

- **Board of Directors**
Water Planning and Stewardship Committee

October 9, 2007 Board Meeting

8-4

Subject

Amend Administrative Code to implement Metropolitan's Interim Agricultural Water Program Reduction Guidelines to facilitate a 30 percent reduction in IAWP deliveries beginning January 1, 2008

Description

The purpose of this letter is to (1) inform the Board of measures Metropolitan is taking to implement a 30 percent reduction in Interim Agricultural Water Program (IAWP) deliveries during Calendar Year (CY) 2008; (2) recommend changes to Metropolitan's Administrative Code to implement the IAWP Reduction Guidelines (Guidelines) ([Attachment 1](#)); and (3) recommend fees and charges supporting the Guidelines, including a penalty fee for IAWP deliveries exceeding reduction targets established for Member Agencies. These Guidelines have been prepared to assist both Metropolitan and Member Agencies in preparing for a reduction of IAWP deliveries in accordance with Administrative Code Section 4905, under which Metropolitan's General Manager has authority to reduce IAWP deliveries up to 30 percent during a supply shortage.

The IAWP, established in 1994, provides for the delivery of surplus water for agricultural purposes at a discounted rate. In exchange for the discount, the General Manager may reduce IAWP deliveries up to 30 percent prior to imposing mandatory allocations under the Water Surplus and Drought Management (WSDM) Plan. Record dry hydrologic conditions and reduced supplies of Colorado River and State Water Project resources have prompted staff to prepare for a reduction in IAWP deliveries beginning January 1, 2008. Metropolitan will follow a notification protocol outlined in the Guidelines ([Attachment 1](#)). In accordance with this protocol, Metropolitan will formally notify Member Agencies of the reduction by October 22, 2007, at least sixty days prior to the date when the reduction will commence.

Notification follows a number of activities that staff and Member Agencies have completed to prepare for the IAWP reduction. These activities include:

- June 2007: Staff requested that Member Agencies provide written reduction plans (Reduction Plans) outlining how a 30 percent reduction would be met. In many cases, these plans had not been updated since the IAWP was first adopted in 1994;
- July 2007: Staff conducted a workshop with IAWP stakeholders to identify and discuss issues relating to the reduction;
- September 2007: Staff and Member Agencies developed baselines representative of IAWP water use in a dry year as a basis for establishing a 30 percent reduction target; and
- September 2007: Staff developed and distributed materials to Member Agencies, including Guidelines ([Attachment 1](#)) and a set of Frequently Asked Questions (FAQ) ([Attachment 2](#)) addressing specific issues raised by IAWP stakeholders at the July 2007 workshop.

Information included in the Guidelines ([Attachment 1](#)) and FAQ ([Attachment 2](#)) reflects consensus reached by IAWP stakeholders during the workshop and in subsequent discussions between Member Agency representatives and Metropolitan staff. The outcome of these communications has resulted in the following decisions for administering the IAWP during the reduction period and recommendations for changing the Administrative Code, as needed, to implement these decisions. In addition, required changes to the Administrative Code are included in strikethrough and underline format as [Attachment 3](#).

1. Reduction Period: Metropolitan anticipates that the reduction will remain in place throughout CY 2008. However, Metropolitan may suspend the reduction in the event that hydrologic and water supply conditions change and become wetter than anticipated. Continued dry hydrology and reduced water supply could require Metropolitan to extend the reduction into CY 2009.
2. Baseline: Member Agency reduction targets will be based on 70 percent of IAWP use during fiscal year 2003/04. Metropolitan will rely on methodologies outlined in the Reduction Plans developed by participating Member Agencies to ensure Member Agencies are meeting reduction targets. Section 4905 of the Administrative Code gives the General Manager discretion to reduce IAWP deliveries during a supply shortage within the WSDM framework. Furthermore, the Metropolitan Water District Act classifies agricultural water as surplus water and Metropolitan may discontinue IAWP deliveries as needed to meet municipal and industrial (M&I) demands.
3. Certification Timing: During the reduction period, Member Agencies have a three-month period from the beginning of the month the IAWP delivery occurred in which to certify the water as IAWP water. Agencies will be charged a penalty of \$10,000 for each month that a certification is not provided beyond the three-month period. It is recommended that Administrative Code Section 4507 (Billing and Payment for Water Deliveries) be amended to provide for this requirement.
4. Debits and Credits: Metropolitan will monitor reduction performance on a monthly basis, but assess penalties at six-month intervals. At the end of each six-month period, Metropolitan will assess financial penalties for IAWP water over-use (debits) or issue credits for IAWP water under-use. Member Agencies demonstrating IAWP use below their reduction targets (under-use) during the first six months of the reduction period will be able to carry forward the under-use as a credit into the second six-month period. Should the agency incur a debit in the second six-month period, its over-use would be reduced by credits carried forward from the first six months. However, should the IAWP reduction continue into CY 2009, credits would revert to zero on January 1, 2009.
5. Penalties: Debits occurring at the end of a six-month period will be assessed a penalty equivalent to the difference between twice Metropolitan's bundled Tier 2 water rate and the applicable IAWP rate. In addition, the Member Agency's baseline will be reduced by the amount of over-use should the IAWP reductions continue into subsequent years. Additionally, the maximum amount of IAWP water that a Member Agency may purchase in any year, pursuant to Administrative Code Section 4901, will be permanently reduced by the amount of IAWP debits incurred during the reduction period. It is recommended that Administrative Code Section 4401 (Rates) be amended and Section 4907 (Penalty for Non-Compliance During an Interim Agricultural Water Program Reduction Period) be added to the Administrative Code to provide for this requirement.
6. Reduction Plan Update: In order to efficiently implement future IAWP reductions, Metropolitan is requiring Member Agencies to update their Reduction Plans on an annual basis, prior to June 30. It is recommended that Administrative Code Section 4904 (Member Public Agency Plan to Meet Mandatory Cuts to Interim Agricultural Water Program) be amended to provide for this requirement.

Policy

Metropolitan Water District Administrative Code Section 4401: Rates

Metropolitan Water District Administrative Code Section 4507: Billing and Payment for Water Deliveries

Metropolitan Water District Administrative Code Division IV, Chapter 9: Interim Agricultural Water Program Service Regulations

Metropolitan Water District Act Section 132: Sale of Surplus Water

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which

do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and

- a. Approve amendments to Metropolitan’s Administrative Code as described in this letter and as shown in **Attachment 3**, and
- b. Approve the penalty fees and charges described in this letter and the IAWP Reduction Guidelines and FAQ as shown in **Attachment 1** and **Attachment 2**, respectively.

Fiscal Impact: Potential for small amount of revenues due to payment of penalty fees by agencies that use more than their reduction target. Overall impact of reduction actions is expected to be neutral as lost revenues from reduced IAWP sales would be offset by full service sales for municipal and industrial uses.

Business Analysis: A 30 percent reduction in IAWP deliveries during CY 2008 will provide up to approximately 45,000 acre-feet of additional water for M&I uses during CY 2008. This option will enable Metropolitan to implement the IAWP Reduction Guidelines needed to administer a 30 percent reduction in IAWP deliveries during CY 2008.

Option #2

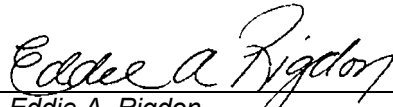
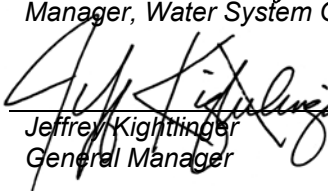
Do not amend the Administrative Code as shown in **Attachment 3** or adopt the penalty fees and charges described in this letter and in **Attachment 1** and **Attachment 2**. The General Manager retains the authorization to reduce IAWP deliveries by up to 30 percent.

Fiscal Impact: Penalty fees would not be collected from agencies that use more than their reduction target. Overall impact of reduction actions is expected to be neutral as lost revenues from reduced IAWP sales would be offset by full service sales for municipal and industrial uses.

Business Analysis: Implementation of the IAWP reduction and realization of supply benefits will likely be more challenging since there could be less incentive for IAWP participants to reduce usage without a penalty fee. Additionally, it will be more difficult to track and verify reduced IAWP use if Member Agency certifications are submitted within the existing six-month period allowed by the Administrative Code instead of the three-month period recommended in Option #1.

Staff Recommendation

Option #1

 Eddie A. Rigdon Manager, Water System Operations	9/25/2007 Date
 Jeffrey Kightlinger General Manager	9/26/2007 Date

Attachment 1 – Interim Agricultural Water Program Reduction Guidelines

Attachment 2 – Interim Agricultural Water Program Reduction Frequently Asked Questions

Attachment 3 – Administrative Code Changes

Interim Agricultural Water Program Reduction Guidelines

Summary

Over the past several years, the southwest has experienced continued dry conditions and demands for imported water are near all-time record highs. In addition, the Metropolitan Water District's (Metropolitan) Colorado River supply is at about half of the recent historical supply as agricultural to urban Colorado River water transfers are being ramped-up. In 2007, Metropolitan has exercised a number of additional actions within its broad portfolio of resources, such as withdrawals from Central Valley storage programs and the reduction and suspension of groundwater replenishment deliveries, to maintain reliable deliveries of "firm" supply. The 2003/04 water year began as a dry year and Metropolitan and its member agencies began preparing a plan to reduce Interim Agricultural Water Program (IAWP) deliveries in the coming year in the event that a reduction became necessary. Even though Southern California experienced record rainfall at the beginning of the 2004/05 water year, it was prudent to complete the plan and procedures for such a curtailment. As the 2006/07 water year has proven to be Southern California's driest year of record since 1877 and a recent Federal ruling on State Water Project (SWP) operations may result in a significant reduction in Southern California's SWP deliveries in 2008 and beyond, it makes sense to revisit and update this plan and Reduction Guidelines to account for these latest conditions.

This paper provides an outline of how a reduction in IAWP deliveries could be developed, initiated, implemented, and validated. It is based on experiences from the last reduction in agricultural water deliveries in 1991, workshops and informal discussions with member agency and retail agency staff, and discussions with agricultural water users and their representatives. The goal is to use this information as the framework for detailed guidelines and implementation procedures to be developed by the member agencies as IAWP reduction plans. The request for updated IAWP reduction plans from the member agencies was made in June 2007 to obtain more detailed information on how each agency would implement, administer and measure the cutback in IAWP deliveries to meet the objectives of the IAWP reduction.

Background on the Interim Agricultural Water Program

The potential water management benefits of interrupting agricultural water deliveries prior to urban deliveries was recognized in the "Interruptible Program" established by Metropolitan in 1981. On the heels of the 1992 drought, Metropolitan converted the "Interruptible Program" into a more rigorous IAWP in May 1994. The IAWP provides for the delivery of surplus water for agricultural purposes at a discounted rate. Under the IAWP, water is delivered at a discounted rate in exchange for up to a 30 percent reduction in demand by participating agricultural water users at Metropolitan's call during periods of shortage. This reduction enables Metropolitan to better conserve limited supplies during such shortages.

The IAWP was initially set up as a demonstration program with a sunset/renewal period of three years. In exchange for the IAWP water discount, Metropolitan can reduce IAWP water deliveries up to 30 percent prior to implementing any mandatory allocations under its drought management plan. The three-year demonstration period ended June 1997, after which time Metropolitan continued the IAWP for an additional five years. A bundled rate for treated and untreated agricultural water was incorporated into Metropolitan's rate structure in January 2003. IAWP parameters set forth in Section 4106 and Chapter 9 of Metropolitan's Administrative Code, and administrative procedures developed under the program's demonstration period and refined under the five-year extension, now continue.

Program Features

Metropolitan's Administrative Code generally defines agricultural purposes under the IAWP as water used for growing or raising agricultural, horticultural or floricultural products for the purposes of commerce, trade, or industry, or for use by educational or correctional institutions, on parcels where greater than one acre is used exclusively for the aforementioned purposes. It applies to both the growing of crops and raising of livestock and

fowl for human consumption or market. It also applies to the feeding of fowl or livestock for the purpose of obtaining their products for human consumption or market.

The IAWP limits the maximum amount of discounted agricultural water available to a member agency on an annual basis each fiscal year. These limits, based on the agency's average annual agricultural water use for the four-year period preceding the program's 1994 implementation, are still in place, and are as follows:

Agency	Maximum Annual IAWP (AF)
Anaheim	115
Calleguas MWD	7,164
Inland Empire Utilities Agency	122
Eastern MWD	6,761
Fullerton	60
Las Virgenes MWD	207
MWDOC	7,657
SDCWA	100,459
Three Valleys MWD	106
Torrance	22
West Basin MWD	170
Western MWD	32,347
Total	155,190

In order to receive the IAWP discount, member agencies must certify to Metropolitan the amount of agricultural water used within their service area on a monthly basis. Such use is actually determined through certifications provided by the retail agency supplying agricultural water to the end user. Metropolitan, in turn, issues a discount for the amount of water certified to the member agency. Member agencies are required to pass the discount on to the retail agency, which then transfers the discount to the end user.

Metropolitan reviews IAWP performance on an annual basis. This review includes verifying water usage on a retail agency basis to ensure that IAWP certifications submitted during the year preceding the review are accurate, verifying that the IAWP discount is being transferred to end-users, and spot-checking agricultural parcels to ensure participation according to Metropolitan's agricultural purposes definition. Based on this review, Metropolitan may adjust IAWP credits issued to an agency during the previous year.

The Metropolitan Water District Act allows Metropolitan to deliver or sell surplus water for any beneficial use that is not needed for domestic or municipal uses. Metropolitan has the right to discontinue surplus water service, in whole or in part, upon one year's written notice to the purchasers or users of the water. Following such notification, Metropolitan's General Manager has the discretion to reduce IAWP deliveries up to 30 percent prior to imposing any mandatory urban water allocation under the Water Surplus and Drought Management (WSDM) Plan during the year for which notification is given. Metropolitan's Administrative Code requires the General Manager to give written notice of Metropolitan's intent to reduce or interrupt IAWP delivery as soon as practicable after such determination is made.

As part of the demonstration program, member agencies were required to submit a plan indicating how a 30 percent reduction would be met in their service areas. Metropolitan was to have received these plans by November 1994. In June 2007, Metropolitan requested that these member agency reduction plans be revised or updated to reflect prevailing conditions and current IAWP participation. These member agency reduction plans will be used to formulate methodologies and procedures for initiating, implementing and validating IAWP reductions.

Guidelines for Program Implementation

Notification and Timing of the Reduction

The timing for implementation of an IAWP reduction, based on a dry-year supply need, is described below. It should be emphasized that an IAWP reduction can be requested for reasons other than dry year supply, such as in the event of an emergency. In the case of an emergency or other unanticipated issue that can occur at any point of the year, Metropolitan will strive to provide as much notice as practical. However, due to the uncertain nature of certain emergencies (e.g., loss of a source of imported supply due to natural disaster or other factors), a request for an IAWP reduction may occur on very short notice.

One of the most important aspects of the reduction in IAWP deliveries, as a dry-year supply measure, is the timing of the reduction. Colorado River and SWP supplies are determined on a calendar year basis. The SWP allocation is typically not final until early May, and is often very uncertain until that point. However, because of the conditions leading into calendar year 2008, including supply uncertainty due to a record-dry 2007 and significant reductions in 2008 SWP supplies as a result of a Federal regulatory ruling to protect the threatened Delta smelt, an implementation timeline of January 1, 2008 is appropriate. Additionally, a lead-time between the time that Metropolitan issues a notice of a reduction in agricultural deliveries under the IAWP and when the reductions begin is necessary for the member agencies to communicate and implement plans with their retail agencies and/or IAWP participants. As a result, Metropolitan’s notification protocol includes a 60-day period between the time when Metropolitan notifies agencies of the January 1, 2008 reduction and when the reduction actually occurs.

These factors are shown in the timeline below:

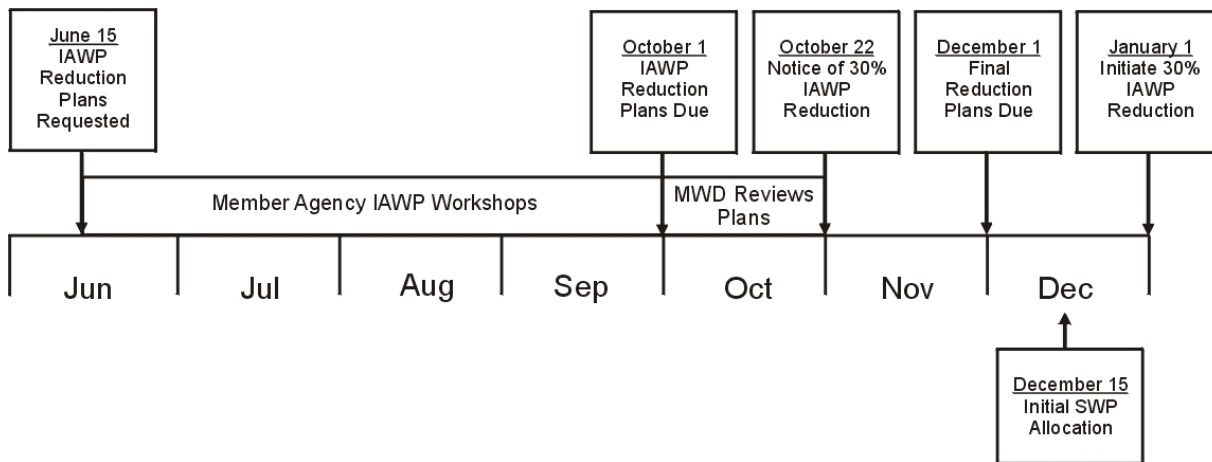


Figure 1: Timeline for IAWP Reduction Implementation

In addition to the timeline shown above, staff provides monthly water supply reports to Metropolitan’s Board of Directors between January and May. These reports inform the Board on changes in the outlook for imported supplies and provide timely updates on the water supply outlook to Metropolitan’s member agencies.

Establishing a Baseline

Since a reduction in IAWP deliveries would typically be called after an extended dry period, a dry year usage pattern for determining monthly IAWP usage targets for the upcoming reduction period should be based on IAWP water usage in a prior dry year. After discussion with the member agencies, Metropolitan has established fiscal year 2003/04 IAWP water deliveries as a Baseline for the planned reduction period. This Baseline will remain in place for the period in which the IAWP reduction is in effect, and for droughts continuing into successive years.

Member agency monthly IAWP usage targets will be set at 70 percent of the corresponding monthly Baseline use. Metropolitan will monitor reduction performance on a monthly basis, but assess penalties at six-month intervals. At the end of each six-month period, Metropolitan will assess financial penalties for IAWP water over-use (debits) or issue credits for IAWP water under-use. Member Agencies demonstrating IAWP use below their usage targets during the first six months (under-use) of the reduction period will be able to carry forward the under-use amount as a credit into the second six-month period. Should the agency incur a debit in the second six-month period, its over-use would be reduced by credits carried forward from the first six months. However, should the IAWP reduction continue into calendar year 2009, credits would revert to zero on January 1, 2009.

Should a call be made for an IAWP reduction due to an emergency, the six-month period would begin on the starting date for IAWP reduction, to be determined at the time of the emergency.

The following tables illustrate the member agency Baselines and the monthly usage target, which is 70 percent of the monthly Baseline.

Monthly IAWP Baselines and Usage Targets by Agency, acre-feet

Agency		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
SDCWA	Baseline	5,547.5	3,130.7	5,644.0	7,031.8	11,789.4	9,940.0	11,353.7	12,307.4	11,128.1	11,075.1	5,912.9	5,590.0	100,450.6
	Usage Target	3,883.3	2,191.5	3,950.8	4,922.3	8,252.6	6,958.0	7,947.6	8,615.2	7,789.7	7,752.6	4,139.0	3,913.0	70,315.6
Western	Baseline	2,148.9	1,184.4	1,906.6	1,921.0	3,350.3	3,209.6	4,305.8	4,007.7	3,876.3	3,450.2	1,446.4	1,539.8	32,347.0
	Usage Target	1,504.2	829.1	1,334.6	1,344.7	2,345.2	2,246.7	3,014.1	2,805.4	2,713.4	2,415.1	1,012.5	1,077.9	22,642.9
Calleguas	Baseline	161.0	268.7	357.3	672.9	1,119.2	889.5	798.0	796.7	603.4	675.4	458.5	355.7	7,156.3
	Usage Target	112.7	188.1	250.1	471.0	783.4	622.7	558.6	557.7	422.4	472.8	321.0	249.0	5,009.5
Eastern	Baseline	266.3	120.8	159.2	401.9	720.1	918.4	1,288.3	1,515.5	644.2	306.5	195.1	224.7	6,761.0
	Usage Target	186.4	84.6	111.4	281.3	504.1	642.9	901.8	1,060.9	450.9	214.6	136.6	157.3	4,732.8
MWDOC	Baseline	80.6	83.2	889.7	3,780.8	123.6	96.1	64.6	108.7	130.0	173.9	154.4	99.0	5,784.6
	Usage Target	56.4	58.2	622.8	2,646.6	86.5	67.3	45.2	76.1	91.0	121.7	108.1	69.3	4,049.2
Las Virgenes	Baseline	3.8	5.3	10.6	13.8	19.0	18.2	16.4	21.3	19.0	37.1	6.0	8.6	179.1
	Usage Target	2.7	3.7	7.4	9.7	13.3	12.7	11.5	14.9	13.3	26.0	4.2	6.0	125.4
Three Valleys	Baseline	3.8	2.4	5.9	6.2	8.4	9.4	9.3	9.3	11.3	8.5	3.7	4.6	82.8
	Usage Target	2.7	1.7	4.1	4.3	5.9	6.6	6.5	6.5	7.9	6.0	2.6	3.2	58.0
IEUA	Baseline	0.4	0.1	1.4	0.1	5.6	6.0	10.8	5.3	12.7	3.4	0.7	2.8	49.3
	Usage Target	0.3	0.1	1.0	0.1	3.9	4.2	7.6	3.7	8.9	2.4	0.5	2.0	34.7
Fullerton	Baseline	0.1	0.1	0.5	0.3	1.7	0.8	1.4	0.6	1.5	0.4	0.5	0.2	8.1
	Usage Target	0.1	0.1	0.4	0.2	1.2	0.6	1.0	0.4	1.1	0.3	0.4	0.1	5.9
													Total	152,818.8
													70%	106,974.0

It should be noted that Baselines for Anaheim, Torrance and West Basin MWD are not shown, as these agencies are not currently certifying water use under the IAWP and were not doing so in fiscal year 2003/04.

The following graphs, based on examples of IAWP water use in 2008 for the San Diego County Water Authority and the Western Municipal Water District, Metropolitan’s two largest IAWP water users, illustrate the accumulation of debits and credits during a reduction period. In the first example graph, a net debit accumulated by SDCWA in the first half of the year can be offset by an IAWP credit accumulating later in the year. In the second example graph, credits accumulated by Western at the beginning of the year offset debits occurring later in the year, which could result in a net carryover credit to the second half of the year.

IAWP Monthly Usage Target Example San Diego CWA

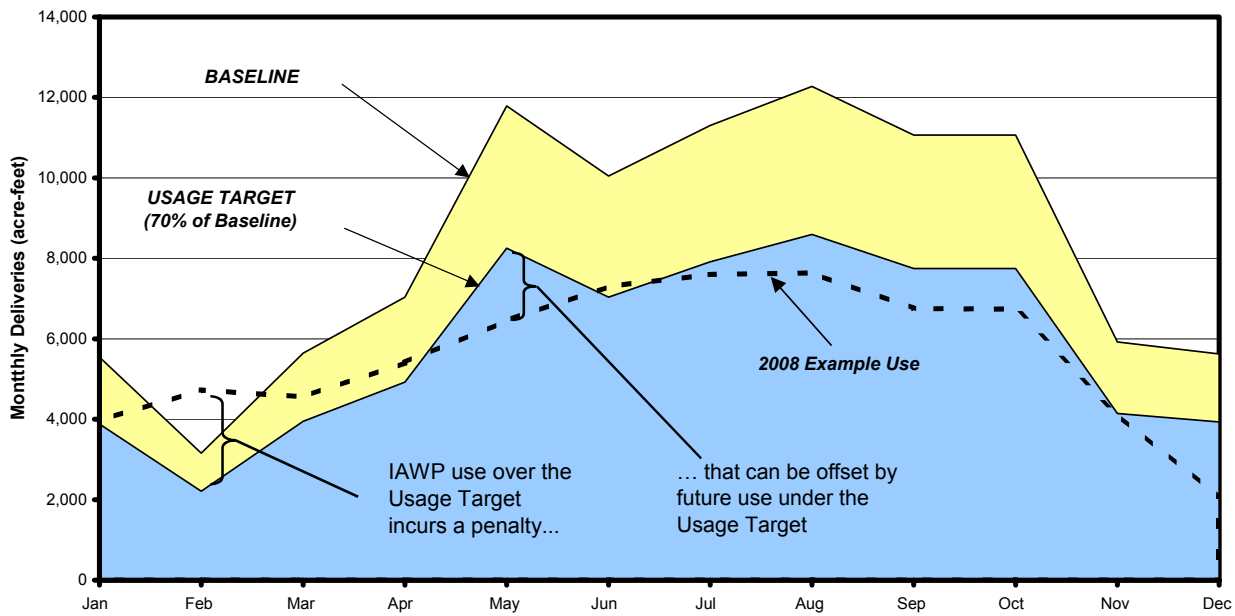


Figure 2: SDCWA Monthly IAWP Usage Targets, With an Example 2008 Use Pattern Shown

IAWP Monthly Usage Target Example Western MWD

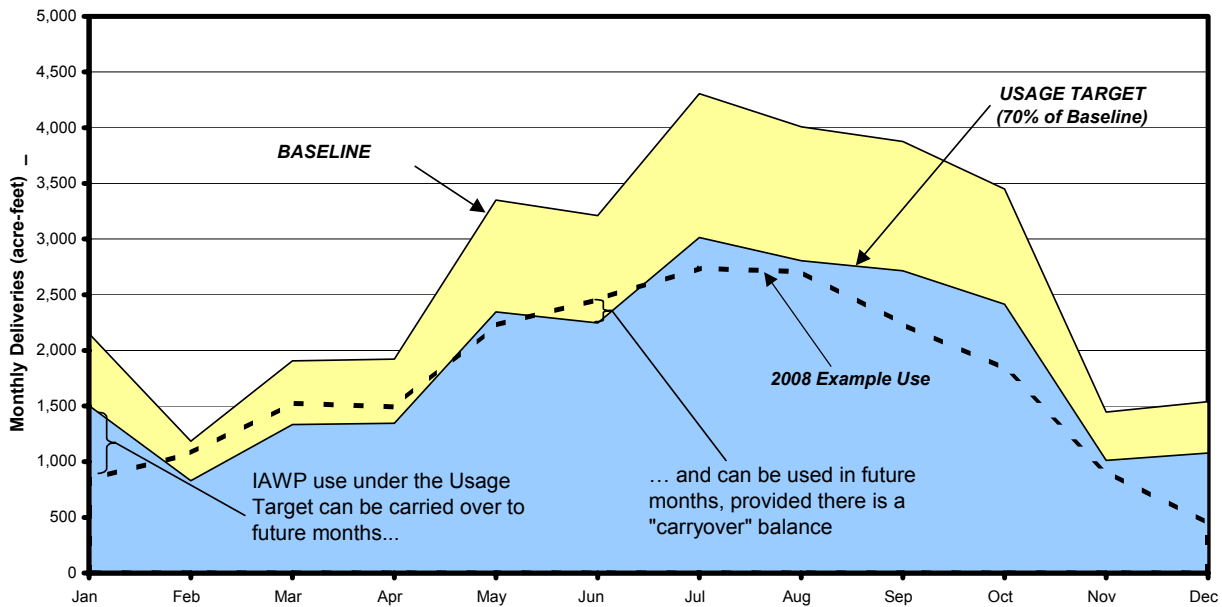


Figure 3: Western MWD Monthly IAWP Usage Targets, With an Example 2008 Use Pattern Shown

Implementing the Program

The cornerstone of implementing the IAWP reduction is the development of detailed IAWP reduction plans by the participating Member Agencies. The reduction plans, requested by Metropolitan in a letter dated June 15, 2007, will provide specific methodologies for implementing, monitoring and verifying IAWP water reductions that reflect agency operations and administrative procedures. It is anticipated that these reduction plans will fulfill several purposes:

- Provide detailed information about each agency's water resources, agricultural water use and demand patterns
- Define specific strategies that will be employed by the member agency, retail agencies and IAWP participants to implement a 30 percent IAWP reduction, in accordance with these guidelines and other documentation resulting from workshops with participating member agencies, and retail agencies (e.g., a list of Frequently Asked Questions)
- Assist Metropolitan staff in administering the IAWP reduction

The expected yield of the 2008 IAWP reduction, using fiscal year 2003/04 as a baseline for IAWP use, is about 46 thousand acre-feet (TAF), which is 30 percent of the 153 TAF that was certified for that fiscal year, should IAWP demand be similar to what was experienced in fiscal year 2003/04.

Verification of Usage

The IAWP provides a discount to participants to maintain the ability of Metropolitan to reduce usage as a water management action, if necessary. The goal of a water use reduction will be compromised if "firm" water is used to offset the reduction in discounted IAWP water. The need for verifying reductions in usage must be balanced by a verification strategy that is not administratively complex and provides for the development of methodologies by each member agency and its participants. With this in mind, a methodology to verify the reduction of usage by IAWP water users will include the following:

1. Monitor a reduction in usage through limits placed on the amount of water that can be certified at a discount under the IAWP.
2. Review proposed reduction plans of participating member agencies that outline how reductions in use by IAWP participants will be implemented, monitored and verified. A committee of Metropolitan staff and member agency representatives will review proposals.
3. Reduce the deadline for member agencies to submit IAWP certifications from the current six months to three months during the reduction period. This will allow Metropolitan and the member agencies to improve performance monitoring, as well as establish credits and penalties, as applicable.
4. Conduct spot checks to verify that proposed actions are actually being implemented.

Based on past discussions regarding the IAWP, participants have an interest in proving that actual reductions in usage have occurred, because a financial benefit has been derived over the years due to this program. By demonstrating their ability to reduce usage, participants in the program can demonstrate the value of the IAWP as a water management program that provides regional benefit.

Penalties for Noncompliance

In order to help ensure performance and participation by IAWP participants, Metropolitan will impose financial penalties and restrict usage for member agencies that do not reduce their use of water below usage targets established for that agency. Deliveries exceeding IAWP usage targets for the six-month period will be subject to a fee equal to twice the bundled Tier 2 Full Service rate less the applicable IAWP rate. In other words, the unit cost of IAWP deliveries exceeding usage targets will be twice Metropolitan's applicable Tier 2 water rate. Furthermore, the maximum annual amount of IAWP water a member agency can purchase will be permanently decreased by the extent to which usage targets are not met.

Financial Impact

The following water rates and fees apply to IAWP water for the calendar year beginning January 1, 2008.

	IAWP Rate	Tier 2 Full Service Rate	IAWP Penalty Fee	Total IAWP Overuse Cost
Untreated Water	\$261/AF	\$449/AF	\$637/AF = ((2 x \$449/AF) - \$261/AF)	\$898/AF = (\$261/AF + \$637/AF)
Treated Water	\$394/AF	\$606/AF	\$818/AF = ((2 x \$606/AF) - \$394/AF)	\$1212/AF = (\$394/AF+\$818/AF)

As shown above, an agency that used more water than the monthly usage targets for the six-month period will pay \$898/AF for untreated water, and \$1,212/AF for treated water, for every acre-foot used over the monthly usage targets.

Conclusion and Recommendation

The development of procedures to implement curtailments of IAWP deliveries as a dry-year supply measure or for emergency purposes is important in order to prepare for January 1, 2008 reductions due to record dry conditions in 2007 and imminent reductions in 2008 SWP supplies. The current reduction process includes notification by October 22, 2007 of a January 1, 2008 IAWP reduction for dry-year needs. Additionally, there are circumstances that could dictate an immediate call for an IAWP reduction, such as a loss of a source of imported supply due to natural disaster, further regulatory restrictions on imported supplies, or other factors. In preparation of 2008 IAWP reductions, Metropolitan staff will continue to work with its member agencies to develop and review IAWP reduction plans that provide detailed information describing how IAWP water use will be curtailed during the reduction period. These reduction plans, requested to be submitted to Metropolitan by October 1, 2007, will continue to be developed and finalized with the member agencies, retail agencies and agricultural customers prior to the IAWP reduction period to ensure that the objectives of the IAWP can be achieved.

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.

Administrative Code Changes
(in strikethrough and underline format)

§ 4401. Rates.

(a) The rates per acre-foot for water sold and delivered for each class of service on order of any member public agency for use therein shall be as follows:

(1) For all water that does not meet criteria for other classes of service or special programs as defined in this Division, each of the following is applicable:

System Access Rate:

Effective Date:	01/01/2006	Rate: \$152.00
	01/01/2007	\$143.00

Water Stewardship Rate:

Effective Date:	01/01/2006	Rate: \$25.00
	01/01/2007	\$25.00

System Power Rate:

Effective Date:	01/01/2006	Rate: \$81.00
	01/01/2007	\$90.00

Treatment Surcharge (Applicable to treated water):

Effective Date:	01/01/2006	Rate: \$122.00
	01/01/2007	\$147.00

Supply Rate:

Tier 1 Supply Rate – The Tier 1 Supply Rate shall apply to water purchases which in the aggregate for any calendar year, are less than or equal to 60 percent (or, if the member agency purchasing the water has executed a Purchasing Order, 90 percent) of the Base Firm Demand of such member Agency.

Effective Date:	01//01/2006	Rate: \$73.00
	01/01/2007	\$73.00

Tier 2 Supply Rate –The Tier 2 Supply Rate shall apply when a member agency’s cumulative total of full service deliveries for the calendar year exceeds 60 percent of the member agency’s Base Firm Demand, or 90 percent of Base Firm Demand for member public agencies that execute a Purchase Order.

Effective Date:	01/01/2006	Rate: \$169.00
	01/01/2007	\$169.00

(2) For Replenishment Service (All water delivered for Replenishment Service as described in this Division and the most current User Handbook for Replenishment Service.)

Effective Date:	01/01/2006	Untreated Water:	\$238.00
	01/01/2007		\$238.00
	01/01/2006	Treated Water:	\$335.00
	01/01/2007		\$360.00

(3) ~~for~~For Interim Agricultural Water Program Service (all water delivered in accordance with the Interim Agricultural Water Program as described in this Division. Interim Agricultural Water Program water deliveries in excess of reduction targets referenced in Section 4905 shall be subject to a penalty as described in Section 4907.)

Effective Date:	01/01/2006	Untreated Water:	\$241.00
	01/01/2007		\$241.00
	01/01/2006	Treated Water:	\$339.00
	01/01/2007		\$364.00

(b) The rates for water established by Section 4401(a) shall not apply to water sold and delivered by the District to any purchaser other than a member public agency; and said rates for water shall not apply to water sold and delivered by the District for any use outside the District, or to water sold and delivered by the District for any use within the District in substitution for water used outside the District, regardless of whether or not such water be purchased by, or delivered pursuant to the order of, any member public agency; but such water shall be sold and delivered pursuant to such contract and upon such terms and conditions as the Board shall authorize and determine for each such transaction.

(c) For purposes of agreements existing under the Local Resource Program, Local Project Program, Groundwater Recovery Program and other similar programs, references to the “full service water rate,” “full service treated water rate,” “treated non-interruptible water rate” or “other prevailing rate” or to the “reclaimed water rate” or “recycled service rate” shall be deemed to refer to the sum of the System Access Rate, Water Stewardship Rate, System Power Rate, the expected weighted average of Tier 1 Supply Rate and Tier 2 Supply Rate (equal to the estimated sales revenues expected from the sale of water at the Tier 1 and Tier 2 Supply Rates divided by the total District sales in acre-feet expected to be made at the Tier 1 and Tier 2 Supply Rates), a Capacity Charge expressed on a dollar per acre-foot basis and Treatment Surcharge.

§ 4507. Billing and Payment for Water Deliveries.

(a) **Timeframe for Billing and Payment.** Except as noted herein below, invoices shall be mailed electronically, or, if requested by the member agency, by hardcopy via United States mail, not later than the tenth day of the month following delivery to a member public agency. Each such invoice shall indicate the date of mailing and the date on which the payment thereunder becomes delinquent and shall show the total amount of water delivered for each class of service, the charges for water sold and delivered for each class, the readiness-to-serve and capacity charges, as applicable, and the total amount due and owing, all as determined by the General Manager. Payment of the amount shown on any such invoice shall be due on the last business day of that month and shall be delinquent if not received by the

Treasurer of the District before the close of crediting activity on the last business day of the first month following such date of mailing. When making any such payment the member public agency shall specify the invoice or invoices to which the payment shall be credited by the District.

(1) For purposes of Section 4507(a), "business day" shall mean any day other than a Saturday, a Sunday, or a Holiday (as defined in Section 1106).

(2) For purposes of Section 4507(a), "received by the Treasurer of the District" shall mean receipt either (1) in the office of the Treasurer or (2) by crediting pursuant to advance agreement with the Treasurer to the District's general demand account at the District's principal depository bank, in such form that the funds are immediately available for investment or other use or disposal by the District.

(3) For purposes of Section 4507(a), "crediting activity" shall mean either (1) 2:00 p.m. if payment is delivered to the office of the Treasurer, or (2) the cutoff time for crediting by the District's principal depository bank of that day's transactions if payment is initiated by wire transfer, automated clearinghouse transfer, interbranch transfer, direct deposit, or by other means pursuant to advance agreement with the Treasurer.

If, under advance agreement with the Treasurer, a member agency has authorized payment of any invoice by automated clearinghouse transfer initiated by the Treasurer, the Treasurer shall initiate such transfer for processing two business days prior to the business day on which such payment shall be delinquent. Failure of such transfer shall not relieve such member agency from liability for such payment or charges in the event such payment should become delinquent, except as specifically provided under advance agreement with the Treasurer.

(b) Exclusive Interim Agricultural Water Program Facility. In the event water delivered by the District through a particular facility is used exclusively for Interim Agricultural Water Program purposes and the member public agency desires to be charged therefor at the rates for water sold and delivered for Interim Agricultural Water Service provided in Section 4401, a statement relating the facts concerning the use of water delivered through each such facility must be certified to the District in writing by a responsible officer of the member public agency at least 30 days prior to the end of each one-month period during which such deliveries are made. In cases where such use of all water delivered through a particular facility will remain the same for an extended period the initial or current certification will remain in effect until the use of the water from a certified exclusive use service connection changes. At that time a new statement relating the facts concerning the use must be re-certified to the District within 30 days.

(c) Full Service and Interim Agricultural Water Program Facility. In cases where water through a particular facility is delivered during any month for both full service and Interim Agricultural Water Service, the bill for water delivered in such month will be prepared by applying the rates for water sold and delivered in full service to the total quantity of water delivered. If the member public agency desires to receive credit for such water so delivered as was used in Interim Agricultural Water Service the facts concerning the quantities of water so used must be certified to the District in writing by a responsible officer of the member public agency purchasing such water as set forth in Sections [4507\(f\)](#) [and \(g\)](#), and each such certification shall cover a period of not more than one calendar month. The value of such credits shall be based on the difference in water rates in effect at the time the water is used, regardless of the date of delivery.

(d) **Exclusive Direct Groundwater Replenishment Facility.** In the event water delivered by the District through a particular facility is used exclusively for direct groundwater replenishment through spreading the member public agency shall be charged therefore at the rates for water sold and delivered for Replenishment Service as set forth in Section 4401, when Replenishment Service water is available as determined by the General Manager. When Replenishment Service is not available, the member public agency shall be charged at the rates for water sold and delivered set forth in Section 4401(a) (1).

(e) **Full Service, Interim Agricultural Water Program, Emergency Storage Program, and Replenishment Water Facility.** In cases where water through a particular facility is delivered during any month for full service or Interim Agricultural Water Service or both, and for Emergency Storage Program Service or Replenishment Service, the bill for water delivered in such month will be prepared by applying the rates for water sold and delivered in full service to the total quantity of water delivered. In addition to the procedures for crediting Interim Agricultural Water Program Service, if the member public agency desires to receive credit for water used in Emergency Storage Program Service or Replenishment Service the facts concerning the quantities of water so used must be certified to the District in writing or electronically by computer modem or otherwise by a responsible officer of the member public agency purchasing such water as provided for in Section 4507 (f) and (g). The amount of such credits shall be based on the difference in water rates in effect at the time the water is used.

(f) **Late Certifications.** Based on available information, the District will notify a member agency for any certification that it has not received, if known, three months from the end of the month for which the agency would normally certify. No certification received after six months following the end of any month in which such a credit is claimed will be accepted. Certifications must be received by Metropolitan before 3:30 p.m. on the third working day after the end of the month to receive credit for any preceding month on the next bill, subject to the provisions with respect to late certifications in this Section. This Section applies to all cases where a certification is required to receive a credit, whether or not specifically named in this Section, unless otherwise provided by this Code.

(g) **Late Agricultural Certifications During an Interim Agricultural Water Program Reduction Period.** Certifications for Interim Agricultural Water Program use during a reduction period will be considered late if not received within three months of the month being certified. 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.

(gh) **Ratio of Water Use for Full Service and Interim Agricultural Water Program Service.** In the event water is delivered by the District into facilities into which water from other sources also is delivered, and the combined waters are used for Interim Agricultural Water Program Service and for full service, then the quantity of water for which the member public agency shall, upon filing the required certifications of usage, be charged at the rates charged for water sold and delivered in Interim Agricultural Water Program Service during any month shall be a ratio equal to (1) the total District Full Service supply to the participating agency's system divided by (2) the total quantity of combined waters supplied for all purposes during such month. This ratio shall be applied to total agricultural use which is intended for participation in the Interim Agricultural Water Program. This ratio will also be applied to system gains, losses and differences because of timing of meter readings attributable to Interim Agricultural Water Program use and in accordance with Section 4501 (c) of this Code.

(hi) Provisions Regarding the Sale, Delivery, and Use of Interim Agricultural Water Program Water. In order for any member public agency to be charged at the rate charged for water sold and delivered in Interim Agricultural Water Program Service, such member public agency shall be subject to and shall observe the following provisions regarding the sale, delivery, and use of such water:

(1) All water sold for use for Interim Agricultural Water Program Service shall be metered, either at the District's meter where all downstream water deliveries are exclusively for Interim Agricultural Water Program purposes, or at the point where the downstream section of an agency's distribution system is used exclusively to deliver water for Interim Agricultural Program Water service, or at the point of delivery to the Interim Agricultural Program Water user.

(2) When the water delivered to a final user through a single meter is used for Interim Agricultural Water Program Service and incidental domestic uses related to residency, such final user shall be charged for, and the Interim Agricultural Water Program certification submitted to the District shall reflect, at least .06 acre-feet of water per month per single family dwelling as water sold and delivered in full service, and the balance as water used for Interim Agricultural Water Program Service. If a higher constant than .06 acre-feet is used under the retail rate structure, the certification shall reflect that higher constant.

(3) All certifications as to the Interim Agricultural Water Program use of District supplied water must be on forms provided by the District and be accompanied by data and calculations reflecting the method used in determining the quantities certified.

In the absence of the submission of certificates reciting the facts concerning the usage of water for Interim Agricultural Water Program Service, and stating that such usage was in conformity with the provisions described herein, it shall be conclusively presumed that the water was used for full service, and the District's billing shall be on this basis as provided for in Section 4507 (f) and (g).

(ij) Determination by General Manager as to Type of Delivery. In the event the respective quantities of water sold and delivered in any month on order of any member public agency for use therein in Interim Agricultural Water Program Service, Emergency Storage Program Service, or Replenishment Service are not determinable to the satisfaction of the General Manager in time for preparing regular monthly bills therefor, then billing and payment for all water sold and delivered in such month to such member public agency shall be made at the rates prescribed for water used in full service in Section 4401(a)(1) hereof. Upon the determination by the General Manager of the correct quantities of water sold and delivered and used in Interim Agricultural Water Program Service, Emergency Storage Program Service, or Replenishment Service, any adjustment which is necessary to give effect to the reduced rates applicable to water used in Interim Agricultural Water Program Service, Emergency Storage Program Service, or Replenishment Service shall be made by application of credits on subsequent purchases of water from the District by such member public agency. Such adjustments shall not be made in cases where a claim for the reduced rates is not submitted within the period provided in Section 4507(f) and (g).

(jk) Obligation to Pay for Appropriate Class of Service. If water has been sold and delivered at the rates prescribed for water sold in Interim Agricultural Water Program Service, Emergency Storage Program Service, Replenishment Service, or other water program or contract and appropriate certifications have been submitted for the water so used, but the water has in fact been used in full service or another class of service, the member public agency shall be obligated to pay the difference

between the rates prescribed for water sold for Interim Agricultural Water Service, Emergency Storage Program Service, Replenishment Service, or other water program or contract and the rates prescribed for the class of service actually used.

(k) **Submission of Documentation by Member Agency.** With respect to water sold and delivered at the rates prescribed for water sold in Interim Agricultural Water Program Service, or other water programs (unless otherwise specified in an agreement with the District or excluding Replenishment Service which shall follow the provisions outlined in its Handbook) original documentation supporting the use of such water as certified must be submitted no later than December 31 following the end of the fiscal year in which a certification is submitted. If the documentation is not submitted by December 31 following the end of the fiscal year in which a certification is submitted, an agency will receive a late penalty of \$2,500. If the agency does not submit documentation by February 28/29 following the end of the fiscal year in which a certification is submitted, it shall be conclusively presumed that:

(1) The water sold from the District was used for full service, and the District's next monthly billing shall reflect such adjustment; or

(2) The yield was not produced as certified and the District's next monthly billing shall reflect such adjustment.

This provision will apply individually to each program or agreement that an agency or sub-agency participates in separately.

(lm) **Review Process.** With respect to water sold and delivered at the rates prescribed for water sold in Interim Agricultural Water Program Service, or other water programs (excluding Replenishment Service which shall follow the provisions outlined in its Handbook) the District will complete its review within twelve months from date of receipt of the original supporting documentation.

(1) Should the District not complete its review within twelve months of the submittal of all source documentation, the review will be considered complete and the certifications final.

(2) When the review is completed, the District will notify the member agency of its initial findings for its comments. The member agency will provide its comments within 60 days. Metropolitan staff and the agency will work together to reconcile any differences.

(3) If the member agency and Metropolitan staff cannot reconcile the differences, Metropolitan's Water System Operations' Group Manager has the responsibility to consult with the member agency and make a final ruling, subject to the General Manager's oversight. If the ruling is unsatisfactory to the agency, it can be appealed to Metropolitan's Business and Finance Committee.

(4) If the member agency does not provide further documentation correcting Metropolitan staff findings within the 60 day comment period as specified in (m) (2), then it shall be conclusively presumed that the District's findings are correct and the District's next monthly billing shall reflect such adjustment.

(mn) **Discovery of Mistakes or Errors.** In the event a mistake or error is discovered in a District water sales record, the General Manager shall initiate appropriate corrective action. No mistake

or error made more than three years prior to its discovery shall be corrected unless otherwise specified in an agreement with the District. In the event a mistake or error is discovered by a member agency in its water sales record or certifications, no mistake or error made more than three years prior to its discovery shall be corrected unless otherwise specified in an agreement with the District.

(1) A District water sales record shall include a water billing invoice, or district invoice for other water-related charges.

(2) If the District finds the mistake or error, the discovery of the mistake or error shall be documented in writing to the member agency. The date of discovery for corrective action purposes shall be the date notice is sent to the member agency.

(3) If the member agency discovers the mistake or error, the discovery of the mistake or error shall be documented in writing to the District by either a revised certification form or letter, whichever is applicable. The date of discovery for corrective action purposes shall be the date the certification or letter is received by the District.

(4) If an incorrect invoice has been issued to a member public agency, the General Manager shall notify the affected agency of any adjustment and the manner of making any required credit or charge, neither of which shall bear interest.

(5) Mistakes or errors shall also include but are not limited to mistakes or errors in metering or recording deliveries to member agencies, entry or calculation errors in fixed charges, discovery of errors in either a member agency or sub-agency submitted certification(s), or processing of a certification(s) for the Local Projects Program, the Local Resources Program, the Groundwater Recovery Program, Conservation Credit Program, Interim Agricultural Water Program, Replenishment Service Program, or any other water management program or storage programs or agreements unless specified otherwise in the contract.

(6) Any mistakes or error for a fiscal year period that is less than five acre-feet cumulative by agency or sub-agency, by program or agreement, shall be waived.

(#Q) Rate Change. In the event that deliveries of water are made by the District to member public agencies over a billing period during which the District's water rates change, the General Manager may cause the meters recording deliveries of water during such period to be read at the end of the period and the statement of charges for such deliveries of water may be based on a proration between the previous and new water rates for the periods of time during which each were in effect as determined by the General Manager.

(ep) Supply Rates. Deliveries to a member public agency shall be charged at the Tier 2 Supply Rate when the cumulative total of full service deliveries to the member public agency for the year exceeds 60 percent of the member agency's Base Firm Demand. A member public agency that executed a Purchase Order shall be charged at the Tier 2 Supply Rate when the cumulative total of full service deliveries to the member public agency for the year exceeds 90 percent of the member public agency's Base firm Demand.

Chapter 9

INTERIM AGRICULTURAL WATER PROGRAM SERVICE REGULATIONS

Sec.

4900. Interim Agricultural Water Program Term

4901. Maximum Amount of Annual Water Deliveries

4902. Member Public Agency Certifications

4903. Program Reviews

4904. Member Public Agency Plan to Meet Mandatory ~~Cuts-Reductions~~ to Interim Agricultural Water Program

4905. Interim Agricultural Water Program Reductions During a Shortage

4906. Agencies to Pass Through Entire Interim Agricultural Water Program Discount

4907. Penalty Fee for Non-Compliance During an Interim Agricultural Water Program Reduction Period.

§ 4900. Interim Agricultural Water Program Term.

The Interim Agricultural Water Program (Program) is an interim program for service of water for agricultural purposes as described in Section 4106 and shall be governed by the Metropolitan Water District Act, this Chapter 9 and other applicable provisions of this Division IV.

§ 4901. Maximum Amount of Annual Water Deliveries.

The maximum amount of water delivered annually under the Program available to each member public ~~aAgency under the Program~~ is as follows:

Member Public Agency	Maximum Annual Amount of Interim Agricultural Water Program Discount Water Member Public Agency May Purchase (acre-feet)
Anaheim	115
Calleguas MWD	7,164
Inland Empire Utilities Agency	122
Eastern MWD	6,761
Fullerton	60
Las Virgenes MWD	207
MWD of Orange County	7,657
San Diego CWA	100,459
Three Valleys MWD	106
Torrance	22
West Basin MWD	170
Western MWD	<u>32,347</u>
Total	155,190

§ 4902. Member Public Agency Certifications.

Member Public Agencies shall provide monthly Interim Agricultural Water Program certifications in conformance with Section 4507.

§ 4903. Program Reviews.

The Program will be reviewed by Metropolitan at the end of each fiscal year in accordance with Section 4507. Member public agencies shall provide to Metropolitan the following monthly information: (1) total water use, (2) Metropolitan deliveries, (3) local water use, (4) Metropolitan deliveries to agriculture for Interim Agricultural Water Program purposes, and (5) local deliveries to agriculture for Interim Agricultural Water Program purposes and any other information the General Manger deems necessary to complete the review. Reviews may be provided sooner or more frequently if requested by the member public agency or Metropolitan.

§ 4904. Member Public Agency Plan to Meet Mandatory ~~Cuts~~ Reductions to Interim Agricultural Water Program.

~~On or before November 30, 1994, E~~each member public agency ~~which plans to~~participatinge in the Interim Agricultural Water Program shall submit a written Reduction plan ~~Plan~~ to Metropolitan showing how it will meet the mandatory ~~cuts~~reductions to Interim Agricultural Water Program water during a shortagereduction period. The Reduction Pplan shall describe the member public agency's drought management strategy and how ~~it-it plans~~s to ~~either cut-reducebaek~~ Interim Agricultural Water Program water use and/or use local resources to supply agricultureagricultural demands. -being supplied by Interim Agricultural Water Program water during a shortage. The Reduction Plans shall be updated on an annual basis and shall be submitted to Metropolitan by the end of each fiscal year.

§ 4905. Interim Agricultural Water Program Reductions During a Shortage.

Should a supply shortage occur, the General Manager may exercise discretion to reduce Interim Agricultural Water Program deliveries up to 30 percent prior to imposing any mandatory allocation under the Water Surplus and Drought Management Plan.

As soon as practical after the General Manager makes a determination to reduce or interrupt delivery of water for Interim Agricultural Water Program ~~-service~~, the General Manager shall give written notice of such determination to affected member public agencies.

§ 4906. Agencies to Pass Through Entire Interim Agricultural Water Program Discount

The member public agency shall pass the entire Interim Agricultural Water Program discount through to its sub-agencies, and shall use its best efforts to assure that its subagencies pass the entire discount through to the Interim Agricultural Water Program users.

§ 4907. Penalty for Non-Compliance During an Interim Agricultural Water Program Reduction Period.

During a period when the District has called for a reduction of Interim Agricultural Water Program water use, a member public agency will be billed a penalty fee for Interim Agricultural Water

Program deliveries exceeding reduction requirements. The penalty fee for each acre-foot of Interim Agricultural Water Program deliveries exceeding reduction requirements established pursuant to Section 4905 shall be equivalent to the difference between twice Metropolitan's bundled Tier 2 water rate and the applicable Interim Agricultural Water Program rate. The penalty fee for Interim Agricultural Water Program deliveries exceeding reduction requirements established pursuant to any allocation plan adopted by the Board shall be as provided in the allocation plan.