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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Revised 8-2

March 5, 1997

To: Board of Directors (Executive Committee--Action)
(Water Planning and Resources Committee--Action)

From: General Manager

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Planning and Resources

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Debra C. Man

Subject: Colorado River Policy Principles

RECOMMENDATION

To ensure a reliable and cost-effective water supply from the Colorado River in future years, it is recommended that your Board approve the following objective and policy principles.

Overall Objective: To ensure that the Colorado River Aqueduct will be full with cost-effective supplies of water, consistent with Metropolitan's Integrated Resources Plan.

Overall Strategy: Metropolitan will participate in the development of a comprehensive Colorado River resources strategy plan for California. The plan should: (1) provide flexibility and certainty through changes in reservoir operations; (2) require investments in conservation and transfers; and (3) reduce California's long-term dependence on Colorado River water in a way that avoids undue risk of supply shortages to the other Colorado River Basin states.

Policy Principles:

Metropolitan supports:

1. Establishing specific entitlements within the agricultural 3.85 million acre-feet of California's basic apportionment (quantification).
2. Assuring that all uses of Colorado River water are reasonable and beneficial.
3. Revised set of operating criteria for the Colorado River reservoir system that increases the availability of water in the Lower Basin on an interim basis.

4. Voluntary transfers of Colorado River water that result ~~in~~ from conserved savings ~~from~~ in baseline entitlements.
5. Addressing the financial, operational, environmental, and community impacts resulting from water transfers.
6. Protecting Metropolitan's interests and its entitlements to Colorado River water.
7. A process for communication and partnerships with other Colorado River interests to develop a comprehensive California plan for Colorado River water.

EXECUTIVE SUMMARY

Metropolitan's Integrated Resources Plan (IRP) called for continuing investments in imported and local supplies to achieve the region's goal of a reliable and high-quality water supply at least cost. One of the critical resource programs involved the Colorado River Aqueduct (CRA) supply. The IRP indicated that CRA supply, as the region's lowest cost imported supply, should be maximized throughout the planning period (through the year 2020). This goal can be accomplished through a combination of revised reservoir operations, investments in conservation and transfers, and the development of appropriate adaptive water management guidelines.

Due to California's continuing use of Colorado River water above its 4.4 million acre-foot (maf) basic apportionment, and as a result of the lack of progress toward a California plan to date, the other Colorado River Basin states (Basin states) have conditioned their willingness to engage in discussions on developing multiple-year surplus and shortage criteria (revised reservoir operations). Their willingness is conditioned on California's commitment to enter into a defined, enforceable program to reduce its dependence on Colorado River water in excess of its basic entitlement in a way that avoids undue risk of shortage to other Basin states. On November 22, 1996, the other Basin states' expressed their concern that California agricultural agencies have increased their demands from about 3.2 maf in 1991 to over 3.9 maf in 1996. During a speech to the Colorado River Water Users Association in Las Vegas on December 19, 1996, Secretary of the Interior Bruce Babbitt (Secretary) set forth a framework for California to develop a comprehensive resource plan that would reduce California's long-term dependence on Colorado River water through beneficial uses, quantification, river re-operations, and investments in conservation and transfers. The Secretary stated that transfers must be founded on a baseline quantum of beneficially-used water from which savings can be made. He also indicated that the resources plan needs to include a clear and definitive interpretation of water entitlements among the California agricultural agencies as a precondition to water marketing. Thus, without such quantification, extraordinary conservation and transfers would be difficult to achieve.

The development of a resource plan is also necessary to implement a set of comprehensive operating criteria to manage the Colorado River reservoir system in a more beneficial way. Based on information from the U.S. Bureau of Reclamation (Bureau), it is anticipated that if revised operating criteria were established, Metropolitan would be able to obtain enough surplus water to keep its CRA full with low-cost water until at least the year 2010—and probably well beyond. Without revised river operations, the impacts to Metropolitan would be higher costs in the interim (up to \$100 million more per year) and greater reliance on the environmentally sensitive Bay-Delta. Considering the developments over the past year and the need for progress in the near future, the objective and policy principles described in the Detailed Report are proposed for consideration.

DETAILED REPORT

To ensure a reliable and cost-effective water supply from the Colorado River in future years, it is recommended that the Board of Directors approve the following objective and policy principles.

Overall Objective:

To ensure that the Colorado River Aqueduct (CRA) will be full with cost-effective supplies of water, consistent with Metropolitan's Integrated Resources Plan (IRP). Consistent with other objectives, Metropolitan has maximized use of Colorado River water due to its low cost. In the future, as demands continue to grow, it will be necessary to keep the CRA full to the maximum extent practical. Minimizing Metropolitan's costs is also essential. Keeping the CRA full of cost-effective supplies is an important factor in keeping Metropolitan's overall costs down.

Overall Strategy:

Metropolitan will participate in the development of a comprehensive Colorado River resources strategy plan for California. The plan should: (1) provide flexibility and certainty through changes in reservoir operations; (2) require investments in conservation and transfers; and (3) reduce California's long-term dependence on surplus Colorado River water in a way that avoids undue risk of supply shortages to the other Colorado River Basin states (Basin states). The importance of developing a comprehensive California resources strategy for the Colorado River is underscored by the Secretary of the Interior's challenge to California to reduce its long-term dependence on Colorado River water in excess of their entitlement. To be successful, the California plan should achieve three goals. First, the plan must provide more certainty and flexibility in the short-term to reasonably provide low-cost supplies for Metropolitan and urban Southern California. By other parties recognizing that the Colorado River reservoirs are full, and that average supplies will continue to exceed demands for a number of years, surplus deliveries will keep the CRA full at least to the year 2010—and probably well beyond. Second, in

the longer term, the plan must include commitments by Metropolitan to invest in conservation and water transfers to help keep the CRA full. The proper timing of these investments in water transfers is critical to avoid unnecessary rate impacts to over 16 million consumers. Third, the plan must have defined and enforceable agreements to avoid undue risks of supply shortages to the other Basin states. Of paramount concern is that if California continues to use more than its basic apportionment of Colorado River water, the supply will not be available to the other Basin states as their demands increase.

Policy Principles:

1. ***Establishment of specific entitlements within the agricultural 3.85 million acre-foot of California's basic apportionment (quantification).*** The establishment of reasonable entitlements within the agricultural priorities' use of 3.85 million acre-feet is essential for the U.S. Bureau of Reclamation (Bureau) to improve delivery of Colorado River water in California and to determine baselines for the measurement of intrastate conservation and transfers. Currently, only a priority system exists to allocate water within the agricultural entitlement. Without quantified entitlements, the savings from a conservation project in one part of an agency's service area could be offset by waste in another part—meaning that overall use within the participating agency might not decrease. This is a matter of particular concern to the Bureau.
2. ***Assuring that all uses of Colorado River water are reasonable and beneficial.*** Consistent with the Law of the River, water delivery contracts with the Bureau, and the California Constitution, deliveries of Colorado River water shall be limited to that which is reasonably required for beneficial use. The definition of reasonable and beneficial use is determined on a case-by-case basis and evolves over time.
3. ***Revised set of operating criteria for the Colorado River reservoir system that increases the availability of water in the Lower Basin.*** Through an adaptive management strategy, revised operating criteria for the Colorado River reservoirs can provide Metropolitan and urban Southern California with increased water supplies on an interim basis. However, ensuring that these revised criteria do not pose undue risk to the other Basin states is essential.
4. ***Voluntary transfers of Colorado River water that result from conserved savings in baseline entitlements.*** Reductions in the waste of water, or that which is not reasonable and beneficial, should not be marketed in the future as transfers.
5. ***Addressing the financial, operational, environmental, and community impacts resulting from water transfers.*** Third party impacts resulting from the implementation of water transfers should be addressed, consistent with Metropolitan's adopted policy principles for water transfers and wheeling.

6. ***Protecting Metropolitan's interests and its entitlements to Colorado River water.***
Metropolitan's interests and entitlements to Colorado River water should be protected, including its 1931 banking rights.
7. ***A process for communication and partnerships with other Colorado River interests to develop a comprehensive California plan for Colorado River water.***
An open, participatory process with California agencies, as well as other Colorado River interests, should be established to develop a comprehensive resources strategy. This should ensure increased support from stakeholders.

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