

*Proposition 1 Water Storage Investment Program
Inland Empire Utilities Agency*

Chino Basin Conjunctive Use Environmental Water
Storage/Exchange Program

QUARTERLY REPORT #10

October through December 2020

Progress Report to the California Water Commission
January 30, 2021

1. Purpose and Introduction

This Quarterly Report is to inform the California Water Commission (Commission) of changes and updates to the project, schedule, and status of the Inland Empire Utilities Agency (IEUA) Chino Basin Conjunctive Use Environmental Water Storage/Exchange Program, hereafter referred to as the Chino Basin Program (CBP), occurring during the most recent quarter of October through December 2020. The report contents are based on guidance provided by Commission staff and documents progress that IEUA is making toward complying with conditions required to enter a funding agreement with the Commission for implementation of the CBP.

The report is organized into the following sections:

1. Purpose and Introduction
2. Project Planning Update
3. Project Schedule Update
4. Project Cost and Financing Update
 - Attachment 1 — Table 1. Project Schedule
 - Attachment 2 — Table 2. Quarterly Reporting Items for Commission Hearing on Final Awards

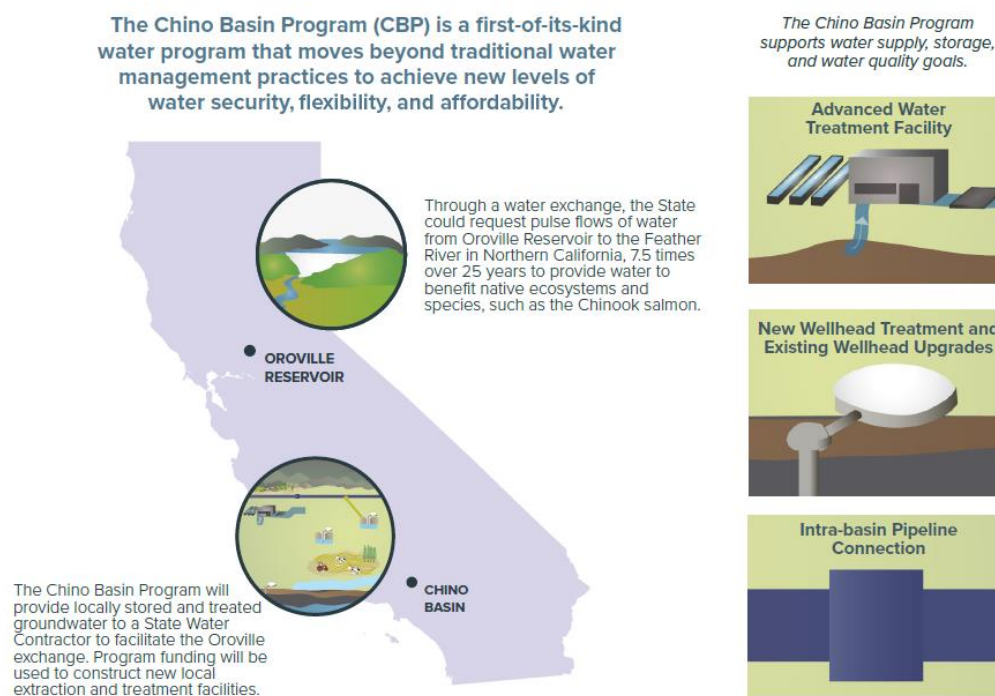
2. Project Planning Update

The Project Planning Update is a narrative summary update of the project. This summary provides a description of the status of IEUA meeting the requirements and milestones identified by the Commission (see Attachments 1 and 2, respectively). Issues or concerns that have, will, or could affect milestones or requirements are also provided here.

One of the key efforts during the recent quarter, and an important effort for much of 2020 was to work with program partners, including local agencies, regional partners, and State resource agencies to further refine the project in terms of its operational performance, infrastructure components, and add greater insights into the cost and benefit balances and most feasible alternatives, which will support decision making (see **Figure 2-1**). These efforts have provided additional information about the potential costs and benefits to the participating agencies, as well as questions about how the benefits and costs would be shared. IEUA continues to work diligently with its local stakeholders to address key questions. The support of our constituents and regional partners in the design of a program that strikes the right balance of benefits to the State, our region, and our local communities is foundational to the success of the CBP.

Since our last quarterly progress report IEUA has focused its preliminary design efforts on fine tuning the CBP preferred alternative configurations. These efforts are informing the discussions and are being reviewed by local agency partners and State resource agencies. This information is also being used to plan for environmental review and documentation, permitting considerations, development of monitoring and operational plans, and financial planning. Additional information about the progress on this work is provided in the sections below.

Figure 2-1. Location and Features of the Chino Basin Program



Water Sources

There was modest progress this past quarter regarding efforts to develop water sources for advanced water purification to produce 15,000 acre-feet per year of advanced treated water. IEUA continues to work with its partners to formulate agreements around locally produced wastewater that will supply the advanced water purification facility. Advanced treatment of these local supplies can extend the ability to fully utilize local supplies, which should in turn provide added water supply flexibility for the region. To realize the full potential of the benefits of fully utilizing these local supplies, new infrastructure connecting local systems are being considered. These connected local systems could provide mutual benefits to local uses of supplies, including helping to support habitat identified within the Upper Santa Ana River Habitat Conservation Plan. Further efforts to refine the assumptions and operational conditions of these arrangements will take place in 2021.

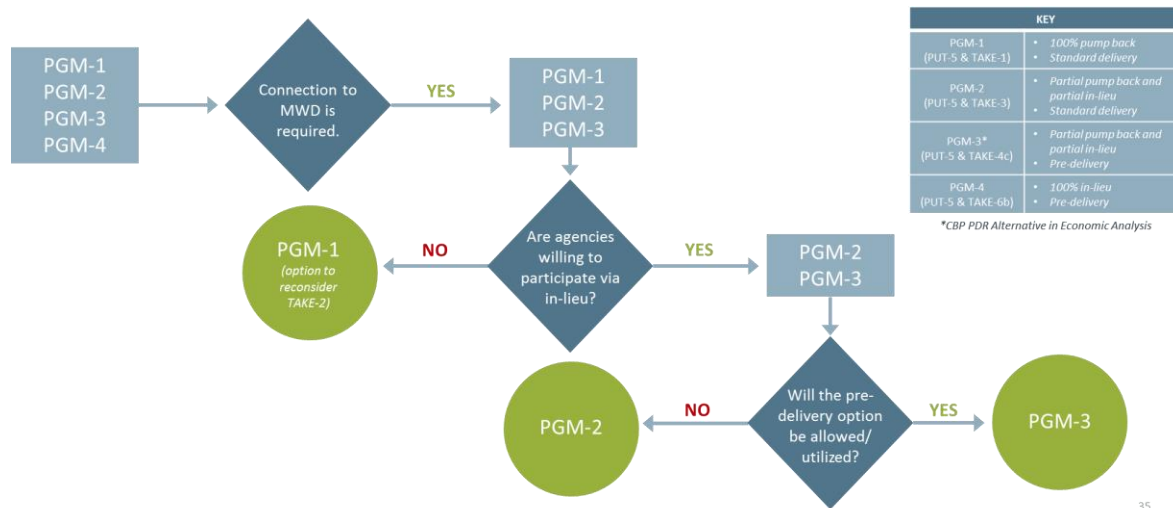
Preliminary Design

Preliminary designs and concepts continue to be refined with focus on IEUA's long-term planning objectives. These include developing advanced treated water capacity of 15,000 acre-feet per year to address rising total dissolved solids concentrations that are nearing regulatory limits, maximizing local re-use of recycled water, and increasing resiliency through additional interconnections. Paramount to these efforts are local agency considerations and how the proposed program would fit within their individual agency needs and future planning efforts. The funding & valuation of water supply benefits and program costs continue to be an important factor in these efforts.

IEUA has continued to conduct staff and manager-level meetings with stakeholders and local agency partners to discuss and review CBP alternatives. Recent discussions have included review of operational and performance parameters and infrastructure components. These efforts have provided greater insights into the cost and benefit balances and feasible alternatives, which will help to support future decision making. The goal is to identify optimal solutions that effectively balance cost allocations, performance, and benefits for partner agencies.

The alternatives evaluation process is also continuing. Updated modeling analyses of recommended program alternatives were recently completed to confirm that Chino Groundwater Basin operating constraints are met. Findings from this updated modeling analysis will be used by the planning team to make further refinements to preliminary designs. The identification and evaluation process for program-level CBP alternatives is shown conceptually in **Figure 2-2**. IEUA is following this decision analysis process to help identify an optimal solution.

Figure 2-2. CBP Program Alternatives Decision Flow



Economic and Financial Analysis

Using information developed through the preliminary design effort and input obtained through agency partner engagement efforts, an economic evaluation was performed on CBP program alternatives and compared with regional planning alternatives. This required development of an integrated decision-support tool combining banking and exchange operations and a benefits and costs net present value (NPV) calculator. The tool is being used to explore the relative costs and benefits of the CBP preferred alternative and associated refinements, and to support on-going studies to evaluate how best to meet local needs and meet performance requirements.

Preliminary findings are used to support ongoing review and discussion with local agency partners and State resource agencies. Input from these discussions helps shape further refinement and evaluation which can be fed back through the economic tool for further analysis and consideration. The economic evaluation will also help inform financial analysis that will be performed for the alternatives to describe projected cash flow conditions and effects on rate payers.

CBP Banking and Exchange Analysis

IEUA, working with its local and State partners, continues to evaluate the potential to support pulse flows of up to 50,000 acre-feet originating in Lake Oroville during the spring of dry years, which are designed to improve survival rates of migrating juvenile Chinook salmon. IEUA has developed a CBP operations logic tool to simulate the CBP banking and extraction operations under different hydrologic conditions. The tool is helping IEUA and its partners to evaluate local agency pumping performance, pump-back to the MWD system, and the exchange process with the State Water Project (SWP). Information from the tool is helpful for communicating these interactions.

IEUA continues to engage with State resource agencies to discuss elements linking the CBP and the SWP. In December, the California Department of Water Resources (DWR) hosted the fourth in a series of workshops designed to bring Water Storage Investment Program (WSIP) pulse flow projects together to discuss common needs and attributes. The fourth workshop reviewed an analysis completed by DWR to explore potential storage impacts to Lake Oroville and San Luis Reservoir of the

CBP and two other pulse flow projects. The analysis is informing the development of exchange protocols among the WSIP pulse flow projects and the exchange with SWP. IEUA will work with DWR to further explore opportunities for enhanced integration of the WSIP projects with the SWP to further reduce risk to parties involved and perhaps provide additional benefits to those involved.

In parallel with the workshops, DWR is facilitating communications with the State Water Contractors to inform and obtain input. DWR is also working on an agreement with the California Department of Fish and Wildlife (CDFW) on pulse flow decision making. IEUA continues to support the coordination efforts and participates as needed in the discussions.

CBP PEIR and Permitting Update

IEUA continues to coordinate plans for preparation of the CBP Programmatic Environmental Impact Report (PEIR) with other regional environmental planning efforts, such as the Chino Basin Storage Framework and Optimum Basin Management Program (OBMP) Update. Modest progress on these efforts was made during the previous quarter.

Design, Construction, and Operation Update

As noted above, feasibility and preliminary design studies are continuing with greater focus on the CBP preferred alternative and refinements to that alternatives that address the questions raised by local agency partners.

Communications and Engagement Update

For successful implementation, it is critical that IEUA have strong local support for the CBP and establish an equitable and flexible partnership between all partners involved. To that end, IEUA continues to advance the CBP by working closely with agency partners and the State to review issues and concerns, with a focus towards establishing conditions that are equitable for all parties involved. Outreach efforts include conducting one-on-one meetings with agency partners, providing CBP updates at IEUA technical committee and agency manager monthly meetings, and providing informational updates (as requested) to city and local agency boards. These communication efforts provide IEUA with valuable feedback on the CBP. Efforts also include maintaining a program website and a media outreach strategy. Specific outreach efforts held during this last quarter are discussed further below.

CBP Workgroup

As described in previous progress reports, IEUA initiated a workgroup process (the CBP Workgroup) to help develop the CBP that best achieves the objectives and provides broad mutual benefit to the region. Through the participation in CBP workgroup workshop sessions, IEUA is working with local and regional agencies to coordinate local and CBP objectives, agreements, and identify stakeholder questions. The CBP workgroup workshops conducted to date are summarized in **Table 2-1**. There were no CBP workgroup workshops held in the last quarter. CBP workgroup workshops will resume in the coming months to discuss and review the refinements to CBP preferred alternatives.

Table 2-1. CBP Workgroup Workshops

Month	Workshop	Objectives
December 2018	CBP Workgroup	CBP overview, workgroup charter, introduce CBP Collaborative MOU for CBP participation, and identify questions
January 2019	CBP Workgroup	CBP costs and benefits review, questions, and draft MOU for CBP participation
February 2019	CBP Workgroup	CBP water sources and financial analysis review, introduce CBP agreement terms, and review questions
May 2019	CBP Workgroup	IEUA rate study update, CBP alternatives development approach, CBP agreement, and review questions
June 2019	CBP Workgroup	CBP water sources update, CBP alternatives and evaluation approach, and review questions
August 2019	Water Resources Workshop	Recycled water supply and additional water sources update
September 2019	Water Resources Workshop	IEUA regulatory challenges update, CBP alternatives update, and CBP economic analysis update
March 2020	CBP Workgroup	IEUA regulatory challenges review, IEUA master planning update, and CBP alternatives evaluation review
July 2020	CBP Workgroup	CBP economic analysis review (early July) CBP preliminary design review (mid-July)

MWDSC and State Engagement

IEUA continues to coordinate with the Metropolitan Water District of Southern California (MWDSC) and State agencies to evaluate the operational parameters and associated conditions for the CBP. These coordination efforts are used to review and refine operational elements and questions, develop principles and conditions that will shape institutional arrangements, and to coordinate overall roles and responsibilities. During this past quarter the CBP team continued to work closely with MWDSC to clarify benefits to MWDSC and its member agencies. In the upcoming months a draft project prospectus will be reviewed with MWDSC executive management. This prospectus is intended to provide MWDSC with additional information needed for the joint development of partnership principles between IEUA and MWDSC for the CBP.

IEUA is also continuing to work closely with State resource agencies. As mentioned previously, DWR coordinated a fourth workshop among WSIP projects with SWP exchanges for pulse flows. IEUA continues to communicate regularly with Commission staff to review the status of the CBP, performance and related requirements under WSIP, and to discuss questions and challenges that the CBP team and agency partners are working through. IEUA is also considering requesting WSIP early funding available through the Commission’s recently approved emergency regulations to help alleviate some of the immediate economic challenges that IEUA and its member agencies are facing during the COVID-19 crisis and other factors.

Additional Funding Opportunities

In addition to considering applying for WSIP early funding, IEUA and agency partners continue to pursue additional funding opportunities, including funding through the federal Water Infrastructure Improvements for the Nation Act (WIIN Act). The CBP team is working to address initial comments provide by U.S. Bureau of Reclamation (USBR) .

3. Project Schedule Update

IEUA and agency partners continue to work together to define program elements on a schedule consistent with the proposed commitments to achieve local and statewide public benefits (see **Figure 3-1** and **Table 3-1**). December 2025 remains as the program completion date with full operation commencing in 2026. Additional details of the schedule and progress are provided in Attachments 1 and 2, respectively.

Figure 3-1. Simplified CBP Schedule



CBP milestones leading up to the Commission’s WSIP conditional funding award date are shown on **Table 3-1**.

Table 3-1. CBP Funding Milestones

Date	Milestone
Winter 2021	Draft agreement terms with local agencies and partners
Winter 2021	Final PDR and Draft agreement terms with resource agencies
Fall 2021	Draft CBP PEIR and Final agreement terms with local and resource agencies
Fall 2021	Commission final funding award negotiations and funding agreement execution

Next Steps

As discussed in the previous progress report, IEUA will continue to work with local and regional agency partners to further develop the CBP and will continue to drive the following activities:

- **CBP Workshops:** Continue focused workshops with local agency partners to discuss the analysis of key questions about economics, financing, water sources, agreement terms and conditions, and operational and management considerations.
- **Water Sources:** Draft and negotiate partnership agreements.
- **Preliminary Design:** Refine recommended CBP preferred alternatives.

- **Economic and Financial Analysis:** Complete additional economic analysis studies of refined CBP preferred alternatives, financial analysis, and ability to pay analysis.
- **Partner and State Agency Coordination:** Continue to meet and coordinate with local and regional agency partners and State agencies to work collaboratively to advance CBP planning and development. Develop draft agreements with local agency partners. Engage elected officials to help shape policy opinion to help inform development of draft agreements. Continue regular coordination with the Commission to assist with discussions with State resource agencies. Continue coordination with State resource agencies to discuss SWP exchange processes and principles for consideration in proposed State agreements.
- **Communications and Outreach:** Continue to conduct meetings with local stakeholders, general manager meetings, special committee meetings, and workshops.

4. Project Cost and Financing Update

Capital Costs, Cash Flow, and Financing

IEUA is continuing its analysis of potential funding sources to help with financing of the CBP.

Pursuit of Additional Grant Funds

IEUA continues to explore additional grant opportunities for the CBP, including federal grant programs (i.e., WIIN Act funding), State grant programs (i.e., Proposition 68), and State Revolving Funds programs.

ATTACHMENT 1

Table 1. Project Schedule



Table 1. Project Schedule

Funding Agreement Milestone	Start Date	Finish Date	% Complete
Non-Public Benefits Cost-Share Contracts (other agreements may be required and will be included when identified)			
Agreements with IEUA Member Agencies	2019	2021	45%
Agreements with State Water Project Contractor	2019	2021	30%
Chino Basin Storage and Recovery Application	2019	2021	5%
Contracts for Administration of Public Benefits			
CDFW (ecosystem agreement)	2019	2021	15%
State Water Resources Control Board (SWRCB) (water quality)	2019	2021	5%
DWR (emergency response)	2019	2021	5%
DWR (operations agreement)	2019	2021	20%
Completed Feasibility Studies (includes feasibility studies related to planning efforts that are the framework for the CBP, as well as CBP-specific studies)			
2000 OBMP for Chino Basin	1995	2000	100%
2001 Chino Basin Organics Management Strategy	1998	2001	100%
2002 Recycled Water System Feasibility Study	2000	2002	100%
2002 Wastewater Facilities Master Plan	2000	2002	100%
2002 Salinity Management Plan	2000	2002	100%
2005 Urban Water Management Plan	2003	2005	100%
2005 Recycled Water Implementation Plan	2003	2005	100%
2007 Recycled Water Three Year Business Plan	2006	2007	100%
2010 Urban Water Management Plan	2009	2011	100%
2013 Recharge Master Plan Update (RMPU)	2011	2013	100%
2015 Energy Management Plan	2014	2015	100%
2015 Recycled Water Program Strategy	2013	2016	100%
2015 Wastewater Facilities Master Plan Update	2014	2016	100%
2015 Water Use Efficiency Business Plan Update	2014	2016	100%
2016 Feasibility Study of Recycled Water Interconnection — Pomona, Monte Vista Water District, and IEUA	2014	2016	100%
2016 Integrated Water Resources Plan	2013	2016	100%
2017 Recycled Water Intertie Study – Jurupa Community Services District and IEUA	2014	2017	100%
2018 RMPU	2017	2018	100%
2020 OBMP Update for Chino Basin	2018	2021	85%
CBP Feasibility Studies and Pre-Design	2019	2021	75%
IEUA Rate Study	2019	2020	100%
Environmental Documentation (includes environmental documentation already completed that supports elements of the CBP)			
IEUA Facilities Master Plan PEIR	2016	2017	100%
OBMP Update for Chino Basin Environmental Impact Report (EIR) Addendum	2016	2017	100%
OBMP Update for Chino Basin Subsequent EIR	2019	2021	75%

Funding Agreement Milestone	Start Date	Finish Date	% Complete
CBP PEIR	2019	2021	0%
Federal, State, and Local Approvals			
Federal: Potential operations approvals with the U.S. Bureau of Reclamation (USBR)	2019	2021	0%
Federal: Potential permitting approvals with the U.S. Army Corps of Engineers (USACE)	2019	2021	0%
Federal: Other possible federal permits/approvals tbd	2019	2021	0%
State: Incidental Take Permit, if needed (with CDFW)	2019	2021	0%
State: Section 1707 water rights change, if needed (by DWR, with SWRCB)	2019	2021	0%
State: SWP water supply contract amendments, if needed (by the State Water Project Contractor (SWPC), with DWR)	2019	2021	0%
State: Other possible State permits and approvals to be determined	2019	2021	0%
Local: Possible encroachment permits (with the city and county)	2019	2021	0%
Local: Storage in Chino Basin Water Bank (with the Chino Basin Watermaster (CBWM))	2019	2021	0%
Local: Other possible local permits and approvals to be determined	2019	2021	0%
Funding Agreement Components			
Project Workplan	2017	2021	10%
Project Schedule	2017	2021	10%
Project Budget	2017	2021	10%
Project Design	2021	2023	0%
Construction	2023	2025	0%
Begin Operations	2026	2075	0%

ATTACHMENT 2

Table 2. Quarterly Reporting Items for Commission Hearing on Final Awards



Table 2. Quarterly Reporting Items for Commission Hearing on Final Awards*

Description	Estimated Completion Date	% Complete
Contracts for non- public cost-share (other agreements may be required and will be included when identified)		
Agreements with IEUA Member Agencies	2021	45%
Agreements with SWPC	2021	30%
Chino Basin Storage and Recovery Application	2021	5%
Contracts for administration of public benefits		
CDFW (ecosystem)	2021	15%
SWRCB (water quality)	2021	5%
DWR (emergency response)	2021	5%
DWR (operations)	2021	20%
Completed feasibility studies (includes feasibility studies related to planning efforts that are the framework for the CBP, as well as CBP-specific studies)		
2000 OBMP for Chino Basin	Done	100%
2001 Chino Basin Organics Management Strategy	Done	100%
2002 Recycled Water System Feasibility Study	Done	100%
2002 Wastewater Facilities Master Plan	Done	100%
2002 Salinity Management Plan	Done	100%
2005 Urban Water Management Plan	Done	100%
2005 Recycled Water Implementation Plan	Done	100%
2007 Recycled Water Three Year Business Plan	Done	100%
2010 Urban Water Management Plan	Done	100%
2013 RMPU	Done	100%
2015 Energy Management Plan	Done	100%
2015 Recycled Water Program Strategy	Done	100%
2015 Wastewater Facilities Master Plan Update	Done	100%
2015 Water Use Efficiency Business Plan Update	Done	100%
2016 Feasibility Study of Recycled Water Interconnection — Pomona, Monte Vista Water District, and IEUA	Done	100%
2016 Integrated Water Resources Plan	Done	100%
2017 Recycled Water Intertie Study – Jurupa Community Services District and IEUA	Done	100%
2018 RMPU	Done	100%
OBMP Update for Chino Basin	2021	85%
CBP Feasibility Studies and Pre-Design	2021	75%
IEUA Rate Study	2020	100%

Description	Estimated Completion Date	% Complete
Final environmental documentation (includes environmental documentation already completed that supports elements of the CBP)		
IEUA Facilities Master Plan PEIR	2017	100%
OBMP Update for Chino Basin EIR Addendum	2017	100%
OBMP Update for Chino Basin Subsequent EIR	2021	75%
CBP PEIR	2021	0%
All required federal, State, and local approvals, certifications, and agreements		
Federal: Potential operations approvals with USBR	2021	0%
Federal: Potential permitting approvals with USACE	2021	0%
Federal: Other possible federal permits/approvals tbd	2021	0%
State: Incidental Take Permit, if needed (with CDFW)	2021	0%
State: Section 1707 water rights change, if needed (by DWR, with SWRCB)	2021	0%
State: SWP water supply contract amendments, if needed (by SWPC, with DWR)	2021	0%
State: Other possible State permits/approvals tbd	2021	0%
Local: Possible encroachment permits (with/ the city and county)	2021	0%
Local: Storage in CBWB (with CBWM)	2021	0%
Local: Other possible local permits and approvals to be determined	2021	0%

*Note: Updates to the Funding Agreement and Status Update sections of the Table 2 quarterly reporting template (provided by the Commission) are for elements needed to execute a funding agreement. The Commission requires an update of these elements only when a significant change has occurred. There currently is no information to report for these elements and there has been no change in the information related to these elements at this time.



CONTACT INFORMATION

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