

December 4, 2007

Updated and Revised Water Supply Advisory for IAWP Participants

Dear IAWP Participant:

You are a participant in the Metropolitan Water District of Southern California's (MWD) Interim Agricultural Water Program (IAWP) and as such, the water that you purchase at a discounted rate is subject to interruption in times of water supply shortages. You previously received a letter that informed you that MWD has announced their intention to reduce deliveries of surplus water under the IAWP by as much as 30% beginning with January 2008 usage. The purpose of this letter is to advise you of a revised allotment if you have a home on your property. The allotments for IAWP customers with homes on the property have been increased, which means you have more water for 2008 than previously indicated. An updated copy of the District's IAWP Reduction Plan is attached for your reference.

The time period used to calculate your 2008 water allotment under this program was July 1, 2006 through June 30, 2007. Attached is a print out of your usage during that period and your 2008 allotments reflecting the reduction in "Agriculture Certified" water announced by MWD on October 8, 2007. Please note that the revised monthly allocations attached reflect changes from the previous allotment you were provided. MWD has provided information clarifying that for IAWP participants with a house on the property, the first 26 units that are billed at the domestic rate will be exempt from the IAWP reduction. Usage over the 26 domestic units will be subject to a reduction of up to 30%. If you have questions, please contact Joseph Randall, (760) 632-4232.

If you do not make the required reduction per your IAWP agreement with the District and MWD you will be penalized for water used over the monthly allotment. The penalty rate will be billed at the OMWD Agricultural Rate plus the MWD penalty rate for each unit of water above the monthly allotment. If a customer exceeds their allotment consistently over a six month period, flow restrictors may be placed on the meter.

Additionally, pursuant to the MWD IAWP, if a customer has exceeded their target usage at the end of 2008, their IAWP base year allotment will be reduced by the amount of the overage in determining the allotments for 2009.

If you use less than your allotment, a credit may be rolled forward and applied to subsequent months water usage until credits are used up or until the end of the 6 month period, whichever comes first. Additionally, the District will allow allotment credits to accumulate and roll over from the first 6 month period to the second 6 month period.

If you would like a free water use evaluation for your property to receive recommendations for water savings, please call (760) 728-1332. Also, if you have a grove manager that you would like copied on your water usage and allotments, please send written authorization to release information to the District marked "Attention: Joseph Randall." Please include the manager's name and address.

If you have questions about the IAWP plan please contact Joseph Randall at (760) 632-4232. Thank you for your cooperation in this matter.

Sincerely,

A handwritten signature in black ink that reads "Kimberly A. Thorner". The signature is written in a cursive, flowing style.

Kimberly A. Thorner
General Manager
Olivenhain Municipal Water District



OMWD Interim Agricultural Water Program Reduction Plan

Metropolitan Water District (MWD) staff announced their intention to reduce their deliveries of surplus water under the Interim Agricultural Water Program (IAWP) by up to 30 percent beginning January 2008.

Retail Water Supply and Demand

Olivenhain Municipal Water District (OMWD) purchases 100% of its Municipal & Industrial and Agricultural water supply from the San Diego County Water Authority (SDCWA), a member agency of MWD.

OMWD has participated in the MWD's IAWP since implemented. OMWD qualified IAWP customers must complete the MWD IAWP application for consideration in the program. Once IAWP applications are completed, applications then are processed and reviewed by the OMWD customer service department for eligibility. If qualified, customers then are assigned a user code "AC" for Agricultural Certified in order to receive the MWD pass through discount under the program. The OMWD water billing system has the ability to store monthly agricultural water consumption by user code for all customer types, including IAWP and non IAWP customers for nine (9) years.

A breakdown of deliveries by source for OMWD from July 2003 through June 2006 are attached as "A." A breakdown of Agricultural Deliveries by type for OMWD from July 2003 through June 2006 are attached as "B."

Uses of Agricultural Water

Citrus and produce are the majority of crops being cultivated and grown in the OMWD service area. Information on specific crop types and associated acreage is continuously changing from season to season and is not currently tracked by OMWD. The combined parcel total for OMWD's IAWP customers is 993.53 acres. This number does not reflect the number of acres that are currently under cultivation. A map, which shows regions in retail areas receiving IAWP deliveries, is attached.

IAWP Administration

Initial Notification

First notification was sent out to all IAWP participants on July 3, 2007 to inform our customers that beginning January 1, 2008 they are required to reduce their water up to 30 percent based on the IAWP agreement. In addition, if they do not comply, they will be subject to a penalty. A copy of this notification is attached.

Follow Up Notification

The District received final decision and details from SDCWA and MWD on Monday, October 8, 2007. OMWD followed up with a second notification to our IAWP participants with more details including allotment printouts and programs to help them monitor their water usage. Since the objective is to quickly reduce the volume of water used by our IAWP participants, OMWD will use a penalty rate as a means to effectively control water consumption and to assess water consumption for non compliance. The cutbacks and penalties assessed will correspond to the cutbacks and penalties that MWD imposes on OMWD.

Forums and Meetings with Growers

OMWD attended the Farm Bureau Agricultural Water Outlook forum on September 27, 2007 to meet with IAWP participants and discuss ways that they can conserve and to offer assistance. A second forum for IAWP participants was held at the District's headquarters on October 30, 2007.

IAWP Reduction Implementation Plan

Letters will be sent to all of our IAWP customers letting them know what their monthly allotments are.

Who Gets Cut

We will require all IAWP customers in the program as of December 31, 2006 to have a reduced allotment. IAWP participants will be expected to implement necessary measures to achieve the reduction required by MWD. The determination of those measures falls under the purview of each individual customer. A few OMWD IAWP customers have indicated that they will not grow certain water intensive crops throughout this reduction period.

A total of two IAWP participants sustained damage during the 2007 Wildfires. The total acreage of both sites was 22.92 acres. At this time it has not been determined what portion of this total acreage was under cultivation prior to the fire damage.

Remaining in the IAWP

We will require all IAWP customers in the program to remain on the program until the shortage is announced as over by MWD and/or the IAWP program is discontinued.

Process for Calculations and Penalties

OMWD will utilize monthly water reads to monitor monthly water consumption for each customer. A monthly water allotment determined by the percentage reduction against the base year will be provided to OMWD IAWP participants. Monthly "AC" water used over the allotment for the selected base year IAWP will be billed at the OMWD Agricultural rate plus MWD penalty rate for each 100 cubic feet of excess water used. Water volume used under the allotment target for that month may be rolled forward to the subsequent month and used as a credit until the end of each 6 month program period. Additionally, OMWD will allow allotment credits to accumulate and roll forward from the first 6 month period to the second 6 month period until credits are used or the end of the calendar year, whichever comes first. However, no dollar adjustments would be given to adjust or offset penalties previously paid in prior months, allowing OMWD to recover revenue lost due to this cut back in order to meet system revenue requirements. Per approval by the Board of Directors, OMWD will not refund penalties incurred by the customer. Should an IAWP participant fail to meet the target on a continuing basis, OMWD will implement mandatory flow restriction to reduce water consumption. Any customer who fails to meet their allotment at the end of the first 6 months will be evaluated by OMWD staff which may require additional action to ensure that the reduction is met. These actions may include the installation of a flow restricting device.

Impact on Metropolitan

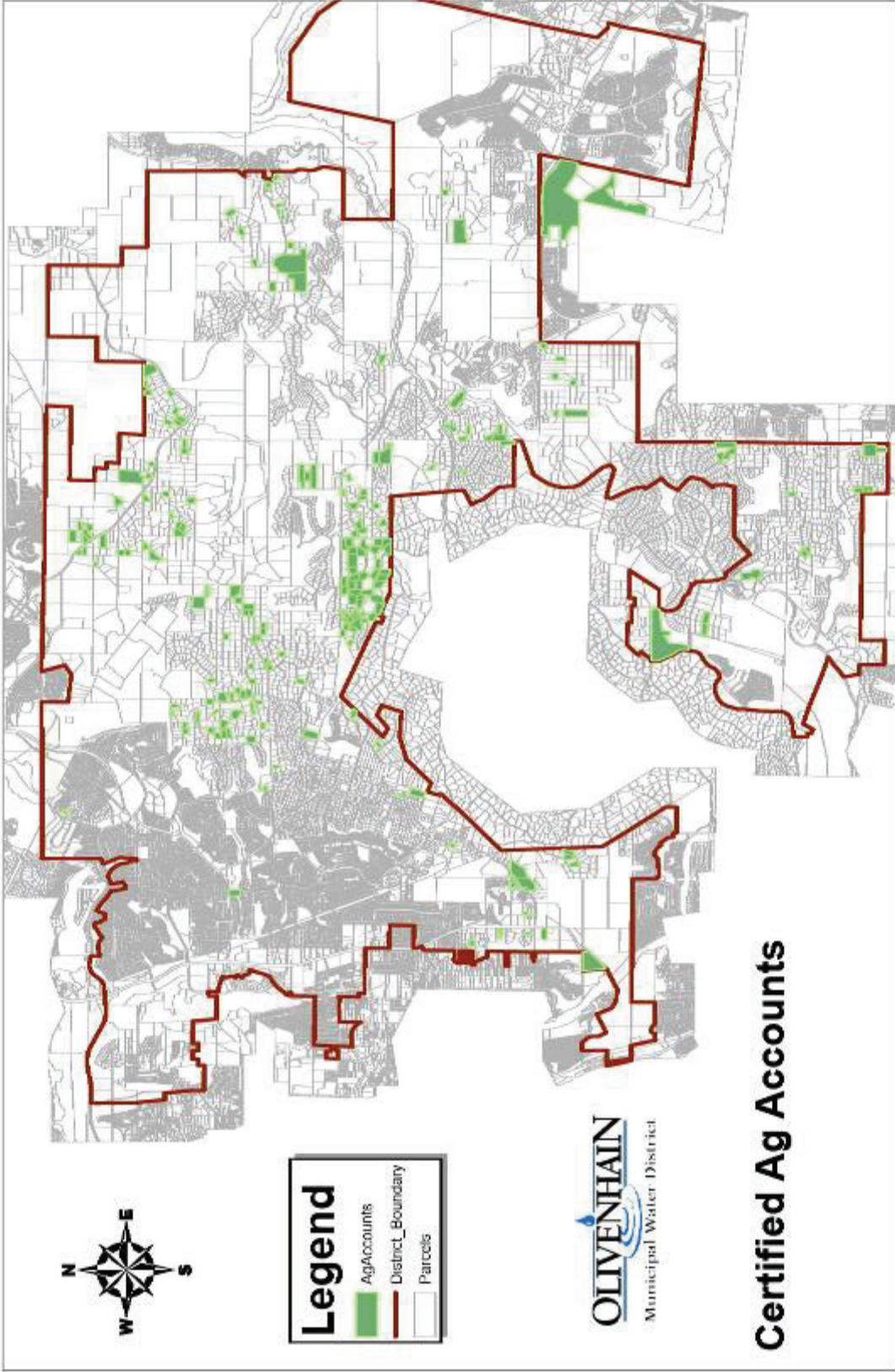
OMWD is a member of San Diego County Water Authority, however it will certify IAWP credits within the new 3 month time period.

OMWD will provide information or support requested by MWD in order for MWD to perform spot checks.

Respectfully Submitted October 10, 2007 by:



Kimberly A. Thorner, Esq.
General Manager
Olivenhain Municipal Water District
1966 Olivenhain Rd.
Encinitas, CA 92024
(760) 753-6466 ext. 158



July 3, 2007

Water Supply Advisory for IAWP Participants

Dear IAWP Participant:

As a participant in the Metropolitan Water District of Southern California's (MWD) Interim Agricultural Water Program (IAWP), you have been able to purchase water at a discounted certified rate. This discounted water is subject to interruption in times of water supply shortages and emergencies. The Olivenhain Municipal Water District (District) would like to inform you that MWD has announced their intention to reduce deliveries of surplus water under the IAWP by up to 30 percent beginning with January 2008 usage. This means that beginning with your January usage you will be required to reduce your water usage by up to 30 percent. If you do not make the required reduction per your IAWP agreement with the District and MWD you will be penalized.

As January 2008 approaches the District will provide you with more details including tools and programs to help you monitor your usage. We anticipate knowing the details of the reduction plan for IAWP participants no later than September 2007.

Sincerely,

A handwritten signature in cursive script that reads "Kimberly A. Thorner".

Kimberly A. Thorner
General Manager

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Attachment A

**Olivenhain Municipal Water District
IAWP Reduction Plan Source Data
July 2003 - June 2006**

Breakdown of Deliveries by Source in Acre Feet:

July 2003 - June 2004

	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Total
Recycled	0	9.2	56.1	53	44.9	20.8	23.5	27.8	15.4	29.6	42.5	53.5	376.3
Imported	2066.9	2659.6	2358	2206.2	1846.4	1207	1232.4	1164.6	897.9	1442.3	2112	2578.6	21771.9
Total	2066.9	2668.8	2414.1	2259.2	1891.3	1227.8	1255.9	1192.4	913.3	1471.9	2154.5	2632.1	22148.2

July 2004 - June 2005

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Total
Recycled	57.1	58.1	62.4	63.7	27.3	24.6	25.9	13.8	14.3	20.9	51.3	56	475.4
Imported	2519.1	2740.2	2714	2773.2	1178.6	1099.7	970.8	728	596.6	1275.2	1909.1	2259.3	20763.8
Total	2576.2	2798.3	2776.4	2836.9	1205.9	1124.3	996.7	741.8	610.9	1296.1	1960.4	2315.3	21239.2

July 2005 - June 2006

	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Total
Recycled	60.3	89.1	89.3	95.3	52.6	56.3	53.7	48.7	49.9	16.5	39.7	78.7	730.1
Imported	2587.7	2757	2830.2	2328.8	1620.3	1725	1252.9	1341.2	1204.7	863.5	1372	1839	21722.3
Total	2648	2846.1	2919.5	2424.1	1672.9	1781.3	1306.6	1389.9	1254.6	880	1411.7	1917.7	22452.4

Attachment B

Olivenhain Municipal Water District
 IAWP Reduction Plan Source Data
 July 2003 - June 2006

Breakdown of Agricultural Deliveries by Type in Acre Feet:

	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Total
July 2003 - June 2004													
IAWP	164.6	231.1	228	195.5	168.5	92.9	82.6	83.6	52.9	93.8	150.3	210.6	1754.4
Non IAWP	60.6	84.8	77.1	71.7	53.2	32.6	31.1	27.8	20.5	39.0	59.2	77.7	635.3
Total	225.2	315.9	305.1	267.2	221.7	125.5	113.7	111.4	73.4	132.8	209.5	288.3	2389.7
July 2004 - June 2005													
IAWP	187.6	224.1	205.1	232.7	94.6	50.5	50.9	29.1	25.2	55.9	125.8	148.9	1430.4
Non IAWP	71.2	88.5	81.5	80.0	27.7	23.3	23.1	14.5	10.7	23.9	47.5	60.1	552.0
Total	258.8	312.6	286.6	312.7	122.3	73.8	74	43.6	35.9	79.8	173.3	209	1982.4
July 2005 - June 2006													
IAWP	172.6	202.7	210	164.6	104.8	99.9	81.1	100.8	40.7	27.9	54.1	93.1	1352.3
Non IAWP	70.2	72.7	78.1	64.8	40.4	44.6	31.2	31.2	29	14.9	25.4	43.3	545.8
Total	242.8	275.4	288.1	229.4	145.2	144.5	112.3	132	69.7	42.8	79.5	136.4	1898.1