

IAWP Supply Reduction Implementation Plan

Valley Center Municipal Water District

for
January 2008

Customers Subject to the IAWP Supply Reduction - According to guidelines recently issued by MWD, the IAWP Supply Reduction Program applies to participants as follows. Those who:

- Had been in the program prior to and then after December 31, 2006, are subject to the reduction;
- Exited the program prior to December 31, 2006, are not now subject to the cut.

Entering the IAWP Program Today: As per Article 162 of the Administrative Code, the District is not now and for the duration of the current IAWP Supply Reduction Program, will not be accepting new applications for the MWD IAWP.

Methodologies for Administering Reduction and Monitoring and Verifying Reduction – As per the regional implementation guidelines adopted by the San Diego County Water Authority, the District will utilize month to month water allocations provided in advance on a per customer basis, with allocations determined by the percentage reduction (currently anticipated to be 30%) compared to usage in the months of Fiscal Year 2006-2007 (July 1, 2006 through June 30, 2007) as follows:

- ▶ Each IAWP customer will be provided a print-out of their respective monthly water usage allocations prior to the start of the reduction program January, 2008.
- ▶ The District's billing format will be changed to reflect the allocation for the specific month and the amount of usage over and under the monthly allocation.
- ▶ Usage under the monthly allocation shall be deemed "usage credits" which can be rolled forward to offset over-usage in successive months of the 12-month program. However, credits remaining at the end of the initial 12-month program cannot be rolled forward into a subsequent program, if one is implemented.
- ▶ Water usage over the monthly allocations will be billed at the normal rate for certified IAWP water plus \$818.00 per acre foot. With the projected rates to be effective January 1, 2008, the total penalty rate would be \$1,482.12 per acre foot, or \$3.40/HCF (these rates are subject to change).
- ▶ Penalty charges to the customer for over-usage for the first two months of implementation for the initial 12-month program will be suspended to provide customers with a period to transition into the reduction program. However, cumulative penalties incurred in the first two months of the program not fully offset with usage under the allocation in the third month will be billed at the penalty rate at the end of the third month, along with any penalties incurred in the third month.
- ▶ Penalties incurred can be earned back with conservation in subsequent months of the initial 12-month program. However, penalties paid but not earned back at the end of the first 12-month program cannot be earned back with under usage in a subsequent program, if one is implemented.

- ▶ Accounts under the same ownership may be grouped into one master account to report over or under usage against the group total allocation, allowing customers to move water allocation among accounts and properties under their ownership.
- ▶ In cases of customers repeatedly or flagrantly exceeding monthly allocations, the District has the authority to impose additional fines, penalties, or flow-restrict the customer's meter as follows:

First Violation - Except for the specific months of January, February and March of 2008, if at the end of any two consecutive billing cycles, the IAWP participant or the participant group usage is 10% or more above the cumulative allocation and accumulated usage credits for that two month period, the IAWP participant or participant group will pay the applicable penalty rate for the over usage and receive a Notice and warning by phone call and registered letter stating that if the participant is still above the cumulative allocation at the end of the third month, or Warning Month, then effective with the start of the fourth month, the individual participant meter or meters for the participant group will be flow restricted to 50% of the meter design flow for the next 30 calendar days.

If at the end of the fourth month, the IAWP participant or participant group usage is at or under the cumulative allocation for the preceding four months, the flow restrictor will be removed at the beginning of the fifth month. If at the end of the fourth month, the IAWP participant or participant group usage remains over the cumulative allocation for the preceding four months, the flow restrictor will remain in place until a subsequent account billing demonstrates that the cumulative usage of the IAWP participant or participant group for all preceding months is at or under the cumulative allocation.

Second Violation - If in any subsequent month, a IAWP participant or participant group having previously been flow restricted under the provisions of the IAWP Reduction Implementation Plan again exceeds the usage allocation and accumulated usage credits by 10% or more, the participant or participant group will pay the penalty rate for over usage and receive Notice and warning by phone and registered letter. If at the end of the Warning Month, the cumulative consumption for the month in which the allocation was exceeded and allocation for the warning month is still above the cumulative allocation for the two month period, then the individual participant meter or meters for the participant group will be flow restricted to 50% of the meter design flow until a subsequent account billing demonstrates that the cumulative usage of the IAWP participant or participant group for all preceding months is at or under the cumulative allocation.

Third Violation - If, in a subsequent month after the second violation, an IAWP participant or participant group usage exceeds the allocation and accumulated usage credits by 10% or more for that period, then the 50% design flow restriction will be implemented, without warning, for the duration of the 2008 IAWP reduction program.

Cost Recovery for Flow Restrictor Installation/Removal – Customer will pay the cost, on a time and material basis, for the installation and removal of a flow restrictor.

Over Usage Penalty/Flow Restriction Matrix

Usage Level After March 30, 2008	Response – No Action; Usage credit rolled forward	Response- No action	Response – Penalty rate for usage over allocation, \$1482/AF, or \$3.40/HCF	Response- Pay penalty rate; Warning of flow restriction	Response – Pay penalty; Meter restricted at 50% design flow until total usage meets cumulative allocation	Response – Penalty; Meter Restricted at 50% design flow for the balance of IAWP Reduction
Under allocation	●					
At allocation		●				
Exceeds allocation & accumulated credits			●			
Exceeds allocation & accumulated credits by ≥10% for 2 consecutive months				●		
Exceeds allocation and accumulated credits by ≥10% for 3 consecutive months					●	
Exceeds allocation & accumulated credits by ≥10% 2 nd occurrence same participant/group				●		
Exceeds allocation & credits by ≥10% second consecutive month, 2 nd occurrence same participant/group					●	
Exceeds allocation by ≥10%, 3 rd occurrence, same participant/group						●

Reduction in Future IAWP Allocation - If at the end of the initial 12-month IAWP Supply Reduction Program, the Valley Center Municipal Water District has exceeded its allocation of IAWP water from MWD and the SDCWA, then its future allocation, under normal and reduced supply conditions, shall be reduced by that amount of over usage. Likewise, each of VCMWD’s IAWP accounts exceeding the individual allocation will have its future access to IAWP water reduced by an equivalent amount.

Appeals – IAWP participants may appeal program implementation provisions and decisions made by VCMWD staff, such as penalty imposition and flow reduction, as follows:

- ▶ Decisions made by the VCMWD IAWP Reduction Implementation staff can be appealed in writing on a form provided by the District to Director of Finance, or his designee. All appeals shall be filed within 15 calendar days of the date of the provision or decision being appealed. The Director of Finance shall then have 30 calendar days to render a written decision on the appeal.
- ▶ Decisions by the Director of Finance may be appealed to the General Manager, or his designee, within 15 calendar days of the date of the decision by the Director of Finance. The General Manager shall then have 30 calendar days to render a written decision to the appeal of decision by the Director of Finance.
- ▶ All decisions by General Manager may be appealed to the Board of Directors. Requests for appeals to the Board shall be made in writing and will be placed on an agenda for review and action at a subsequent meeting of the Board. The decision by the Board shall be final.

During the appeal process, all provisions and decisions under appeal shall remain in full effect until the conclusion of the appeal process.

PLEASE BE ADVISED – THERE IS NO ADDITIONAL IAWP WATER AVAILABLE FOR INCREASED ALLOCATIONS.

Changes - This plan is based upon information available at the time of adoption. District staff is aware that there are possible future implementation policy decisions at the MWD and SDCWA level which could impact the content of the District's implementation plan.

Contacts - For additional information, please feel free to contact:

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(Revised November 19, 2007. Subject to change.)

Frequently Asked Questions

Interim Agricultural Water Program (IAWP) Supply Reduction for Valley Center Municipal Water District (VCMWD) Customers

Since information started surfacing about the possibility of an IAWP Supply Reduction, our staff has fielded literally hundreds of phone calls and questions about why this is happening and how the supply reduction will be implemented. We have attempted to pose and then answer the most frequently asked of those questions below.

Q. What is the problem with our water supply?

A. The answer to this question is very complicated from an historical and political perspective and could fill literally volumes. We will attempt to provide an abridged answer, as follows:

Our State Water Project (“SWP”) supply, which meets about 40% of the San Diego region’s water needs, passes through the Sacramento – San Joaquin Delta (“Delta”) on its way to the system’s export pumps on the south end of the Delta. The Delta is also home to several endangered fish, including the Delta Smelt. In decline for many reasons, one of the factors is that the fish are drawn through the export pumps, further impacting their population. Various environmental groups, including the National Resource Defense Council (NRDC), brought suit several years ago under the Federal Endangered Species Act to stop the pumping to protect the fish and force the state to apply for a new operating permit which would protect the Smelt. In August of this year, a federal judge ruled in favor of the NRDC, and ordered that the state seek a new permit. In the meantime, the Delta export pumping would be restricted between December of 2007 and June of 2008. It has been assessed that this order will reduce SWP exports by up to 30%, resulting in a shortage to Metropolitan Water District of Southern California (MWD) and the San Diego County Water Authority (SDCWA). As a result, MWD has called for an IAWP reduction of 30% to help offset the impact of the reduced SWP supply.

Q. Will a wet winter resolve the water supply problem?

A. No, unfortunately not. Irrespective of how wet the coming winter may be, the court-imposed pumping restrictions will still be in place, as well as the need to reduce deliveries to IAWP.

Q. How long will this situation last?

A. The current pumping restrictions will last until the new operating permit is issued in late 2008. However, it is anticipated that the same or a similar level of pumping restriction will be included in the new operating permit. As long as there is a conflict between exporting water and the survival of the endangered species in the Delta, there will be pumping and water supply restrictions. The long-term solution is a facility to bring water from the top of the Delta around the Delta directly to the export pumps, thus isolating the fish from the pumps. This, however, has not been approved, and if and when it is approved, it could take 10 to 12 years to implement. However, there are some interim solutions to improve the water export conditions that could be implemented in three to five years. ***Consequently, IAWP customers as well as Municipal & Industrial (M&I) customers could be facing water supply restrictions of some level for at least three to five years.***

Q. Why are only IAWP customers being required to have a reduced supply when others are only asked to do voluntary conservation?

A. Under its enabling act, MWD can only sell water to agriculture which is surplus to Municipal and Industrial (M&I) needs. As such, by definition, agricultural water is considered surplus and subject to reduction or full interruption when MWD declares that the amount of surplus water available is reduced or eliminated entirely.

In recognition of this "interruptible status" MWD has historically established lower rates for agricultural customers with the IAWP, started in mid-1994, as the most recent iteration of the agricultural discount rate. As such, IAWP participants pay a lower rate for their water supply in recognition of the fact that they are an interruptible class of customers.

When MWD determines that they may not have enough water to meet all M&I needs, as occurred in 1991-92, IAWP customers are called upon to reduce first and then deeper than their M&I counter-parts.

Q. How much are IAWP customers required to reduce usage?

A. At this time IAWP customers are being required to reduce their monthly usage by 30% compared to usage levels during July 2006 through June 2007, or the base period.

Q. Could this supply reduction level increase?

A. Yes. If M&I customers are required to go to mandatory usage reduction, then IAWP customers could be required to increase the amount of reduction to 40% and possibly beyond.

Q. How will IAWP customers know how much water to use in a given month?

A. Each customer has been provided monthly usage allocations covering usage from January through December 2008. ***Please note that, depending on the applicable billing cycle, the January 2008 allocation actually covers usage in portions, or all of usage during December 2007.***

Q. Can the allocations be combined for multiple meters serving one property or multiple meters serving multiple properties in the District into one allocation account?

A. Yes, if the multiple meters are serving properties under the same ownership. However, allocations for meters serving different ownerships, but under a common lease or management contract, cannot be combined into one allocation account. All group bills will be mailed at the end of each month.

Q. How can IAWP customers track their usage through each month?

A. Each customer will be advised of the read date for their meter and they can read their meter on the same date. They can then track their own usage through the month to determine where their usage is in relation to their respective allocation. Meter reading dates and instructions on how to read the meter will be provided and assistance in the field will also be available. Training classes on how to read the meter will be offered in Spanish and English.

Q. What happens if an IAWP customer's use is over the allocation for the month?

A. Usage over the monthly allocation and any earned conservation credits carried forward from prior months will be subject to a penalty rate, which is \$3.40 per HCF. As of January 1, 2008, the normal IAWP rate will be \$1.52.

Q. What happens when an IAWP customer's use is under the monthly allotment?

A. When an IAWP customer's use is under the monthly allotment, the under usage is recorded as a "conservation credit" which can be used to earn back a penalty incurred in a prior month or can be rolled forward to the next month or months to offset possible over-usage in a future month in the same calendar year.

Q. Can conservation credits be carried forward out of the 2008 supply reduction period into 2009 or beyond, assuming the need to reduce water demand continues?

A. No. According to MWD's guidelines, all credits or penalties will be final at the end of the calendar 2008 period, and, if there is a reduction in 2009, then a new accounting of conservation credits and penalties will begin.

Q. What happens if an IAWP customer repeatedly exceeds the monthly allocation?

A. If an IAWP customer repeatedly exceeds the monthly allocation after receiving the verbal and written warnings, the customer's meter will be flow restricted. *(Please see the IAWP Supply Reduction Implementation Plan for details.)*

Q. What happens if an IAWP customer has exceeded the total allocation for a specific meter or group of meters at the end of the calendar 2008 period?

A. If at the end of the calendar 2008 period, the customer has exceeded the total allocation, then that customer's allocation in a 2009 supply reduction program will be reduced by that same amount. When the supply reduction requirements are lifted, then the customer's access to the IAWP discount will be permanently reduced by the amount the customer went over during the supply reduction periods. The same principal will apply to the entire Valley Center Municipal Water District if, as an agency, it fails to meet the 30% reduction requirement.

Q. Will there be an appeal procedure for various aspects of the program, such as penalties and meter flow restrictions?

A. Yes. Please see the details of the appeal procedure in the IAWP Supply Reduction Implementation Plan.

Q. If because of loss of a well, new growth, new plantings or other valid circumstances occurring during or after the base period, can an IAWP customer make a valid request or appeal for an additional water allocation?

A. No, unfortunately not. Through the San Diego County Water Authority, MWD has allocated VCMWD a fixed amount of water for 2008. Further, MWD is not allowing any adjustments to that amount for loss of local supply, new plantings, growth, etc. As such, the only way a customer(s) can receive additional water is by reducing the allocation to all customers to create a pool for reallocation to other growers.

Q. What can be done to reduce water demand to meet the 30% reduction?

A. Ultimately, compliance strategies are up to the individual growers. In the 1991-92 drought reduction, customers took a number of different approaches; including, select tree removal, stumping, stumping and re-grafting, nursery stock reduction and abandonment of portions of groves or orchards. Efforts were also made to improve water use efficiency where possible. While VCMWD does not and will not make any recommendations, we will direct you to several sources, including the:

UC Farm Extension (858) 694-2856

San Diego County Farm Bureau (760) 745-3023

California Avocado Commission (800) 344-4333

Mission Resource Conservation District (760) 728-1332

Q. Will there be an opportunity to attend a public meeting on the IAWP supply reduction?

A. Yes. On November 26th from 6:00 p.m. to 8:00 p.m. at the Maxine Theater, Valley Center High School, VCMWD staff will make a presentation on the implementation plan and answer any and all questions from the audience.

Q. In the meantime, if I have a question, is there anyone I can contact?

For specific information about your account, allocation or appeals:

Debbie Tilley, Consumer Services Supervisor dtilley@vcmwd.org

For general information about the IAWP Supply Reduction:

Bill Jeffrey, Director of Finance wjeffrey@vcmwd.org and

Gary Arant, General Manager garant@vcmwd.org

Also, the above can be reached by phone at 760-749-1600, Monday through Friday, 7:30 am to 4:00 pm.