



### • Update on Interim Agricultural Water Program

#### Summary

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In September, the Water Planning and Stewardship Committee directed staff to provide background information on agricultural water use in the region. This report is in response to that request.

#### Background

The Metropolitan Water District (Metropolitan) has a long history of providing discounted rates for agricultural users, beginning in 1958 with a 25 percent discount from the basic rate. The primary justification for lower rates has been interruptibility, as water for agricultural uses was, and is, considered to be a surplus sale subject to interruption in service. The current Interim Agricultural Water Program has been in place since 1994.

IAWP deliveries were reduced by 30 percent beginning on January 1, 2008, as a result of dry conditions, declining storage levels, and regulatory restrictions in the Sacramento-San Joaquin delta that reduced deliveries of water from the State Water Project. The 30 percent reduction was implemented, with the input of the member agencies and stakeholder groups, under the General Manager's authority and in accordance with the Water Surplus and Drought Management Plan. The reduction in IAWP deliveries was a key feature of the program, which provided a discount on surplus water, in exchange for the ability for Metropolitan to reduce deliveries in a shortage. Reductions in IAWP deliveries remained in effect until the Board lifted the Water Supply Allocation and IAWP reductions in April 2011. During the prolonged period of reduction, a phase-out of the IAWP was approved by the Board in October 2008, with the end of the program scheduled for December 31, 2012.

#### Program Phase Out

The purpose of the IAWP phase-out was to address the concerns identified by program participants and member agencies that did not participate in the program. Many IAWP participants have provided feedback that certainty and supply availability are important factors in the viability of their agricultural operations. While the discount is an important part of certain growers' ongoing economic viability, continuous supply reductions may also be crippling. On the other hand, agencies that do not participate in the program have questioned the ongoing delivery of "surplus" water at a discount while Metropolitan is pulling down storage reserves and purchasing dry-year transfer supplies to maintain reliability.

Given these and other concerns, Metropolitan staff held discussions with member agency managers (both IAWP participants and non-participants), retail agency managers, growers within the region, and agricultural advocacy groups in order to determine the best course of action to address all these concerns. The IAWP phase-out was implemented in late-2008, and allowed participants to continue participating in the program through the end of the phase-out period on December 31, 2012. During this time, participants would receive increased delivery reliability in exchange for a smaller discount each year. At the conclusion of the program, agricultural water agencies could purchase water at full service rates, with the same level of reliability as other agencies purchasing full service water. Additionally, an opportunity for participants to opt-out of the program was provided at the start of each year during the phase out. This allowed participants to leave the program and begin purchasing water at full service rates, even with IAWP reductions in effect.

The table below illustrates the status of the program rates, reductions and participation through the phase-out period. Prior to the first IAWP reduction in 2008, the maximum amount of IAWP water available was 155,190 acre-feet per year, as specified in the Administrative Code. In years where an IAWP reduction was in effect (CY 2008, 2009, and 2010) the most IAWP water that could be delivered without penalty is shown in the row "IAWP Reduction Usage Target." Otherwise, the most IAWP that could be delivered is shown in the row "IAWP Maximum Delivery." The row titled "Actual Certified IAWP Use" shows the actual amount of IAWP water delivered and certified by the participating agencies under the program.

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	2008	2009	2010	2011	2012
IAWP Maximum Delivery, acre-feet*	152,880	79,588	74,938	74,526	TBD
IAWP opt-outs, acre-feet		73,292	4,650	412	TBD
IAWP Reduction in Effect	30%	30%	25%	None	None
IAWP Reduction Usage Target, acre-feet	107,016	55,712	56,204	No reduction	TBD
Actual Certified IAWP Use, acre-feet	90,111	40,227	26,628	17,426**	TBD
IAWP Treated Water Discount, per acre-foot	\$114	\$114	\$86	\$57	\$29
IAWP Untreated Water Discount, per acre-foot	\$90	\$90	\$68	\$45	\$23

\* Maximum delivery prior to implementing a reduction

\*\* Certified deliveries through September 2011

**Key Points**

- At the first opportunity, almost half of the participants opted out. This underscores their feedback that water reliability was a larger concern than the discount.
- The IAWP phase out will be complete at end of 2012. Starting in 2013 there will be no IAWP water available under the Administrative Code.
- Recent certifications reflect much lower participation in the program than the maximum delivery amounts allow.

**Metropolitan Continues to Work with Agriculture in the Region**

As part of the IAWP phase out process, Metropolitan continues to work with the member agencies to identify ways to provide assistance in the area of agricultural water use efficiency. The agricultural conservation program provides efficiency incentives to assist agricultural customers that are paying full service rates. This program is administered by member agencies with funding from Metropolitan of \$195 per acre-foot, up to 50 percent of equipment costs, based on estimated water savings resulting from irrigation system efficiency improvements. During FY 2010/11, ten applications for agricultural conservation incentives totaling \$75,000 were approved by the member agencies with funding committed by Metropolitan. These water use efficiency projects are estimated to save 1,400 acre-feet of water over their estimated life of 10 years. Staff is working on potential refinements to the agricultural conservation program that may further help agricultural water users to develop additional water use efficiency improvements over time.