

MAY 10 1994



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
EXECUTIVE SECRETARY  
Revised  
8-1

A handwritten signature in black ink, appearing to read "Karen E. Hoff".

May 10, 1994

To: Board of Directors (Executive Committee--Action)  
From: General Manager  
Subject: Interim Agricultural Water Program

Based on the actions taken at the Finance and Insurance and Water Problems Committee meetings on May 9, 1994, it is recommended that the term of the Interim Agricultural Water Program be three years instead of four. In addition, the member agencies and subagencies are required to pass the complete agricultural discount through to the agricultural water users. Finally, it was requested that the Request-for-Proposals for the outside consultant's work on the value of agricultural interruptibility be reviewed by the Finance and Insurance, Water Problems, and Executive Committees.

The revisions to the recommendations and Attachment A are indicated by strike-outs and underlines.

Recommendation

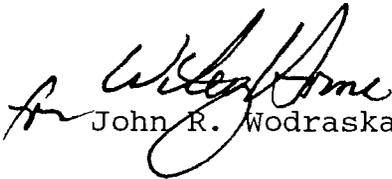
It is recommended that the following actions be approved by your Board:

- That your Board adopt the principles for the Interim Agricultural Water Program set forth in this Board letter with the modification that the Program will have a sunset/renewal in 3 years.
- That your Board declare and determine that a partial discontinuance of surplus water shall be implemented under Section 132 of the MWD Act and pursuant to the notice of a potential interruption in 1994 which was provided by your Board on March 9, 1993.
- That your Board delegate to the General Manager the authority to implement partial discontinuance of surplus water deliveries, at the levels shown in Item 7 of Attachment A.

- That, subject to a public hearing on the water rates, your Board set the discounts for agricultural water deliveries at \$137/AF and \$113/AF for treated and untreated water, respectively, for the term of the Program.
- That the additional features of the Program be as set forth in Attachment A.
- That your Board find that such rates are exempt from the California Environmental Quality Act by Public Resources Code Section 21080(b)(8) since it recommends restructuring of rates and other charges which are for the purposes of meeting operating expenses, purchasing or leasing supplies, equipment or materials, meeting financial needs and requirements, and obtaining funds for capital projects necessary to maintain service within existing service areas.
- That your Board, following a public hearing, additionally adopt by a two-thirds vote the Resolution under Section 132 of the MWD Act providing notice of a potential whole or partial discontinuance of surplus water deliveries in 1995 pursuant to the Program.
- That your Board authorize the General Counsel to amend the Administrative Code consistent with the Program description in this letter.
- That your Board direct staff to retain a consultant to assess the value of agricultural interruptibility to Metropolitan. The results shall be reported to the Board at the end of the first year of the Program.
- That your Board direct staff to develop a long-term strategy to resolve reliability issues for agricultural water in Metropolitan's service area. At the end of the second year of the Program, a long-term strategy will be proposed for adoption

and the Program will be reviewed by the Board in light of the recommended strategy.

- That the Request-for-Proposals for the outside consultant's work on the value of agricultural interruptibility be reviewed by the Finance and Insurance, Water Problems, and Executive Committees.

  
John R. Wodraska

JMB:as

Attachment

**ATTACHMENT A****INTERIM AGRICULTURAL WATER PROGRAM**

Terms and conditions of an Interim Agricultural Water Program would include the following:

- 1) The Interim Agricultural Water Program would be a demonstration program with a sunset/renewal in 43 years. At the end of the second year, the Program will be evaluated in light of the consultant's assessment of the water management benefit of interrupting agriculture, the long-term strategy adopted by the Board, and the audit of certifications.
- 2) The maximum amount of water delivered annually under this Program would be limited to the average agricultural water deliveries for the past four years beginning in fiscal year 1989-90.
- 3) The Member Agency would provide monthly agricultural water certifications in conformance with the Administrative Code and prepare an annual report.
- 4) The Program would be audited at the end of two years (end of fiscal year 1995-96), or more frequently if requested by the Member Agency or Metropolitan.
- 5) If the audit reveals certifications greater than actual use, then the Member Agency must pay the amount of discount received for the volume in question, plus interest and late payment penalties.
- 6) The Member Agency must submit a plan to meet the mandatory cuts to agriculture.
- 7) Should a supply shortage occur, Metropolitan could reduce agricultural deliveries up to 30 percent prior to imposing Incremental Interruption and Conservation Plan (IICP) mandatory reduction targets for firm deliveries, as follows:

<u>IICP Stage</u>	<u>Target Reduction in Firm Deliveries</u>	<u>Reduction in Agricultural Deliveries</u>
I	Voluntary	Up to 30%
II	5%	30%
III	10%	30%
IV	15%	40%
V	20%	50%
VI	30%	90%

The required reduction would be measured against the specified target reduction in the Member Agency's IICP base-year usage. This current base year of 1989-90 is subject to change, since the IICP will be reviewed in fiscal year 1994-95.

- 8) Member Agencies would be allowed flexibility in meeting Metropolitan's requirements for a reduction by using local resources.
- 9) Metropolitan would commit to use "best efforts" to procure sufficient supplies of transfer water to meet the demands of agriculture on a take-or-pay basis. The acre-foot cost to the Member Agency during such a shortage could be higher than the noninterruptible rate, reflecting the added cost of transfer water.
- 10) The agricultural water discount would be set at \$137/AF and \$113/AF for treated and untreated water, respectively, for the ~~four~~ three-year term of the program.
- 11) The Member Agency and subagency ~~should~~ shall pass the complete agricultural discount through to the agricultural water users.