

**MINUTES OF AN ANNUAL HEARING ON
DETERMINATION OF OPERATING SAFE YIELD
AND REGULAR MEETING OF
THE MAIN SAN GABRIEL BASIN WATERMASTER
729 NORTH AZUSA AVENUE, AZUSA, CALIFORNIA
HELD WEDNESDAY, MAY 14, 2008 AT 3:00 O'CLOCK P.M.**

The annual hearing on determination of Operating Safe Yield and 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, May 14, 2008 at the hour of 3:00 p.m.

CALL TO ORDER

Paul Carver, 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, Robert W. Bowcock, Paul S. Carver, Frank Forbes, James B. Gallagher, Thomas Love, Pat Malloy, and Charles E. Shaw.

ABSENT: Leon M. N. Garcia

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; Christine Borja, Engineering Program Administrator, and Donna DiLaura, Administrative Coordinator.

Others present included: Marcelino Aguilar, Chet Anderson, Don Berry, Brian Bowcock, Barbara Carrera, Al Contreras, Brian Dickinson, Greg Galindo, Dave Johnson, Tom Lindros, Victor Meza, Dave Michalko, Henri Pellissier, Jim Prior, Martin Ray, Patrick Scanlon and Steve Sherman.

ADOPTION OF AGENDA

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

PUBLIC HEARING ON OPERATING SAFE YIELD FOR FISCAL YEARS 2008-09 THROUGH 2012-13

The Chairman stated that this was the time and place fixed and noticed for a public hearing to be conducted by the Main San Gabriel Basin Watermaster in accordance with the provisions of Section 43 of the amended Judgment entered in the action, "Upper San Gabriel Valley Municipal Water District vs. City of Alhambra, et al.," regarding the determination of the Operating Safe Yield for the Main San Gabriel Basin for fiscal years 2008-09 through 2012-13. The Chairman also noted that copies of Watermaster's report on the preliminary determination of the Operating Safe Yield had been mailed to all parties on April 8, 2008.

The Consulting Engineer then provided an update on the status of water conditions in the Basin. He noted that the level of the Baldwin Park Key Well on April 30 was 205.4 feet and is dropping about .3 foot per week. He also noted that canyon storage is currently at approximately 60,000 acre-feet.

With regard to Replacement Water obligations, the Consulting Engineer noted that Metropolitan Water District has suspended its replenishment deliveries for the foreseeable future, so any Replacement Water from Upper District or Three Valleys will be a transfer of existing water from cyclic storage accounts. In response to a question by Mr. Love, the Consulting Engineer stated that there is currently a total of about 80,000 acre-feet in cyclic storage.

Additionally, the Consulting Engineer predicted that since it is unlikely that the area will receive any further significant rainfall this season, the Key Well is likely to drop below the 200 foot level by fall.

The Consulting Engineer continued to recommend the previous month's preliminary determination of Operating Safe Yield at 160,000 acre-feet for fiscal year 2008-09, 150,000 acre-feet for 2009-10, 150,000 acre-feet for 2010-11, 150,000 acre-feet for 2011-12 and 150,000 acre-feet for 2012-13.

The Chairman then asked if there were any comments to come before Watermaster during the public hearing, and there being none, he declared the hearing closed.

DETERMINATION OF OPERATING SAFE YIELD

The Chairman resumed the regular meeting, and asked for comments from Watermaster members.

Mr. Arrighi, Mr. Love and Mr. Carver thanked the Consulting Engineer for his report. Mr. Arrighi stated that current water supply conditions make it difficult to determine what the OSY should be. He commended the Basin Water Management Committee for seeking alternative sources of water and encouraged the effort to build a treatment plant for advanced treatment of recycled water in order to drought-proof the Basin.

Mr. Love commented that he shares Mr. Arrighi's concerns with regard to water supply and moved to adopt the Consulting Engineer's recommendation for an OSY of 160,000 AF for FY 2008-09. Mr. Malloy seconded the motion for discussion.

Following a request by Mr. Shaw for Producer comments, Mr. Don Berry stated that the County of Los Angeles Department of Public Works is researching cloud-seeding as an alternative source of water and asked if Watermaster had been approached to participate financially in the effort. The Executive Officer indicated that Watermaster has not received any request from the County to participate in a cloud-seeding program; however, it was noted that a cloud-seeding program does not create rainfall but rather helps to increase the amount of precipitation from natural storms.

Mr. Gallagher stated that the Engineer provided a well-detailed report and has logically reached his recommendation. He stated, however, that both the physical and fiscal impacts need to be considered in determining the OSY. Mr. Gallagher also stated that if Watermaster sets a low OSY, Producers will be charged for water that cannot be delivered; therefore a low OSY will not achieve the desired result, and he will not support an OSY of 160,000 acre feet.

A discussion followed regarding the Replacement Water Fund. The Executive Officer stated that a portion of the \$10.5 million currently in the fund will be used to place an order of approximately 15,000 acre-feet of cyclic storage water from Upper San Gabriel Valley Municipal Water District to satisfy last year's Replacement Water requirement. She noted that there is also a reserve in the Fund made up primarily of interest earned on money in the account over the past 35 years.

Mr. Bowcock suggested that Watermaster should consider purchasing all of the water in the Upper District cyclic storage account, since it may be better to pay Upper District's rate of \$251.90/AF now versus MWD's higher rate later. He stated that the savings rate would be better than the interest earned in investments. The Executive Officer noted that she understood that it was Upper District's intent to purchase all of the water in its cyclic storage account by the end of June 2008, and then sell the water to Watermaster as needed, and any rate increase would be equal to the interest rate that Upper District's money would have otherwise earned in the Local Agency Investment Fund.

Mr. Bowcock requested that staff develop an economically feasible plan to purchase additional replacement water and report back to the Basin Water Management Committee.

Mr. Arrighi then offered an amendment to the motion on the floor, suggesting that the motion be to set the OSY at 180,000 AF for FY 2008-09 rather than 160,000 AF. Mr. Love and Mr. Malloy accepted the amendment to the motion, which was carried on a unanimous vote. Additionally, on motion made by Mr. Bowcock, seconded by Mr. Malloy, and unanimously carried, Watermaster set an OSY of 170,000 acre-feet for fiscal years 2009-10 through 2012-13.

On motion duly made, seconded and unanimously carried, the following resolution was then read, adopted and passed as read:

RESOLUTION NO. 05-08-214

**A RESOLUTION OF THE MAIN SAN GABRIEL BASIN
WATERMASTER DETERMINING OPERATING SAFE YIELD FOR
SAID BASIN FOR FISCAL YEAR 2008-09 THROUGH 2012-13**

(see next page)

TIME RESERVED FOR PUBLIC COMMENT

No comments were offered.

Mr. Love left the meeting.

CONSENT CALENDAR

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

- a) Minutes of an Adjourned Regular Meeting of Watermaster held April 2, 2008
- b) Lists of Demands: Items 13369 through 13409 in the amount of \$480,856.49, on the Administrative Fund, and Item 836 in the amount of \$39,466.52 on the Replacement Water Fund.
- c) Financial Statements, April 2008

REPORT FROM FINANCE COMMITTEE

Adoption of Administration Budget for FY 2008-09 and Administration Assessment on FY 2007-08 production (Resolution No. 05-08-215) – Mr. Shaw reported that no comments had been received on the preliminary draft Administration Budget presented at the April meeting; therefore, the Finance Committee recommended adoption of the draft FY 2008-09 Administration Budget with an Administration Assessment of \$5.00 per acre-foot of production during FY 2007-08. He noted that this represents a decrease of \$2.50 in assessment from the current year.

On motion made by Mr. Shaw, seconded by Mr. Bowcock, and unanimously carried, it was

RESOLVED: That Watermaster adopt the draft Administration Budget for fiscal year 2008-09 as presented in the amount of \$3,326,200 and levy an Administration Assessment of \$5.00 per acre-foot on all water produced from the Basin during fiscal year 2007-08.

Upon motion duly made, seconded, and unanimously carried, the following resolution was then read, adopted and passed as read:

RESOLUTION NO. 05-08-215

**A RESOLUTION OF THE MAIN SAN GABRIEL BASIN
WATERMASTER ADOPTING ITS ADMINISTRATION BUDGET
FOR FISCAL YEAR 2008-09 AND FIXING, ESTABLISHING,
AND LEVYING THE ADMINISTRATION ASSESSMENT FOR ALL
PRODUCTION FROM THE BASIN DURING FISCAL YEAR 2007-08
(see next page)**

ADOPTION OF IN-LIEU ASSESSMENT ON FY 2007-08 PRODUCTION (Resolution No. 05-08-216)

The Executive Officer reported that the In-Lieu Assessment provides funding for Watermaster's share of the Cooperative Water Exchange Agreement (Alhambra Exchange) and that the amount required this year corresponds to an assessment of \$1.40 per acre-foot of production during fiscal year 2007-08. She noted that this represents a \$.10 decrease from the current year.

On motion made by Mr. Arrighi, seconded by Mr. Gallagher, and unanimously carried, it was

RESOLVED: That the In-Lieu Assessment for production from the Basin during fiscal year 2007-08 be established at \$1.40 per acre-foot to pay for costs associated with the Cooperative Water Exchange Agreement.

On motion duly made, seconded, and unanimously carried, the following resolution was read, adopted, and passed as read:

RESOLUTION NO. 05-08-216**A RESOLUTION OF THE MAIN SAN GABRIEL BASIN
WATERMASTER FIXING, ESTABLISHING, AND LEVYING
AN IN-LIEU ASSESSMENT ON ALL PRODUCTION FROM THE
BASIN DURING FISCAL YEAR 2007-08**

(see next page)

ADOPTION OF REPLACEMENT WATER ASSESSMENTS ON FY 2007-08 EXCESS PRODUCTION (Resolution No. 05-08-217)

The Executive Officer reported that water rates for the purchase of Replacement Water had been received from the three municipal water districts, and she recommended setting the Replacement Water Assessment for 2007-08 excess production within the Upper San Gabriel Valley Municipal Water District at \$251.90 per acre-foot; for excess production within the San Gabriel Valley Municipal Water District at \$130.00 per acre-foot; and for excess production within the Three Valleys Municipal Water District at the rate of \$261.00 per acre-foot.

On motion made by Mr. Gallagher, seconded by Mr. Arrighi, and unanimously carried, it was

RESOLVED: That Watermaster set the Replacement Water Assessment for 2007-08 excess production at \$251.90 per acre-foot for excess production within Upper District; at \$130.00 per acre-foot for excess production within San Gabriel Valley MWD; and at \$261.00 per acre-foot for excess production within Three Valleys MWD.

On motion duly made, seconded, and unanimously carried, the following resolution was read, adopted, and passed as read:

RESOLUTION NO. 05-08-217**A RESOLUTION OF THE MAIN SAN GABRIEL BASIN
WATERMASTER FIXING, ESTABLISHING, AND LEVYING
THE RATES OF REPLACEMENT WATER ASSESSMENTS FOR
FISCAL YEAR 2007-08 EXCESS PRODUCTION FROM THE BASIN**

(see next page)

WATER QUALITY MANAGEMENT ACTIVITIES

Application from Suburban Water Systems to Destroy Well 110 – The Consulting Engineer stated that Suburban Water Systems (SWS) has submitted an application to destroy its Well 110. He noted that it is an inactive well located in the City of Glendora. He also noted that the pumping equipment has been removed from this well and the power has been disconnected.

The Consulting Engineer stated that SWS Well 110 is approximately 80 years old and has not produced water since fiscal year 1984-85 due to high nitrate concentrations in the groundwater and low production. The well capacity was approximately 300 gallons per minute. He also stated that SWS is not willing to retain the well and desires to destroy the well due to groundwater quality, age and to minimize potential liabilities. SWS intends to sell the Well 110 parcel. The Consulting Engineer recommended that Watermaster approve SWS's application to destroy Well 110, subject to the conditions in the staff report.

On motion made by Mr. Forbes, seconded by Mr. Malloy, and unanimously carried with Mr. Carver abstaining, Watermaster approved Suburban Water Systems' application to destroy its Well 110, subject to the conditions in the staff report.

Application from Suburban Water Systems to Destroy Well 114W-1 - The Consulting Engineer stated that Suburban Water Systems (SWS) has submitted an application to destroy its Well 114W-1. He noted that it is an inactive well located in the City of West Covina. He also noted that the pumping equipment has been removed from this well and the power has been disconnected.

The Consulting Engineer stated that SWS Well 114W-1 is approximately 90 years old and has not produced water since fiscal year 1995-96 due to high nitrate concentrations in the groundwater and the age of the well. The well capacity was approximately 300 gallons per minute. He also stated that SWS is not willing to retain the well and desires to destroy the well due to groundwater quality, age and to minimize potential liabilities. SWS intends to sell the Well 114W-1 parcel. The Consulting Engineer recommended that Watermaster approve SWS's application to destroy Well 114W-1, subject to the conditions in the staff report.

On motion made by Mr. Forbes, seconded by Mr. Gallagher, and unanimously carried with Mr. Carver abstaining, Watermaster approved Suburban Water Systems' application to destroy its Well 114W-1, subject to the conditions in the staff report.

REPORT FROM BASIN WATER MANAGEMENT COMMITTEE

Mr. Bowcock reported that the Basin Water Management Committee met on April 9, 2008, and discussed various items, and encouraged those who are interested to read through the Board packet for more details. Mr. Bowcock then reported on the following two items.

Recommendation to renew Meter Testing contract with McCall's – Mr. Bowcock reported that the Meter Testing contract between Watermaster and McCall's Meters Inc. expires on

June 30, 2008. He stated that McCall's Meters Inc. has worked with Watermaster for many years and has agreed to maintain its current price of \$195 per meter for the next two years. He stated that it is the committee's recommendation to renew the contract.

On motion made by Mr. Bowcock, seconded by Mr. Arrighi, and unanimously carried, Watermaster authorized award of the meter testing contract to McCall's Meters Inc. for the period July 1, 2008 to June 30, 2010.

Recommendation to co-sponsor East Valley Water District 2008 Water Quality Conference (\$1,000) – Mr. Bowcock reported that Watermaster has received a request for financial sponsorship of the East Valley Water District's upcoming Water Quality Conference. He stated that Watermaster has sponsored this event in the past, and the committee recommended that Watermaster again provide similar sponsorship.

On motion made by Mr. Bowcock, seconded by Mr. Malloy, and unanimously carried, Watermaster authorized a \$1,000 sponsorship of East Valley Water District's Water Quality Conference.

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 800.00 AF Carryover right from City of El Monte to La Puente Valley County Water District for FY 2007-08
- b) Temporary assignment or lease of 242.13 AF Production right from William Knight to California Domestic Water Co. for FY 2007-08
- c) Temporary assignment or lease of 1,500.00 AF Production right from Covina Irrigating Company to Canyon Water Co. for FY 2007-08
- d) Temporary assignment or lease of 200.00 AF Carryover right from Amarillo Mutual Water Co. to Valley View Mutual Water Co. for FY 2007-08
- e) Temporary assignment or lease of 2,100.00 AF Production right from Hanson Aggregate West Inc. to San Gabriel County Water District for FY 2007-08
- f) Temporary assignment or lease of 1,500.00 AF Production right from Covina Irrigating Co. to California Domestic Water Co. for FY 2007-08
- g) Temporary assignment or lease of 76.19 AF Production right from Walter S. Green to California Domestic Water Co. for FY 2007-08
- h) Notice of Change of Designee to Receive Notices on behalf of City of Industry Water Works System to Gregory B. Galindo
- i) Notice of Three Valleys MWD Leadership Breakfast, June 5, 2008, in Pomona

- j) Transmittal of SGVMWD monthly report for March 2008
- k) Notice of Water Education Foundation Bay-Delta Tour, June 4-6, 2008
- l) Various newspaper articles

ATTORNEY'S REPORT

The Attorney reported that negotiations continue in regard to Amendment Number Six to the BPOU Agreement. He also reported that Mr. Larry Hobel, representing Aerojet, has taken over as contact attorney for the Cooperating Respondents. Watermaster expects to receive a revised draft of the amendment from the CRs' attorneys, and will be scheduling another conference call in the near future.

The Attorney also reported that Watermaster continues to monitor the bankruptcy proceedings of the owners of the former Crown City Plating property.

ENGINEER'S REPORT

The Consulting Engineer reported that the level of the Baldwin Park Key Well, as of April 30, was 205.4 feet, a decrease of approximately .3 feet over the previous week. He noted that the Key Well is approximately 20 feet lower than at this time last year, and dropping. The Consulting Engineer also reported that canyon storage is currently at approximately 60,000 acre-feet, which is near normal levels for this time of year. Additionally, the Consulting Engineer stated that the six area landfills were inspected and no violations were found.

Relative to hydrologic conditions, the Consulting Engineer stated that rainfall at the Los Angeles Civic Center to date is 86% of normal at this time of year. However, he noted that, due to very dry conditions, storm water runoff in the Canyon continues to be very low, at around 50 percent or less of normal levels.

EXECUTIVE OFFICER'S REPORT

The Executive Officer reported that United Rock Producer representative and San Gabriel Valley Water Association Director Frank Keohane passed away in early April. She also reported that she recently learned that Ms. Jane Bray, who had a long and distinguished career in the San Gabriel Valley water industry, passed away last July. The Executive Officer requested that at the close of this meeting, Watermaster adjourn in memory of Mr. Keohane and Ms. Bray. Mr. Arrighi then reported that Mr. Charles "Chuck" Clark, Doty Bros., also passed away and requested that Watermaster adjourn in memory of Mr. Clark as well.

COMMENTS FROM WATERMASTER MEMBERS

Mr. Forbes thanked Mr. Johnson for his attendance at a meeting earlier today at Upper San Gabriel Valley Municipal Water District, where a discussion was held regarding the

allocation of Tier II water rate charges from Metropolitan Water District. He reported that the District is considering covering a portion of the \$110,000 cost through rate stabilization. Lastly, Mr. Forbes stated that the District will continue to work with Watermaster in seeking alternate sources of replenishment water for the Basin.

Mr. Arrighi again thanked Mr. Johnson and Stetson Engineers for their efforts in helping to determine the OSY. He stated that he knows it is a difficult and serious task for everyone involved. He also stated that Watermaster members are tasked with preserving the Basin, and he again thanked the Basin Water Management Committee for continuing to do so by seeking alternate sources of supplemental water.

Mr. Bowcock asked the representative from Three Valleys Municipal Water District if the district would consider making its existing cyclic storage water available at current prices. Mr. Brian Bowcock, Director for TVMWD, stated that he would look in to it.

Mr. Gallagher introduced Mr. Patrick Scanlon, Golden State Water Company, and welcomed him to his first Watermaster meeting. He stated that Mr. Scanlon has been very involved in Central Basin activities, and intends to be more involved in the Main San Gabriel Basin.

Chairman Carver also thanked Mr. Johnson and Stetson Engineers for their efforts in setting the OSY.

ADJOURNMENT

The Chairman asked if there were other business to come before Watermaster, and there being none, upon motion duly made by Mr. Gallagher, seconded by Mr. Arrighi, and unanimously carried, the meeting was adjourned in memory of Mr. Frank Koehane, Ms. Jane Bray and Mr. Chuck Clark, to the next regular meeting of Watermaster on Wednesday, June 4, 2008, at 3:00 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

JAMES B. GALLAGHER

ATTEST:

PAUL S. CARVER
CHAIRMAN