Gorgonio Pass Water Agency Kennedy Jenks Report (Evaluation of Potential Water Transfer Opportunities)
   Recommendation – Comment, Review, Support

8. Watermaster Reports

- Watermaster Members
- Chief of Watermaster Service
- Watermaster Engineer – Up date of other activities
- Watermaster Legal Counsel

9. Adjournment

DRAFT RECORD OF THE MINUTES JUNE 19, 2007

Draft Record of the Minutes
Beaumont Basin Watermaster
June 19, 2007

1. **Watermaster Members Present**

City of Banning: Paul Toor
City of Beaumont: Dee Moorjani
Beaumont Cherry Valley Water District: Chuck Butcher
South Mesa Water Company: George Jorritsma
Yucaipa Valley Water District: Joe Zoba

Consultants Present

Joe Aklufi:	Aklufi & Wysoki
Andrew Schlange:	San Timoteo Watershed Management Authority (STWMA)/ Beaumont BasinWatermaster (BBWM)
Mark Wildermuth:	Wildermuth Environmental, Inc.
Kristal Davis:	Wildermuth Environmental, Inc.
Joe Reichenberger:	Beaumont Cherry Valley Water District

Others Present

Jeff Davis:	San Gorgonio Pass Water Agency
Barbara Voigt:	San Gorgonio PassWater Agency
Lwana Ryan:	CVAN
Patsy Reeley:	CVAN
Frances Flanders:	CVAN

2. Chairman Jorristma called the meeting to order at 11:00am

3. Chairman Jorristma led everyone in the *Pledge of Allegiance*

4. **Oral and Written Communication**

Chairman Jorristma asked Lwana Ryan a resident of Cherry Valley to address the Board, per her request. *Ryan* spoke regarding the purchase of surplus water from the South Mesa Mutual Water. She requested the Board to comment on tying the price of Beaumont Basin supplies to the cost of imported water. *Ryan* commented on the possibility of personal financial gain of shareholders. Jorristma indicated that Ryan will get a written response to this issue.

Chairman Jorristma asked Patsy Reeley, a resident of Cherry Valley to address the Board per her request to speak. *Reeley* questioned the Board regarding the possibility that shareholders of South Mesa Water Company were benefiting from the sale of their temporary surplus water. In addition, she wanted to know if SMMW had an active well to pump from the Beaumont Basin. Reeley read a letter on behalf of Vice President of the Beaumont Cherry Valley Water District, Blair Ball regarding the SMMW water sale being an exclusive deal instead of announcing the sale and dividing it equally with other interested parties.

5. Consent Calendar
   A. Approve Minutes of March 13, 2007 Meeting
   B. Treasurer Report

Motion made by Member *Zoba*, second by Member *Toor*, All in favor

Moved to approve the consent calendar as presented.

6. Action Items

A. Presentation of the Proposed 2007-2008 F/Y Watermaster Budget.

Motion made by Member *Zoba,* Second by *Moorjani* to approve the F/Y 2007-2008 Watermaster Budget- Unanimously approved

B. Correspondence from *Lwana Ryan* dated April 29, 2007.

Schlange presented a letter from Wildermuth Environmental to respond to Mrs. *Ryan's* letter dated April 29, 2007. Schlange explained that the Watermaster approved Resolution 2004-04 of the Beaumont Basin Watermaster Adopting Minimum Standards for the Construction, reconstruction, Abandonment and Destruction of Groundwater Extraction Wells in 2004. *Schlange* also explained the Ordinance NO.682 Riverside County, which regulates the construction and reconstruction, abandonment and destruction of wells. Also provides wellhead Protection Zone indicating that the Watermaster has incorporated the County Ordinance into its policy rules and regulations.

7. Status Reports

A. State Water Project Report- Status of EBX-2

Mr. Jeff Davis, General Manager of San Gorgonio Pass Water Agency gave an extensive report on the Agency History and the steps Pass Agency is undertaken ultimately completed EBX.2. *Davis* explained that EBX-2 is financed by DWR and that DWR sell bonds to finance the design and construction and later DWR invoices San Bernardino Municipal and the Agency to cover the cost of bonds. Davis briefly explained and showed the location of the East Branch Extension.

B. Salt Mitigation Fee Study

C. Bi-Annual Engineer's Report

Schlange requested the Board differ discussion of Agenda Items 7B and C to the next Watermaster meeting.

8. Watermaster Reports

- Watermaster Members
- Chief of Watermaster Service
- Watermaster Engineer – Up date of other activities
- Watermaster Legal Counsel

Schlange requested the Board to differ discussion Agenda Item 8 to the next meeting.

9. Executive Session Pursuant to Government Code Section 54956.9 (b) Significant Exposure to Litigation (2-cases)

Members adjourned to closed session at 12:00pm
The Watermaster reconvened the meeting at 1:39pm noting that no action was taken

10 . Adjournment at 1:40pm

TREASURER REPORT

Beaumont Basin Watermaster
FY 2006-2007 Budget

Acct#	TO #			Adopted Original Budget	W-1006 to FY 2006 Y/E Actual	W-1007 Tentative 3/13/07	Revised Budget	Rev Received Exp Paid	Remaining to Receive or Pay
			MEMBER CONTRIBUTIONS						
--	--		FY 2006 Fund Balance Carryover - ACTUAL	(40,000.00)	(19,724.95)		(59,724.95)	59,724.95	0.00
3105	--		City of Beaumont	(84,500.00)			(84,500.00)	84,500.00	0.00
3110	--		Beaumont Cherry Valley WD	(84,500.00)			(84,500.00)	84,500.00	0.00
3115	--		Yucaipa Valley Water District	(84,500.00)			(84,500.00)	84,500.00	0.00
3120	--		City of Banning	(84,500.00)			(84,500.00)	49,500.00	(35,000.00)
3125	--		South Mesa Water Company	(49,500.00)			(49,500.00)	49,500.00	0.00
			TOTAL BUDGET CONTRIBUTION (REVENUE)	**(427,500.00)**	**(19,724.95)**	**0.00**	**(447,224.95)**	**412,224.95**	**(35,000.00)**
			EXPENSES:					**Expenses Paid**	
5000	--		Interest Earned	0.00			0.00	15.58	15.58
5001	1	JAS	Chief of Watermaster Services **($4250 per month)**	51,000.00			51,000.00	(51,000.00)	0.00
5010	2		Misc & Meetings **(TO#2=$5,000)**	5,000.00	724.95		5,724.95	(4,448.40)	1,276.55
5020	3	WEI	Acquisition/Computation & Annual Report	20,000.00			20,000.00	(18,502.84)	1,497.16
5040	--		Annual Audit	1,500.00			1,500.00	0.00	1,500.00
5060	4	WEI	General Engineering	25,000.00			25,000.00	(18,700.91)	6,299.09
5062	--	WEI	Subsidence Monitoring Program - STWMA	95,000.00			95,000.00	(95,000.00)	0.00
5063	6	WEI	Groundwater Level Monitoring Program	25,000.00		6,000.00	31,000.00	(30,980.60)	19.40
5064	--		Meter Installation	10,000.00			10,000.00	0.00	10,000.00
5065	7	WEI	Update of Water Demand and Supply Projections	10,000.00			10,000.00	(3,207.50)	6,792.50
5066	8	WEI	Biennial Engineer's Report	30,000.00			30,000.00	(29,980.00)	20.00
5070	--	A&W	General Legal (A&W $150 per hour)	10,000.00			10,000.00	(9,339.50)	660.50
5071	9	WEI	Conjunctive-Use Marketing	10,000.00			10,000.00	(5,137.98)	4,862.02
5072	10	WEI	Salt Mitigation Fee Implementation	30,000.00			30,000.00	(30,000.00)	0.00
5073	11	WEI	Regional Resource Optimization Scoping Work	100,000.00			100,000.00	(77,896.42)	22,103.58
5080	--		Reserve	5,000.00	19,000.00	(6,000.00)	18,000.00	0.00	18,000.00
			TOTAL BUDGET EXPENSES	**427,500.00**	**19,724.95**	**0.00**	**447,224.95**	**(374,178.57)**	**73,046.38**
			Difference of Revenue Received & Expenses Paid					**38,046.38**	
								Cash fund Balance	

LIST OF TASK ORDERS ISSUED

Beaumont Basin Watermaster
Task Orders Issued per Budget Authorizations
2007

Date Issued	Number	Title	To	Amount
08/01/07	2 (G.B.)	Meeting Attendance & Support	Wildermuth Environmental	$5,000
08/1/07	3 (G.B)	Data Acquisition, Coordination of Replenishment Activities and Preparation of Annual Report	Wildermuth Environmental	$25,000
08/01/07	4 (G.B)	As Requested Engineering and Management Consulting Services	Wildermuth Environmental	$25,000
08/01/07	6 (G.B.)	Groundwater Level Monitoring Program	Wildermuth Environmental	$25,000

* (G.B.) General Budget
* (S.B.) Special Budget

BEAUMONT BASIN WATERMASTER

INDEPENDENT CONTRACTOR'S TASK ORDER

TASK ORDER NO. 2 – MEETING ATTENDANCE AND SUPPORT FY 2007/08

CONTRACTOR:	Name:	Wildermuth Environmental, Inc.
	Address:	23692 Birtcher Drive
		Lake Forest, CA 92630
	Telephone:	949.420.3030
	Fax:	949.420.4040
	Email:	mwildermuth@wildermuthenvironmental.com
	Fed. Tax Id.:	33-0793178

THIS TASK ORDER is issued pursuant to that certain Agreement for Services by Independent Contractor between the BEAUMONT BASIN WATERMASTER ("OWNER") and WILDERMUTH ENVIRONMENTAL, INC. ("CONTRACTOR") dated the _____ ("the AGREEMENT").

1. Task to be Performed. CONTRACTOR shall provide all labor, materials and equipment to perform the following tasks (check one)

_____ See Exhibit "A", attached hereto

___X___ Description of Task: Attend quarterly Watermaster meetings and, as requested, assist Watermaster staff in the preparation of minutes of said meetings, and draft resolutions, contracts, and/or staff letters and supporting materials in preparation for meetings.

2. Time of Performance. The CONTRACTOR shall begin work July 1, 2007 and shall complete performance of such services by June 30, 2008.

3. Liaison of OWNER: Mr. J. Andrew Schlange shall serve as liaison between OWNER and CONTRACTOR.

4. Staff Assignments. CONTRACTOR will assign the following staff personnel to perform the services required by this Task Order: Mark Wildermuth will be the Principle in Charge; Kristal Davis and Kevin Moore.

5. Deliverables. CONTRACTOR shall deliver to OWNER not later than the date or dates indicated, the following: (Check if this Paragraph 5 Not Applicable: X)

6. Compensation. For all services rendered by CONTRACTOR pursuant to this Task Order, CONTRACTOR shall invoice owner monthly on a Time and Materials basis for an amount not-to-exceed of $5,000.

7. Reimbursable Expenses. In addition to the compensation provided for in Paragraph 6 above, CONTRACTOR: (check one) __X__ shall / ____ shall not be entitled to reimbursement for expenses.

8. Miscellaneous Matters. The following additional matters are made a part of this Task Order: (check one)

__X__ Not applicable

_____ See Exhibit "A", attached hereto; or

_____ Description:_____

_____

IN WITNESS WHEREOF, the parties have executed this Task Order on the date indicated below.

OWNER:
BEAUMONT BASIN WATERMASTER

By _____
J. Andrew Schlange
Chief of Watermaster Services
Dated: 8/1/07

By _____

Dated: _____

CONTRACTOR:
WILDERMUTH ENVIRONMENTAL, INC.

By _____

Print Name: Mark J. Wildermuth
Dated: 8-1-07
Title: President/CEO

Budget Approved for this task order by the Beaumont Watermaster is $5,000

BEAUMONT BASIN WATERMASTER

INDEPENDENT CONTRACTOR'S TASK ORDER

TASK ORDER NO. 3 – DATA ACQUISITION, COORDINATION OF REPLENISHMENT ACTIVITIES AND PREPARATION OF ANNUAL REPORT FY 2007/08

CONTRACTOR:	Name:	Wildermuth Environmental, Inc.
	Address:	23692 Birtcher Drive
		Lake Forest, CA 92630
	Telephone:	949.420.3030
	Fax:	949.420.4040
	Email:	mwildermuth@wildermuthenvironmental.com
	Fed. Tax Id.:	33-0793178

THIS TASK ORDER is issued pursuant to that certain Agreement for Services by Independent Contractor between the BEAUMONT BASIN WATERMASTER ("OWNER") and WILDERMUTH ENVIRONMENTAL, INC. ("CONTRACTOR") dated the _____ ("the AGREEMENT").

1. Task to be Performed. CONTRACTOR shall provide all labor, materials and equipment to perform the following tasks (check one)

_____ See Exhibit "A", attached hereto

___X___ Description of Task: Provide engineering and management support services to coordinate the collection of production data through Beaumont-Cherry Valley and Yucaipa Valley Water District staffs; coordinate replenishment activities as necessary; and to prepare Watermaster's Annual Report summarizing Watermaster activities of the prior year..

2. Time of Performance. The CONTRACTOR shall begin work July 1, 2007 and shall complete performance of such services by June 30, 2008.

3. Liaison of OWNER. (Check one:) Mr. J. Andrew Schlange shall serve as liaison between OWNER and CONTRACTOR.

4. Staff Assignments. CONTRACTOR will assign the following staff personnel to perform the services required by this Task Order: Mark Wildermuth will be the Principle in Charge; Kristal Davis and Kevin Moore.

5. Deliverables. CONTRACTOR shall deliver to OWNER not later than the date or dates indicated, the following: (Check if this Paragraph 5 Not Applicable:____)
Annual Watermaster Report for Fiscal 2006/07 by June 30, 2008

6. Compensation. For all services rendered by CONTRACTOR pursuant to this Task Order, CONTRACTOR shall invoice owner monthly on a Time and Materials basis for an amount not-to-exceed of $20,000.

7. Reimbursable Expenses. In addition to the compensation provided for in Paragraph 6 above, CONTRACTOR (check one:) __X__ shall / ____ shall not be entitled to reimbursement for expenses.

8. Miscellaneous Matters. The following additional matters are made a part of this Task Order (check one):
__X__ Not applicable
_____ See Exhibit "A", attached hereto; or
_____ Description:_____

IN WITNESS WHEREOF, the parties have executed this Task Order on the date indicated below.

OWNER:
BEAUMONT BASIN WATERMASTER

By _____
J. Andrew Schlange
Chief of Watermaster Services
Dated: 8/1/07

By _____

Dated: _____

CONTRACTOR:
WILDERMUTH ENVIRONMENTAL, INC.

By _____

Print Name: Mark J. Wildermuth
Dated: 8-1-07
Title: President/CEO

Budget Approved for this task order by the Beaumont Watermaster is $25,000

BEAUMONT BASIN WATERMASTER

INDEPENDENT CONTRACTOR'S TASK ORDER

TASK ORDER NO. 4 – AS REQUESTED ENGINEERING AND MANAGEMENT CONSULTING SERVICES FY 2007/08

CONTRACTOR:	Name:	Wildermuth Environmental, Inc.
	Address:	23692 Birtcher Drive
		Lake Forest, CA 92630
	Telephone:	949.420.3030
	Fax:	949.420.4040
	Email:	mwildermuth@wildermuthenvironmental.com
	Fed. Tax Id.:	33-0793178

THIS TASK ORDER is issued pursuant to that certain Agreement for Services by Independent Contractor between the BEAUMONT BASIN WATERMASTER ("OWNER") and WILDERMUTH ENVIRONMENTAL, INC. ("CONTRACTOR") dated the _____ ("the AGREEMENT").

1. Task to be Performed. CONTRACTOR shall provide all labor, materials and equipment to perform the following tasks (check one)

_____ See Exhibit "A", attached hereto

___X___ Description of Task: From time to time the Beaumont Basin Watermaster requires engineering and management support services to enable Watermaster to perform its duties, negotiate contracts, administer the Beaumont Basin Judgment, and perform other activities. As requested, provide engineering and management support services by attending up to eight meetings to assist Watermaster with development of conjunctive use and/or storage activities, and other activities as necessary.

2. Time of Performance. The CONTRACTOR shall begin work July 1, 2007 and shall complete performance of such services by June 30, 2008.

3. Liaison of OWNER. (Check one:) Mr. J. Andrew Schlange shall serve as liaison between OWNER and CONTRACTOR.

Staff Assignments. CONTRACTOR will assign the following staff personnel to perform the services required by this Task Order: Mark Wildermuth

4. Deliverables. CONTRACTOR shall deliver to OWNER not later than the date or dates indicated, the following: (Check if this Paragraph 5 Not Applicable: __X__)

_____

_____

_____

5. Compensation. For all services rendered by CONTRACTOR pursuant to this Task Order, CONTRACTOR shall invoice owner monthly on a Time and Materials basis for an amount not-to-exceed of $25,000.

6. Reimbursable Expenses. In addition to the compensation provided for in Paragraph 6 above, CONTRACTOR (check one:) __X__ shall / ____ shall not be entitled to reimbursement for expenses.

7. Miscellaneous Matters. The following additional matters are made a part of this Task Order (check one):

__X__ Not applicable

_____ See Exhibit "A", attached hereto; or

_____ Description:_____

_____

IN WITNESS WHEREOF, the parties have executed this Task Order on the date indicated below.

OWNER:
BEAUMONT BASIN WATERMASTER

By _____
J. Andrew Schlange
Chief of Watermaster Services
Dated: 8/1/07

By _____

Dated: _____
Title:_____

Budget Approved for this task order by the Beaumont Watermaster is $25,000

CONTRACTOR:
WILDERMUTH ENVIRONMENTAL, INC.

By _____

Print Name: Mark J. Wildermuth
Dated: 8-1-07
Title: President/CEO

BEAUMONT BASIN WATERMASTER

INDEPENDENT CONTRACTOR'S TASK ORDER

TASK ORDER NO. 6 – GROUNDWATER LEVEL MONITORING PROGRAM FY 2007/08

CONTRACTOR:

Name:	Wildermuth Environmental, Inc.
Address:	23692 Birtcher Drive
	Lake Forest, CA 92630
Telephone:	949.420.3030
Fax:	949.420.4040
Email:	mwildermuth@wildermuthenvironmental.com
Fed. Tax Id.:	33-0793178

THIS TASK ORDER is issued pursuant to that certain Agreement for Services by Independent Contractor between the BEAUMONT BASIN WATERMASTER ("OWNER") and WILDERMUTH ENVIRONMENTAL, INC. ("CONTRACTOR") dated the _____ ("the AGREEMENT").

1. Task to be Performed. CONTRACTOR shall provide all labor, materials and equipment to perform the following tasks (check one)

_____ See Exhibit "A", attached hereto

___X___ Description of Task: Develop a high-resolution groundwater level monitoring program across the Beaumont Basin. The CONTRACTOR will: select wells for high resolution groundwater level monitoring; install integrated pressure transducers and data loggers (sensors) in up to ten wells. Down loading of data and battery replacement will done in the maximum-benefit monitoring program for the Beaumont Management Zone that is being coordinated by BCVWD.

2. Time of Performance. The CONTRACTOR shall begin work August 1, 2007 and shall complete installation of the sensors by December 31, 2007. Groundwater level data will be downloaded monthly and posted to the Watermaster website within 15 days. All groundwater level data will be submitted to STWMA for loading into the STWMA database. All work will be completed by June 30, 2008.

3. Liaison of OWNER: Mr. J. Andrew Schlange shall serve as liaison between OWNER and CONTRACTOR.

4. Staff Assignments. CONTRACTOR will assign the following staff personnel to perform the services required by this Task Order: Mark Wildermuth will be the Principle in Charge; Tara Rolf will carry out the technical work.

5. Deliverables. CONTRACTOR shall deliver to OWNER not later than the date or dates indicated, the following: Up to ten water level sensors installed for long-term, high-resolution monitoring. The data will be collected and the sensors will be maintained by WEI over the term of this Task Order.

6. Compensation. For all services rendered by CONTRACTOR pursuant to this Task Order, CONTRACTOR shall invoice owner monthly on a Time and Materials basis for an amount not-to-exceed of $25,000.

7. Reimbursable Expenses. In addition to the compensation provided for in Paragraph 6 above, CONTRACTOR: (check one) __X__ shall / ____ shall not be entitled to reimbursement for expenses.

8. Miscellaneous Matters. The following additional matters are made a part of this Task Order (check one):
__X__ Not applicable
_____ See Exhibit "A", attached hereto; or
_____ Description:_____
_____

IN WITNESS WHEREOF, the parties have executed this Task Order on the date indicated below.

OWNER:
BEAUMONT BASIN WATERMASTER

By _____
J. Andrew Schlange
Chief of Watermaster Services
Dated: 8/1/07

By _____

Dated: _____
Title:_____

Budget Approved for this task order by the Beaumont Watermaster is $25,000

CONTRACTOR:
WILDERMUTH ENVIRONMENTAL, INC.

By _____

Print Name: Mark J. Wildermuth
Dated: 8-1-07
Title: President/CEO

CORRESPONDENCE

AKLUFI & WYSOCKI
ATTORNEYS AT LAW
3403 TENTH STREET, SUITE 610
RIVERSIDE, CALIFORNIA 92501

JOSEPH S. AKLUFI
DAVID L. WYSOCKI

TELEPHONE
(951) 682-5480
FACSIMILE
(951) 682-2619
E-MAIL
AandWLaw@aol.com

July 2, 2007

Mr. George Jorritsma, General Manage
South Mesa Mutual Water Company
Post Office Box 458
Calimesa, California 92320

Re: Legal Authority for Transferring Surplus Water
and Establishing the Price Therefor

Dear Mr. Jorritsma:

You have asked me, as the general legal counsel to the Beaumont Basin Watermaster, to advise you about whether the South Mesa Mutual Water Company has the legal authority to transfer its surplus water to another appropriator, and at what price.

Yes, the Company has the legal authority to sell its surplus water. The authority resides in the Judgment adjudicating the Beaumont Basin; specifically, that portion of the Judgment that creates the Watermaster and vests the Watermaster with the power to adopt rules and regulations implementing the Judgment (Judgment, Section VI). Section 7 of the Rules and Regulations, entitled "Adjustments of Rights" specifically authorizes the parties to the Judgment to transfer water that is surplus to their needs.

That same Section 7 of the Watermaster's Rules and Regulations also authorizes the transferor to establish the price therefor, either unilaterally or by negotiation.

I hope this letter answers your questions.

Very truly yours,

AKLUFI AND WYSOCKI

JOSEPH S. AKLUFI

JOSEPH S. AKLUFI

JSA:dvh

cc: J. Andrew Schlange, Chief of Watermaster Services

July 18, 2007

Re: So Mesa Water Private Company

Dear Andy,

Although I enjoyed the Aklufi letter on the right to sell water and/or transfer it — my question & concern remains unanswered.

Again is George, or any other member of his Board or share holders, his interest in the private company, or his lands ie. home etc. gaining income of value by the sale of water "figures" to BCVWD or Banning?

Please supply me with a direct answer, and not a nebulous or obtuse letter to deflect my real concern over possible conflicts of interest in Watermaster actions.

Thank You,

Luvana

cc

SOUTH MESA WATER COMPANY

Telephone (909) 795-2401 • Fax (909) 795-5299

391 West Avenue L — P.O. Box 458
CALIMESA, CALIFORNIA 92320-0458

COPY

August 3, 2007

Luwanda Ryan
9574 Mt View Avenue
Cherry Valley, CA 92223

Luwanda Ryan,

As to your request at the last watermaster meeting and your subsequent correspondence with Mr. Schlange, I am addressing your question about South Mesa Water Company's sale of our temporary surplus to the City of Banning and Beaumont Cherry Valley Water District. As you have heard from Mr. Aklufi, the legality of these transfers is covered by the adjudication.

As for your other questions and insinuations that myself or any other Board Member is monetarily benefiting from these funds is to say at the least very disturbing to us. The fact that I and the Board of Directors must be shareholders in the Company does not constitute a conflict of interest because all these funds are being earmarked for capital improvements that South Mesa Water Company will use to replace and add to our water system. All funds received, whether by fees from the sale of water or assessments are required to be used for the production, storage and distribution of water to our shareholders.

I find your questions an affront to the integrity of myself and the Directors of a non profit corporation whose sole purpose is to provide water to its shareholders.

To address the question of whether we have an active well in the Beaumont Basin, the answer is yes and that is the reason we had to be involved with the adjudication process and members of the watermaster.

Sincerely,

George Jorritsma
General Manager

COPY

Aug 4, 2007

Dear George,

Being in the Water Business & in Public Service for so long I am surprised you would be offended by such a simple inquiry from the public.

Needless to say I did not mean to offend you or your Board, but as Mr. Shoaf at the BCVWD meeting in June explained: "So Mesa is a private company & they do stand to make a 'Windfall' with these water sales. As a rate payer I do understand the benefits shareholders of a private company receive over ratepayers

Also, please be aware of my respect for both you & Mr. Zoba & your conduct and expertise displayed at all your overlapping meetings. However, if a question or inquiry from the public is shuffled from entity to entity for weeks on end without a simple straight forward response, misunderstandings are sure to happen.

A simple direct response should be easy enough to do away with any questions the public may have and transparency of public entities in regard to public moneys & public trust should always be the goal.

Regards,

Lilwana Egan

CC: Andy & Joe Zoba

BEAUMONT BASIN WATERMASTER

4 Crown Court
Rancho Mirage, CA 92270
www.BeaumontWatermaster.org

Email Jasa921@aol.com

Tel. (760) 202-1961
Mobile (760) 574-6236

July 24, 2007

Ms. Luwana Ryan
9574 Mt. View Ave
Cherry Valley, CA 92223

Subject: **Response to letter dated July 19, 2007 and written comments received at the general meeting dated June 26, 2007.**

Dear Mrs. Ryan,

In Reference to your July 19, 2007 communication (copy attached), this matter has been forwarded to South Mesa Water Company for action. The Watermaster or STWMA for that matter does not become involved in the financial operations of its members. Future communication in this regard should be forwarded or addressed to the appropriate agency.

In reference to your June 26, 2007 communication (copy attached), the minutes of January 23, 2007 reflect that a letter was received from Mrs. Niki Magee. That correspondence is retained by the agency in the event recall is necessary as required by Rules and Regulations. This matter was referred to Project Committee No1 and the Watermaster for review. Response to your comments regarding "written and verbal review asserting perceived gross error of omission and insufficient scope of work" was given by a member of the public was referenced by the communication and the minutes reflect that such a communication was received. The minutes do not need to be specific as to each and every word. Further I believe the matter as related has been adequately addressed on a number of occasions. The Wildermuth report addressed the issues necessary and as outlined in the Task Order issued by Project Committee No 1 the report has been accepted by the County of Riverside (see Riverside County Ordinance Number 871) and the Regional Water Quality Control Board as adequate.

If you have specific Science similar to the Wildermuth Report that supports your issues we will be available to review your dates.

Should you have any questions or further comments please contact me.

Respectfully,

J. Anthony Schlaeger

J. Andrew Schlange, Chief of Watermaster Services

Cc: Paul Toor
Dee Morjani
C. J. Butcher
George Jorristma
Joe Zoba
Joe Aklufi
Mark Wildermuth

(January) Private Company

Although I enjoyed the
Akufi letter on the right
to sell water and/or transfer it—
my question & concern remains
unanswered.

Again or another member of his Board or share holders
is George, & his interest
in the private company, or his
lands ie. home etc. gaining
income of value by the
sale of water "figures" to BCVWD
or Banning?

Please supply me
with a direct answer, and not
a nebulous or obtuse letter to
deflect my real concern over
possible conflicts of interest in
Watermaster actions).

Thank You,

Luvana

cc

Geo @ home
909-795-1234

To: STWMA
Board

Date: 6-26-07
General Meeting

Re: Minutes of Meetings
and Communications

The minutes of meetings as they relate to public input, written and oral, do not accurately reflect the input addressed to this body.

On January 23, 2007, written and verbal review asserting perceived gross error of omission and insufficient scope of work in the "Wildermuth Report" was given by a member of the public. Mr. Schlange at that time said it would be passed on to the Watermaster, same people different hats.

To this date the review has not appeared in the minutes of either entity.

Please upgrade your accountability to the public as relates to public input and associated documents.

Thank you,

Luvana Ryan
9574 Mtn. View Ave.
CV., CA. 92223

Item 6A

Date: August 16, 2007

To: Beaumont Basin Watermaster

From: Andrew Schlange, Chief of Watermaster Services

Subject: Bi-Annual Engineers Report

Gentlemen,

You recently received a copy of the Wildermuth First Bi Annual Engineers Report dated June 2007 for your review and comments. The Bi Annual Report is in accordance with Section 2.13 of the Watermaster Rules and Regulations.

It will be appreciated if you can have prepared comments, questions and or recommendations at the meeting so that such maybe included in the final report.

Mr. Wildermuth will review the Report at the meeting in September.

Thank you for your input. The report is scheduled for adoption at the January 2008 Watermaster meeting.

Respectfully,

J. Andrew Schlange
Chief of Watermaster Services

Item 6B

Date: August 16, 2007

To: Beaumont Basin Watermaster

From: Andrew Schlange, Chief of Watermaster Services

Subject: Draft Salt Mitigation Fee Study

The Draft Salt Mitigation Fee Study will be presented for your review, consideration and comments at the September Watermaster meeting.

Upon your review and approval staff will set a workshop of the Watermaster to discuss impacts, methods of implementations, costs, etc.

Mr. Wildermuth will give a verbal report of his conclusions and findings as set forth in the Draft Report at the September Watermaster meeting.

Respectfully,

J. Andrew Schlange
Chief of Watermaster Services

Item 6C

Item 6-C

Date: August 16, 2007

To: Beaumont Basin Watermaster

From: Andrew Schlange, Chief of Watermaster Services

Subject: Transmittal of the Draft Fourth Annual Report

The Draft for Fourth Annual Watermaster Report will be presented for your Review, Consideration and Comment at the September 11, 2007 Watermaster meeting.

Upon your review this item will be agendized for a proposed workshop along with the other reports as listed.

Final approval of the Report is scheduled for the January 2008 Watermaster meeting.

Respectfully,

J. Andrew Schlange
Chief of Watermaster Services

Item 6D

Date: August 21, 2007

To: Beaumont Basin Watermaster

From: Andrew Schlange, Chief of Watermaster Services

Subject: Draft Water Supply and Water Demand Report FY 2007-2008

The Draft Water Supply and Water Demand Report FY-2007 will be presented at the Watermaster meeting for your consideration review and comment. Once approved by all parties the FY 2007-2008 report will be forwarded to Riverside LAFCO for their information.

This report will be included in a future workshop for final comments etc.

Staff will present a verbal report at the September meeting.

Recommendation

Staff request that Watermaster members review the Draft Report and provide comments for inclusions prior to the proposed workshop, date to be determined at the September Watermaster meeting. San Gorgonio Pass Water Agency and Cabazon Staff will be invited to participate regarding this matter at the workshop.

Respectfully,

J. Andrew Schlange
Chief of Watermaster Services

Item 7A

Date: August 21, 2007

To: Beaumont Basin Watermaster

From: Andrew Schlange, Chief of Watermaster Services

Subject: City of Beaumont Application for Groundwater Storage Agreement

Gentlemen,

Transmitted herewith please find an application for groundwater storage agreement - City of Beaumont requesting a 22,000 acre feet storage capacity to store requested water.

Actual storage of the recycled water must conform to Table 5-10a of resolution R8-2004-001 Santa Ana Regional Board.

Staff supports the application to reserve storage space in the Beaumont Basin. Further Engineering documentation will be forth coming from the City to assure Watermaster that actual recharge, location of recharge and reuse plans will be in conformance with Watermaster Rules and Regulations

Recommendation

Staffs support the City Application and recommends approval by the Watermaster.

Respectfully,

J. Andrew Schlange
Chief of Watermaster Services

06/08/04 Form 1

BEAUMONT BASIN WATERMASTER

APPLICATION
FOR
GROUNDWATER STORAGE AGREEMENT

APPLICANT

City of Beaumont
Name

550 E. 6th Street
Address for Notice

Beaumont CA 92223
City State Zip Code

Telephone: (951) 769-8520

Facsimile: (951) 769-8526

For Staff Use Only

Date Requested: 6/13/2007
Date Approved: _____
Amount Requested: 22,000 acre feet
Amount Approved: _____ acre feet
Agreement No.: _____

TYPE OF WATER TO BE PLACED IN STORAGE

[ ] Supplemental Water [X] Other: Recycled Water [ ] Both

PURPOSE OF STORAGE – Check all that may apply

[ ] Stabilize or reduce future water costs/assessments.
[ ] Facilitate utilization of other available sources of supply.
[ ] Facilitate replenishment under certain well sites.
[ ] Preserve pumping right for a changed future potential use.
[ ] Other, explain _____
_____.

METHOD AND LOCATION OF PLACEMENT IN STORAGE – Check and attached all that may apply

[ ] Recharge.
[ ] Assignment in-lieu of Production.
[ ] Other, explain _____
_____.

METHOD AND LOCATION OF RECAPTURE FROM STORAGE – Check and attach all that may apply

[ ] Pump from my well(s).
[ ] Other, explain _____
_____.

WATER QUALITY AND WATER LEVELS:

Description of groundwater quality in vicinity of facility and quality of water to be stored:
See information on file with Watermaster Engineer

Description of existing water levels in the areas that are likely to be affected:
See information on file with Watermaster Engineer

NEGATIVE IMPACTS OF PROPOSED RECAPTURE:

Is the Applicant aware of any potential negative impacts to a party to the Judgment or the Basin that may be caused by the action covered by the application? Yes [X] No [ ]

If yes, what are the proposed mitigation measures, if any, that might reasonably be imposed to ensure that the action does not result in negative impact to a party to the Judgment or the Basin?

Recycled water will be recharged pursuant to the requirements of the Santa Ana Regional Water Quality Control Board as outlined in Table 5-10a of Resolution R8-2004-001

ADDITIONAL INFORMATION ATTACHED Yes [ ] No [ ]

Describe:

Applicant's Signature

Alan Kapanicas
Print Name

City Manager
Title

BEAUMONT BASIN WATERMASTER

APPLICATION
FOR
GROUNDWATER STORAGE AGREEMENT

APPLICANT

City of Beaumont
Name

550 E. 6th Street
Address for Notice

Beaumont CA 92223
City State Zip Code

Telephone: (951) 769-8520

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Date Requested: 6/13/2007
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Amount Requested: 22,000 acre feet
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Agreement No.: _____

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[ ] Supplemental Water [X] Other: Recycled Water [ ] Both

PURPOSE OF STORAGE – Check all that may apply

[ ] Stabilize or reduce future water costs/assessments.
[ ] Facilitate utilization of other available sources of supply.
[ ] Facilitate replenishment under certain well sites.
[ ] Preserve pumping right for a changed future potential use.
[ ] Other, explain _____
_____.

METHOD AND LOCATION OF PLACEMENT IN STORAGE – Check and attached all that may apply

[ ] Recharge.
[ ] Assignment in-lieu of Production.
[ ] Other, explain _____
_____.

METHOD AND LOCATION OF RECAPTURE FROM STORAGE – Check and attach all that may apply

[ ] Pump from my well(s).
[ ] Other, explain _____
_____.

WATER QUALITY AND WATER LEVELS:

Description of groundwater quality in vicinity of facility and quality of water to be stored:
See information on file with Watermaster Engineer

Description of existing water levels in the areas that are likely to be affected:
See information on file with Watermaster Engineer

NEGATIVE IMPACTS OF PROPOSED RECAPTURE:

Is the Applicant aware of any potential negative impacts to a party to the Judgment or the Basin that may be caused by the action covered by the application? Yes [X] No [ ]

If yes, what are the proposed mitigation measures, if any, that might reasonably be imposed to ensure that the action does not result in negative impact to a party to the Judgment or the Basin?

Recycled water will be recharged pursuant to the requirements of the Santa Ana Regional Water Quality Control Board as outlined in Table 5-10a of Resolution R8-2004-001

ADDITIONAL INFORMATION ATTACHED Yes [ ] No [ ]

Describe:

Applicant's Signature

Alan Kapanicas,
Print Name

City Manager
Title

Item 7B

Date: August 16, 2007

To: Beaumont Basin Watermaster

From: Andrew Schlange, Chief of Watermaster Services

Subject: San Gorgonio Pass Agency Report Entitled "Evaluation of Potential Water Transfer Opportunities

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Transmitted herewith for your review, comment and consideration, please find Pass Agency's Evaluation of Potential Water Transfer Opportunities. As you are aware, it is imperative to the Beaumont Basin Management plan that additional water be acquired to meet future development needs in this area.

During recent discussions with Mr. Jeff Davis, General Manager of the San Gorgonio Pass Agency, he indicated that his agency was ready, willing and able to pursue the acquisition of subject water, providing a cooperative agreement can be negotiated which assures funding and other issues need to be resolved.

Watermaster staff supports the concept and is interested in further discussions with Mr. Davis to work out a menu of points which need consideration.

Accordingly, please review the attached report and be prepared to discuss this matter at the September Watermaster meeting.

Recommendation;

That the Beaumont Basin Watermaster authorizes and supports Watermaster staff to undertake further discussion with San Gorgonio Pass Agency to develop a menu of points for consideration by the Watermaster to be included in a corporative agreement.

Respectfully,

J. Andrew Schlange
Chief of Watermaster Services

Kennedy/Jenks Consultants

28 February 2007

Memorandum

To: Mr. Jeff Davis, General Manager
San Gorgonio Pass Water Agency

From: Mary Lou Cotton
Lynn Takaichi

Subject: Evaluation of Potential Water Transfer Opportunities
K/J 0689057

San Gorgonio Pass Water Agency (SGPWA) is one of 29 State Water Project (SWP) contractors, and was established by the State Legislature in 1961. Its mission is to import supplemental water and to protect and enhance local water supplies for use by present and future water users and to sell imported water to local water districts within the SGPWA service area. SGPWA is able to import supplemental water from whatever sources provide the highest quality at the lowest price, including the SWP as well as other potential sources. SGPWA also works with local water retailers and others to manage local and regional water resources in a sustainable manner, in an effort to end groundwater overdraft in the SGPWA service area. SGPWA's boundaries extend through the cities of Calimesa, Beaumont, and Banning and Riverside County areas from Cherry Valley to Cabazon.

SGPWA is in the process of assessing its future water supply demands and is interested in obtaining water supplies in addition to its current State Water Project Table A Amount of 17,300 acre-feet per year (AFY). The objectives of this review are to provide a critical evaluation of the key assumptions and parameters that form the basis for the need for an additional water supply, and to identify potential available sellers and the issues associated with various potential supplies. A qualitative review of the administrative processes attendant to obtaining a supplemental water supply is also provided herein.

Background and Objectives

The Kickoff Meeting was held on October 5, 2006. Items discussed during the meeting included growth trends and projections in the SGPWA service area, various local policy-related issues regarding growth, possible conjunctive use projects within the SGPWA service area, SWP and other local transmission facilities and capacity issues, and financing options.

Various documents have been reviewed to obtain and evaluate existing information and to develop key assumptions. These include:

- Water Supply Contract between the State of California Department of Water Resources and SGPWA (including amendments)

Memorandum

- SGPWA Act
- East Branch Extension Phase 1 – Original Capacities (Vann, 2004)
- 2006 Report on Water Supply Conditions in the San Gorgonio Pass Region (Wildermuth Environmental, 2006)
- SGPWA Strategic Plan (2006)
- SGPWA website

SGPWA's contractual SWP Table A Amount is 17,300 AFY. Due to capacity limitations in the East Branch of the California Aqueduct, SGPWA is currently limited to maximum deliveries of 8,650 AFY. Full Table A deliveries could commence after completion of the environmental documentation and physical improvements of the next phase (Phase II) of the East Branch Extension, in approximately 2011. However, like all SWP contractors, SGPWA's SWP supplies are subject to the delivery reliability limitations described in the DWR State Water Project Delivery Reliability Report (2002, 2005), and are not 100 percent available in all hydrologic year types. At 2025 levels of demand by all SWP contractors, average year delivery reliability is approximately 77 percent (SGPWA allocation: 13,321 acre-feet [AF]), multiple dry year reliability is approximately 33 percent (5,709 AF) and single dry ("critical" worst-case) year reliability is approximately 5 percent (865 AF).

Recent analyses of forecasted "build out" demands in the SGPWA service area have assumed that SWP Table A Amount would be utilized to meet these demands. It is estimated that at service area build-out (2030), demand for SGPWA's imported supplies will reach approximately 34,000 to 40,000 AFY. Therefore, SGPWA must obtain approximately 17,000 to 23,000 AFY of additional imported supply. To meet the requirements of SB610 and 221, SGPWA must provide proof of water supply contracts and supply availability to local planning agencies for various developments above a certain defined size thresholds. This letter report discusses potential other, non-SWP supplies, which may not be subject to the reliability limitations of the SWP. Non-SWP supplies may have other limitations or restrictions that could impact their delivery reliability. This letter report also discusses potential reliability supplies and dry-year supplies.

Potential Long-term (permanent) Water Supplies

Long term supplies are defined herein as those that are suitable for new development within an agency's service area and that can serve a portion of ultimate build out demands. Such supplies may have varying levels of delivery reliability and thus may require augmentation by reliability programs or conjunctive use with local supplies (that is, supplies located within an agency's service area).

Memorandum

Mr. Jeff Davis, General Manager
28 February 2007
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Permanent Transfer of SWP Table A Amount: Various SWP contractors (or their member agencies) hold contractual SWP Table A Amounts in excess of their demands. Due to the high annual fixed costs of SWP Table A Amount, these agencies may wish to sell this excess to another contractor. Such Table A Amount would be subject to the SWP annual allocation and SWP delivery reliability constraints. Potential sellers include the County of Butte and Kern County Water Agency (from its member agencies). Potential buyers include various southern California and Bay Area water agencies, as well as real estate interests and developers, who would finance the transfer for a water agency that would subsequently serve their residential or commercial development projects.

Financial terms: the terms are variable, but recent "face value" costs range from ~~$1,500/AF to~~ over $3,000/AF. The buyer assumes all prospective SWP Transportation Minimum, Capital, O&M and variable power cost payments to DWR from the time the Table A sale is effective, through the life of the SWP contract (to 2035 and beyond, as negotiated). Table A Amount may be eligible for cost recovery through property taxes collected by SGPWA.

Long-term Purchase Agreement for San Bernardino Valley Municipal Water District Table A Amount: SBVMWD has a contractual Table A Amount of 102,600 AFY, which is in excess of its current service area demand. SBVMWD also has a variety of local water supplies that it can use conjunctively with its Table A Amount, thus providing reliability for its service area.

SBVMWD would make available for long-term sale a portion of its Table A Amount, which could then be "pre-delivered" to SGPWA on an annual basis. SGPWA could recharge the water into local groundwater basin aquifers located within its service area, and would store it there in an increasing water bank account for use in later years when demand has increased. Deliveries from SBVMWD would be subject to the SWP Table A Amount annual allocation and would be less than the full long-term sale amount in those years when the allocation was below a certain negotiated threshold percentage.

Financial terms: SBVMWD would finance the energy, commodity and wheeling costs of the Table A Amount. Wheeling cost is set at $48/AF; other costs would be negotiated. SGPWA would pay for water pre-delivered in any given year, up to the negotiated maximum contract amount.

Nickel Water: In 2000, the Kern County Water Agency (KCWA) and Nickel Family Farms, LLC (Nickel), executed an agreement that allowed KCWA to receive 10,000 AFY of Nickel pre-1914 Kern River water supplies in exchange for a like amount of KCWA's SWP Table A Amount, which Nickel can sell to third parties. Since it is based on a Kern River water right, this Table A Amount is 100 percent firm, that is, it is available in all hydrologic year types and is not subject to the SWP annual allocation. Approximately 1,500 AF of the total amount has been sold; the remaining 8,500 AF is available. Nickel LLC is currently marketing approximately 3,400 AF of the remaining amount pending another potential sale.

Memorandum

Mr. Jeff Davis, General Manager
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Most recent financial terms: the basic unit price is $500/AF (for 3,400 AF) delivered at KCWA Tupman turnout in the California Aqueduct. This unit price is adjusted each year using southern California CPI or 3 percent, whichever is greater. Payment is required each year whether water is taken or not. Buyer can elect to pay an up-front amount to reduce or eliminate the annual water rate adjustment. This supply is joined to the term of the SWP contract (to 2035 and beyond, as negotiated).

Buena Vista Water Storage District (Buena Vista)/Rosedale-Rio Bravo Water Storage District (Rosedale) Water Banking and Recovery Program: This program consists of high-flow Kern River water supplies available to Buena Vista through its pre-1914 Kern River water right. This high-flow water is stored in Kern County in the local Kern River Fan aquifer and is available for export out of Kern County to third parties, including other SWP contractors, although in most hydrologic year types the water would be delivered by exchange of Buena Vista's and Rosedale's SWP Table A Amounts through KCWA. This water supply is 100 percent firm, that is, it is available in all hydrologic year types and is not subject to the SWP annual allocation. Castaic Lake Water Agency (CLWA) has purchased the initial 11,000 AFY in the program; Buena Vista is proceeding on CEQA compliance for an additional 9,000 AF (and potentially more) of available annual water supply.

Most recent financial terms: The basic unit price is $448/AF for the entire 11,000 AF, paid annually, with an averaged ten-year "look-in" escalator tied to Southern California CPI and KCWA's SWP costs, whichever is higher. This supply is joined to the term of the SWP contract (to 2035 and beyond, as negotiated).

Various central and northern California water rights holders: Several water districts and private entities have water for sale, both on a long-term and short-term basis. Depending on water rights or contract terms, geographic location and access to infrastructure, water can be delivered directly or may require an exchange agreement.

Potential Reliability Supplies

Reliability supplies are those defined as being available in certain hydrologic year types (generally dry periods) or that are available in event of outages, and that can be delivered on a relatively short-term basis to meet service area demands for an interim period. They often serve to augment the reliability of long-term supplies by providing a "backup" to supplies available in average/normal hydrologic conditions. According to hypothetical examples provided in the DWR State Water Project Delivery Reliability Report (2002), SWP contractors can "firm up" their SWP Table A Amounts (that is, bring their average year-to-year deliveries closer to the averages predicted in the report) by utilizing such supplies.

Memorandum

Mr. Jeff Davis, General Manager
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Page 5

Semitropic Water Storage District: Several participants in the Semitropic Water Storage District (Semitropic) groundwater storage program may wish to sell all or part of their banked supplies ("shares" in the banking program). These participants include Vidler Water Company, the Newhall Land and Farming Company and various SWP contractors, including Metropolitan Water District of Southern California and Santa Clara Valley Water District. These banked supplies represent either Table A Amount banked "in-lieu" by overlying pumpers within Semitropic, or previously stored groundwater supplies that were purchased in-place.

Financial terms: Amounts of water stored and attendant costs vary based on the contribution to capital and O&M negotiated by the participants at the time they join the Semitropic program. There is also a "second priority" program that requires no capital or O&M contribution and lower up front costs and participation fees, but which also has lower delivery priority during periods in which other, higher priority participants may be taking delivery of their previously banked supplies. Participants may opt for a long-term storage account joined to the term of the SWP contract (2035 and beyond, as negotiated), or may opt for a shorter term.

Semitropic Water Storage District Stored Water Recovery Unit: Semitropic is in the process of expanding its water banking facilities through the development of the Stored Water Recovery Unit (SWRU). Semitropic has issued $50 million in bonds and is currently constructing Phase 1 of the SWRU. The SWRU has available 450,000 AF of storage capacity. Annual recovery yield of 150,000 AF will be provided through pumping stored water out of the water bank and delivering it directly to the California Aqueduct ("pumpback"). Annual recharge capacity of 50,000 AF will be provided through expansion of its existing In-Lieu Service Area ("in-lieu recharge"). Additional recharge capacity of 180,000 to 200,000 AFY is often available through the existing facilities including Semitropic's partial ownership of the Kern Water Bank.

Financial terms: To Be Determined (TBD). The SWRU is located in an area known to contain naturally-occurring arsenic, and thus the program terms include some obligations for the costs of treatment to remove arsenic prior to introducing water into the California Aqueduct.

Rosedale-Rio Bravo Water Storage District: This is a relatively new water banking program, located immediately adjacent to the Kern Water Bank in Kern County. Currently, the only banking partner is CLWA; negotiations are ongoing with other potential partners. This is a typical water banking program that takes delivery of surface water through canals and percolates the water into the underlying groundwater basin aquifers through bermed recharge ponds.

Most recent financial terms: the terms include a lump sum of $6 million for 200,000 AF of total storage and recovery, plus power costs if recovered water must be pumped and conveyed through the KCWA Cross Valley Canal to the California Aqueduct (instead of the usual delivery method of exchange with Rosedale's SWP Table A Amount, which requires no additional power). Annual limits of 20,000 AF on both storage and recovery capacity.

Memorandum

Other Potential Kern County Supplies: Several other water districts in Kern County are in the process of developing water banking programs. Some have progressed to the point where they have entered into agreements with banking partners. Some are seeking additional partners (e.g., Kern Delta Water District).

Potential Programs South of the Tehachapi Mountains: Several entities located generally in southern California are in the process of developing water banking programs. Most are in the concept stage and are proceeding with CEQA requirements, land acquisition, and other technical matters. These include Antelope Valley-East Kern Water Agency, Chino Basin Watermaster, and Western Development and Storage, LLC. While most of these programs are not yet operational, one factor common to all of them is their location south of Edmonston Pumping Plant. In the event of an SWP outage caused by Delta levee failure or an earthquake-related break on the main stem of the California Aqueduct, water stored in these southerly locations would be available to contractors located along the east and west branches of the Aqueduct.

Financial terms: TBD.

Castaic Lake Water Agency: As noted above, CLWA has purchased rights to 11,000 AFY of the Buena Vista/Rosedale supply. At this time, CLWA does not have demands for the full amount, and is willing to sell a portion of it (or to exchange an equivalent portion of its Table A Amount) on a short-term basis. The amount of water and length term of this sale would be subject to increases in CLWA's demands through time; therefore the purchase amount is subject to reduction through time.

Financial terms: TBD.

SGPWA Local Groundwater Basin Banking Program:

SGPWA has already begun recharge of its Table A supplies on a small scale. An agreement with San Bernardino Valley Municipal Water District would allow SGPWA to access additional capacity in the East Branch Extension of the California Aqueduct, thus making feasible full-scale banking programs based on storage of SGPWA's Table A Amount. Table A supplies available in average and wet years could be percolated into the local Beaumont Basin and/or the Cabazon Basin and stored there for recovery by wells during dry periods when Table A allocations are reduced.

Financial terms: TBD

Memorandum

Mr. Jeff Davis, General Manager
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Page 7

Article 21 Water: This water (defined in Article 21 of the water supply contracts, formerly called "Interruptible Water") is offered only periodically, usually in wet hydrologic year types, when excess flows are available in the Delta. It is described in the DWR State Water Project Delivery Reliability Report (2002, 2005) as a supply that can be used to augment reliability of SWP Table A Amount, if it can be delivered during the short time it is available to offset service area demands or to banking programs where it can be stored for later withdrawal during dry periods. Due to the short duration of its availability and capacity constraints at Edmonston Pumping Plant, Article 21 water is generally delivered most readily to agricultural contractors and to San Joaquin Valley banking programs.

Financial terms: The basic rate is the current SWP variable power rate (no SWP fixed costs are assessed).

Potential Dry-year Water Supplies

In general, dry year supplies are those that are purchased on a short-term basis for delivery during dry periods only. They tend to be provided to the competitive open water market from areas of origin in northern California. They are usually contracted on a year to year basis as an "option," but it is becoming more common for export area water agencies to contract for them for longer terms in anticipation of dry periods, thus utilizing them in a manner similar to "insurance."

Western Canal Water District: The District has developed a dry year water purchase program, based on Sacramento River water rights and in-district groundwater supplies. Palmdale Water District (Palmdale) is currently the only participant, for 7,500 AFY for a ten-year term (total 75,000 AF). The water is paid for every year and can be called upon in any year, but Palmdale does not have to take delivery every year. There are carriage losses once the water travels down the Sacramento River to the SWP pumping plant in the Delta (where it will be pumped into the California Aqueduct), so the total amount delivered to Palmdale at its turnout on the East Branch will be less than 7,500 AF.

Financial terms: The basic unit price is $135/AF each year ($10,125,000 for the ten-year term).

State Water Project Contractors Authority Dry-year Water Purchase Program ("Dry Year Water Transfer Program"): This program has historically operated only in years when the SWP allocation is below 50 percent, or when a potentially dry hydrologic season is combined with expected low SWP carryover storage; it thus provides a contingency supplemental water supply. The Dry-year Program enables the Authority to provide willing buyers (State Water Project and Central Valley Project contractors) with options (contracts) to buy water, if such hydrologic conditions exist, from willing sellers within the northern Sacramento Valley region. One basic tenet of the program is that the all buyers participate as a "group" buyer with all sellers, and all quantities made available by various sellers are proportioned in relation to the buyer's initial requested quantity. If an individual buyer decides to reduce or terminate their

Memorandum

initial optioned amount during the course of the program, their quantity of optioned water is offered to the remaining buyers, also in proportioned amounts.

Most recent financial terms (2005): Initial sign-up deposits of $15/AF were collected with the execution of a participation agreement. Of the initial deposit, $5/AF were held by the Authority to cover administrative costs for Authority operations and for 50 percent of the sellers' incurred regulatory documentation costs, with the condition that any unused portions of the administrative cost would be refunded to the buyer at the end of the Dry-year Program. The remaining $10/AF of the deposit would be paid to the seller as an option payment within 30 days of signing a buyer-seller agreement. The $10/AF option payment would guarantee the requested quantity of water would be available for a "call" on April 1 for a total price of $125/AF (including the $10 option). Individual Agreements were established with each of the sellers and were signed by each of the buyers. Basic terms of the agreements included: A $125/AF price (including a $10/AF non-refundable option fee which was sent within 30 days of the contract signature) for an April 1 call date. Call dates for the options could be extended to mid-April for an additional $10/AF ($135/AF total), or to May 2 for an additional $20/AF ($145/AF total) (the additional expenses for option extensions would offset farming preparation costs that would be invested in early April and would therefore be sacrificed when the land was fallowed as part of the provision to provide the transfer water).

SWP Turnback Pools: The SWP water supply contracts contain provisions wherein contractors with excess Table A Amount in a given hydrologic year may sell that excess to other contractors via the mechanism of "Turnback Pools." This provision is available in all year types, but is most in demand during dry periods, when Table A allocations are low and almost all contractors are seeking additional supplies. Of course, in those year types, less water is made available to the Turnback Pools.

The program is administered by DWR and requires selling and buying contractors to adhere to a specific schedule by which options to water must be exercised. The total amount of water placed into the pools by the selling contractors is allocated to the participating buying contractors based on their contractual Table A Amounts.

Most recent known financial terms (2006): the water supply contract provides for Turnback Pools in a given water year. Pool "A," which must be purchased by March 1, is priced at 50 percent of the current SWP Delta water rate and the later Pool "B", which must be purchased by April 1, is priced at 25 percent of the current Delta water rate. In 2006, the Delta water rate was approximately $13/AF.

Various Central and Northern California Water Rights Holders: Several water districts and private entities have water for sale, both on a long-term and short-term basis. Depending on water rights or contract terms, geographic location and access to infrastructure, water can be delivered directly or may require an exchange agreement.

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Potential Water Transfer Issues

There are issues associated with all of the potential supplies described above. These issues can be categorized as follows:

Capacity and delivery priority in the California Aqueduct and other SWP facilities

SWP contractors, via their water supply contracts with DWR, are allocated specified shares of "reach repayment" capacity in various reaches of the SWP system, starting at Banks Pumping Plant in the Delta and proceeding through the main stem of the Aqueduct and the Aqueduct branches to each contractor's delivery turnout(s). This share of capacity pertains to SWP supplies only, and provides each contractor with delivery priority for its SWP supplies. The water supply contracts also provide for the delivery of non-SWP supplies through the SWP system, provided that other contractors are not coincidentally utilizing all available capacity; these non-SWP supplies are delivered at a lower priority than SWP supplies.

Reach repayment capacity is often less than the actual constructed physical capacity of SWP facilities. Depending on location within the SWP system, some areas have ample capacity to move both full SWP Table A Amounts (including all of Metropolitan Water District's Table A Amount plus other contractors full Table A Amounts) plus other non-SWP supplies. Other points in the system, notably the Edmonston Pumping Plant and the East Branch, have considerable physical capacity limitations.

Therefore, SGPWA will need to evaluate the delivery reliability of the various supplies described herein vs. SWP capacity limits and non-SWP delivery priorities. For example, SWP Table A Amount obtained by a permanent transfer from another contractor would provide delivery capacity to SGPWA through the original delivery reaches of that Table A Amount (usually through the service area boundary or to a turnout of the seller), and could be moved with highest priority through SGPWA's reach repayment capacity and any other available capacity, from that point on to SGPWA's turnouts(s). However, SWP Table A Amount will not be 100 percent available in all hydrologic year types. A non-SWP supply, such as Buena Vista or Nickel water, which is 100 percent available in all hydrologic year types, would be introduced into the delivery system at a certain point along the SWP and then moved in whatever capacity might be available to SGPWA at that time (and this capacity could vary with time), and at a lower priority than other contractors' SWP supplies (that is, other contractors' SWP supplies would be delivered prior to SGPWA's non-SWP supplies). In certain high-demand year types, this could force SGPWA to accept deliveries at non-ideal times (such as off-peak demand periods), or to lose delivery time altogether.

It is generally accepted among the SWP contractors that, based on future demand forecasts for all contractors, wet years (which tend to lower service area demands), will result in ample capacity in the southerly reaches of the SWP system, even though Table A allocations are high

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(i.e., not all water will be needed in the contactors' service areas, and much of it will be banked in other locations or sold into the SWP Turnback Pools). Dry years (which tend to cause higher service area demands), will cause capacity constraints as southern contractors take water from the various banking programs in the San Joaquin Valley or from various dry year supply programs and attempt to deliver them within the same window of time (i.e., peak demand periods), even though Table A allocations are low. It is also generally accepted that all contractors in a given repayment reach will work cooperatively with DWR and each other to attempt delivery of all requested supplies, whether SWP or non-SWP. As additional contractors obtain additional supplies through time, this cooperative arrangement will be tested.

SGPWA faces additional capacity constraints due to its location near the terminus of the East Branch and its existing limited capacity in SBVMWD's Foothill Pipeline. The East Branch Extension Phase II project will considerably augment SGPWA's ability to take delivery of imported supplies by increasing its delivery capacity in all reaches of the East Branch system. If additional capacity is required in the future, it might be obtained through an agreement with SBVMWD for use of some of its unused capacity.

Potential Litigation

Several SWP urban contractors in recent years have faced considerable opposition, and in some cases litigation, to their acquisition of additional water supplies, due to the perception that availability of reliable water supplies fosters urban growth. SGPWA is located in a high-growth area where local stakeholders have expressed concerns about rates of development, so may face challenges to its efforts to improve water supply reliability in its service area in response to growth trends.

A common means of challenging water supply reliability projects is via the California Environmental Quality Act (CEQA). Since most water supply projects will require CEQA coverage to assess various potential impacts, a CEQA document, often an Environmental Impact Report, must be produced by the project proponent (in this case, the proponent/lead agency would be SGPWA). CEQA litigation usually centers on whether this assessment of impacts is "adequate," particularly in regard to growth-inducing impacts and whether the new supply (or increased supply reliability) may foster growth.

Recent legislation has attempted to address the issues of growth (land use) and water supply and requires city and county land use planning agencies to coordinate with water suppliers when considering approval of certain new developments. Two laws, SB 610 and SB 221, require planning agencies to obtain confirmation of water supply availability and reliability from the water agencies that will supply the proposed developments. Confirmation consists of description, called a Water Supply Assessment (SB 610) or a Written Verification (SB 221), based on the agencies' most recent Urban Water Management Plans, of all water supplies and reliability programs that will be utilized to serve the development through build out, plus the

contracts and agreements that support the water supplies. The governing board of the water supplier must approve the documents prior to submittal to the planning agency. Litigation has occurred regarding disagreement with the facts as presented in the description.

Costs and Financing

All the supplies described herein are expensive and will require large capital outlays, on the order of millions of dollars. Depending on the various methods of financing available to SGPWA, certain supplies may be more attractive or affordable than others based on economic analysis.

To finance the water acquisition or transfer cost, water agencies can and have utilized a variety of financing vehicles. Among the most common are:

- Connection Fees
- Property tax levies (particularly for SWP costs)
- Water rates
- Developer agreements
- Community facility district levies

A revenue program for SGPWA should be developed in conjunction with the acquisition of each new supply.

Overview of the Administrative Processes Related to Water Transfers

Several steps are required to complete a water sale, transfer, exchange or banking program, particularly since the California Aqueduct is generally the conveyance facility used for such transactions. Use of the Aqueduct triggers certain requirements and approvals by DWR. Generalized steps to complete a transaction are as follows:

1) Negotiate non-binding terms between buyer and seller. In some cases the buyer and seller will also negotiate an agreement to ensure the "exclusive right to negotiate." This may involve a monetary deposit or other security. SGPWA's legal counsel can advise the most secure means of entering into and conducting negotiations.

2) Inform DWR State Water Project Analysis Office (SWPAO) that the transaction will be taking place within the calendar year (or other estimated time frame; SWPAO usually needs several months to complete drafting, review and execution of documents). Assist SWPAO staff in completing a "Contractor Information Form" describing the transaction.

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Determine what type of DWR documentation will be required; a permanent transfer of Table A Amount will require a contract amendment and other actions pursuant to the Monterey Settlement Agreement. Other transfers may require a Point of Delivery Agreement or an Exchange Agreement (Article 55 of the Water Supply Contract, for non-SWP supplies). These documents can involve one or more SWP contractors or their member agencies.

If the transfer is a permanent transfer of Table A Amount, the Monterey Settlement Agreement requires a "public participation process" for the negotiations regarding the transfer (to date, this process has been conducted for two Table A transfers and the requirement was accomplished by means of a public session held in Sacramento). The public process must be scheduled to coordinate with the CEQA process. Information about this process is located in Notice to SWP Contractors 03-09, "Guidelines for Review of Proposed Permanent Transfers of SWP Annual Table A Amounts."

3) Buyer initiates CEQA process based on the terms of the transaction. Most water transfers will require an Environmental Impact Report due to the need to assess growth-inducing impacts. DWR will be a responsible agency and will not complete the transaction until CEQA is complete. The seller must also have documented compliance with CEQA, preferably prior to the seller's compliance.

4) As CEQA process continues, buyer and seller negotiate the final form of the purchase agreement.

5) Obtain approval in concept from the State Water Contractors (SWC) Water Transfers Committee (Committee). This can usually be done by conference call, although certain complicated transactions may require a Committee meeting. After the Committee has approved the transaction, it will recommend support of the transaction to the SWC Board. With Board approval, the SWC General Manager then sends a support letter to the DWR Director which is routed to SWPAO. SWPAO was recently given authority to approve certain transactions without DWR upper management review and approval; these include common landowner transfers, Point of Delivery agreements (usually related to water banking agreements), turnout/turn-in agreements, and certain other categories of exchanges and transfers. All other transactions, including contract amendments, must be reviewed and approved by DWR upper management, including DWR Legal.

6) Finalize CEQA (certify Final EIR). Notify SWPAO of CEQA Notice of Determination (NOD). SWPAO will also file an NOD on behalf of DWR for the transaction. SGPWA should confer with legal counsel as to the board action required to certify the EIR and to authorize the execution of all subsequent agreements to complete the transaction.

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7) A close-to-final draft of the purchase agreement between the buyer and seller is sent to SWPAO for incorporation of its terms into the DWR documentation (contract amendment, Point of Delivery Agreement or Exchange Agreement).

8) SWPAO will produce a draft document for all SWP contractor parties to review. If the document is a contract amendment, substantial time may be required for SWPAO to draft the amendment and get necessary review and approvals from DWR Legal prior to review by the parties.

9) When document is finalized, DWR will send copies to the appropriate SWP contractor(s) for execution. All documents are signed in sequence by each party. Once all parties have signed and the documents are returned to DWR, the appropriate management level at DWR will execute the agreement and each party will receive one original for their files. Because this step can involve substantial time, SWPAO will sometimes allow the specific water transaction to be initiated prior to finalization of documents (for example, delivery of water to a banking program in advance of the Point of Delivery agreement being executed).

Conclusions and Recommendations

Conclusions

1) Various types of water supplies are available statewide, including long-term supplies, dry-year supplies, and reliability supplies.

2) There are various methods available to finance the acquisition of such supplies, depending ~~on the legal authorities~~ and financial policies of SGPWA.

3) Water banking opportunities could occur either external or internal to the SGWPA service area, or both, and are dependent on the timing of SGPWA's service area demands and financing vehicles.

Recommendations

1) SGPWA should evaluate what types of water supplies it wishes to have in its "portfolio," based on the various available options described in this report.

2) The analysis ought to consider the progression through time of SGPWA's SWP demands and conveyance system capacity.

3) SGPWA may wish to consider developing a Water Supply Master Plan to more closely analyze supply and financing options.

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