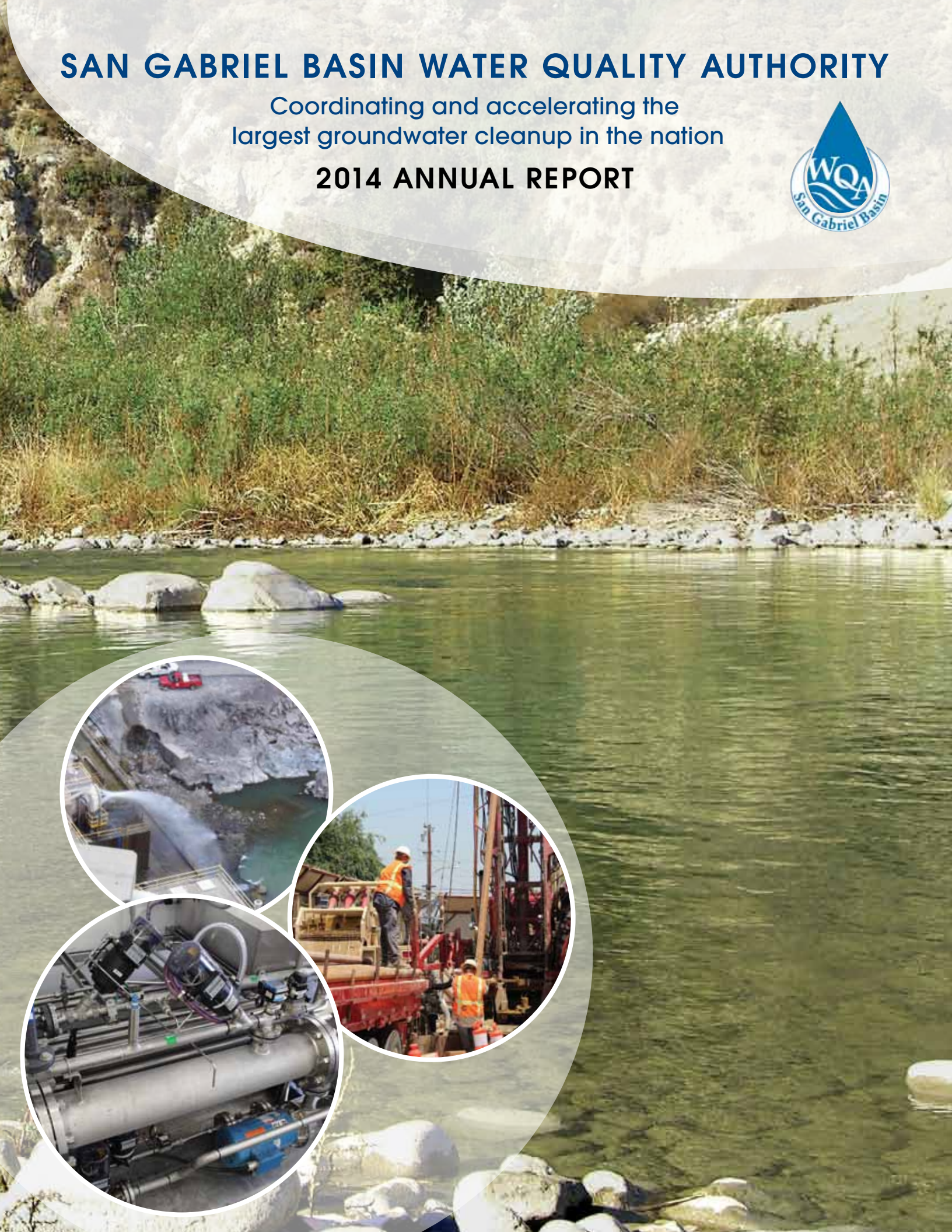


SAN GABRIEL BASIN WATER QUALITY AUTHORITY

Coordinating and accelerating the
largest groundwater cleanup in the nation

2014 ANNUAL REPORT



UNPRECEDENTED DROUGHT

2012-2014 was the driest three-year period on record for the state and perhaps for a millennium. It was also the warmest by a wide margin, and snowpack was only about one-third of normal. This extreme drought reinforces the importance of completing the cleanup of the massive groundwater reservoir beneath our feet.

A clean Basin allows us to store large amounts of stormwater in wet years that can be saved for dry periods such as this one.

Board of Directors 2014

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Bob Kuhn – Vice Chairman

Jim Byerrum – Treasurer

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Stephanie A. Moreno – Executive
Assistant, Public Outreach Coordinator

Michelle Sanchez – Administrative
Accounting Assistant

Eddy Beltran – Legal Counsel

Cleaning and Protecting the Groundwater Reservoir Beneath Our Feet

DESPITE A DRASTIC DROUGHT, 2014 WAS A YEAR OF PROGRESS.

A Message from the Executive Director

For the Groundwater and the Communities It Serves, 2014 Has Been a Productive Year. This year, Water Quality Authority:

- **Obtained a First-Of-Its Kind Regional Discharge Permit** that allows groundwater projects across the San Gabriel Valley to move forward.
- **Successfully Supported Assembly Bill AB 1043 (Chau)**, allowing local agencies to use grants from Prop 84 to improve water quality, to sue groundwater polluters, and to keep the money recovered for local cleanup efforts.
- **Held a Successful Ground-breaking for the Covina Irrigating Company** that culminated a two-year struggle to obtain Proposition 84 funding.

Groundwater Provides Critical Water Supply Benefits. In the past, polluted wells were simply abandoned. Later, treatment began and water was cleaned but dumped downstream. WQA and its partners in the Basin have successfully developed a new paradigm in which contaminated groundwater is cleaned and also used, thereby adding to limited and precious potable water supplies.

Funding Issues Threatens Progress. The recession and gridlock in Washington have impacted funding, limiting WQA's ability to reach fair settlements with, and contributions from, Responsible Parties, and putting the entire clean-up in jeopardy. As a result, WQA is prioritizing the development of funding in the coming years.

Advancing the Groundwater Cleanup. Virtually every success WQA has achieved is really a regional success built on close collaboration with a range of stakeholders. We are looking forward to another year of advancing our shared mission of cleaning and protecting the groundwater with our local, regional, state and federal partners.



Together we are looking forward to another great year of progress.

A handwritten signature in black ink, appearing to be "K. Manning".

Kenneth R. "Ken" Manning
Executive Director

SAN GABRIEL BASIN WATER QUALITY AUTHORITY

Working Together to Clean

BUILDING RELATIONSHIPS AND COMMUNICATION WITH STAKEHOLDERS

Because virtually every aspect of water supply and water quality protection and enhancement depend on successful team efforts, Water Quality Authority continues focusing on expanding its collaboration and partnerships at all levels: local, state and federal.

EXPANDED OUTREACH

New Outreach Program to Asian and Hispanic Communities. Water Quality Authority is developing a new program to engage stakeholders that have not been reached in the past. Initial planning is underway to develop outreach tools and messaging that these groups can relate to in their home languages.

FOCUS ON COLLABORATION

Continued Membership in San Gabriel Valley Economic Partnership. The WQA continued its "Leader Level" membership which has helped place water quality issues into community economic discussions through participation by WQA in events with local and state legislators.

Third Annual 2014 San Gabriel Valley Water Forum. WQA is one of the founding sponsors for the San Gabriel Valley Water Forum Series. Over 300 people—including water professionals, students, environmentalists and local government leaders—attended to learn about and discuss the effects of climate change, the sustainability of the groundwater

Basin, drought preparation and the drought's economic impacts.

Served on State Groundwater Task Force. At the request of the California Water Foundation, the Executive Director of WQA served on the task force that developed the language for the Sustainable Groundwater Management Act that was signed by the Governor.

Became a Sponsor for the Southern California Environmental Leadership Awards for the First Time This Year. The WQA Executive Director spoke at the Integrated Groundwater Resources Association Conference and at the California Foundation on the Environment and the Economy conference.

UPDATED INTEGRATED REGIONAL WATER MANAGEMENT PLAN (IRWMP)

Worked on Regional Task Force to Update the IRWMP Plan. This program develops collaborative, cost-effective solutions to address shared water resource needs.



the Groundwater Basin

WQA HAS ASSISTED IN TREATING MORE THAN 1.3 MILLION ACRE-FEET OF WATER AND REMOVING 74 TONS OF CONTAMINANTS.



OUR MISSION: PROTECTING AND CLEANING GROUNDWATER

Water Quality Authority's Focus is on rapidly and effectively cleaning the Basin at the least cost to local customers.

Accelerate Cleanup. WQA selects projects that will accelerate and advance cleanup activities to ensure clean water for the San Gabriel Valley community.

Ensure that Highly-Treated Water Is Provided to Customers, Not Wasted. The drought reminds us that every gallon of high-quality treated water is needed by customers and must be made available, not disposed of.

Prevent Movement of Contamination. WQA sponsored projects maximize use of existing wells and pipelines to save money, and also treat water in areas where it can then be productively used.

Minimize Cost Impact on Local Customers. WQA aggressively seeks funding from the Responsible Parties as well as federal and state governments. Where needed, WQA and local purveyors pool funds to initiate urgently-needed treatment, but always seek reimbursement afterwards.

Legislative and Regulatory

Water Quality Authority has two primary water supply responsibilities: first to accelerate the groundwater cleanup, and second to ensure that highly treated water is provided to customers and not wasted. The current extreme drought reinforces the importance of making available all treated groundwater, maximizing locally available water resources.

HELPED INCORPORATE BENEFITS FOR VALLEY IN PROP. 1—THE WATER BOND

WQA Worked With Other San Gabriel Valley Organizations to Support Passage of Proposition 1—The Water Quality Supply and Infrastructure Improvement Act of 2014. WQA engaged with the San Gabriel Valley Caucus to make sure that language beneficial to the San Gabriel Valley was incorporated into the Water Bond. The results were remarkable: funding for both construction costs as well as treatment and remediation; preference to National Priority List sites such as the San Gabriel Basin; \$80 million in funding for water treatment with existing treatment facilities in “superfund” sites, like those in the Basin; and elimination of the payback of grant funds for cleanup. Looking ahead, WQA will assist water purveyors with application preparation and support to maximize the opportunities to obtain bond funding.

“With the new discharge permit, we are able to expedite tested permitting of facilities thanks to the Regional Board’s new permitting process under the WQA.”

*Dan Arrighi
San Gabriel Valley Water Company*

OBTAINED GENERAL WATER DISCHARGE PERMIT

Strict Environmental Requirements Effectively Stopped the Startup and Testing of Wells, Putting the Entire Cleanup In Jeopardy. Following years of work, Water Quality Authority and the Los Angeles Regional Water Quality Control Board (LARWQCB) developed a creative solution: provide a permit allowing discharge of groundwater over a short period of time during the construction and testing of groundwater wells and treatment facilities. This first-of-its-kind permit removes a long-standing impediment to the construction, operation and maintenance of groundwater treatment facilities and monitoring wells.

The complex, multi-year permit effort required the WQA to engage with the United States Environmental Protection Agency (USEPA), Los Angeles County Flood Control District, the LARWQCB, Department of Toxic Substances Control, Environmental groups and others. Importantly, in the end, there was no opposition.

The new permit will allow the water to safely recharge the Basin and ensure that the treatment facilities continue running.

Victories Advance the Cleanup

SUPPORTED CRITICAL CLEANUP LEGISLATION

Helped Pass Assembly Bill AB 1043 (Chau) to Fund Cleanup Actions. After years of persistent work, two legislative sponsors and a governor's veto, Water Quality Authority and its partners were successful in helping pass (AB1043 Chau). This allows local agencies, such as Water Quality Authority, to use grants from Prop 84 to improve water quality, to sue ground water polluters, and keep the money recovered for local cleanup efforts.

Worked For Favorable Result in "Waters of the US" Legislation. The USEPA and others are anxious to expand the definition of "Waters of the US" to include many facilities and tributaries that are not now covered. WQA worked closely with stakeholders, including the Association of California Water Agencies, and Metropolitan Water District (MWD), seeking to ensure that spreading basins, canals and creeks necessary for regional water management should not be covered.

Approved Language to Ensure Designation of National Recreation Area Does Not Impact Water Supplies. This was undertaken in collaboration with the San Gabriel Valley Water Association, and designed to help ensure the new Area does not hinder the right to divert and spread water in recharge basins.

WORKED WITH FEDERAL, STATE, LOCAL REPRESENTATIVES

Participated in Local Congressional Event. A member of the Water Quality Authority Board participated in the Kickoff of the National Recreation Area Bill at an event sponsored by Congresswoman Judy Chu.

"My bill allows the proceeds recovered from polluters to be used locally. For example, if Water Quality Authority recovers \$10 million from polluters, that \$10 million will remain here in the San Gabriel Valley to help us clean the groundwater."

State Assemblyman Ed Chau



Treatment Plants Continue to Expand

WQA prioritizes cleanup projects that maximize use of existing wells and pipelines to save money, prevent movement of contamination, and also treat water in areas where it can then be put to beneficial use.



From the left to right: CIC Board Member John Fielding, LA Community College District Trustee Mike Eng, CIC Board Member Ron Capotosto, CIC Board Member Richard Jett, Congresswoman Judy Chu, Senator Ed Hernandez, WQA Board Member Louie Aguiñaga, WQA Chairman Bryan Urias, WQA Executive Director Ken Manning, Congresswoman Grace Napolitano, CIC Board Member Andrew McIntyre, WQA Board Member Luis Ayala, and WQA Board Member John Leung.

Baldwin Park Operable Unit (BPOU) 573,330 Acre-Feet Treated

Companies responsible for the contamination continue to pay all costs of cleanup and WQA continues to process all funds back to the treatment plant owners and operators, as well as provide project coordination. WQA also began the process of extending its agreements with a number of property owners in order to maintain access to its monitoring wells.

South El Monte Operable Unit (SEMOU) 153,982 Acre-Feet Treated

With all projects in the SEMOU funded through 2019, and the settlement agreements completed, WQA continued to disburse its funding for the various projects in this Operable Unit.

El Monte Operable Unit (EMOU) 23,296 Acre-Feet Treated

Funded West Side Treatment. The existing Golden State Water Company (GSWC) Encinita Plant treatment facilities

along with a VOC treatment facility, owned and operated by Adams Ranch Mutual Water Company, will help address the deep zone contaminant plume in the northwestern sector. Both of these projects received federal reimbursement from WQA.

Initiated Construction on East Side Project. WQA is the lead agency for the eastern side of the EMOU remedy as requested by the City of Rosemead. WQA successfully initiated construction in coordination with Responsible Parties and the City of El Monte. The project is on time for expected operation early in 2015. The project will utilize the new discharge permit.

Whittier Narrows Operable Unit (WNOU) 73,219 Acre-Feet Treated

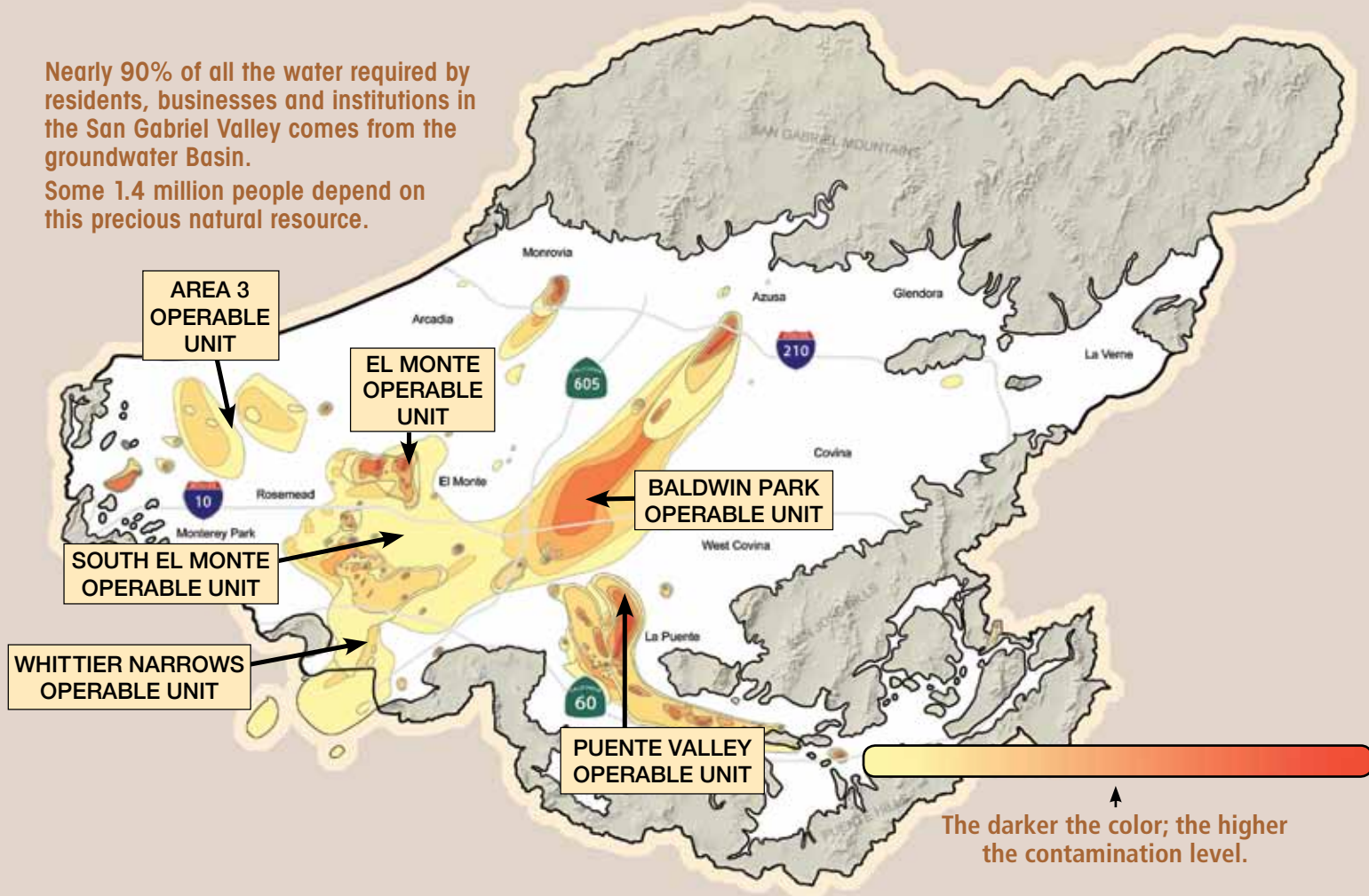
WQA assisted San Gabriel Valley Water Company by obtaining help from the Department of Toxic Substances Control to find a source of blend water so that the cleanup could remain on track. There are currently no shallow zone contamination

exceedances in this Operable Unit, indicating that additional pumping and treatment is not needed.

An Operable Unit is defined as a region of groundwater contamination. Areas under the Federal Superfund Program are known as Operable Units ("OUs"). Currently, there are six active OUs: Baldwin Park, El Monte, South El Monte, Puente Valley, Area 3 and Whittier Narrows.

Nearly 90% of all the water required by residents, businesses and institutions in the San Gabriel Valley comes from the groundwater Basin.

Some 1.4 million people depend on this precious natural resource.



Most of the chemicals being cleaned up today are the result of agricultural and manufacturing practices from the pre-and post-World War II era. Looking ahead, WQA will continue to implement long-term funding solutions and help advance and coordinate the cleanup.

PROVIDED FUNDING TO ASSIST IN BASINWIDE WELL CLOSURE

At the request of United States Environmental Protection Agency (USEPA), WQA provided \$200,000 in immediate financial assistance for the destruction of wells in the Puente Valley Operable Unit to prevent them from potentially serving as vertical conduits for contaminant migration.

SUPPORTING NON-OPERABLE UNIT TREATMENT

Seeking Increased Capacity for Whitmore Street Project.

WQA operates and maintains the Whitmore Street Groundwater treatment plant. The Authority is seeking additional state funding, evaluating and retrofitting existing monitoring wells as extraction wells to help contain shallow contamination in that location, and submitted a proposal to the State that would increase the extraction capacity of the project.

Help Fund New Covina Irrigating Company Treatment Facility.

Ground was broken on a new \$6.8 million water treatment facility in Baldwin Park—a proactive move to keep rising levels of perchlorate and other contaminants from entering local drinking water supplies. The WQA and Covina Irrigating Company teamed up on the project. Water Quality Authority provided \$1 million and devoted over a year to helping Covina Irrigating Company obtain a \$3.5 million grant.

The new Covina Irrigating Company Facility is the 32nd water cleanup project the WQA has assisted in building in the San Gabriel Valley.

Securing Additional Funding

Within 18 months, all appropriated funding will have been expended. The lack of funding limits WQA's ability to reach a fair settlement and contribution from responsible parties, putting the entire cleanup in jeopardy.



Ken Manning, Executive Director, speaking to the San Gabriel Valley Caucus in Sacramento.

FUNDING DRIES UP, THREATENING CONTINUED CLEANUP

Groundwater Cleanup Shifting From Construction to Treatment and Remediation. While some significant construction projects remain, the overall cleanup focus in the Basin is shifting from capital construction to treatment and remediation. Most of the Basin's cleanup needs are now focused on long-term remediation costs which make up most of the \$673.7 million funding gap.

If WQA is unable to secure additional Federal funding and increased operation and maintenance flexibility in the very near future, a number of high value groundwater cleanup projects in the San Gabriel Basin may be forced to shut down, jeopardizing efforts to contain contaminated plumes, and cut off a critical local water supply for the region during one of the most devastating droughts in recent history.

THREE-PART PLAN TO SECURE FUNDING GOING FORWARD

1. **Secure State Funding** from State Water Bond.
2. **Secure Federal \$10M** appropriation for San Gabriel Basin Restoration Fund for Fiscal Year 2016.
3. **Amend Public Law 106-554**, to provide an additional 5 years to operate and maintain any project constructed under the San Gabriel Basin Restoration Fund.

\$5.8 MILLION IN FUNDING REALLOCATED TO CLEANUP

With Some Federal Allocations Halted by Congressional Inaction, It Was Clear that High-Priority Cleanup Projects Would Go Unfunded. In order to ensure that funding is used to provide maximum benefit, WQA evaluated projects that have not utilized their funding award in a timely matter. After soliciting applications to use the reallocated funds, Water Quality Authority awarded \$5.8 million to seven high priority cleanup projects.

RESTORATION FUND
Virtually all WQA funding sources have been allocated to treatment projects and most of it spent.



\$63.8 MILLION
Appropriations allocated to cleanup projects



\$6.7 MILLION
Appropriations allocated to projects but not spent

WQA's top priority in coming years is to obtain critically needed new sources of funding.



\$54.5 MILLION
Authorized by Congress but not appropriated

is Key to Future Cleanup

A primary goal of WQA is to minimize cost impact on local customers. To do that, WQA aggressively seeks funding from the responsible parties as well as Federal and State governments.

PROVIDED CLEANUP FUNDING

Accelerated Call for Projects Due to Drought. The local subregion received \$23.4 million in Proposition 84 funding and WQA is setting up the application process for local agencies to access funding.

Provided Funding to Bureau of Reclamation (USBR) to Keep Program on Track. Normally, Congress includes the cost for USBR to administer the funding that WQA receives to support cleanup. Due to lack of appropriations by Congress, administrative funding has been exhausted and WQA has stepped in with the money needed it to keep this critical program moving forward.

COST SAVING ACTIONS

Keeping Costs Down is an Ongoing Focus Of WQA. Staff has implemented quantifiable savings of about \$40,000 per year by continued implementation of paperless office actions, decreases in use of office supplies, pricing concessions from contractors, and not filling vacant positions.

INCREASE PUMPING RIGHTS ASSESSMENT TO \$10 PER ACRE-FOOT

Following an Extended Noticing and Review Period, WQA Increased the Prescriptive Pumping Rights Assessment from \$7.25 to \$10.00 per Acre-Foot. This was the first assessment increase in 13 years and is expected to be held stable for the foreseeable future to allow agencies to forecast their budgets. The assessment is used to fund WQA operations.

WQA HAS HELPED FUND HALF THE CLEANUP COSTS, BUT MORE THAN ONE-HALF BILLION DOLLARS REMAIN TO BE FUNDED





San Gabriel Basin Water Quality Authority

1720 W. Cameron Ave., Suite 100 | West Covina, CA 91790

Phone: (626) 338-5555 | Email: info@wqa.com | Web: www.wqa.com



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