

FOX CANYON GROUNDWATER MANAGEMENT AGENCY

A STATE OF CALIFORNIA WATER AGENCY



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EXECUTIVE OFFICER
John Demers

October 22, 2025

Board of Directors
Fox Canyon Groundwater Management Agency
800 South Victoria Avenue
Ventura, CA 93009-1600

SUBJECT: Approval of Watermaster Response Report to LPV Policy Advisory Committee Recommendation Report Regarding LPV Basin Optimization Project; Purchase of Imported Water from CMWD for Basin Replenishment (Calleguas In-Lieu Program) Implementation [LPV Watermaster] – (New Item)

RECOMMENDATIONS: (1) Receive an Agency Presentation on the Purchase of Imported Water from CMWDS (Calleguas In-Lieu Program), (2) Approve the Response Report to the Policy Advisory Committee Recommendation Report, and (3) Provide direction to staff.

BACKGROUND:

The Judgment requires Watermaster prepare a Basin Optimization Yield Study (BOYS) that will establish the operating yield, and in turn the amount and rate of rampdown, in each water year (WY) through WY 2039 such that the operating yield and sustainable yield for the Las Posas Valley (LPV) Basin match by WY 2040, resulting in sustainable management of the LPV Basin in accordance with the Sustainable Groundwater Management Act (SGMA). (Judgment, §§ 3.3, 4.10, 5.1.) Critical to the development of the of BOYS is the Basin Optimization Plan (BOP), whose purpose is to evaluate and select the “Basin Optimization Projects that are likely to be practical, reasonable, and cost-effective to implement prior to 2040 to maintain the Operating Yield at 40,000 AFY [acre-feet per year] or as close thereto as achievable.” (Judgment § 5.3.2.2.)

On February 7, 2025, as part of the BOP development process, the Policy Advisory Committee (PAC) recommended Watermaster pursue projects and programs that are low-cost and readily implementable. In the same recommendation report, the PAC declared support for the Least-Cost Acquisition Program and the Calleguas In-Lieu Program and recommended that Watermaster staff work with Calleguas and pertinent pumpers to develop proposals for the two programs. The Least Cost Acquisition Program, “seeks to develop a program for the least cost acquisition of Allocation Basis, Annual

Allocation and/or Carryover, as an alternative to Basin replenishment and/or rampdown,” while the Calleguas In-Lieu Program, would supply imported water In-Lieu of groundwater extraction in two parts of the LPV Basin exhibiting chronic groundwater level declines” (Las Posas Valley Basin Optimization Plan, 2025). In response, Calleguas, with input from Zone Mutual Water Company, Ventura County Waterworks Districts Nos. 1 and 19, representatives from agricultural Constituency Groups, and FCGMA/Watermaster staff, prepared a memo describing the path to implement an in-lieu program. The PAC reviewed the draft memo, discussed the program and approved submitting the memo as a Recommendation Report to Watermaster as provided for in the Judgment (Exhibit 17A).

DISCUSSION:

On June 25, 2025, your Board adopted the Las Posas Valley Optimization Plan (BOP), following Committee Consultation. The adopted BOP includes a budget and timeline for implementation of recommended Basin Optimization Projects, including the purchase of imported water from Calleguas Municipal Water District for basin replenishment and the In-Lieu Program. The PAC In-Lieu Program Recommendation Report provides background on previous in-lieu programs, recommendations and an outline for implementation.

In general, staff agree with the PAC memo’s description of the In-Lieu Program and its recommendations. However, staff note that there is need for greater clarity in some sections of the In-Lieu Program Recommendation Report. Thus, staff have provided a detailed Response Report (Exhibit 17B). More specifically, the Response Report identifies the need for more detail and transparency in how Calleguas intends to apply several of its own administrative charges and policies:

- The PAC Recommendation Report identifies two Calleguas charges, a Capacity Charge (CC) and a Readiness to Serve (RTS) charge, that may apply to the In-Lieu Program. However, the Report does not describe with certainty whether and/or how these charges may apply to the In-Lieu Program;
- The PAC Recommendation Report does not provide the amount/rate of CC and RTS charges for high and low periods. In the absence of these amounts/rates, full costs for the In-Lieu Program cannot be calculated;
- The PAC Recommendation Report includes a foot note recommendation that the In-Lieu Program operate during the low-demand period between October 1 and April 30, but it does not include any analysis of Water Right Holders’ or the LPV Basin’s water demands during either the low or demand periods; consequently, the success of the In-Lieu Program cannot be determined at this time; and
- Staff estimates that the annual allocation of WMID’s within United Water Conservation District’s service area is about 1,200 AF higher than estimated in the PAC Recommendation Report, which will have a direct impact on funds raised for implementation of the In-Lieu Program.

Staff's Response Report recommends that Calleguas provide clarity on how CC and RTS charges may apply to the In-Lieu Program, the amount/rate of CC and RTS charges for both the high and low periods that will enable calculation of the full costs of the In-Lieu Program, an analysis of the participating purveyors water demands during both the low and high demand periods to evaluate which period would benefit most from such a program and finally, your Board following PAC consultation develop policy guidance on Basin Optimization Project Assessments for Water Right Holders that already pay an assessment to United Water Conservation District for replenishment activities.

CONCLUSION:

Agency staff recommends your Board (1) receive and file this presentation, (2) approve the attached Response Report to the Policy Advisory Committee Recommendation Report, and (3) provide any direction to staff.

This letter has been reviewed by Agency Counsel. If you have any questions, please call me at (805) 654-3942.

Sincerely,



Kudzai Farai Kaseke (Ph.D., PH, PMP, CSM)
Assistant Groundwater Manager

Attachment:

Exhibit 17A – PAC Recommendation Report, September 4, 2025

Exhibit 17B – Watermaster Response Report, October 8, 2025

TO: Las Posas Valley Watermaster

FROM: Las Posas Valley Watermaster Policy Advisory Committee

RE: Recommendation Report: Calleguas In-Lieu Program Memo

DATE: September 4, 2025

The Las Posas Valley Watermaster Policy Advisory Committee (PAC) provides this Recommendation Report on the Calleguas In-Lieu Program.

Recommendation:

See attached memo for recommendation.

Policy Rationale for Recommendation:

See attached memo for policy recommendation.

Summary of Facts in Support of Recommendation:

See attached memo for summary of facts.

Tally of Committee Member Votes:

	YES	NO	ABSTAIN	ABSENT
Ian Prichard, Calleguas MWD	X			
Paul Chan, VC WWD No. 1 & 19*				
John Menne, Zone MWC	X			
Rob Grether, West LPV Large Ag	X			
David Schwabauer, East LPV Large Ag	X			
Patricia Martinez, East LPV Small Ag				X
Richard Cavaletto, West LPV Small Ag	X			
Laurel Servin, East LPV MWC	X			
Steven Murata, West LPV MWC	X			
Arturo Aseo, Commercial	X			
<i>*As of the date of this vote, Mr. Chan was nominated by Ventura County Waterworks to serve as the agency representative on the PAC but had not been confirmed by the Watermaster Board. As such, he did not cast a vote.</i>				

Report of Bases for Majority and Minority Committee Member Positions: N/A

PAC Recommendation Report Regarding the Calleguas In-Lieu Program

On February 7, 2025, the PAC addressed a letter to the Watermaster declaring its support for two of the programs listed in the draft Basin Optimization Plan: the Least-Cost Acquisition Program and the Calleguas In-Lieu Program. The PAC recommended that Watermaster staff work with Calleguas and pertinent pumpers to develop proposals for the two programs.

In response, Calleguas, with input from Zone Mutual Water Company, Ventura County Waterworks Districts Nos. 1 and 19, representatives from agricultural Constituency Groups, and FCGMA/Watermaster staff, prepared a memo describing the path to implement an in-lieu replenishment program.

The PAC reviewed the memo and discussed the program and draft memo at the August 7, 2025 meeting and approved submitting the attached memo as a Recommendation Report at September 4, 2025 meeting.

REDDY PAKALA, SECRETARY
DIVISION 3

SCOTT H. QUADY, DIRECTOR
DIVISION 2



THIBAUT ROBERT, VICE PRESIDENT
DIVISION 4

JACQUELYN MCMILLAN, TREASURER
DIVISION 5

KRISTINE MCCAFFREY
GENERAL MANAGER

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TO: Las Posas Valley Basin Watermaster

DATE: September 4, 2025

FROM: Ian Prichard, Deputy General Manager

RE: In-Lieu Programs for the Las Posas Valley Basin Watermaster

On February 7, 2025, the Las Posas Valley Basin Watermaster Policy Advisory Committee (PAC) addressed a letter to the Watermaster declaring its support for two of the programs listed in the draft Basin Optimization Plan (BOP): the Least-Cost Acquisition Program and the Calleguas Municipal Water District (Calleguas) In-Lieu Program. The PAC recommended that Watermaster staff work with Calleguas and pertinent pumpers to develop proposals for the two programs.

In response, Calleguas has, with input from Zone Mutual Water Company (MWC), Ventura County Waterworks Districts (VCWWD) Nos. 1 and 19, and representatives from agricultural Constituency Groups in the East and West Las Posas Management Areas, prepared this memo describing the path to implement a program to replenish the Las Posas Valley Groundwater Basin (LPV Basin) via in-lieu deliveries of imported water. The memo provides pertinent background, describes key constraints and differences from previous in-lieu programs in the area, and recommends solutions.

From a high-level perspective, it is straightforward: Calleguas purveyors in the LPV, who already receive imported water and pump groundwater, would simply receive additional imported water and pump less groundwater. Watermaster would pay the difference between the cost of Calleguas's imported water and a purveyor's pumping costs, with the unpumped allocation staying in the ground as replenishment water.

The infrastructure to accomplish the additional imported water deliveries exists and is currently functional. The Judgment provides the institutional mechanism: Section 5.6 states that, "Watermaster may compel a Water Right Holder to take delivery of In Lieu Water as a substitute for the Use of the Water Right Holder's Annual Allocation... provided that... such substitution will not

adversely and materially affect the quality of the Party's water supply or their cost of operation.” The quality of Calleguas's water supply is not an issue. All that remains is an administrative process to render in-lieu deliveries from Calleguas cost-neutral, which would occur through Watermaster's subsidization, with funds generated by the Basin Assessment, of the difference between a Party's cost to pump groundwater and the Tier 1 cost of Calleguas water.

General Background

Calleguas is a wholesale water provider operating in southeastern Ventura County. Calleguas sources water from the Metropolitan Water District of Southern California (Metropolitan) through a connection in Chatsworth. Metropolitan is a State Water Project Contractor. Calleguas's and Metropolitan's boundaries in Ventura County are coterminous.

Calleguas delivers imported water to 19 retail water providers (purveyors). These deliveries are made through 98 “turnouts”: large meter stations that can be operated on demand or in automatic “float” mode. All purveyors have points of connection to the Calleguas system.

In the LPV Basin, Calleguas purveyors include Crestview MWC, California-American Water Company, Solano Verde MWC, Zone MWC, and VCWWD-19 in the West Las Posas Management Area (WLPMA); VCWWD-1, VCWWD-19, Zone MWC, and Berylwood Heights MWC in the East Las Posas Management Area (ELPMA). Zone and VCWWD-19 straddle the two management areas.

Because the LPV groundwater adjudication was conducted pursuant to both *in personam* and *in rem* jurisdiction, Calleguas and all its purveyors in the LPV Basin are party to the Judgment. Metropolitan is not.

A number of other mutual water companies and individual landowners who are not Calleguas purveyors produce groundwater from the LPV Basin. These are also party to the Judgment pursuant to the Court's *in rem* jurisdiction.

A portion of the western LPV Basin, approximately 10 percent by land area, is outside Calleguas's service area boundary. Mutual water companies and landowners in this area of the western WLPMA are inside the United Water Conservation District (United) boundary. Properties located within the boundary hold approximately 17 percent of the LPV Annual Allocation, or **6,795.86 AF** of the 40,000 AF in Water Year (WY) 2025. United is within the Ventura County Watershed Protection District State Water Contractor area and recharges the LPV Basin in the western WLPMA, in part with State Water Project water it brings down the Santa Clara River. However, United currently has no means of delivering water directly to any WLPMA property.

Over the last ten years, Calleguas has delivered approximately 8,000 AFY on average to its customers in the LPV Basin. Calleguas's ten-year average deliveries to its entire service area, both within and outside the LPV Basin, are approximately 83,000 AFY. Deliveries peaked at approximately 128,000 AFY in the 2006-2008 period. Barring an extended, extreme dry period, such as the region experienced in 2020-2022, Calleguas anticipates having sufficient supply from Metropolitan to meet the additional demand of the proposed in-lieu program.

ASR Wellfield

Calleguas owns and operates the Las Posas Aquifer Storage and Recovery (ASR) Wellfield in the ELPMA, which provides a mechanism to inject and extract stored imported water as a backup water supply source for Calleguas's customers. Built in the 1990s and early 2000s, the Wellfield consists of 18 injection/extraction wells (plus a 19th for extraction only at a nearby location that will return to service in the next couple years), a disinfection facility, and a 5-million-gallon aboveground reservoir. One hundred percent of the water injected at the Wellfield is imported water. From 1993 to 2022, the Wellfield went through two large storage and recovery phases. As of this writing, Calleguas has approximately 23,000 AF of water stored at the Wellfield. Calleguas's storage account has never gone negative.

The Judgment provides that Calleguas's operation of the Wellfield is intended as a water source for Calleguas customers under four scenarios: a maintenance outage; in response to shortages per Water Code section 10632(a)(3)(A); a catastrophic system outage; and regular Wellfield operation and maintenance. (See Judgment at Section 8.3.) Additional uses of the Wellfield are to be explored in the Calleguas ASR Project Operations Plan required by the Judgment's Section VIII. The Calleguas ASR Project Operations Plan will include, among other subjects, evaluation of the use of in-lieu deliveries "more optimally to achieve Basin management objectives."

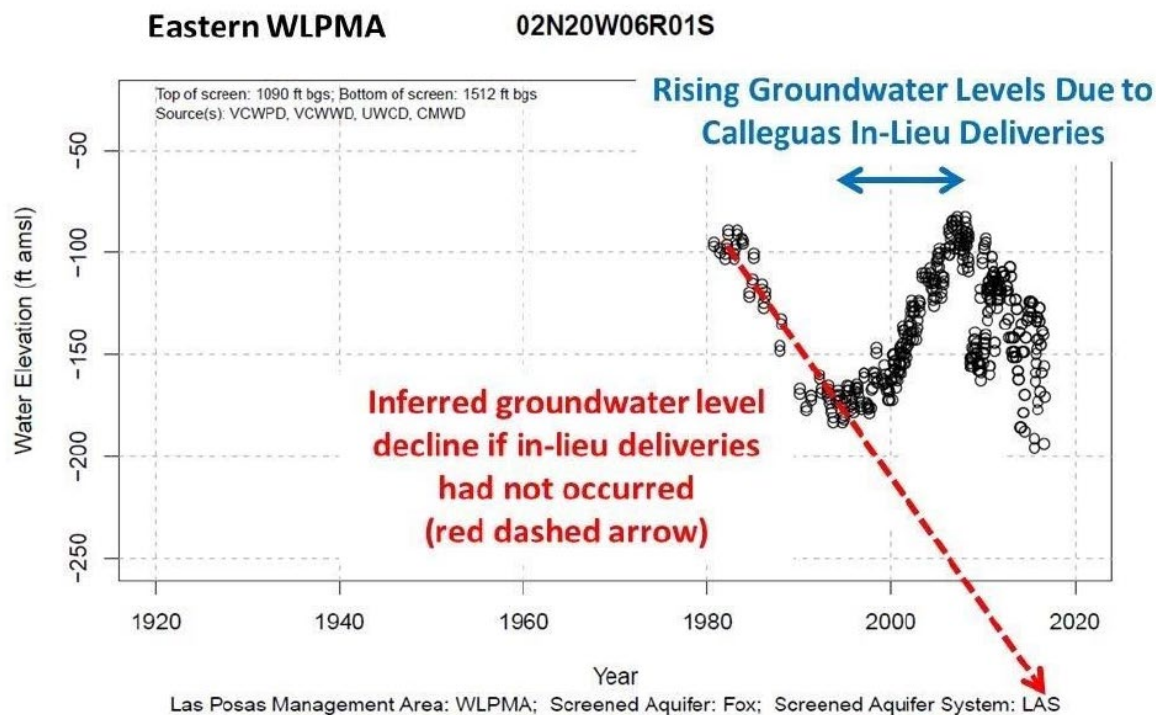
Previous In-Lieu Programs

Between 1994 and 2016, Calleguas and its purveyors across the LPV Basin collaborated on in-lieu programs. Each of these programs was administered by a separate agreement between Calleguas and the purveyor that was approved by the Fox Canyon Groundwater Management Agency (FCGMA). The purveyor would reduce or stop groundwater production, Calleguas would deliver imported water to meet the purveyor's needs, and their unused groundwater would be banked in Calleguas's name.

As of this writing, Calleguas has approximately 31,540 AF of groundwater credits stored in the LPV Basin through these programs. (This is separate from imported water stored through injection at the Wellfield.) Approximately 80% of existing credits are stored in the WLPMA and the majority of those were accumulated through an agreement between Calleguas and VCWWD No. 19. All of

these previous in-lieu programs were straightforward in that only Calleguas and its purveyor were involved (with approval from the FCGMA). Calleguas maintains and reports to the FCGMA its credit account balance. Calleguas has not recovered any of the stored water in the WLPMA (a total of approximately 25,192 AF of credits).

The existing groundwater monitoring network demonstrated positive responses in groundwater levels in areas where groundwater pumping was suspended during these programs. The graph below, which was included in an April 18, 2018 Calleguas comment on the November 2017 preliminary draft of the Las Posas Valley Basin Groundwater Sustainability Plan, demonstrates the positive impact of in-lieu deliveries from the mid-1990s through the late 2000s on groundwater levels in the eastern WLPMA. The groundwater monitoring network continues to function today.



Proposed Watermaster In-Lieu Program

As Calleguas understands the proposal for an in-lieu program described in the Judgment, replenishment fees raised by the LPV Basin assessment would pay for imported deliveries to Calleguas purveyors in the LPV Basin, who also pump groundwater, in lieu of them pumping. Physically, this is the same mechanism as the previous in-lieu programs described above. The purveyor would reduce or stop pumping and Calleguas would deliver additional imported water. Purveyors control when to stop pumping and take in-lieu water and where within their system (if they have more than one turnout) they take deliveries. All the infrastructure that made previous

programs possible still exists and much of it is automatic. Institutionally, however, there are two key differences between these previous programs and the new program proposed here.

First, this in-lieu program is intended to directly offset pumping with a like amount of imported water to permanently conserve that increment of pumping underground.

Second, the arrangements needed for the proposed in-lieu program would change. Instead of an agreement between the purveyor and Calleguas, there would need to be an arrangement between the purveyor and the Watermaster to offset the additional costs of the Calleguas water supply compared with pumped groundwater. All else being equal, the Watermaster would pay the purveyor the difference between the purveyor's cost to pump groundwater and the cost to purchase imported water from Calleguas (for example, currently, the Tier 1 rate in 2025 is \$1,895¹) and divide that cost over the total LPV Basin allocation in that year (40,000 AF in WY 2025). However, Section 7.9 of the Judgment provides that "Watermaster may reduce the amount of the Basin Assessment levied on Water Rights Holders that pay an assessment to UWCD if Watermaster determines, following Committee Consultation, that such a reduction is appropriate as a matter of equity." Water rights holders that pay assessment to UWCD hold 6,795.86 AF of "Allocation Basis" under the Judgment. Any offset of Basin Assessments authorized by Watermaster for these water rights holders would not be a full offset of the Basin Assessment, but rather only a partial offset reflective of the amount of the UWCD assessment that funds UCWD's replenishment activities. That amount cannot be readily determined for the purposes of this memorandum, but the potential for such a reduction is noted. Zone and VCWWD Nos. 1 and 19 are prepared to participate in this initial phase of the program. They are the only purveyors in the Las Posas Valley with wells in the two areas in which the GSA projects minimum threshold exceedances will occur. Recharging with in-lieu deliveries in these service areas would most efficiently maximize basin yield. They have also participated in Calleguas in-lieu programs from 1994-2008, shortening the runway to implementation, and have significant demand (>5,000 AFY from the LPV Basin), allowing for significant impact in any given year. Utilizing Calleguas's and FCGMA's existing groundwater monitoring networks, the impacts of the program on water levels will be measurable.

¹ The Tier 1 cost does not include the Capacity Charge (CC) or the Readiness to Serve (RTS) charge, both of which are a calculated rate charged to retailers based on flow and volume, respectively. The CC is intended to recover the cost of providing peaking capacity within the distribution system and is based on the calculated total average flow rate that occurs between May 1 and September 30. The CC can be significant and it is recommended that the in-lieu program be designed to operate in the low-demand period, between October 1 and April 30, to avoid incurring the CC. The RTS is intended to recover the principal and interest payments on Metropolitan's non-tax-supported debt service issued to fund capital improvements necessary to meet the continuing reliability and water quality needs associated with projected demands and is assessed on a ten-year rolling average of annual water purchases. How the RTS affects the cost of water will be determined on a case-by-case basis in concert with the retailer. Calleguas's rates are adjusted every January 1 and are available at the District website, www.calleguas.com.

Table 1, Replenishment Water Availability and Pumping Cost, includes the Allocation Basis of each of the four identified purveyors as listed in the Judgment’s Exhibit C. The column titled “Available for Replenishment” represents the amount of groundwater, on an annual basis, the purveyor estimates they can offset through in-lieu deliveries from Calleguas and leave in the LPV Basin as replenishment water. For the estimates in the next “Pumping Cost” column, purveyors provided pumping-cost estimates, for the purposes of this memo only, to give a sense of the scale of the program cost and the difference between purveyors. This “Available for Replenishment” column and the next “Pumping Costs” column were provided by VCWWD and Zone in April/May 2025 and should be considered “initial estimates” for demonstration purposes. Finally, the “Replenishment Cost” column simply subtracts the pumping cost from the Calleguas Tier 1 Rate. As Table 1 demonstrates, the higher the purveyor’s costs to pump groundwater, the lower the cost to the Watermaster of conserving that groundwater as replenishment water.

Table 1. Replenishment Water Availability and Pumping Cost					
Calleguas Purveyor	WY2024 Allocation (AF)	Available for Replenishment (AF)	Pumping Cost per AF	Calleguas Tier 1 Rate*	Replenishment Cost per AF*
VCWWD No. 1	2,548.44	2,161.76	\$800	\$1,895	\$1,095
VCWWD No. 19 – ELPMA	478.44	298.87	\$800		\$1,095
VCWWD No. 19 – WLPMA	1,905.72	1,191.05	\$800		\$1,095
Zone **	4,626	2,000	\$300		\$1,595
Total		5,651.68			
* Does not include CC and RTS as described in footnote 1.					
** Zone’s Allocation Basis is the aggregated exclusive shareholder allocations the mutual manages.					

An early draft of the Watermaster FY2025-26 budget included a \$50/AF replenishment fee that could have gone towards purchasing in-lieu water from Calleguas under this program. The fee was left out of the final FY2025-26 budget because the administrative process to collect a Basin Assessment from only a portion of the Water Rights Holders in the basin had not yet been developed. As discussed above, the Water Rights Holders in the western portion of the West Las Posas—representing 6,795.86 AF of Allocation Basis—would not be subject to the replenishment fee, in light of the equitable adjustment framework provided in Section 7.9 of the Judgment. Levying

a \$50/AF replenishment fee on the 33,804.14 AF of “participating” allocations² would provide just shy of \$1.7 million of funding for an “Initial Replenishment Fund.”

Table 2, Potential Replenishment Volumes, demonstrates how much water could be replenished through each participating purveyor. The fourth column, “AF of Replenishment,” divides that estimated “Initial Replenishment Fund” by the “Replenishment Cost” provided by each purveyor to demonstrate how many acre feet could be replenished through each participating purveyor with a \$50/AF replenishment fee.

Increasing the replenishment fee collected as part of the LPV Basin assessment could provide for additional replenishment water. The cost to maximize in-lieu deliveries to VCWWD Nos. 1 and 19 and leave their entire 3,651.68 AF of allocation in the ground in WY25 would be approximately \$3,998,590. Replacing all of Zone’s 2,000 AF would cost approximately \$3,190,000.

Table 2. Potential Replenishment Volumes			
Calleguas Purveyor	Initial Replenishment Fund	Replenishment Cost per AF*	AF of Replenishment
VCWWD No. 1	\$1,690,207	\$1,095	1,544
VCWWD No. 19 – ELPMA		\$1,095	1,544
VCWWD No. 19 – WLPMA		\$1,095	1,544
Zone		\$1,595	1,095
Replenishment Cost per AF = Calleguas Tier 1 (\$1,895 in 2025) minus Pumping Cost per AF			
* Does not include CC and RTS as described in footnote 1.			

Implementation

To put this program into effect, the following series of actions would need to occur.

1. Watermaster staff confirms ability to apply Calleguas In-Lieu Program replenishment fees to only “participating” WMIDs.
2. Watermaster creates “Initial Calleguas In-Lieu Replenishment Fee” line item in Watermaster budget, with the Board establishing an initial target replenishment volume.

² This memo does not consider the administrative mechanism by which Watermaster would need to adjust basin assessment billing to add this replenishment fee to only participating WMIDs.

Watermaster could fund this with surplus FY24-25 funds or collect it as part of the FY25-26 basin assessment. TAC and PAC are available for constituent input on this process, in addition to Watermaster Board and Committee meetings.

3. Watermaster, with TAC input, identifies key monitoring wells to be used to evaluate program impact, establishes baseline conditions, and creates a reporting mechanism, ideally included as a new component in the Groundwater Sustainability Plan Annual Report.
4. Watermaster develops arrangements with Zone and VCWWD Nos. 1 and 19 to offset specific amounts of allocation in WY25. The arrangements would:
 - a. Identity which wells would be used and where pumping would be reduced, with selections reviewed by the TAC;
 - b. Specify the amount of in-lieu deliveries to be debited from the participating pumper's annual allocation available to be pumped and include an acknowledgment that pumping above the remainder would incur and Overuse Assessment and that pumping under the remainder would result in accrual of Carryover
 - c. Specify the cost, per acre foot, of in-lieu imported water deliveries from Calleguas, including any ongoing charges by Calleguas triggered by their participation, to calculate the amount of subsidization necessary to offset the increased cost of using Calleguas water in lieu of groundwater
 - d. Include a mechanism to verify participants' cost to produce water, including power, chemical, and the avoidance of FCGMA extraction fees and Watermaster basin assessments, and assuring that costs not directly applicable to well operation are not included
5. Zone and VCWWD Nos. 1 and 19 increase deliveries from Calleguas to decrease groundwater production.
6. Upon confirmation of groundwater conservation, Watermaster pays the participant for the conserved groundwater.

Conclusion

Replenishing the LPV Basin through a Calleguas In-Lieu Program is a low-risk mechanism to conserve groundwater. While it would be a new Watermaster program, its efficacy has been

demonstrated many times over the last 30 years. The infrastructure is in place. Calleguas, Zone, and VCWWD are standing by.

A Calleguas In-Lieu Program supports sustainable groundwater management in the LPV Basin consistent with the Judgment. It is flexible. Initiate the program whenever it's needed. Ramp it up or down as hydrology demands and funding allows. Calleguas water may not be participants' cheapest source of water, but it is available under all but the most extreme conditions. Taking advantage of it now, or at least establishing the mechanism to do so, when conditions are favorable and the stakes are comparably low, will make it easier to do so again in the future.

Calleguas strives to support the Watermaster in this endeavor and in other efforts to achieve sustainability in the LPV Basin.

LAS POSAS VALLEY WATERMASTER RESPONSE REPORT

Date: October 08, 2025

To: Las Posas Valley Watermaster Board of Directors

From: Kudzai Farai Kaseke, Assistant Groundwater Manager (FCGMA)

Re: Response Report to PAC Consultation Recommendation Report, Calleguas In-Lieu Program Memo

The Las Posas Valley (LPV) Policy Advisory Committee (PAC) requested that Calleguas Municipal Water District (Calleguas) develop a memo with recommendations regarding the in-lieu program proposed in the Basin Optimization Plan. The PAC submitted a recommendation report via email September 18, 2025. The recommendation report is dated September 4, 2025, and consists of a transmittal and a nine-page memo prepared by Calleguas also dated September 4, 2025, regarding the “In-Lieu Programs for the Las Posas Valley Basin Watermaster.” The PAC’s transmittal states that Calleguas prepared the memo with input from Zone Mutual Water Company, Ventura County Waterworks Districts Nos. 1 and 19, representatives from agricultural Constituency Groups, and Fox Canyon Groundwater Management Agency (FCGMA) / Watermaster staff.

The Calleguas Memo provides background on previous in-lieu programs, recommendations in text for the proposed Watermaster in-lieu program, and an outline for implementation. The Calleguas Memo does not include enumerated recommendations typical of committee recommendation reports. Therefore, this Watermaster response report addresses specific policy recommendations contained in the Calleguas Memo, organized by the topics with input from Zone Mutual Water Company, Ventura County Waterworks Districts Nos. 1 and 19, representatives from agricultural Constituency Groups, and FCGMA/Watermaster staff Memo.

General Background

In the General Background section, Calleguas provides an overview of its wholesale water operation and identifies the Calleguas purveyors in the LPV Basin; it states that Metropolitan Water District of Southern California (Metropolitan) is not a party to the Judgment; identifies the portion of LPV Annual Allocation held by WMID’s inside the United Water Conservation District boundary in the West Las Posas Management Area (WLPMA); and summarizes the ten-year average water deliveries to Calleguas customers in the LPV Basin. Lastly, Calleguas states that it anticipates having sufficient supply from Metropolitan to meet the additional demand of the proposed in-lieu program.

Response to General Background:

The General Background section does not include specific recommendations, therefore, no Watermaster response is required.

ASR Wellfield

The ASR Wellfield section includes a brief description of Calleguas' aquifer and storage recovery wellfield in the East Las Posas Management Area (ELPMA).

Response to ASR Wellfield:

The ASR Wellfield section does not include specific recommendations, therefore, no Watermaster response is required.

Previous In-Lieu Programs

The Previous In-Lieu Programs section provides a brief overview of the in-lieu programs conducted between 1994 and 2016 in the LPV Basin. This section contains representation of credits held by Calleguas in the LPV Basin and WLPMA. This section includes a hydrograph demonstrating the rise in groundwater levels in response to the previous in-lieu program at a well in the eastern WLPMA.

Response to Previous In-Lieu Programs:

The Previous In-Lieu Programs section does not include specific recommendations, therefore, no Watermaster response is required.

Proposed Watermaster In-Lieu Program

The Proposed Watermaster In-Lieu Program section includes an overview of Calleguas' understanding of how the proposed program would work [same three purveyors identified in the BOP]. This section includes two tables. Table 1, Replenishment Water Availability and Pumping Cost, provides "initial estimates for demonstration purposes" of the replenishment cost per acre-foot for each of the three Calleguas purveyors. Table 2, Potential Replenishment Volumes, provides an example of the volumes of annual replenishment that might be achieved by each purveyor.

Response to Watermaster In-Lieu Program:

Specific understandings and recommendations in the Calleguas Memo are excerpted below followed by Watermasters' response.

As Calleguas understands the proposal for an in-lieu program described in the Judgment, replenishment fees raised by the LPV Basin assessment would pay for imported deliveries to Calleguas purveyors in the LPV Basin, who also pump groundwater, in lieu of them pumping. Physically, this is the same mechanism as the previous in-lieu programs described above. The purveyor would reduce or stop pumping and Calleguas would deliver additional imported water. Purveyors control when to stop pumping and take in-lieu water and where within their system (if they have more than one turnout) they take deliveries.

Watermaster Response: Watermaster agrees with Calleguas' general understanding of the proposed in-lieu program. Watermaster notes that purveyor's control of when and where it reduces or stops pumping would be within the

constraints of the agreed upon volume of reduction and in-lieu incentive at each specific well. Furthermore, Watermaster notes that this recommendation appears to be inconsistent with footnote 1 which recommends the program operate between the low-demand period of October 1 and April 30. Watermaster's response to this recommendation is addressed below.

All the infrastructure that made previous programs possible still exists and much of it is automatic. Institutionally, however, there are two key differences between these previous programs and the new program proposed here.

First, this in-lieu program is intended to directly offset pumping with a like amount of imported water to permanently conserve that increment of pumping underground.

Watermaster Response: Watermaster agrees this is the overall purpose of the proposed in-lieu program.

Second, the arrangements needed for the proposed in-lieu program would change. Instead of an agreement between the purveyor and Calleguas, there would need to be an arrangement between the purveyor and the Watermaster to offset the additional costs of the Calleguas water supply compared with pumped groundwater.

Watermaster Response: Watermaster agrees that there would be agreements between Watermaster and the purveyors to incentivize participation by offsetting the additional cost of purchasing Calleguas water over pumping groundwater.

All else being equal, the Watermaster would pay the purveyor the difference between the purveyor's cost to pump groundwater and the cost to purchase imported water from Calleguas (for example, currently, the Tier 1 rate in 2025 is \$1,895) and divide that cost over the total LPV Basin allocation in that year (40,000 AF in WY 2025). However, Section 7.9 of the Judgment provides that "Watermaster may reduce the amount of the Basin Assessment levied on Water Rights Holders that pay an assessment to UWCD if Watermaster determines, following Committee Consultation, that such a reduction is appropriate as a matter of equity." Water rights holders that pay assessment to UWCD hold 6,795.86 AF of "Allocation Basis" under the Judgment. Any offset of Basin Assessments authorized by Watermaster for these water rights holders would not be a full offset of the Basin Assessment, but rather only a partial offset reflective of the amount of the UWCD assessment that funds UCWD's replenishment activities. That amount cannot be readily determined for the purposes of this memorandum, but the potential for such a reduction is noted.

Watermaster Response: Watermaster staff acknowledges the recommendation in the Calleguas Memo that WMIDs within the UWCD boundary which pay an assessment to UWCD may be subject to a reduced Basin Assessment for the in-lieu program, as determined by Watermaster following Committee Consultation. This is a

significant policy recommendation that would affect all Water Right Holders in the Basin, which needs to be evaluated by and decided on by the Watermaster Board. At the same time, staff note a discrepancy in the Allocation Basis held by WMIDs in the UWCD service area reported as 6,795.86 AF in the Calleguas memo, staff's analysis estimates this at 7,997.98 AF which represents about 20% of the Annual Allocation Basis for the entire basin.

[From footnote 1]: The Tier 1 cost does not include the Capacity Charge (CC) or the Readiness to Serve (RTS) charge, both of which are a calculated rate charged to retailers based on flow and volume, respectively. The CC is intended to recover the cost of providing peaking capacity within the distribution system and is based on the calculated total average flow rate that occurs between May 1 and September 30. The CC can be significant, and it is recommended that the in-lieu program be designed to operate in the low-demand period, between October 1 and April 30, to avoid incurring the CC. The RTS is intended to recover the principal and interest payments on Metropolitan's non-tax-supported debt service issued to fund capital improvements necessary to meet the continuing reliability and water quality needs associated with projected demands and is assessed on a ten-year rolling average of annual water purchases. How the RTS affects the cost of water will be determined on a case-by-case basis in concert with the retailer. Calleguas's rates are adjusted every January 1 and are available at the District website, www.calleguas.com.

Watermaster Response: Watermaster appreciates the identification of all fees that may be incurred for purchasing Calleguas water for the in-lieu program. However, the recommendation that the in-lieu program operate during the low-demand period between October 1 and April 30 is a recommendation isolated in this footnote and not considered in the text of the Calleguas Memo. The Memo does not include any consideration of whether the three purveyor's demands during this period are anywhere close to the in-lieu program's proposed demands. This implementation recommendation would need to be explored with the purveyors to evaluate its feasibility. Watermaster requests that Calleguas provide estimates of the RTS and CC charges during both the May-1-to-September-30 and October-1-to-April-30 periods so that the full costs for program implementation can be evaluated.

Zone and VCWWD Nos. 1 and 19 are prepared to participate in this initial phase of the program. They are the only purveyors in the Las Posas Valley with wells in the two areas in which the GSA projects minimum threshold exceedances will occur. Recharging with in-lieu deliveries in these service areas would most efficiently maximize basin yield. They have also participated in Calleguas in-lieu programs from 1994-2008, shortening the runway to implementation, and have significant demand (>5,000 AFY from the LPV Basin), allowing for significant impact in any given year.

Utilizing Calleguas’ s and FCGMA’s existing groundwater monitoring networks, the impacts of the program on water levels will be measurable.

Watermaster Response: Watermaster agrees that these are the purveyors that should participate in the in-lieu program. These purveyors were identified in the Basin Optimization Plan for this program and were those included in the numerical groundwater modeling projects scenario for the Basin Optimization Yield Study.

Table 1, Replenishment Water Availability and Pumping Cost, includes the Allocation Basis of each of the four identified purveyors as listed in the Judgment’s Exhibit C. The column titled “Available for Replenishment” represents the amount of groundwater, on an annual basis, the purveyor estimates they can offset through in-lieu deliveries from Calleguas and leave in the LPV Basin as replenishment water. For the estimates in the next “Pumping Cost” column, purveyors provided pumping-cost estimates, for the purposes of this memo only, to give a sense of the scale of the program cost and the difference between purveyors. This “Available for Replenishment” column and the next “Pumping Costs” column were provided by VCWWD and Zone in April/May 2025 and should be considered “initial estimates” for demonstration purposes. Finally, the “Replenishment Cost” column simply subtracts the pumping cost from the Calleguas Tier 1 Rate. As Table 1 demonstrates, the higher the purveyor’s costs to pump groundwater, the lower the cost to the Watermaster of conserving that groundwater as replenishment water.

Table 1. Replenishment Water Availability and Pumping Cost					
Calleguas Purveyor	WY2024 Allocation (AF)	Available for Replenishment (AF)	Pumping Cost per AF	Calleguas Tier 1 Rate*	Replenishment Cost per AF*
VCWWD No. 1	2,548.44	2,161.76	\$800	\$1,895	\$1,095
VCWWD No. 19 – ELPMA	478.44	298.87	\$800		\$1,095
VCWWD No. 19 – WLPMA	1,905.72	1,191.05	\$800		\$1,095
Zone **	4,626	2,000	\$300		\$1,595
Total		5,651.68			
* Does not include CC and RTS as described in footnote 1.					
** Zone’s Allocation Basis is the aggregated exclusive shareholder allocations the mutual manages.					

Watermaster Response: Watermaster appreciates the examples included in Table 1 but notes the following: 1) The volumes “available for replenishment” are greater than the volumes under consideration in the proposed in-lieu program, i.e., 1,380 AFY in

the ELPMA and 1,760 AFY in the WLPMA; 2) Presently, there is no identified need to include VCWWD-19 wells in the ELPMA in the in-lieu program; 3) Full documentation of each purveyor's current pumping costs must be provided as recommended in the Implementation section of the Calleguas Memo; and 4) Estimates of all Calleguas fees that would be incurred for program implementation, including CC and RTS, should be provided by Calleguas so that fiscal planning includes full program implementation costs.

An early draft of the Watermaster FY2025-26 budget included a \$50/AF replenishment fee that could have gone towards purchasing in-lieu water from Calleguas under this program. The fee was left out of the final FY2025-26 budget because the administrative process to collect a Basin Assessment from only a portion of the Water Rights Holders in the basin had not yet been developed. As discussed above, the Water Rights Holders in the western portion of the West Las Posas—representing 6,795.86 AF of Allocation Basis—would not be subject to the replenishment fee, in light of the equitable adjustment framework provided in Section 7.9 of the Judgment. Levying a \$50/AF replenishment fee on the 33,804.14 AF of “participating” allocations would provide just shy of \$1.7 million of funding for an “Initial Replenishment Fund.”

Watermaster Response: As discussed previously, Watermaster staff acknowledges the recommendation in the Calleguas Memo that WMIDs within the UWCD boundary which pay an assessment to UWCD not be required to pay a Basin Assessment for the in-lieu program. This is a significant policy recommendation that would affect all Water Right Holders in the Basin, which needs to be evaluated by and decided on by the Watermaster Board. However, as noted earlier, staff estimate 7,997.98 AF of allocation Basis are held by WMIDs in UWCDs service area and if exempted from this Basin Assessment, levying a \$50/AF replenishment fee on the 32,002.02 AF of “participating” allocations would provide about \$1.6 million of funding for an “Initial Replenishment Fund.

Table 2, Potential Replenishment Volumes, demonstrates how much water could be replenished through each participating purveyor. The fourth column, “AF of Replenishment,” divides that estimated “Initial Replenishment Fund” by the “Replenishment Cost” provided by each purveyor to demonstrate how many acre feet could be replenished through each participating purveyor with a \$50/AF replenishment fee.

Increasing the replenishment fee collected as part of the LPV Basin assessment could provide for additional replenishment water. The cost to maximize in-lieu deliveries to VCWWD Nos. 1 and 19 and leave their entire 3,651.68 AF of allocation in the ground in WY25 would be approximately \$3,998,590. Replacing all of Zone’s 2,000 AF would cost approximately \$3,190,000.

Table 2. Potential Replenishment Volumes			
Calleguas Purveyor	Initial Replenishment Fund	Replenishment Cost per AF*	AF of Replenishment
VCWWD No. 1	\$1,690,207	\$1,095	1,544
VCWWD No. 19 – ELPMA		\$1,095	1,544
VCWWD No. 19 – WLPMA		\$1,095	1,544
Zone		\$1,595	1,095
Replenishment Cost per AF = Calleguas Tier 1 (\$1,895 in 2025) minus Pumping Cost per AF			
* Does not include CC and RTS as described in footnote 1.			

Watermaster Response: Watermaster appreciates the examples included in Table 2, but notes the following as discussed in Watermaster’s response to Table 1: 1) The volumes “available for replenishment” are greater than the volumes under consideration in the proposed in-lieu program; 2) Presently, there is no identified need to include VCWWD-19 wells in the ELPMA in the in-lieu program; 3) Full documentation of each purveyor’s current pumping costs must be provided as recommended in the Implementation section of the Calleguas Memo; and 4) Estimates of all Calleguas fees that would be incurred for program implementation, including CC and RTS, should be provided by Calleguas so that fiscal planning includes full program implementation costs.

Implementation

The Calleguas Memo includes six recommended implementation steps.

Response to Implementation

Each of the six steps recommended in the Calleguas Memo are excerpted below followed by Watermasters’ response.

1. *Watermaster staff confirms ability to apply Calleguas In-Lieu Program replenishment fees to only “participating” WMIDs.*

Watermaster Response: Watermaster understands that by “participating” WMIDs, the Calleguas Memo means those WMIDs not within and paying assessments to UWCD. As discussed previously, this policy recommendation requires evaluation and direction from the Watermaster Board. Watermaster staff confirms that if so directed by the Board, Basin Assessment fees for program implementation can be differentially applied to different groups of WMIDs.

2. *Watermaster creates “Initial Calleguas In-Lieu Replenishment Fee” line item in Watermaster budget, with the Board establishing an initial target replenishment*

volume. Watermaster could fund this with surplus FY24-25 funds or collect it as part of the FY25-26 basin assessment. TAC and PAC are available for constituent input on this process, in addition to Watermaster Board and Committee meetings.

Watermaster Response: The in-lieu program would be an ongoing program continuing from one water year to the next. Therefore, fiscal considerations including Basin Assessment need to be considered as part of the Watermaster Budget.

3. *Watermaster, with TAC input, identifies key monitoring wells to be used to evaluate program impact, establishes baseline conditions, and creates a reporting mechanism, ideally included as a new component in the Groundwater Sustainability Plan Annual Report.*

Watermaster Response: Watermaster agrees that monitoring is an important component to evaluate the effectiveness of the proposed in-lieu program and to provide information for operational considerations such as the volume and location of in-lieu water / reduced pumping needed to help assure program success. Watermaster agrees that TAC input on the monitoring program would be appropriate.

4. *Watermaster develops arrangements with Zone and VCWWD Nos. 1 and 19 to offset specific amounts of allocation in WY25. The arrangements would:*
 - a. *Identity which wells would be used and where pumping would be reduced, with selections reviewed by the TAC;*
 - b. *Specify the amount of in-lieu deliveries to be debited from the participating pumper's annual allocation available to be pumped and include an acknowledgment that pumping above the remainder would incur and Overuse Assessment and that pumping under the remainder would result in accrual of Carryover*
 - c. *Specify the cost, per acre foot, of in-lieu imported water deliveries from Calleguas, including any ongoing charges by Calleguas triggered by their participation, to calculate the amount of subsidization necessary to offset the increased cost of using Calleguas water in lieu of groundwater*
 - d. *Include a mechanism to verify participants' cost to produce water, including power, chemical, and the avoidance of FCGMA extraction fees and Watermaster basin assessments, and assuring that costs not directly applicable to well operation are not included*

Watermaster Response: Watermaster generally agrees with the item 4 program implementation recommendations, but notes "arrangements" would be agreements with the purveyors. As discussed previously, Calleguas needs to provide complete information about all fees that may be incurred including RTS and CC in order to

correctly specify the Calleguas charges in the agreements between Watermaster and the purveyors.

5. *Zone and VCWWD Nos. 1 and 19 increase deliveries from Calleguas to decrease groundwater production.*

Watermaster Response: This is consistent with Watermaster's understanding of how the in-lieu program would work.

6. *Upon confirmation of groundwater conservation, Watermaster pays the participant for the conserved groundwater.*

Watermaster Response: This is consistent with Watermaster's understanding of how the in-lieu program would work.

Watermaster Response Report to LPV Policy Advisory Committee Recommendation Report Regarding LPV Basin Optimization Project; Purchase of Imported Water from CMWD for Basin Replenishment (Calleguas In-Lieu Program)

Item 17 – October 22, 2025



Farai Kaseke (Ph.D., PH, PMP, CSM)
Assistant Groundwater Manager

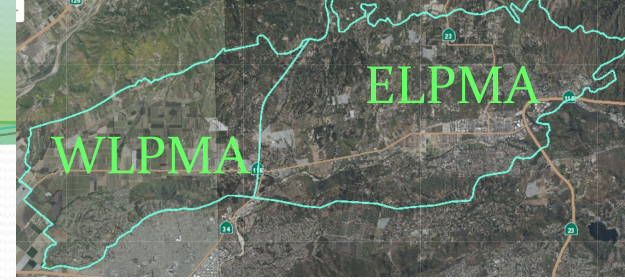
Background

- Las Posas Valley Adjudication Judgment (Judgment):
 - Requires the Watermaster prepare a Basin Optimization Yield Study (BOYS) (*Judgment, § § 3.3, 4.10, 5.1.*)
 - The Study determines the Operating Yield (OY) and the rampdown rate for each water year through WY 2039 such that Sustainable Yield (SY) and OY are the same by 2040 (*Judgment, § 4.10.2.*)
 - Critical to development of the BOYS is the Basin Optimization Plan (BOP), whose purpose is to evaluate and select the “Basin Optimization Projects that are likely to be practical, reasonable, and cost-effective to implement prior to 2040 to maintain the Operating Yield at 40,000 AFY [acre-feet per year] or as close thereto as achievable(*Judgment, § 5.3*)
 - Watermaster adopted the Initial BOP (June 25, 2025)

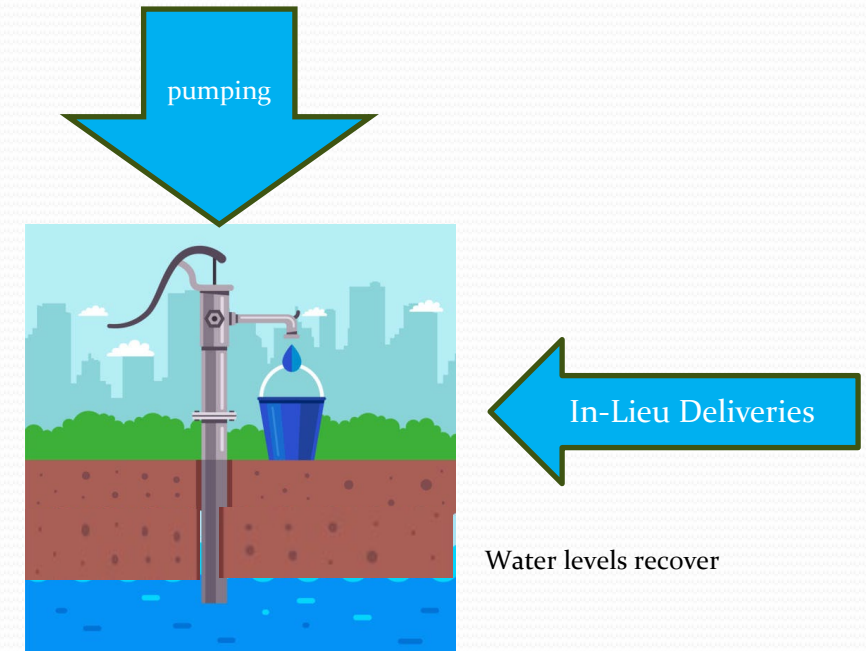
Basin Optimization Projects

1. Removal of *Arundo donax* from the Las Posas Valley watershed
2. Purchase of imported water from CMWD for basin replenishment
3. Arroyo Las Posas storm water capture and recharge
4. Constructing desalter(s) to address water quality issues in the Arroyo Simi Creek
5. Agreement with City of Simi Valley to maintain up-stream wastewater treatment plant discharges into the Arroyo Simi Creek
6. Agreement with Simi Valley for recycled water deliveries to LPV users via pipeline
7. In lieu deliveries to Northern East Las Posas Management Area
8. Allocation buyback and reduction program (Developing a least cost acquisition program)
9. Regional desalter feasibility study

PAC Recommendation Report



- Calleguas with input from Zone Mutual, Ventura County Waterworks Districts No. 1 & 19, representative from Agriculture and Watermaster staff prepared the Calleguas In-Lieu Program memo
- PAC reviewed, discussed and approved submission of memo to Watermaster as the PAC Recommendation Report (Exhibit 17A)
- Recommendation Report
 - Provides an overview of the In-Lieu Program
 - Provides background of previous In-Lieu programs
 - Provides recommendations for implementation



Staff Response Report



- Staff agree with PAC Recommendation Report's description of the In-Lieu Program & its recommendations.
- Need for greater clarity, thus staff have provided a detailed Response Report (Exhibit 17B)
- Specifically, how does Calleguas intend to apply its administrative charges & policies:
 - Capacity Charge (CC) & a Readiness to Serve charge (RTS)
 - Amount/rate of CC & RTS charges is not provided for high & low periods, thus full costs cannot be calculated for either period
 - Foot note recommends program operate during low demand period but does not include analysis of Water Right Holders' or the Basin's water demands during either high / low period thus success cannot be determined
 - Discrepancy on allocations held by WMID's within UWCD which have a direct impact on funds raised for program implementation

Recommendations

1. Receive and file this presentation;
2. Approve the attached Response Report to the Policy Advisory Committee (PAC)
Recommendation Report
3. Provide direction to staff.