

**AN ORDINANCE TO ESTABLISH A COMBINED WATER MARKET PILOT
PROGRAM AND ADVANCED METERING INFRASTRUCTURE SYSTEM
DEMONSTRATION PROJECT**

The Board of Directors of the Fox Canyon Groundwater Management Agency hereby ordains as follows:

ARTICLE 1. Findings

The Board of Directors hereby finds as follows:

- A. The Agency is in the process of developing a groundwater sustainability plan for each of the basins within its jurisdiction that describe the projects and management actions that the Agency has determined will achieve the sustainability goal for the basin.
- B. Among the management actions being considered by the Agency is establishment of a water market to allow operators to transfer extraction allocations.
- C. Water markets in other jurisdictions have been shown to provide water users with flexibility in meeting regulatory constraint on groundwater use and create incentives for groundwater conservation and development of new water sources.
- D. Implementation of a water market on a temporary basis with participation limited to agricultural operators in a single groundwater basin are reasonable means of evaluating whether the program can help the Agency achieve the sustainability goals for the basins within its jurisdiction.
- E. Accurate and timely monitoring and reporting of groundwater extractions are essential components of a well-designed water market, and implementation of an advanced metering infrastructure system will provide the most effective means of evaluating a water market pilot program.
- F. Under Emergency Ordinance E, currently in effect, all agricultural operators are required to report extractions from August 1 of one calendar year through July 31 of the following calendar year under an Annual Efficiency Allocation as determined under an Irrigation Allowance Index (IAI) that reduced the irrigation allowance for all crops by 25%.
- G. In order to implement a water market pilot, it is necessary to create an exception for those agricultural operators that participate in the pilot program from the reporting requirement in Emergency Ordinance E.
- H. This ordinance is intended as a pilot measure to allow the Agency to study and assess the impact of a water market and its feasibility as a groundwater management strategy and represents an opportunity to collect information, monitor results and elicit recommendations for the purpose of preparing and adopting a groundwater sustainability plan. The pilot program will result in no expansion of groundwater use and will not result in either a direct or reasonably foreseeable indirect physical change in the environment.

ARTICLE 2. Purpose

The purpose and intent of this ordinance is to establish a pilot program to evaluate the feasibility of implementing a water market in one or more of the groundwater basins within the territory of the Agency, and to encourage installation of a device on extraction facilities that will allow for remote and continuous monitoring of groundwater extractions within the Agency.

ARTICLE 3. Definitions

The following terms have the meaning set forth below:

- A. Agency means the Fox Canyon Groundwater Management Agency.
- B. Agricultural Operator means an owner or operator of a facility from which the groundwater produced is used for agricultural irrigation.
- C. Advanced Metering Infrastructure (AMI) device means a smart meter or other electronic device that communicates extraction data between a groundwater extraction facility and a central data repository.
- D. Board means the Board of Directors of the Fox Canyon Groundwater Management Agency.
- E. Exchange Administrator means a third party administrator authorized by the Agency to process trades of market allocation.
- F. Executive Officer means the individual appointed by the Board to administer Agency functions and his/her designee.
- G. Market Allocation means the amount of pumping reported to the Agency for the period of August 1, 2014, through July 31, 2015.
- H. Program Participant means an agricultural operator approved by the Executive Officer for participation in the pilot program.
- I. Program Period means from August 1, 2016, through July 31, 2017.
Transfer means a lease or assignment of all or any portion of a market allocation for use during the program period.

ARTICLE 4. Water Market Pilot Program

- A. There is hereby established a one-year water market pilot program in the Oxnard Basin. The program shall be open to no more than thirty (30) agricultural operators meeting the eligibility criteria set forth in this article 4. Under the pilot program, any market allocation or portion thereof may be transferred subject to the requirements of this ordinance.
- B. Program Eligibility – An agricultural operator in the Oxnard Basin may participate in the pilot program provided: (1) the operator has installed the AMI device specified in article 5 of this ordinance on each of its extraction facilities; (2) the operator did not incur a surcharge for extractions during the period from August 1, 2014, through July 31, 2015; (3) the operator is in compliance with all rules and regulations of the Exchange Administrator and the terms and conditions of any participation agreement or any allocation transfer agreement; and (4) the operator

is otherwise in compliance with all Agency ordinances and regulations. No agricultural operator shall be eligible for participation in the program unless and until approved by the Executive Officer.

- C. Application Requirement – An operator wishing to participate in the water market pilot program shall, no later than 30 days following the effective date of this ordinance (February 7, 2017), register with the Agency and demonstrate satisfaction of the program eligibility requirements set forth in this article 4.
- D. Market Allocation – The Executive Officer shall establish a program participant's market allocation that is available for transfer under this ordinance. A market allocation may not be combined with any other type of allocation.
- E. Transfers Allowed – A market allocation or portion thereof may be transferred from one agricultural operator in the Oxnard Basin to another agricultural operator in that basin. All such transfers shall be approved by the Exchange Administrator with notice of the transfer to the Agency. No transfer shall be approved that results in an increase in market allocation for an extraction facility located in an area designated by the Agency as subject to seawater intrusion or in a pumping trough area. If approved, a transfer shall be effective for the remainder of the program period.
- F. Exchange Administrator Duties and Responsibilities – The Exchange Administrator shall be responsible for establishing and operating the water market through an electronic platform or other method for transferring market allocations. The Exchange Administrator may adopt rules and regulations for participation in the pilot program and resolve disputes among program participants or refer any such dispute to the Executive Officer for determination. On a monthly basis, the Exchange Administrator shall submit to the Executive Officer a report summarizing water market activity during the reporting period.
- G. Extraction Surcharges – Extraction surcharges shall be imposed for exceeding a market allocation as adjusted in accordance with any transfer authorized by this ordinance. For example, Participant A and Participant B each have a Market Allocation of 100 acre-feet (AF). Participant A trades 20 AF to Participant B in an approved transfer. Participant A is now subject to surcharges for extractions greater than 80 AF and Participant B is now subject to surcharges for extractions greater than 120 AF during the program period. Payment of extraction surcharges shall be made pursuant to Section 5.8.6 of the Agency Ordinance Code.
- H. Irrigation Allowance Index – Program participants shall continue to report extractions in accordance with Sections 2.3 and 5.6.1.2 of the Agency Ordinance Code.

- I. Report – The Executive Officer shall submit a report on the pilot program no later than 90 days after completion of the pilot program that includes: (1) the level of participation in the program; (2) the total number of allocation transfers made; (3) the total amount of allocation transferred; (4) minimum, maximum and average pricing data for allocation transfers; (5) the total amount of extractions by all program participants; (7) the points of extraction; and (8) findings and recommendations for future water markets.

ARTICLE 5. AMI Device Demonstration Project

The Executive Officer is hereby authorized to carry out an automated metering infrastructure demonstration project within the Agency. As part of the authority to carry out the demonstration project under this ordinance, the Executive Officer may: (a) allow an agricultural operator to participate in the demonstration project; (b) establish standards and specifications to ensure that devices installed as part of the demonstration project are capable of recording and transmitting extractions on a continuous basis to central data repository; (c) require the AMI device to be purchased and installed by the agricultural operator, (d) require that the device installed as part of the demonstration project be reasonably accessible for inspection and testing by the Agency; and (e) provide an incentive rebate of up to \$2,000 to each agricultural operator participating in the demonstration project.

ARTICLE 6. Inspections

The Agency may, at any and all reasonable times, enter upon any land for the following purposes: (a) to inspect any AMI device for proper installation, operation and maintenance; (b) to determine the amount of groundwater extracted by a program participant; (c) to assess a program participant's irrigation practices; (d) to verify any information provided by a program participant in support of an application for water transfer or in an application for efficiency allocation; and (d) to otherwise determine compliance with this ordinance.

ARTICLE 7. Conflicts

If a provision of this ordinance conflicts with any other Agency ordinance, the provisions of this ordinance shall prevail.

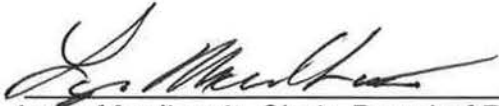
ARTICLE 8. Duration

This ordinance shall expire on July 31, 2017, except that the Agency may impose a surcharge for extractions during the program period in excess of a market allocation as adjusted under this ordinance.

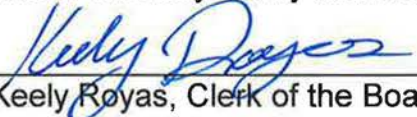
ARTICLE 9. Effective Date

This ordinance shall take effect and be operative 30 days after its adoption.

PASSED AND ADOPTED this 9th day of December 2016, by the following vote:
AYES: 5 (Director Andrews, Director West, Director Terry, Director Bennett, Chair
Maulhardt)
NOES: None
ABSENT: None

By: 
Lynn Maulhardt, Chair, Board of Directors
Fox Canyon Groundwater Management Agency

ATTEST: I hereby certify that the above is a true and correct copy.

By: 
Keely Royas, Clerk of the Board