

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

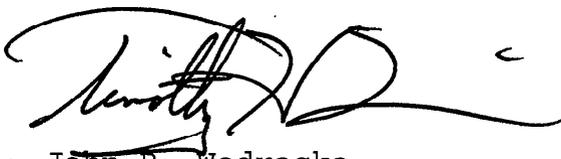
August 18, 1995

To: All Directors

From: General Manager

Subject: Status of Colorado River Regional Water Supply
Solution Negotiations

Attached for your information is an August 15, 1995 report on the developments which have occurred regarding the Colorado River Regional Water Supply Solution process since July 14. The report was prepared by the Executive Director of the Colorado River Board of California (CRB) and was provided to the CRB members on August 16. This matter will be discussed under your Board's Agenda Item K.

for 
John R. Wodraska

JPM:wlb

Attachment

jpmrewas.doc

Excerpt from August 15, 1995 Executive Director's
Monthly Report to the Colorado River Board of California

willingness by the state of Colorado to entertain inter-basin water marketing would disrupt the ongoing discussions concerning ways of using the water resources within the Lower Basin to give Nevada access to increased water supplies and to assure MWD a firm delivery.

Included in the Board folder is a copy of Department of the Interior News Release announcing that the USBR is initiating a program aimed at transferring title to and responsibility for certain USBR projects and facilities to beneficiaries and non-federal governmental entities interested in obtaining ownership. Also attached is a copy of the framework document describing the transfer process.

➔ Basin States/Tribes Discussions

There has been considerable commotion over the breakdown of the repayment negotiations for the Central Arizona Project (CAP) and its relationship to Arizona's boycotting of the discussions on development of a "Regional Solution".

Found in the Board folder is a copy of a July 14, 1995, letter to Mr. Grady Gammage, Jr., President of the Central Arizona Water Conservation District (CAWCD) from Secretary Bruce Babbitt. In it Secretary Babbitt relates his reasons for not signing the repayment agreement. The Secretary noted that the Arizona Indian Tribes who have CAP contracts raised some concerns with the repayment plan. Also, questions were raised by both the Office of Management and Budget (OMB) and Congressional staff about the Department of the Interior's legal authority for the proposed "net billing" procedure. Secretary Babbitt further states in his letter that Nevada has expressed concerns about concluding the CAWCD refinance negotiations for CAP without attention to its desired need for additional Colorado River water. The Secretary added that while he does not intend to condition his negotiations with Arizona he must consider Nevada's desires. He concludes his letter by declaring that he does not see any reason why discussions related to the CAP cannot begin after the Justice Department has reviewed CAWCD's complaint and given the Secretary clearance to begin talks.

Governor Symington of Arizona has requested Governor Wilson's support in this matter. Included in the Board folder is a copy of a July 19, 1995, letter from Governor Wilson to Secretary Babbitt concerning CAP refinancing and the States discussions. In that letter Governor Wilson indicates his support of Arizona's position that dialogue not proceed "because of the direct connection between security of Arizona's supply from CAP, and its ability to make water available to other lower basin states, and because no regional solution can be adopted and effectively implemented which does not meet the legitimate needs of all three states." Governor Wilson further states that California will be at the table when Arizona returns.

Also, included in the Board folder are several newspaper articles attempting to explain this curious relationship between Secretary Babbitt, Governor Wilson, Nevada Governor Bob Miller, and Arizona Governor Fife Symington. Arizona is accusing Nevada of meddling in its affairs while asking California for its political support for resolution of the CAP refinancing. Meanwhile California, Nevada, and the Department of the Interior are trying to encourage Arizona to participate in discussions related to a "Regional Solution".

Found in the Board folder is a July 26, 1995, letter from Nevada's Governor Miller to Secretary Babbitt. The Governor is expressing his concern for a stable long term water supply for the Lower Division States. He states that Nevada supports the resumption of talks between the USBR and Arizona concerning the CAP refinancing and encourages Arizona to participate in the "Regional Solution" discussions.

Since the July Board meeting, Mr. Abraham Sofaer has continued to meet with the individual parties involved in the "Regional Solution" discussions and the Technical Committee members, absent Arizona. He toured California's Colorado River facilities from July 17th through 19th with representatives from The Metropolitan Water District of Southern California, Coachella Valley Water District, Bard Water District, and Palo Verde Irrigation District. He also met with the Colorado River Indian Tribes, Nevada officials, and the Bureau of Reclamation. Mr. Sofaer met with the Technical Committee on July 20, 1995, during which a number of assignments were made to prepare various draft papers on several of the outstanding issues which included:

- Legal Mechanism for Interstate Transfer
- Federal Approval (Indian/Non-Indian Water Transfers and the Role of the Bureau of Indian Affairs)
- River Management of (Surplus and Shortage Criteria and unused Apportionment)
- Extraordinary Conservation
- Verification Mechanisms
- Overrun Accounting
- The Lower Basin Forum
- Legal Mechanism for Right-of-First Refusal

The intent was to have these papers completed by August 15, 1995, and sent to Mr. Sofaer, who would use them along with other information to prepare a draft "Regional Solution" document. The future of this effort, based on current events, is somewhat in limbo.

On August 2, 1995, the California Principals (Ray Rummonds, Doug Wheeler, Mike Clinton, and I) met with Arizona representatives (Rita Pearson, Sid Wilson and Tim Henley). During the meeting Ms. Pearson indicated that during the meeting between Secretary Babbitt

and the Arizona representatives three conditions were set forth by Arizona:

- 1) Continue CAP discussions on financial issues -- not Indian Tribal issues,
- 2) Confine discussions with the Tribes to financial issues -
- other Tribal issues would be discussed separately with the State of Arizona, and
- 3) If agree to CAP discussions with a narrow focus, Arizona will meet with the states on a "Regional Solution".

Ms. Pearson indicated that Secretary Babbitt would not agree to these conditions and stated that he must wait for Justice to file its response to the law suit filed by the Central Arizona Water Conservation District, which should occur in late August.

Ms. Pearson further indicated that Arizona was not comfortable with the current process and requested:

- A cooling-off period of 30 to 60 days
- Informal discussions among the states
 - Secretary of the Interior not involved
 - Tribes not involved initially - mainstream Tribes later
 - No facilitator at this time
 - USBR not involved for first 3 or 4 meetings
- A process driven by the States
- No artificial time lines driving the discussions
- When discussions re-initiated, they should be at the Principal level

Since the last Board meeting, the California Principals and Advisors have continued to meet to develop the framework for a unified California position that can be brought to the Board for its consideration. A number of draft issue papers have been prepared, others are in preparation.

Regulations for Administering Entitlements in the Lower Colorado River Basin

As reported during previous Board meetings, the USBR has suspended publication of the draft Regulations for Administering Entitlements in the Lower Colorado River Basin (Regulations). Publication of the proposed draft Regulations are pending the outcome of the discussions among the Seven Colorado River Basin States/Ten Tribes' Partnership to find a "Regional Solution" to Colorado River management and operation issues. Meanwhile, interested parties may submit comments to the USBR on the proposed draft Regulations during this interim period.