

Interim Agricultural Water Program Reduction Frequently Asked Questions (FAQ)

1. Why do Member Agencies have to submit an Interim Agricultural Water Program (IAWP) Reduction Plan?

The IAWP, upon its adoption by the Metropolitan Water District's (Metropolitan's) Board of Directors (Board) in 1994, required Metropolitan's Member Agencies to submit a reduction plan indicating how agencies would meet the requirement for a 30 percent reduction in IAWP deliveries. These plans have not been updated since 1994. As a result of drier than normal hydrologic conditions, regulatory restrictions, and other threats to imported supplies, Metropolitan is implementing water shortage actions outlined in its Water Surplus and Drought Management (WSDM) plan, which include a 30 percent reduction in IAWP deliveries. Updated reduction plans based on present day conditions are necessary to implement this reduction. Reduction plans should be submitted by October 1, 2007.

2. Are agricultural water customers who have been paying full service rates for agricultural water, rather than participating in the IAWP, required to cut back?

Water delivered to Member Agencies at Metropolitan's full service rate prior to the reduction period will not be subject to the IAWP reduction regardless of its end use. However, it will be subject to any Drought Allocation Plan Metropolitan puts in place for municipal and industrial (M & I) demand.

3. What is a Baseline and what is its purpose when implementing an IAWP reduction?

A Baseline provides a basis for IAWP usage targets established for Member Agencies during a reduction period. It reflects an agency's monthly IAWP water demand over the 12-month period in which an IAWP reduction is planned, and should be representative of the amount of IAWP water the Member Agency would use during a dry year. Many of the agencies participating in the IAWP have agreed that FY 2003/04 is representative of dry-year demands. As a result, the initial Baseline upon which all reductions will be measured will be based on Member Agencies' IAWP demands during that year.

4. Will there be any adjustments to this Baseline?

While adjustments to a Member Agency's Baseline are not anticipated, should an agency find that circumstances have changed sufficiently since FY 2003/04, and demands for IAWP water would differ because of a loss of local supply or other similar circumstance, Metropolitan will work with the Member Agency to develop an appropriate Baseline. The Baseline is intended to represent the actual demands that would occur before a curtailment. However, no adjustments to the Baseline will be considered that increase the Member Agency Baseline above the maximum annual IAWP amount as described in Metropolitan's Administrative Code. Any methodology for a Baseline adjustment must be described in detail as part of the reduction plan, including the rationale behind the proposal, to be submitted as part of the reduction plan that is due October 1, 2007.

5. Is Metropolitan requesting reduction plans from retail purveyors and agricultural customers?

As usage targets will be measured at the Member Agency level, Metropolitan is asking Member Agencies to develop plans that reflect agricultural water use practices throughout their service areas. A workable reduction plan should account for agricultural water use operations at the retail agency/end-user level, and contain appropriate metrics for verifying IAWP water reduction. Usage targets can be applied at a retail agency or customer level at the Member Agency's discretion. However, the total amount of IAWP water certified by a Member Agency on behalf of its agencies during the reduction period must meet the usage target, or be subject to penalties.

6. Can an agency substitute full service water for IAWP water?

No. A Member Agency must show an actual reduction in the amount of IAWP water delivered to a customer, and cannot make up IAWP water reductions with full service water. As a result, the amount of water delivered for agricultural use should decrease in accordance with the reduction plan developed by an agency, without a

corresponding increase in full service deliveries. The objective is to reduce the amount of imported supplies being used for agricultural purposes, not simply shifting demands to full service water.

7. Can local resources be used to offset reduced IAWP deliveries?

Shifting of local resources from M & I uses to agricultural purposes will decrease water available for M & I supplies, and could result in an increase in full service demand on Metropolitan during the reduction period or in the future. As a result, Metropolitan does not support the shifting of local resources from M & I uses to make up for agricultural use reductions. Should a Member Agency choose to use local resources in place of imported IAWP deliveries, its reduction plan must clearly specify how M & I demands will be met and a 30 percent IAWP cutback achieved without increasing imported water demands. Additionally, the Member Agency must specify how planned usage will be verified (e.g., through local production records, etc.) to ensure that firm imported supplies were not used for the IAWP reduction.

It should be noted that if local resources are used to meet all or part of the IAWP reduction, this could negatively impact a Member Agency's M & I Baseline under a Drought Allocation Plan. However, if local water is already a component of a customer's agricultural water supply, the customer may continue using it for this purpose. Furthermore, local sources that would not normally supply M & I demands may be considered for IAWP purposes.

8. Can newly developed local resources that have not previously been used for M & I demand be used as agricultural water?

Yes, as long as these local resources and their use in place of imported IAWP deliveries can be substantiated in detail as part of the Member Agency's IAWP reduction plan. Additionally, planned usage needs to be verified (e.g. through local production records, etc.) to ensure that firm imported supplies were not used to make up for any IAWP reduction.

9. Can M & I conservation be used to offset reduced IAWP deliveries?

No.

10. What type of information should Reduction Plans include?

In a letter to Member Agency managers dated June 15, 2007, Metropolitan outlined types of information that reduction plans should contain, and it is suggested that reference be made to this letter. Such information will allow Metropolitan to more readily understand an agency's agricultural water use practices and issues. Metropolitan expects that reduction plans will identify specific actions that will be put in place to meet usage targets and metrics for verifying IAWP water reductions. Plans should state where in the service areas reductions would occur, actions being implemented to enable less water use, and specific methodologies for tracking and validating reduction.

11. How will a reduction be measured and verified?

In establishing a 70 percent usage target, Metropolitan is expecting to see an actual reduction in IAWP water delivered to its Member Agencies. To a large extent, successfully implementing a reduction will depend on the effectiveness of the reduction plan. As a result, Metropolitan will work closely with its Member Agencies and their retail agencies (if applicable) in developing and reviewing such plans. Once the reduction is underway, Metropolitan will conduct regular field visits with Member Agencies, retail agencies and customers to verify implementation of specific actions outlined in the reduction plan. Member Agencies will be required to provide appropriate documentation to demonstrate that a reduction is occurring. This may include review of meter records for various agricultural water customers and status reports from agencies on the progress of the IAWP reduction.

Again, Metropolitan is expecting to see an actual reduction in the amount of imported water delivered to IAWP customers. At the end of the reduction period, Metropolitan will report to its Board on the implementation of the

IAWP reductions, and the water supply impacts associated with these reductions. It is anticipated that verifiable reductions will be included in this report.

12. How will the IAWP reduction be administered?

The reduction will be administered over a 12-month calendar year period with penalties assessed midway and at the end of the reduction period. Penalties occurring and paid for IAWP water use in the first six months of the reduction period may be rescinded by under-use in the second six months of the reduction period, with the agency receiving a credit for the underuse. Furthermore, underuse during the first six months of the reduction period may offset overuse in the second six months of the reduction period. Should a reduction be required in the following calendar year, underuse credit from the previous year will revert to zero, and any penalties assessed in the second year will be based on overuse occurring in this period. In other words, there will be no rollover of underuse credits from the first 12-month reduction period to a subsequent reduction period. However, any **overuse** from the previous year will reduce the Member Agency's Baseline in the following year.

13. How will IAWP water be certified during the reduction?

Metropolitan has reduced the time available for agencies to submit certifications from six to three months. In other words, agencies have three months following the end of the month in which the water is being certified to submit a certification. For example, an agency using IAWP water in January could certify that water as an IAWP delivery through the end of April. Should the Member Agency miss the three-month deadline for certifications, the Member Agency will be assessed a \$10,000 penalty for each month that a certification, or multiple certifications for the same month, are turned in after the three-month deadline.

With the exception of the three-month deadline for IAWP certifications, agencies will follow the same certification procedures in place prior to the reduction (e.g. retail agencies will certify IAWP through Member Agencies using forms developed for this purpose). Both the retail agency and Member Agency will sign the form. IAWP water certified by a Member Agency will be tracked relative to the Member Agency's usage targets, and Metropolitan will assess penalties as needed for usage as of the end of June 2008 and December 2008.

14. How long will the reduction remain in effect?

The reduction will be in effect as long as water supply conditions dictate. If water supply conditions worsen, the cutback could be increased by more than 30 percent.

15. How will the IAWP reduction be coordinated with any Drought Allocation Plan developed for full service deliveries?

A Drought Allocation Plan is currently under development by Metropolitan to address a potential reduction of full service deliveries. The Drought Allocation Plan will likely incorporate specific IAWP reduction requirements for each shortage stage defined in the plan, with greater levels of IAWP water reduction occurring as shortages become more severe. The WSDM Plan calls for a 30 percent reduction in IAWP deliveries prior to any allocation of full service water. Reduction requirements for full service and IAWP water will increase depending on the length and severity of a water shortage as outlined in Metropolitan's Drought Allocation Plan. Additionally, IAWP reductions are expected to increase significantly as full service deliveries are implemented, although the relative percentage reduction of IAWP deliveries with respect to the percentage reduction in full service deliveries is still under development with the Member Agencies.

16. What penalties exist for not meeting usage targets?

Metropolitan will impose financial penalties on agencies failing to meet usage targets. In addition to the applicable IAWP water rate for IAWP deliveries being purchased by a Member Agency, each acre-foot of IAWP water exceeding a Member Agency's usage target will be charged a fee of twice Metropolitan's bundled Tier 2 rate less the applicable IAWP water rate. In essence, the total unit cost of IAWP deliveries exceeding usage targets will be twice Metropolitan's bundled Tier 2 water rate. In 2008, agencies will pay \$1,212 per every acre-foot of treated IAWP water over the usage target, and \$898 per acre-foot for untreated IAWP water over the usage target. In addition, should the reduction continue in 2009, Metropolitan will reduce the Member Agency's

Baseline by the extent that IAWP water use exceeded the usage target. The penalty fee will also be adjusted for future rate changes during the reduction period. Lastly, the Member Agency's maximum amount of annual IAWP deliveries outlined in Metropolitan's Administrative Code will be permanently reduced by the amount that IAWP water use exceeded the Member Agency's usage target.

17. What is the timeline for implementing the IAWP reduction?

The following targets have been established for initiating an IAWP water reduction:

- October 1, 2007: Member Agencies submit IAWP reduction plans to Metropolitan
- October 22, 2007: Metropolitan gives notice of an interruption
- October 31, 2007: Metropolitan completes its review of IAWP reduction plans
- December 1, 2007: Agencies provide final IAWP reduction plans to Metropolitan
- January 1, 2008: Metropolitan initiates IAWP water reductions

Implementation Considerations for Retail Agencies

Note: These considerations are the result of workshop discussions with participating Member and Retail Agencies. These are suggestions for administering the program consistently over the Metropolitan Water District service area. Additionally, even though these considerations may impact IAWP reduction planning by agencies, such as how reductions would be allocated/implemented at the end user level, Metropolitan ultimately is expecting a 30 percent reduction in IAWP deliveries from the established Baseline at the Member Agency level.

(a) Should IAWP customers who have entered the program since the Baseline year (FY 2003/2004) be subject to a reduction?

Yes. Depending on how a Member Agency structures its reduction plan, any IAWP customer who has participated in or entered the program after the Baseline year, but before December 31, 2006, should be subject to a reduction. In any case, Metropolitan maintains that a 30 percent reduction in IAWP use is expected at the Member Agency level, and that these considerations will not adjust the established Baseline.

(b) Can new IAWP customers enter the program once the cutback becomes effective?

Yes. Member Agencies and retail purveyors may allow new IAWP customers to enter the program at their discretion. However, Metropolitan still expects Member Agencies to meet their usage targets.

(c) Will agricultural water users who have participated in the IAWP in the past, but now pay a full service rate for agricultural water deliveries, be subject to a reduction?

Agricultural customers that have not participated in the IAWP after December 31, 2006, will be considered full service water users and not subject to the IAWP reduction. However, full service deliveries will be subject to any Drought Allocation implemented under Metropolitan's WSDM Plan.