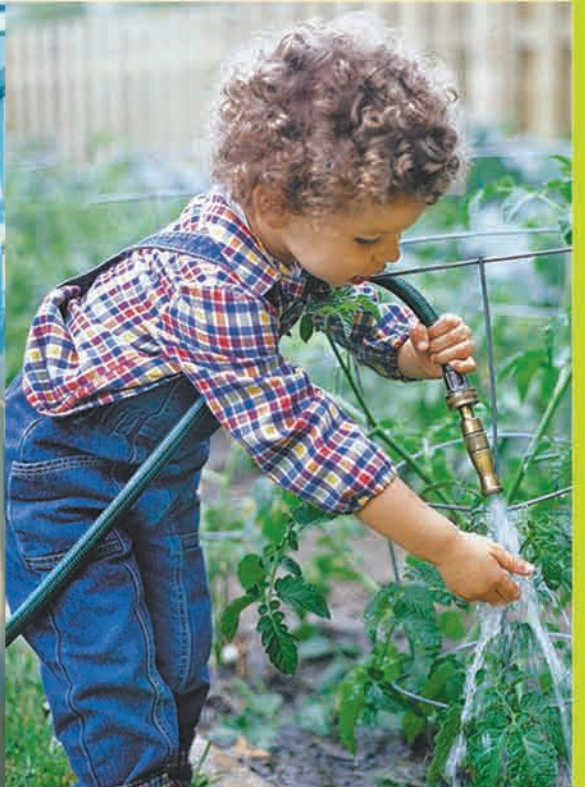
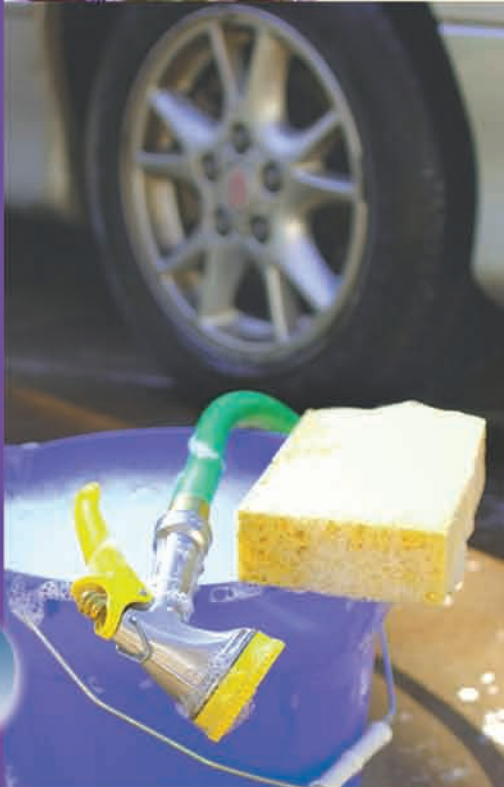


Inland Empire Utilities Agency



COMMITTED
TO IMPROVING THE
QUALITY OF LIFE
OF THE RESIDENTS OF THE
CHINO BASIN



A MUNICIPAL WATER DISTRICT | 2007 ANNUAL REPORT



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

JUNE 2007

A note from the president:

As summer approaches and the temperatures begin to rise, please remember we are in a drought!

Southern California had the least amount of winter rainfall ever. And our Sierra Nevada snow pack supplies from Northern California from the State Water Project were about one-third of normal. All of us need to conserve this summer to avoid drinking water shortages in the future.

For most residents, the most effective area for water conservation is in your outdoor irrigation. IEUA and the Metropolitan Water District of Southern California (MWD)

will be focusing our water conservation message on outdoor water use this summer.

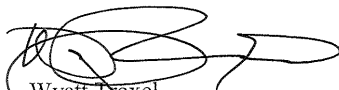
We all need to do our part – water conservation saves a tremendous amount of electrical energy too.

One simple way to help with this conservation effort is to remember when watering your outdoor landscapes this summer to water four times a week for 15 minutes and try to water early in the morning to avoid excessive evaporation loss. IEUA, and most likely your local water providers, offer money saving rebates for rotating sprinkler heads and irrigation controllers.

When you purchase a SmarTimer irrigation controller you can receive a rebate up to \$240 and \$4 rebates are available when you purchase a rotating nozzle for your pop-up spray heads. Check out your local water providers' websites to see what rebates are offered in your area. Other very helpful water-saving tips can be found on the Bewaterwise.com Web page and of course, our IEUA Web page.

As we go through the summer months, let's keep this in mind: The water saved this year is what we may need next year.

Sincerely,



Wyatt Troxel
Board President



Wyatt Troxel,
IEUA President,
Division 5



IEUA award-winning, energy-efficient headquarters

2007 ANNUAL REPORT

IEUA leading the way toward a water-smart Chino Basin

THE INLAND EMPIRE UTILITIES AGENCY'S mission is to supply imported drinking water and collect, treat and dispose of wastewater, and provide other utility-related (renewable electrical energy, compost) services to the communities in a regionally planned, managed and cost-effective manner.

Most people in the United States expect safe, clean drinking water as part of their daily life. For the past 57 years, through the leadership of a five-member, elected Board of Directors and a dedicated team of 308 professionals, IEUA has been committed to providing a clean, inexpensive, plentiful supply of drinking water to the 800,000 residents of the Chino Basin.

IEUA, at our wastewater facilities, is focused on producing three key products:

- Recycled water to drought-proof our service area,
- Compost to ensure healthy soils, and
- Renewable energy through our methane gas generation facilities.

Water Recycling is Crucial

IEUA and its local water agencies realize the value of recycled water as a reliable water source to the Chino Basin.

IEUA operates four regional water-recycling facilities that produce approximately 60 million

gallons of high quality recycled water each day which is all reused.

More than 25 percent of this high-quality, inexpensive recycled water in the IEUA's service area goes to a variety of uses, such as landscape and agricultural irrigation as well as commercial industrial processing. The rest flows into the Santa Ana River and eventually becomes Orange County's drinking water.

"Recycled water is a crucial part of California's water future. It provides our state and region the ability to stretch existing water supplies significantly," says Sen. Dianne Feinstein.

Congressman David Dreier agrees, "It is important that we realize that recycled water plays an important part of ensuring we have a reliable water supply."

Managing Our Organics

The Inland Empire Utilities Agency, in partnership with the Sanitation Districts of Los Angeles County, formed the Inland Empire Regional Composting Authority, which constructed the Inland Empire Regional Composting Facility, a state-of-the-art fully enclosed compost manufacturing facility designed to meet strict air quality standards.

Located in Rancho Cucamonga, the facility manufactures exceptional quality compost, which is good for soil, plants, the environment and will



help protect public health. IEUA is also working to expand the use of the organics market through its membership in the Association of Compost Producers, by investing in using compost in integrated water savings programs and by developing strategic marketing relationships with trusted brands. The facility represents a major step forward in urban composting.

IEUA is committed to using organic material to help meet the state's energy needs and the energy needs of the Agency. Today, IEUA generates 40 percent of the electricity it needs, and the Agency does that with 80 percent renewable fuel.



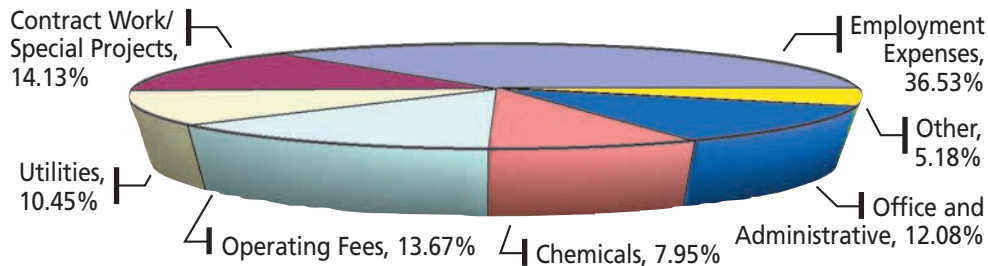
Regional, nuisance-free composting facility

IEUA has developed an anaerobic manure digester which produces methane gas that is used to generate electricity.

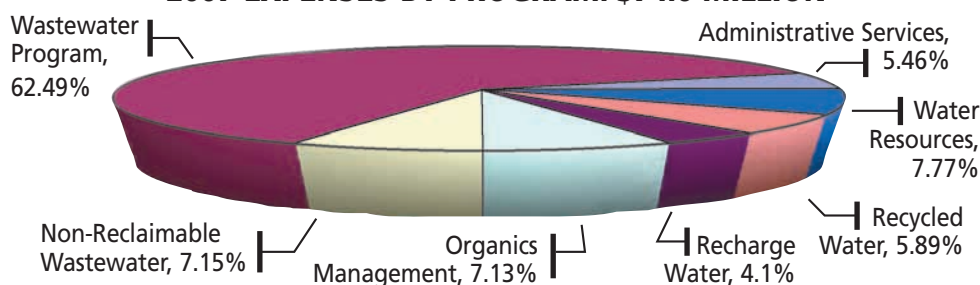
This helps the state meet electricity needs of other customers and provides an example of one way to manage specific types of organic materials.

Recently, IEUA has utilized certain types of milk sugars that are byproducts of cheese manufacturing processes to significantly increase the production of methane and electricity generated at the digester. IEUA continues to evaluate different combinations of organic materials in order to increase energy production. The ability for IEUA to generate electricity from organic materials opens the door to receiving state funds and selling

2007 EXPENSES BY CATEGORY: \$74.6 MILLION



2007 EXPENSES BY PROGRAM: \$74.6 MILLION



OUTLOOK: INVESTING FOR THE FUTURE

INLAND EMPIRE UTILITIES AGENCY CAPITAL BUDGET, BY CATEGORY (Dollars in millions)	2007-'08 PROPOSED BUDGET	2008-2017 REMAINING 9 YEARS	TEN-YEAR CAPITAL BUDGET
Wastewater	\$68	\$298	\$366
Recycled water	24	130	154
Non-reclaimable wastewater system	6	38	44
Groundwater recharge	7	5	12
Organics management	1	0	1
Other programs	7	6	13
Total capital programs	\$113	\$477	\$590

Inland Empire UTILITIES AGENCY
A Municipal Water District

Mission Statement
The agency's mission is to supply imported drinking water and recycled water, collect, treat and dispose of wastewater and provide other utility-related (renewable electrical energy, compost) services to the communities we serve. IEUA strives to provide these services in a regionally planned, managed and cost effective manner.

Key Agency priorities include:

- Protecting the public health and environment
- Maximizing the use of recycled water and organic composting in our service area
- Protecting the Chino Groundwater Basin
- Maintaining a high level of customer satisfaction

Service Area: City of Upland, City of Banning, City of Fontana, City of Montclair, City of Ontario, City of Chino Hills, City of Chino, City of San Dimas, City of Redlands, City of Rosemead, City of San Gabriel, City of West Covina, City of West Puente Valley, City of Azusa, City of San Jose, City of San Juan Capistrano, City of San Marcos, City of San Bernardino, City of San Diego, City of San Luis Obispo, City of Santa Barbara, City of Santa Cruz, City of Santa Clara, City of Santa Cruz, City of Santa Cruz, City of Santa Cruz.



When you see a purple pipe, you see recycled water being used. Recycled water is one way of helping drought proof our region.

57 years of Excellence in Water Resources and Quality Management



Wyatt Troxel,
IEUA President,
Division 5



Terry Catlin,
Vice President,
Division 1



Gene Koopman,
Secretary/Treasurer,
Division 2



John L. Anderson,
Director,
Division 3



Angel Santiago,
Director,
Division 4

renewable energy certificates to other organizations. IEUA also has a goal of being 100 percent energy self-sufficient in the near future.

Increasing Supply with Desalination

The Chino Basin II Desalter, part of the innovative Chino Basin Desalination Program, came on-line this past year.

With the addition of the Chino Basin II Desalter, the Chino Basin Desalination Program will produce approximately 24 million gallons per day of high-quality drinking water and export over 6,000 tons of salt annually from the Chino Groundwater Basin.

As a result, it will clean up the area's groundwater, while meeting the increased water demands of the Chino Groundwater Basin.

"As our communities grow, it is important that we plan ahead to ensure we have the necessary water to assist with that growth," said Congressman Gary Miller.

Not only does the expansion of the desalination program increase our water supply, it also helps curb our electrical needs as it takes half as much energy to desalt our groundwater as it does to pump water from Northern California.

Partnerships in Education

The Chino Creek Wetlands and Educational Park opened to the public on June 23. Developed by the Inland Empire Utilities Agency under a grant from the State Water Resources Control Board, the

park will provide a hands-on opportunity for the community to experience the importance of constructed wetlands in the protection of our watershed. The park will improve water quality, flood control, habitat restoration, recreation, water conservation and public education.

Wetland systems offer numerous benefits, especially in this age of concern about wetland losses and the focus on natural and open space. The park also has a history of the Chino Valley and displays underscoring the importance of water in our region's economic development with stylized graphs of the hydrologic water cycle, water conservation and wise water use.

Since 2005, IEUA has reached over 12,000 students with its award winning *Garden In Every School*® program. "The purpose of the *Garden In Every School*® program is to educate the schools' families and community about wise water use through a garden landscape, featuring drought-tolerant plants and efficient irrigation methods," said Wyatt Troxel, IEUA's board president.

In partnership with our cities, community groups, schools and other water agencies, IEUA has continued to ensure our communities will have high quality, reliable local water supplies with competitive water and sewer rates.

IEUA's awards tell the story

Inland Empire Utilities Agency projects, including its headquarters in Chino, have received numerous awards, which underscore the Agency's ongoing commitment to environmentally sensitive, energy-efficient design for both facilities and buildings. The Agency has received awards from Gov. Arnold

Schwarzenegger, the Environmental Protection Agency, the American Society of Engineers, the South Coast Air Quality Management District, the Santa Ana Regional Water Quality Control Board, the U.S. Green Building Council and the U.S. Department of Agriculture for environmental excellence.



WATER SAVERS: A PARTNERSHIP IN REBATES

In partnership with MWD and its local retail water agencies, IEUA offers a variety of residential and commercial rebates offering financial incentives to encourage the installation of water-efficient landscaping, fixtures and appliances. For information on how you can receive a money-saving rebate visit www.ieua.org or call (909) 993-1749.

The Inland Empire Utilities Agency

57 years of Excellence in Water Resources and Quality Management
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