

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

September 1, 1992

To: Board of Directors (Water Problems Committee--Action)
(Finance and Insurance Committee--Action)

From: General Manager

Subject: Authorization for the General Manager to execute an Agreement with the Central Arizona Water Conservation District for a Proposed Demonstration Program on Interstate Underground Storage of Colorado River Water

Report

By letter dated June 30, 1992, your Board was informed of a proposed demonstration program on interstate underground storage of unused Colorado River water. This proposal has arisen from recent discussions between entities representing the states of Arizona, Nevada and California and water agencies within these states. Under the demonstration program, Colorado River water would be placed in groundwater storage in Arizona in years in which net diversions for beneficial consumptive use are forecast to be less than 7.5 million acre-feet in the three states or in years in which a surplus is declared and all requests are met.

The program has two basic goals. The first is to store Colorado River water in Arizona groundwater basins to reduce the potential for future flood control releases from Lake Mead. In the event that Colorado River reservoirs refill to the point that anticipatory flood releases and/or flood control releases are made from Lake Mead, this stored water would become available for use in the future by Metropolitan and the other parties funding the program. The second, is to provide protection against the risk perceived by Arizona from Metropolitan's use of Colorado River water above that which would normally be available. To accomplish this, the stored water would be made available to the Central Arizona Water Conservation District (CAWCD) in the event that the Secretary of the Interior declares a shortage condition.

Unused Colorado River water would be transported to groundwater basins in Arizona via Central Arizona Project facilities. Under the demonstration program being considered, approximately 30,000 acre-feet would be stored in central Arizona in 1992 at a cost of \$68 per acre-foot for indirect storage or \$80 per acre-foot for direct storage. These values

reflect the costs of operation, maintenance and energy for delivery of water through the Central Arizona Project facilities. For direct storage, the cost of development of an underground storage and recovery project is also included. Storage in subsequent years, up to a maximum of 100,000 acre-feet, would be subject to the staffs of the two agencies agreeing on the quantity and cost of storage. If, in the future, Colorado River reservoirs refill and flood releases occur, the stored groundwater would be made available at a later date through water exchanges to Metropolitan and the other parties funding the program. It is anticipated that the recoverable amount of water would be established at approximately 90 percent of the stored water volume to provide consideration for the use of Arizona facilities utilized to store and recover the water. Recovery of the stored water could also occur if the Secretary declares a shortage. In this case, CAWCD would have the right to withdraw the stored groundwater to reduce the impact of the shortage on its customers.

A draft agreement between CAWCD and Metropolitan for the proposed demonstration program has been exchanged among the staffs of the interested parties embodying the concepts outlined above. Should the Southern Nevada Water Authority (SNWA), Palo Verde Irrigation District, Imperial Irrigation District and/or Coachella Valley Water District desire to participate in the program, the Agreement would permit their participation. Of the 100,000 acre-feet of storage contemplated, SNWA could be entitled to store 50,000 acre-feet and the three California agricultural entities 25,000 acre-feet collectively. Recovery of the demonstration program water through an exchange would require the approval of the U.S. Bureau of Reclamation (Reclamation). The approval of Reclamation and any other necessary parties would be obtained after execution of the agreement between Metropolitan and CAWCD. Once the agreement has been executed, Metropolitan would forward funds to CAWCD for the storage of 30,000 acre-feet of water in 1992. If the necessary approvals have not been obtained within six months of the agreement execution date, CAWCD would return the funds to Metropolitan with interest at a rate to be negotiated and the water stored would be allocated to CAWCD. If SNWA and the California agricultural entities participate, Metropolitan would be reimbursed with interest, at a rate to be negotiated for their respective percentage share of participation.

During the 1992-93 fiscal year, it is estimated that the initial 30,000 acre-feet for the program would be by indirect storage through exchange and would cost approximately \$2 million. The demonstration program was

not conceptualized when the 1992-93 budget was developed. Accordingly, in order to handle the funding for the program, it is being requested that your Board approve Appropriation No. 652 in the amount of \$8 million with the money to be funded from the General Fund. Such funding would not require water rates to be increased during the current fiscal year.

The project is exempt from the provisions of CEQA as the proposed action would consist of a minor alteration of the operation of existing facilities involving a negligible expansion of use beyond that previously existing (Title 14, California Code of Regulations, Section 15301).

Board Committee Assignments

This letter is referred for action to:

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

The Water Problems Committee because of its authority to study and advise on policies, sources, and means of importing water required by Metropolitan and on conditions governing exchanges of water pursuant to Administrative Code Section 2481 (a) and (c).

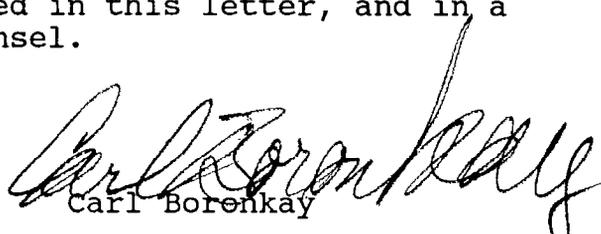
Recommendations

FINANCE AND INSURANCE COMMITTEE FOR ACTION.

That the Board authorize the appropriation of \$8 million from the General Fund to finance the proposed demonstration program on interstate underground storage of unused Colorado River water. This appropriation will be designated No. 652.

WATER PROBLEMS COMMITTEE FOR ACTION.

That the General Manager be authorized to enter into an agreement with the Central Arizona Water Conservation District to participate in the proposed demonstration program to store unused Colorado River water in central Arizona in accordance with the terms outlined in this letter, and in a form approved by the General Counsel.


Carl Borenkay