

- **Board of Directors**
Water Planning, Quality and Resources Committee

July 11, 2006 Board Meeting

7-8

Subject

Authorize agreement to provide up to 10,000 acre-feet of conserved Colorado River water to U.S. Bureau of Reclamation

Description

Authorization is requested to enter into an agreement with the U.S. Bureau of Reclamation to provide Reclamation with up to 10,000 acre-feet of conserved Colorado River water during 2006 and 2007 to increase Colorado River system storage. This water would be conserved through a supplemental fallowing call under the Palo Verde Irrigation District/Metropolitan Forbearance and Fallowing Program (PVID program). Metropolitan and other Colorado River water users would benefit from the resultant increase in system storage. Reclamation would compensate Metropolitan a total of up to \$1.7 million to cover Metropolitan's expenses associated with issuing the supplemental fallowing call.

Bureau of Reclamation's Demonstration Program for System Conservation

Reclamation is implementing a three-year "Demonstration Program for System Conservation" (Demonstration Program) starting in 2006 and extending through 2008 to evaluate the use of voluntary land fallowing as a measure to preserve Colorado River reservoir system storage for subsequent deliveries. The Demonstration Program provides mechanisms for Reclamation to pay for land fallowing programs in California and Arizona to offset high-salt farm drainage water bypassed to Mexico for disposal. On June 14 of this year, the Colorado River Board of California unanimously approved participation in the Demonstration Program.

Currently, Colorado River system water is used to replace drainage water from the Welton-Mohawk Irrigation and Drainage District that once flowed into the Colorado River and is now bypassed to the Cienega de Santa Clara in Mexico. This is done to comply with Minute 242 of The International Boundary and Water Commission, which addresses salt loading of Mexico's Colorado River supply. Operation of the Yuma Desalting Plant and implementation of the Demonstration Program are two means Reclamation is using to assess mitigation of the impacts of this lost supply on Colorado River system storage. Using saved water from the existing PVID program is an efficient way for Reclamation to demonstrate the feasibility of voluntary land fallowing as a conservation option available to restore system water. Any water provided to Reclamation under this proposed agreement would be water that is not needed by Metropolitan. It is anticipated that Arizona may participate in the Demonstration Program next year.

Proposed Terms of Agreement between Reclamation and Metropolitan

The principles of agreement between Reclamation and Metropolitan are summarized below:

- Metropolitan would enter into voluntary agreements with PVID program participants to increase the quantity of water conserved in the 2006/07 contract year.
- Metropolitan would forbear use of up to 10,000 acre-feet of conserved water.
- Reclamation would use the conserved water to augment storage in Lake Mead.
- Reclamation would compensate Metropolitan for costs associated with the supplemental fallowing call at a rate of \$170 per acre-foot.

Analysis of Agreement between Reclamation and Metropolitan

- At Metropolitan's call, landowners participating in the PVID program are obligated to collectively follow up to 26,500 acres in any year. Landowners received an initial signup payment for enrolled lands and continue to receive an annual payment for actual acreage fallowed under each call. The PVID program call for the 2006/07 contract year is for 45 percent of eligible lands. To accommodate the Demonstration Program, landowners would voluntarily increase fallowing of eligible land by up to 12 percent. This request for increased voluntary fallowing assumes not all landowners would participate.
- Landowners voluntarily accepting this call would be subject to the terms and compensation set forth in the PVID program. The anticipated \$1.7 million revenues from Reclamation would be sufficient to cover Metropolitan's direct costs and a portion of the signup payments that Metropolitan previously made to landowners. If the supplemental fallowing produces more than 10,000 acre-feet or if the Board declines to participate in the Demonstration Program, Metropolitan would store the additional conserved water and would reduce a future PVID program call accordingly.

Policy

By Minute Item 41222, dated Jan. 10, 1995, the Board adopted a policy that Metropolitan continues to protect the rights and interests in its contracts with the United States for delivery of Colorado River water.

By Minute Item 45517, dated Sep. 23, 2003, the Board authorized the Chief Executive Officer to execute the finalized Quantification Settlement Agreement and related agreements.

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

Pursuant to the provisions of CEQA and the State CEQA Guidelines, a Final Environmental Impact Report (Final EIR) for the Proposed Palo Verde Irrigation District Land Management, Crop Rotation, and Water Supply Program (i.e., PVID program) was prepared and certified, along with an adopted Findings of Fact (findings) in 2002. The present board action is based on minor administrative and fiscal changes, i.e., authorizing Metropolitan's General Manager to enter into an agreement with Reclamation and not on any substantial changes to the approved PVID program itself. Accordingly, no further CEQA documentation is necessary for the Board to act with regard to the proposed action with respect to the PVID program. With respect to Reclamation's Demonstration Program for System Conservation, this aspect of the agreement falls under the National Environmental Policy Act (NEPA) with Reclamation acting as the lead agency. Since that federal activity would occur outside of the State of California, would not result in a significant environmental impact, and would be the subject of an environmental impact review pursuant to NEPA, then the proposed agreement related to Reclamation's Demonstration Program qualifies as an exemption per Section 15277 of the State CEQA Guidelines.

The CEQA determination is: Determine that the proposed action has been previously addressed in the certified Final EIR, its adopted findings, as well as qualifies under a statutory exemption, Section 15277 of the State CEQA Guidelines, and that no further environmental analysis or documentation is required.

CEQA determination for Option #3:

None required

Board Options

Option #1

Adopt the CEQA determination and authorize the General Manager to enter into an agreement with Reclamation to conserve up to 10,000 acre-feet of Colorado River system water.

Fiscal Impact: Up to \$1.7 million in revenue during FY06/07, which would offset the costs of the supplemental fallowing call.

Business Analysis: The agreement would demonstrate the effectiveness of land fallowing to augment Colorado River water supplies to reduce the risk of future shortages.

Option #2

Adopt the CEQA determination and request the General Manager to negotiate for different terms.

Fiscal Impact: Unknown

Business Analysis: Metropolitan's benefits and risks would depend on the re-negotiated terms.

Option #3

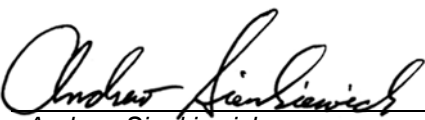
Direct the General Manager not to participate in the Demonstration Program in the 2006/07 PVID program contract year.

Fiscal Impact: Forego \$1.7 million in revenues from Reclamation to offset PVID program costs during contract year 2006/07.

Business Analysis: Forego the opportunity to demonstrate the effectiveness of land fallowing to augment Colorado River water supplies to reduce the risk of future shortages.

Staff Recommendation

Option #1



Andrew Sienkiewich 6/23/2006
for Stephen N. Arakawa Date
Manager, Water Resource Management



Jeffrey Kightlinger 6/26/2006
General Manager Date

BLA #4572