



- **Board of Directors**
One Water and Stewardship Committee

8/20/2024 Board Meeting

8-1

Subject

Authorize the General Manager to enter into: (1) a forbearance agreement with Coachella Valley Water District, Imperial Irrigation District, Palo Verde Irrigation District, and the City of Needles to allow water conserved under the U.S. Bureau of Reclamation's conservation program to be added to Lake Mead; and (2) agreements with Imperial Irrigation District and San Diego County Water Authority under U.S. Bureau of Reclamation's conservation program to add water conserved by Imperial Irrigation District to Lake Mead that would otherwise accrue to San Diego County Water Authority; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA

Executive Summary

Staff seeks authorization for the General Manager to enter into agreements to allow water to be added to Lake Mead pursuant to funding provided by the U.S. Bureau of Reclamation's (Reclamation) Lower Colorado Conservation Program (LC Conservation Program). These agreements demonstrate how multi-agency partnerships can benefit the Colorado River. Staff specifically seek authorization to enter the following agreements:

1. A forbearance agreement among Metropolitan, Palo Verde Irrigation District (PVID), Imperial Irrigation District (IID), Coachella Valley Water District (CVWD), and the City of Needles that will cover conservation actions taken by CVWD and IID under the LC Conservation Program in 2024, 2025, and 2026.
2. Agreements among IID, San Diego County Water Authority (SDCWA), and Metropolitan to include up to 100,000 acre-feet of water conserved by IID per year from 2024–2026, that would otherwise be transferred to SDCWA and exchanged under the Exchange Agreement, under IID's system conservation agreement with Reclamation. SDCWA would be required to purchase an equivalent volume of Metropolitan supplies. The General Manager would be delegated authority to execute agreements with IID and SDCWA regarding how much of the 100,000 acre-feet of water to include each year based on water supply conditions.

Timing and Urgency

These agreements would help California achieve the goals set out in the Colorado River Board of California's October 5, 2022, letter, which proposed that California agencies conserve 400,000 AF per year of water to benefit Lake Mead from 2023 through 2026.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to enter into: (1) a forbearance agreement with Coachella Valley Water District, Imperial Irrigation District, Palo Verde Irrigation District, and the City of Needles to allow water conserved under the U.S. Bureau of Reclamation's conservation program to be added to Lake Mead; and (2) agreements with Imperial Irrigation District and San Diego County Water Authority under Reclamation's conservation program to add water conserved by Imperial Irrigation District to Lake Mead that would otherwise accrue to San Diego County Water Authority.

Fiscal Impact: To the extent that IID leaves conserved water in Lake Mead that was planned for transfer to SDCWA, Metropolitan would see revenue from increased water sales to SDCWA. The amount of revenue in any given year would depend on the volume of water left in Lake Mead each year. In 2024, staff expect that 50,000–75,00 acre-feet of water that had been planned for transfer to SDCWA will be left in Lake Mead as conserved water. For this range of volumes, Metropolitan would see revenues ranging from \$16.6 million–\$24.9 million, based on the additional supply rate element that applies to water sales, but does not apply to the SDCWA-Metropolitan Exchange Agreement price. The revenue anticipated under this board action will constitute a portion of the \$60 million in additional revenue generation assumed in the fiscal year 2024/2025 budget. At this time, for 2025 and 2026, staff does not have a projection of the volume of water planned for transfer to SDCWA that would be left in Lake Mead as conserved water.

Business Analysis: The agreements would forbear additional system conservation to augment Colorado River supplies at no additional cost to Metropolitan and would increase revenue from increased sales to SDCWA in 2024 and potentially also increase sales in 2025 and 2026.

Option #2

Direct the General Manager not to enter into the agreements under the proposed terms.

Fiscal Impact: None

Business Analysis: Metropolitan would forego an opportunity to augment Colorado River water supplies to reduce the risk of future curtailment.

Alternatives Considered

Staff considered an alternative with a firm volume commitment for the next three years on including supplies originally intended for transfer from IID to SDCWA (with SDCWA purchasing a like amount from Metropolitan at the full-service rate). However, this option could result in a direct withdrawal from Metropolitan's storage accounts to meet demand in years in which Metropolitan did not have a sufficient surplus of supplies, or a reduction in additions to storage in years with a small volume of surplus supplies. The recommended alternative preserves regional flexibility in the face of unknown future hydrologic conditions over the three-year period.

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 53051 in December 2022, Metropolitan's Board adopted legislative priorities and principles to support the funding of conservation projects to enhance the resiliency of the Colorado River System to reduce the risk of Lake Mead and Lake Powell falling below critical elevations.

Related Board Action(s)/Future Action(s)

By Minute Item 53447 in November 2023, Metropolitan's Board approved a similar action for system conservation created by CVWD and IID in 2023 to be left in Lake Mead as system water under Reclamation's LC Conservation Program.

By Minute Item 53469 in December 2023, Metropolitan's Board approved a similar action for system conservation projects with the Palo Verde Irrigation District, Bard Water District, and the Quechan Tribe under Reclamation's LC Conservation Program.

Summary of Outreach Completed

All LC Conservation Program projects were discussed with and received input from the Colorado River Ad-hoc Committee.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed actions are not defined as a project under CEQA because they involve organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5).) In addition, the proposed actions are not subject to CEQA because they involve the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4)).

CEQA determination for Option #2:

None required

Details and Background

Background

Metropolitan often collaborates with other agencies to provide system water to Lake Mead. In 2006, Metropolitan entered into an agreement with Reclamation to provide up to 10,000 AF of conserved Colorado River water during 2006 and 2007 to increase Colorado River system storage. The water was conserved through voluntary fallowing under the Palo Verde Irrigation District Land Fallowing Program. Metropolitan and other Colorado River users benefitted from the resultant increase in system storage. Reclamation provided about \$1.7 million to cover Metropolitan's expenditures associated with the supplemental fallowing.

In 2014, Reclamation initiated the Pilot System Conservation Program, which was a collective effort of the federal government and major urban water agencies to fund water-saving actions to create conserved system water to protect the elevation of Lake Powell and Lake Mead and thus benefit all Colorado River water users. The Pilot System Conservation Program funded projects that created at least 175,000 AF of conserved system water. Metropolitan provided \$5 million, which represented 15 percent of the total funding.

In 2021, Metropolitan entered into a funding agreement with Reclamation, Central Arizona Water Conservation District, and Southern Nevada Water Authority to fund additional land fallowing to conserve Colorado River system water to improve Lake Mead storage. The funding agreement was terminated during the third year to shift participation to the LC Conservation Program starting August 1, 2023.

The LC Conservation Program

The 2021 Bipartisan Infrastructure Law and the 2022 Inflation Reduction Act both seek to fund water management and conservation efforts to relieve drought conditions in the western United States, with a focus on the Colorado River. The Department of the Interior, through Reclamation, created the LC Conservation Program to increase system conservation and efficiency opportunities to address the drought in the Lower Colorado River Basin. Similar conservation programs are being developed in the Upper Colorado River Basin. The LC Conservation Program provides funding opportunities for voluntary participation to increase system conservation.

A total of six conservation agreements have been or are being developed in California under Bucket 1 of the LC Conservation Program to help California conserve 400,000 AF of water annually from 2023–2026. A forbearance agreement among Metropolitan, PVID, IID, CVWD, and the City of Needles is needed to cover conservation from all six conservation agreements from 2024-2026. The Board has previously granted authority to forbear three of the conservation agreements, one each with PVID, Bard Water District, and the Quechan Indian Tribe. Therefore, there are currently three items under the LC Conservation Program for which staff is seeking board authorization.

Forbearance is necessary for these actions because, under the California priority system, Colorado River water conserved by a higher-priority user is available to the next lower-priority user. Thus, as part of a program to fund the conservation of Colorado River water, contractors need to agree to forbear exercising their rights to ensure that the conserved water remains in the Colorado River system rather than becoming available to the next lower-priority user. Before entering into any forbearance agreement, Metropolitan staff will review the underlying agreements between Reclamation and the contractors to ensure that Metropolitan's rights as the junior priority in California are protected. For additional background on the purpose and mechanics of a forbearance by Metropolitan, please see the June 2024 presentation on that subject, available at: <https://mwdh2o.legistar.com/View.ashx?M=F&ID=13012478&GUID=5C7533D3-F668-4FC6-A12E-EACEF0DF52DD>.

First, forbearance is needed for an agreement between Reclamation and CVWD to fund a reduction in groundwater replenishment by up to 35,000 acre-feet per year in 2024 and 2025 at \$400 per acre-foot.

Second, forbearance is needed for an agreement between Reclamation and CVWD to fund agricultural conservation from 2024–2026 at \$400 per acre-foot. Under the agreement with CVWD, up to 10,000 acre-feet of conserved water from a new agricultural conservation program will be left in Lake Mead as system water each year. The new conservation program currently covers full-season fallowing and retirement of permanent crops.

Third, forbearance is needed for an agreement being developed between Reclamation and IID to fund agricultural conservation from 2024-2026 at a rate that is based on the rate paid by SDCWA to IID for SDCWA's transfer supplies. Under the proposed agreement, IID would conserve and leave in Lake Mead as system water, up to 300,000 acre-feet per year with a three-year cumulative maximum of 700,000 acre-feet. This conserved water could come from IID's existing on-farm conservation program, a new deficit irrigation program, or an updated farm-unit fallowing program. IID's board approved a supplemental payment to their existing On-Farm Efficiency Conservation Program to incentivize increased conservation savings from the existing on-farm program. IID's board also approved the implementation of a new deficit irrigation program where farmers would cease irrigation on alfalfa, bermuda, or klein grass for a period of 45–60 days.

In addition to a forbearance agreement, staff is seeking board authorization to enter into agreements with IID and SDCWA for joint participation in IID's system conservation agreement with Reclamation. This joint participation would be under the same system conservation agreement described above for forbearance. Under this partnership, water conserved by IID that would otherwise be transferred to SDCWA and exchanged under the Exchange Agreement would be made available as system conservation as a part of IID's system conservation agreement with Reclamation. Staff seek authorization for the General Manager to execute agreements that would include up to 100,000 acre-feet per year from 2024–2026 with IID's and SDCWA's consent. To the extent that water otherwise intended for transfer to SDCWA and exchange under the Exchange Agreement is made available as system water, SDCWA would be required to purchase a like amount of water from Metropolitan at the full-service rate. Each year, IID, Metropolitan, and SDCWA would mutually agree on the volume of water, if any, from the IID-SDCWA transfer program that would be made available as system conservation under IID's system conservation agreement for that year. Each year, the parties will consider water supply conditions and IID's status in developing conserved water. This flexibility allows all parties to adapt to evolving hydrologic conditions over the next three years. The parties anticipate this volume in 2024 will be from 50,000 to 75,000 acre-feet. At this time, there are no projected amounts for 2025 or 2026.

Benefits

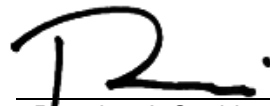
With forbearance of these three additional conservation programs, over 800,000 AF of water will be added to Lake Mead over three years, increasing elevation by approximately 10 feet. All parties benefit from increased Lake Mead elevation, power generation, and reliability of Colorado River water supplies. Metropolitan also directly benefits from increased revenues through full-service sales to SDCWA rather than exchange deliveries under the Exchange Agreement.

Summary

Metropolitan continues to expand and support opportunities to conserve Colorado River system water. This action reduces the risk of Lake Mead falling to elevations that trigger shortages and Drought Contingency Plan contributions. It also helps implement the proposed goals in the Colorado River Board of California's October 5, 2022, letter. All Lower Basin water users benefit from delaying the timing and depth of shortages, DCP contributions, and preserving hydroelectric generation at Hoover Dam.

Project Milestone

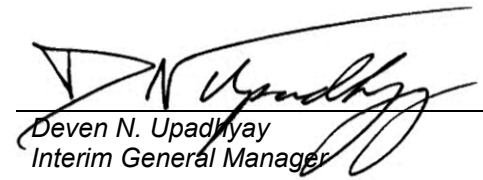
No independent project milestones. Savings from conservation actions will be verified annually as is current practice.



Brandon J. Goshi
Interim Manager
Water Resource Management

8/15/2024

Date



Deven N. Upadhyay
Interim General Manager

8/15/2024

Date