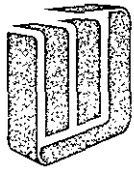


FILED by order
of the Board of Directors of
The Metropolitan Water District
of Southern California
at its meeting held JAN 14 1992

[Signature]
Executive Secretary



MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

December 17, 1991

To: Board of Directors (Water Problems Committee--Information)
(Finance and Insurance Committee--Information)
From: General Manager
Subject: Proposed Test Land Fallowing Program with Palo Verde
Irrigation District

Report

Metropolitan has been exploring options for developing a land fallowing program with Palo Verde Irrigation District (Palo Verde) since 1986. Considered first was a program in which Metropolitan would obtain water on an as needed basis with sufficient notice to Palo Verde. Considered next was a program in which Metropolitan would obtain water each year except when sufficient surplus water would be available. More recently, a program based on purchasing land in the Palo Verde Valley was entertained as well as a test program. In the near term, a test program appears to have the greatest chance of success and would minimize the risks to both the grower and Metropolitan. Consistent with this concept, Metropolitan's staff has negotiated the terms and conditions of a two-year test land fallowing program with Palo Verde's negotiating team. The terms and conditions are outlined in the attached Principles of Agreement which were orally presented to your Board's Water Problems Committee on November 18, 1991 and Finance and Insurance Committee on December 10, 1991. These terms and conditions may be modified through further negotiations prior to seeking your Board's authorization to enter into an agreement. By its nature, the test will permit Palo Verde and Metropolitan to evaluate the merits of implementing a subsequent program.

Imperial Irrigation District (Imperial), Coachella Valley Water District (Coachella), and the U.S. Bureau of Reclamation (Reclamation) have been briefed on the Metropolitan-Palo Verde proposal and their consent requested. Reclamation has indicated its interest in facilitating the test. As Imperial and Coachella hold intervening priorities to the use of Colorado River water in California, it will be necessary for these agencies to agree to not divert the 200,000 acre-feet (AF) that Palo Verde is expected not to use with the fallowing of approximately 22,000 acres for a two-year

period. Under the principles, it is to be assumed that 4.6 AF will not be required by Palo Verde per acre fallowed. Among other initial negotiating positions, Imperial and Coachella have indicated that they wish to be sure that 4.6 AF/acre will not be consumptively used on the lands fallowed. For 1986-1990, Palo Verde's net diversions averaged about 436,000 AF for nearly 91,000 irrigated acres, or 4.8 AF/acre.

Representatives of Arizona and Nevada have also been briefed as the Principles of Agreement permit Metropolitan to store in Lake Mead until January 1, 2000 any water that it cannot divert. They have taken the proposal under advisement.

With the scheduled filling of the Central Arizona Project's New Waddell Reservoir between late 1992 and early 1994, Colorado River water apportioned to, but unused by Arizona and Nevada will be limited. Based on a December 1991 U.S. Bureau of Reclamation projection of net Colorado River diversions in Arizona, California, and Nevada, Metropolitan would be able to divert 749,000 acre-feet of Colorado River water if the Secretary of the Interior permitted California to utilize such water in 1993. Consequently, the test land following agreement could enable Metropolitan to increase its Colorado River diversions in the immediate future.

As indicated in the attached principles, the cost of the program would be \$27 million, plus administrative costs. Of this amount, approximately \$14 million would be required in fiscal year 1992-93. As the program moves forward toward implementation, a source of revenues for the program will have to be identified. I will keep your Board informed as the negotiations proceed toward an agreement.

Board Committee Assignments

This letter was referred for information to:

The Finance and Insurance Committee because of its jurisdiction to study and advise on disposition of funds pursuant to Administrative Code Section 2441 (c); and

The Water Problems Committee because of its jurisdiction to study and advise on the sources of importing water required by Metropolitan pursuant to Administrative Code Section 2481 (a).

Recommendation

For information only.

JPM:bvf

Attachment


Carl Borenkay

Principles of Agreement
MWD/PVID Test Land Fallowing Program

1. 2-year test with objective of developing 100,000 AF/yr (200,000 AF total).
2. Land fallowing to begin July 1, 1992 and run through June 30, 1994, with the same land lying fallow for the 2-year period.
3. MWD, with concurrence of PVID, to hire party for enforcing land fallowing under agreement (i.e. ASCS or similar group).
4. Water conserved at 5-~~7~~ 4.6 AF/acre (the lower value represents a conservative value for the quantity of water conserved).
5. Conserved water (200,000 AF) to be used by MWD as soon as possible before the year 2000. If not needed, or fully needed, during '92, '93, or '94 (i.e., sufficient Colorado River water available to maintain MWD's aqueduct at full capacity absent program), such water would be maintained in a MWD water management account in Lake Mead to be used by MWD as soon as practicable, but in no event later than January 1, 2000. To the extent the reservoirs fill and spill, MWD loses its right to the water. To the extent MWD does not use the water prior to January 1, 2000, MWD loses its right to the water and it becomes system water.
6. Two principal type agreements:
 - a. Diversion Agreement (MWD, PVID, IID, CVWD, USBR)
 - b. Land Agreement (MWD, Grower, Landowner) - estimated approximately 150 such agreements.
7. Costs:
 - a. PVID to be reimbursed by MWD for administrative costs.
 - b. MWD to directly fund enforcing agency.
 - c. MWD to directly fund its contracting costs.
 - d. MWD to directly fund payments to landowners/growers at \$620 per acre per year (\$155/quarter). Such payments to be made quarterly to assure enforcing agreement. (Landowner/grower responsible out of such payment to

maintain taxes, PVID toll payments, dust control, and all other items.) Responsibility of landowner/grower to decide division of MWD payment.

8. Land Controls:

- a. History of farming on land (i.e., would have been farmed absent program).
- b. Landowner/grower will not farm lands that would not have been farmed absent the program.
- c. Maintenance of weed, dust control, etc.
- d. Minimum size fallowed land must be 20 water toll acres.
- e. * Maximum of 25 percent of any one grower/landowner, unless insufficient interest for 100,000 AF/year yield, in which case the maximum can be increased pro rata up to a maximum of 35 percent.

*Note: In addition, the 20 acre, 25 percent, and 35 percent are intended as guide. Further adjustment will be necessary to recognize practicable plot sizes, connections to headgates, etc.

rwsprin2