

Water Planning and Stewardship Committee

Item 6c

Subject: Update on Interim Agricultural Water Program

Purpose: To provide background on the Interim Agricultural Water Program, including recent actions to reduce program deliveries, to phase-out the program, and to provide agricultural water use efficiency incentives

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Summary

The current Interim Agricultural Water Program (IAWP) has been in place since 1994, providing participants with a discounted water rate in exchange for the ability to reduce deliveries in times of shortage. IAWP deliveries were reduced by 30% in 2008 and 2009. A phase-out of the IAWP was developed and implemented in late-2008 to provide a way for IAWP participants to transition to shallower delivery reductions in exchange for smaller discounts. Participants have also been given the opportunity to opt-out of the program and purchase imported water at full service rates. The IAWP will end on December 31, 2012.

IAWP participation has been declining, from a maximum available delivery of 155,190 acre-feet per year prior to 2008, to a certified use of only 26,628 acre-feet in 2010. Going forward, Metropolitan continues to work with member agencies to provide water use efficiency incentives for agricultural customers paying full service rates.

Update on Interim Agricultural Water Program

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November 7, 2011

Background

- Metropolitan has discounted agricultural water since the 1950's
- The current Interim Agricultural Water Program (IAWP) began in 1994. IAWP is considered surplus water by the Metropolitan Act
- A discounted rate is provided for surplus water delivery in exchange for a cutback in times of shortage
- IAWP deliveries were reduced in 2008, 2009 and 2010
- A 5 year phase-out of the IAWP was approved by the Board in October 2008

IAWP Phase-Out

- Program phase-out developed to address numerous concerns. Key issues expressed:
 - **By IAWP Participants**
 - Prolonged cutbacks and supply uncertainty have a negative economic impact
 - Desire for more reliable supply
 - **By Non-Participating Agencies**
 - Concern regarding discount water sales during a shortage
 - Impact of maintaining surplus IAWP deliveries while pulling down storage and purchasing dry-year transfers

IAWP Phase-Out (cont.)

- Program phase-out features:
 - Implementation began in late-2008
 - Increased delivery reliability for smaller discounts each year
 - Phase-out concludes on December 31, 2012, with the termination of the IAWP
 - Opportunity to opt-out at the beginning of each year. Participants that opt-out can pay full price and avoid IAWP reductions

IAWP Reduction History

- Maximum IAWP available was 155,190 AF per year prior to 2008
- IAWP target reduction level was 30% in 2008 and 2009. Reduction target was 25% in 2010
- Actual IAWP reductions have exceeded 40%
- IAWP reductions were lifted in April 2011, along with lifting of the Water Supply Allocation Plan
- IAWP participation has been declining over the past several years, down to 26,628 AF certified in 2010

IAWP During Phase-Out

	2008
IAWP Maximum Delivery* , acre-feet	152,880
IAWP Opt-Outs , acre-feet	
IAWP Reduction Percentage	30%
IAWP Reduction Limits , acre-feet	107,016
Actual Certified IAWP Use , acre-feet	90,111

* Maximum delivery prior to implementing a reduction

IAWP During Phase-Out

	2008	2009
IAWP Maximum Delivery* , acre-feet	152,880	79,588
IAWP Opt-Outs , acre-feet		73,292
IAWP Reduction Percentage	30%	30%
IAWP Reduction Limits , acre-feet	107,016	55,712
Actual Certified IAWP Use , acre-feet	90,111	40,227

* Maximum delivery prior to implementing a reduction

IAWP During Phase-Out

	2008	2009	2010
IAWP Maximum Delivery* , acre-feet	152,880	79,588	74,938
IAWP Opt-Outs , acre-feet		73,292	4,650
IAWP Reduction Percentage	30%	30%	25%
IAWP Reduction Limits , acre-feet	107,016	55,712	56,204
Actual Certified IAWP Use , acre-feet	90,111	40,227	26,628

* Maximum delivery prior to implementing a reduction

IAWP During Phase-Out

	2008	2009	2010	2011
IAWP Maximum Delivery* , acre-feet	152,880	79,588	74,938	74,526
IAWP Opt-Outs , acre-feet		73,292	4,650	412
IAWP Reduction Percentage	30%	30%	25%	None
IAWP Reduction Limits , acre-feet	107,016	55,712	56,204	No reduction
Actual Certified IAWP Use , acre-feet	90,111	40,227	26,628	17,426**

* Maximum delivery prior to implementing a reduction

** Certified deliveries through September 2011

Metropolitan Continues to Work with Agriculture in the Region

- As part of the phase-out process, Metropolitan continues work in the area of agricultural water use efficiency
- The agricultural conservation program provides incentives to assist full service agricultural customers
- Administered by the member agencies with funding of \$195/AF, up to 50% of equipment costs, based on water savings resulting from irrigation system efficiency improvements
- Refinements to the ag conservation program are being considered, to be more catalytic in the development of additional ag water use efficiency improvements