

**Interim Agricultural Water Program Reduction  
Addendum to Frequently Asked Questions (FAQ Addendum)  
Calendar Year 2010 (DRAFT)**

**1. What is a Frequently Asked Questions Addendum?**

Metropolitan has prepared this Frequently Asked Questions (FAQ) Addendum to assist the member agencies in implementing a reduction of Interim Agricultural Water Program (IAWP) water deliveries for Calendar Year (CY) 2010. The FAQ Addendum expands upon information presented in an Addendum to IAWP Reduction Guidelines for CY 2010. Metropolitan has limited the scope of these addendums to impacts on the IAWP brought about by recent actions at Metropolitan; these addendums do not replace comprehensive Reduction Guidelines and FAQ Metropolitan issued for the CY 2009 IAWP reduction.

**2. What "actions" does this FAQ Addendum address?**

This FAQ Addendum addresses specific questions concerning IAWP administration during CY 2010 in accordance with Metropolitan's plans to: (1) phase out the IAWP; (2) implement a Water Supply Allocation (WSA) for domestic and municipal water supplies; and (3) increase water rates in September 2009 and January 2010. Metropolitan adopted a plan to phase out the IAWP (Phase-out) in October 2008, approved a WSA for a Level 2 Regional Water Shortage in April 2009, and adopted a schedule for rate increases in April 2009. The WSA, effective July 1, 2009, will extend through June 30, 2010.

**3. How will phasing out the IAWP impact the CY 2010 Reduction?**

The Phase-out calls for an incremental reduction of the discount available for IAWP water over the next three calendar years. At the same time mandatory reductions of IAWP deliveries, corresponding to water supply shortage levels, will decrease. These changes will occur between January 1, 2010 and January 1, 2013. Metropolitan's discounts for treated and untreated IAWP water during the Phase-out are shown in Table 1.

<b>Table 1</b>		
<b>Calendar Year</b>	<b>Treated IAWP Discount</b>	<b>Untreated IAWP Discount</b>
2009	\$114/AF	\$90/AF
2010	\$86/AF	\$68/AF
2011	\$57/AF	\$45/AF
2012	\$29/AF	\$23/AF
2013	\$0/AF	\$0/AF

As Metropolitan decreases its IAWP discount, it will require less of a reduction in IAWP water use during water supply shortages. During the first six months of CY 2010, mandatory IAWP reductions will be 25%, which corresponds to a Level 2 Regional Water Shortage during this period. For the last six months of 2010, which begin on July 1, 2010, Metropolitan will reduce IAWP water according to regional shortage levels shown for 2010 in Table 2. Should a deeper regional shortage level be necessary, IAWP usage targets for 2010 would decrease commensurate with the increase in IAWP reduction percentage.

<b>Regional Shortage Level</b>	<b>Regional Shortage Percentage</b>	<b>CY 2009</b>	<b>CY 2010</b>	<b>CY 2011</b>	<b>CY 2012</b>
none	Voluntary	Up to 30%	Up to 24%	Up to 18%	Up to 11%
1	5%	30%	24%	18%	11%
2	10%	30%	25%	20%	15%
3	15%	40%	34%	28%	21%
4	20%	50%	43%	35%	28%
5	25%	75%	63%	50%	38%
6	30%	90%	75%	60%	45%
7	35%	100%	84%	68%	51%
8	40%	100%	85%	70%	55%
9	45%	100%	86%	73%	59%
10	50%	100%	88%	75%	63%

**4. How will Metropolitan track IAWP water use in CY 2010?**

- a. Calculating CY 2010 Baseline:** As in previous years, Metropolitan will use an Agency's Baseline to establish monthly usage targets. An Agency's CY 2010 Baseline will equal its CY 2009 Baseline adjusted for over-use occurring in CY 2009 and participating member agencies reporting their customer opt-outs from the program for CY 2010 by December 31, 2009. Calculation of a hypothetical Baseline is shown in Table 3.

<b>CY 2009 Baseline (AF)</b> <b>(A)</b>	<b>CY 2009 Overuse (AF)</b> <b>(B)</b>	<b>CY 2010 Opt-outs</b> <b>(C)</b>	<b>CY 2010 Baseline</b> <b>(D)</b>
50,000	5,000	10,000	35,000

- b. Determining CY 2010 monthly reduction targets:** An agency's Baseline for CY 2010 will be prorated monthly according to CY 2009 monthly Baseline distribution. Monthly usage targets for CY 2010 will reflect IAWP reduction percentages in place during each month of the calendar year reduction period. An example illustrating the methodology for calculating the monthly Baseline and usage targets for the hypothetical agency are shown in Table 4.

	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Total</b>
<b>CY 2009 Baseline</b>	2,761.3	1,558.3	2,809.3	3,500.1	5,868.3	4,947.7	5,651.4	6,126.1	5,539.1	5,512.7	2,943.2	2,782.5	50,000.0
<b>CY 2010 Baseline</b>	1,932.9	1,090.8	1,966.5	2,450.1	4,107.8	3,463.4	3,956.0	4,288.3	3,877.4	3,858.9	2,060.2	1,947.7	35,000.0
<b>CY 2010 Usage Target</b>	1,449.7	818.1	1,474.9	1,837.6	3,080.8	2,597.5	2,967.0	3,216.2	2,908.0	2,894.2	1,545.2	1,460.8	26,250.0

c. **Adjusting usage targets midyear:** Metropolitan may adjust reduction targets in response to changing water supply conditions during CY 2010. Monthly usage targets will reflect shortage levels shown in Table 2. For example, if the regional shortage increases from Level 2 to Level 3 in mid-2010, Metropolitan will adjust usage targets to reflect the required IAWP reduction for a Level 3 shortage for the last six months of CY 2010. Table 5, shows an example of an adjustment of usage targets in response to Metropolitan declaring a Level 3 regional shortage, effective July 1, 2010.

<b>Table 5</b>													
<b>CY 2010</b>													
<b>Hypothetical IAWP Usage Targets for Midyear WSA Increase (Level 2 to Level 3 Regional Shortage)</b>													
Shortage Condition	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
Level 2 Shortage 25% IAWP Reduction	1,449.7	818.1	1,474.9	1,837.6	3,080.8	2,597.5	2,967.0	3,216.2	2,908.0	2,894.2	1,545.2	1,460.8	26,250.0
Level 3 Shortage 34% IAWP Reduction	1,275.7	719.9	1,297.9	1,617.1	2,711.1	2,285.8	2,610.9	2,830.3	2,559.1	2,546.9	1,359.8	1,285.5	23,100.0
Shortage Level – IAWP Reduction %	Level 2 Shortage – 25% IAWP Reduction						Level 3 Shortage – 34% IAWP Reduction						
CY 2010 Baseline with July 2010 WSA increase	1,449.7	818.1	1,474.9	1,837.6	3,080.8	2,597.5	2,610.9	2,830.3	2,559.1	2,546.9	1,359.8	1,285.5	24,451.0

d. **Managing credits and debits during a WSA:** As in previous years, agencies can carryover IAWP “credits” when their cumulative IAWP water use falls below cumulative usage targets, for the first 6 months of CY 2010 into the second 6 months of CY 2010. Additionally, “debits” accrue when water use exceeds their usage targets, with overuse penalties assessed at six-month intervals. Even if deeper midyear IAWP water cuts are necessary due to a deeper regional shortage condition under a WSA, an agency can carry forward any IAWP credits accumulated from one 6 month period into the next within the calendar year. Credits acquired after a deeper shortage is declared can also be used to offset debits occurring earlier in the year. If water supply conditions improve midyear, and the WSA is reduced, penalties accrued prior to WSA reduction may be offset by IAWP underuse occurring as a result of the WSA rollback. However, underuse occurring in the second half of calendar year 2010 cannot be carried forward into CY 2011; any CY 2010 underuse credits would revert to zero on January 1, 2011.

**5. How does the rate increase impact IAWP rates?**

In April 2009, Metropolitan’s Board approved a 19.7 percent increase in overall rates and charges, with increases occurring on September 1, 2009. Increases for treated Tier 2 supply rate and IAWP water will occur in January 2010. IAWP rates increase twice in this period because of (1) a general increase in all water rates, and (2) an increase in rates associated with the IAWP phase-out provisions. Rates in place as of September 1, 2009, and January 1, 2010 are shown in Table 6.

**Table 6**

<b>Metropolitan Water Rates</b>			
	Effective 01/01/2009 (per AF)	Effective 09/01/2009 (per AF)	Effective 01/01/2010 (per AF)
Tier 1 Untreated Full Service	\$412	\$484	\$484
Tier 2 Untreated Full Service	\$528	\$564	\$594
Untreated IAWP	\$322	\$394	\$416
Tier 1 Treated Full Service	\$579	\$701	\$701
Tier 2 Treated Full Service	\$695	\$781	\$811
Treated IAWP	\$465	\$587	\$615

**6. How will rate increases affect IAWP penalty fees?**

Metropolitan's water rate increase approved at its April 2009 Board meeting will directly impact IAWP penalty fees for CY 2010, as shown in Table 7. However, Metropolitan's methodology for calculating penalty fees does not change, as the penalty per acre-foot of IAWP overuse will equal twice the Tier 2 water rate less the IAWP rate. As seen in Table 7, an agency will pay \$1,188/AF for untreated water, and \$1,622/AF for treated water, for every acre-foot of IAWP over-use in a six month period. Should CY 2010 rates change at any point during the year, Metropolitan will adjust IAWP rates and penalty fees shown in Table 7, to reflect the rate changes.

<b>Table 7 Penalty Fee for IAWP Overuse in CY 2010</b>				
TYPE	IAWP Rate	Tier 2 Full Service Rate	IAWP Penalty Fee	Total IAWP Overuse Cost
Untreated Water	\$416/AF	\$594/AF	$\$772/AF = ((2 \times \$594/AF) - \$416/AF)$	$\$1,188/AF = (\$416/AF + \$772/AF)$
Treated Water	\$615/AF	\$811/AF	$\$1,007/AF = ((2 \times \$811/AF) - \$615/AF)$	$\$1,622/AF = (\$615/AF + \$1,007/AF)$

**7. What information is Metropolitan requesting in the 2010 Reduction Plans?**

For CY 2010, Metropolitan is requesting that Member Agencies update their reduction plans as needed to address any changes that are anticipated in CY 2010. Specifically, the Plan should discuss the following:

- a. Any anticipated changes in the agency's water resources and agricultural water use and demand patterns in CY 2010.
- b. Strategies for reducing IAWP water demand by 25% (75% of Baseline levels).
- c. Strategies for monitoring and verifying IAWP reductions.
- d. Strategies for implementing deeper IAWP reductions should Metropolitan call for a greater WSA in July 2010.
- e. Impact of the WSA and Phase-out on IAWP use throughout the Member Agency's service area.

**8. What is Metropolitan's timeline for implementing the CY 2010 IAWP reduction?**

- a. **November 2009:** Metropolitan notifies Agencies of the Reduction/Phase-out for CY 2010
- b. **December 31, 2009 (or before):** Member Agencies provide Metropolitan with final opt-out notification
- c. **January 31, 2010:** Metropolitan issues final Addendum for CY 2010 IAWP Reduction, including final Baselines and Usage Targets based on opt-out information received from the agencies.
- d. **February 15, 2010:** Member Agencies provide Metropolitan with updated 2010 Reduction Plans.