



● Colorado River Management Report

Summary

In early July, Metropolitan, Southern Nevada Water Authority (Southern Nevada), and the Colorado River Commission of Nevada (CRCN) amended the existing 2004 exchange agreement to allow the agencies to better manage the increasing amount of water being exchanged between the two states. The amendment extends the time period in which Metropolitan agrees to exchange water with Southern Nevada at no cost and delays the time when Southern Nevada can begin recovering that water from Metropolitan. With the amendment executed, Southern Nevada will continue exchanging water with Metropolitan to assist in meeting Metropolitan's short-term water supply and demand gap.

Metropolitan/Southern Nevada Exchange Agreement Amendment Detailed Report

Background

In October 2004, Metropolitan and Southern Nevada, along with the CRCN and the United States, entered into a Storage and Interstate Release Agreement (SIRA) under the Secretary of the Interior's Offstream Storage Regulations. The SIRA established a cooperative relationship between Metropolitan and Southern Nevada to benefit both agencies in managing their respective water supplies. The SIRA allows Southern Nevada to deliver unused Nevada apportionment of Colorado River water for storage and use by Metropolitan and the subsequent return of that water by Metropolitan in future years.

In addition to the SIRA, Metropolitan, Southern Nevada, and CRCN entered into an operational agreement that was executed concurrently with the SIRA, which provides the specific criteria for exchanging Colorado River water between the two states. Under the operational agreement, Metropolitan agreed to take delivery of Nevada water at no cost through 2010, and Southern Nevada agreed to not request return of any water stored until 2011.

Amendment to Operational Agreement Needed

In the last five years, the water supply needs of both Metropolitan and Southern Nevada have changed. In 2004, Metropolitan had sufficient supplies in storage to meet projected demands. It was envisioned that Metropolitan would only store a small amount of Southern Nevada water. However, due to ongoing drought and water supply curtailments on the State Water Project, Metropolitan now has an interest in acquiring additional supplies to meet its short-term water supply needs.

Additionally, Southern Nevada's water supply picture has changed since 2004. Five years ago, Southern Nevada's water demands were quickly outgrowing existing supplies, and Nevada was likely to need water stored with Metropolitan in the near future. Today, however, water demands in Nevada have decreased, due to both conservation efforts and recession, while at the same time, Southern Nevada has obtained additional water supplies through fallowing programs on tributaries to the Colorado River and through funding the majority of the Drop 2 Reservoir Project. A combination of increased supplies and decreased demands has given Southern Nevada the flexibility to exchange increased amounts of water and delay the time when the agency would need to recover any water stored by Metropolitan.

Terms of Amended Operational Agreement

In July, in response to the changed water supply needs of both agencies, the Metropolitan-Southern Nevada Operational Agreement was amended to provide greater certainty for both agencies in managing their respective water supplies. The major terms of the Operational Agreement are as follows:

- Each year through 2026, staff from Metropolitan and Southern Nevada will meet to determine the amount of water Southern Nevada will provide to Metropolitan for that year.

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- Metropolitan and Southern Nevada will each bear their own costs for storing and exchanging of water so that there are no additional financial costs associated with this program.
- Southern Nevada agrees to not recover water without Metropolitan consent until 2022, except under the following conditions:
 - Southern Nevada may recover water during 2020 and 2021 if a shortage on the Colorado River is declared in either of those years.
 - In the extremely unlikely event that a Colorado River shortage is declared at a level higher than was contemplated or analyzed in the Interim Shortage Management Guidelines, Southern Nevada may recover water during any such year.
- The maximum amount that Southern Nevada can recover from Metropolitan in any one year is 30,000 acre-feet, unless a shortage is declared beyond that which is contemplated, in which case Southern Nevada may recover up to 50,000 acre-feet in any one year.

Implementing the Amended Operational Agreement

With the execution of the amended Operational Agreement, Southern Nevada has agreed to provide Metropolitan 40,000 acre-feet of water in 2009, and may increase that figure to 50,000 by the end of the year. It is likely that Southern Nevada would be able to deliver similar amounts in the foreseeable future, if Metropolitan elects to take delivery of the water. With the additional 40,000 acre-feet, Metropolitan will have stored 110,000 acre-feet for Southern Nevada since 2004. That figure could grow significantly if Metropolitan continues to need exchange water over the next five years.

Eventually, Metropolitan will have to return all of the water exchanged to Southern Nevada. To plan for paying the water back to Southern Nevada, Metropolitan will treat the repayment obligation as if it were a future water supply demand. The most likely scenario is that the water would be repaid no sooner than 2022 at no more than 30,000 acre-feet per year. Metropolitan should be in a better position to repay the water at that time for three reasons: (1) the Quantification Settlement Agreement transfers reach their full amounts in 2021, so that Metropolitan will have more Colorado River base supplies than it does today; (2) it provides 13 years for California to develop a more reliable State Water Project supply through a solution for the Sacramento Bay-Delta issues; and (3) it provides 13 years to develop additional water supply programs.

As noted in the terms above, although very unlikely, it is possible that some water would have to be returned to Southern Nevada prior to 2022. Because storage conditions on the Colorado River change slowly, any such condition that would require an early payback to Southern Nevada could be seen several years in advance of such an event. For example, three separate stages of shortages would have to be declared before Lake Mead fell to the level requiring early payback. In such an event, Metropolitan would be in a position to prepare for the early payback several years in advance.

Summary

The Metropolitan-Southern Nevada Exchange Agreement provides significant benefits to both agencies. Southern Nevada can store water for future needs with Metropolitan at no cost, and Metropolitan can increase its near-term water supplies without incurring financial costs. By using both exchange water and transfers, to meet current demands Metropolitan is able to meet its water supply needs and minimize rate increases. The exchange water will be returned to Southern Nevada on a schedule that is manageable to Metropolitan. Additionally, the exchange encourages cooperation between the two agencies on developing new water supply projects, such as funding the Yuma Desalting Plant or other programs.

Additional exchange programs are being discussed with other agencies in California and Arizona. If new exchange programs are proposed, they will be brought to the Board for consideration in the context of managing both exchange water supplies and the development of new water supplies.