



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

1/14/2025 Board Meeting

7-4

Subject

Authorize extension of Metropolitan's existing Colorado River System Conservation Agreement with U.S. Bureau of Reclamation to fund Metropolitan's Palo Verde Irrigation District Fallowing Program; and adopt CEQA determination that the environmental effects of the conservation efforts in Palo Verde Irrigation District are the subject of a proposed action that was previously addressed in various CEQA documents and related actions

Executive Summary

Staff seeks authorization for the General Manager to enter into an agreement to extend the December 20, 2023, Palo Verde Irrigation District System Conservation Implementation Agreement. The extension would cover the period of August 1, 2026, through December 31, 2026. Under this extension, the U.S. Bureau of Reclamation (Reclamation), rather than Metropolitan, would continue to pay for conserved water under the Palo Verde Irrigation District/Metropolitan Forbearance and Fallowing Program (PVID Program). Metropolitan would make a fallowing call for the 2026-27 PVID Program year based on its own expected needs for that period. PVID farmers enrolled in the PVID Program would have the option to voluntarily remain at the fallowing level of 100 percent of their maximum fallowing commitment for the full five-month period of August 1, 2026, to December 31, 2026. All water conserved in that five-month window would be eligible for federal funding. As per the existing system conservation agreement, a portion of the federal funding would be set aside to fund community improvement projects in the Palo Verde Valley.

Over the five-month period of the extension, Metropolitan would benefit both from reduced cost expenditures by approximately \$2.5 million, associated with the contractually obligated minimum fallowing call, and from increased revenue from federal funding by about \$2.8 million from Metropolitan fallowing its own lands. In total, Metropolitan would reduce expenditures or increase revenue by approximately \$5.3 million over the five-month period, all of which would occur in a future budget biennium.

Metropolitan and other Colorado River water users would also benefit from increased Lake Mead elevation.

Timing and Urgency

Reclamation has requested to expedite any extensions to Bucket 1 System Conservation Implementation Agreements while the current leadership is in place. Even with the agreements executed in January, funding provided by Reclamation in these agreements could be withdrawn by future congressional action or delayed by the next Administration.

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

Staff Recommendation: Option #1

Option #1

Adopt CEQA determination that the proposed action related to the fallowing program was previously addressed in various CEQA documents and related actions, and authorize the General Manager to enter into an agreement for Reclamation to fund the generation of up to 36,066 AF of conserved Colorado River system water between August 1, 2026, and December 31, 2026.

Fiscal Impact: Metropolitan would avoid paying for the PVID fallowing program during the terms of the agreement, thereby reducing current projected cost expenditures by approximately \$2.5 million in 2026. Additionally, as a landowner participating in the LC Conservation Program, Metropolitan would net approximately \$2.8 million by fallowing its lands in PVID. In total, Metropolitan would reduce expenditures or increase revenue by approximately \$5.3 million in 2026.

Business Analysis: The agreement would fund land fallowing to increase Colorado River system water at no additional cost to Metropolitan.

Option #2

Do not enter into the agreement under the proposed terms

Fiscal Impact: Metropolitan would make payments for and keep the water generated from the PVID Fallowing Program. Program expenditures would depend on the fallowing call made for Program Year 2026-27.

Business Analysis: Metropolitan would forgo an opportunity to increase Colorado River system water to reduce the risk of future curtailment.

Alternatives Considered

No alternatives were considered.

Applicable Policy

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.

The General Manager's 24/25 Business Plan identified Goal 2.2 to identify and secure programmatic cost savings, organizational efficiencies, and external funding. One of the outcomes identified under this goal was to secure IRA funding that supports Colorado River water use objectives.

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

By Minute Item 53447 in November 2023, Metropolitan's Board approved forbearance 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.

By Minute Item 53752 in August 2024, Metropolitan's Board approved forbearance for system conservation created by CVWD and IID between 2024-2026 to be left in Lake Mead as system water under Reclamation's LC Conservation Program.

At Metropolitan's December 2024 Board meeting, Metropolitan's Board approved two agreements under Reclamation's Bucket 2 of the Lower Colorado River Basin System Conservation and Efficiency Program for the Antelope Valley East Kern High Desert Water Bank and turf replacement on commercial industrial and institutional properties.

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 following program that is the subject of this action was previously evaluated by the Board on October 22, 2002. The Board acted as a responsible agency and certified that it reviewed and considered the information in the Palo Verde Irrigation District's 2002 Final Environmental Impact Report and adopted the Lead Agency's findings, and authorized entering into agreements for the Palo Verde Irrigation District Land Management, Crop Rotation, and Water Supply Program.

The proposed action to extend an agreement and provide funding for the following program represents a minor modification that relates solely to the fiscal and administrative aspects of this program. Thus, the previous environmental documentation acted on by the Board in conjunction with this following program fully complies with CEQA and the State CEQA Guidelines, and no further CEQA review is required for the proposed action.

CEQA determination for Option #2:

None required

Details and Background

Background

The 2021 Bipartisan Infrastructure Law and the 2022 Inflation Reduction Act funded 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 drought impacts 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.

On December 20, 2023, Metropolitan entered into a System Conservation Implementation Agreement with Reclamation to fund Metropolitan's PVID Fallowing Program. Under this agreement, Reclamation is fully reimbursing Metropolitan for creating Colorado River system water from water conserved with the PVID Program. The system water is being created by participating farmers fallowing acres at the fallowing level of 100 percent of their maximum fallowing commitment, which started August 1, 2023, and includes fallowing of Metropolitan-owned lands based on the terms included in the lease agreements. The conserved water remains in Lake Mead as system water. Participation is continuing at 100 percent fallowing through July 31, 2026.

Extension of PVID Program Participation in the LC Conservation Program

As a part of the LC Conservation Program, Reclamation is willing to extend the December 20, 2023, Palo Verde Irrigation District System Conservation Implementation Agreement. The current agreement ends on July 31, 2026, and this extension would continue fallowing land for system conservation purposes through December 31, 2026. Metropolitan would make a fallowing call for the 2026-27 PVID Program year based on its own expected needs during that period. Landowners would be given the opportunity to volunteer to fallow up to 100% of their maximum fallowing commitment for the five additional months, and MWD would also have the option to enroll acreage from MWD-owned lands. Landowners that choose not to fallow additional land under the extension will be fallowing at the level of Metropolitan's call for the 2026-27 Program year. Metropolitan will seek any necessary forbearance from the California Section 5 contractors. Additionally, Metropolitan would have the option of diverting water saved in an amount equal to Metropolitan's then-current fallowing call for the 5-month period, if needed, instead of providing the water to Lake Mead as system water.

Metropolitan would continue to administer the program and receive payment of \$400 per AF from Reclamation for any water left in Lake Mead as system conservation.

The material terms of the proposed agreement are summarized in **Attachment 1**.

Project Milestone

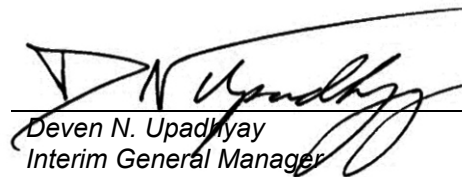
Metropolitan will make a following call for the 2026-27 Program year based on Metropolitan's expected needs during that period. Metropolitan would administer any additional voluntary enrollment in the 5-month period covered by this extension and will invoice Reclamation for the following under the terms of the agreement.



Brandon J. Goshi,
Interim Manager,
Water Resource Management

1/10/2025

Date



Deven N. Upadhyay
Interim General Manager

1/10/2025

Date

Attachment 1 – Term Sheet for Extension of the PVID System Conservation Implementation Agreement

Ref# wrm12704848

Term Sheet for PVID System Conservation Implementation Agreement Extension

1. Farmers participating in the Metropolitan-PVID fallowing program may choose to voluntarily fallow lands above Metropolitan's fallowing call for that period, up to an equivalent of a 100 percent fallowing call, for the full five-month period of August 1, 2026, to December 31, 2026.
2. Metropolitan would administer the program and any voluntary enrollment. Reclamation would make payments to Metropolitan of \$400 per AF of conserved water left in Lake Mead between August 1, 2026, and December 31, 2026. Reclamation would pay Metropolitan before Metropolitan makes payments to Palo Verde farmers.
3. For the fallowing amount above the fallowing call that will be left in Lake Mead as system water, Palo Verde farmers and the Palo Verde community would share the \$400/AF payment. PVID would dedicate \$15 per AF from the \$400/AF for funding community improvement in the Palo Verde Valley. For calculating payments to farmers, the payment will use the remaining \$385/AF and a yield of 1.39 AF per acre for the period of August 1, 2026, through December 31, 2026, leading to a maximum payment of \$535.15 per acre. The 1.39 AF per acre equates to the 5-year average total water savings from fallowing during the months of August through December.
4. For the fallowing amount equal to the fallowing call, Palo Verde farmers would receive the then current fallowing price in the existing PVID-Metropolitan forbearance and fallowing program agreement. The additional federal funding would be shared between Metropolitan and the Palo Verde community. Metropolitan would dedicate an amount equal to the total amount that PVID decides to dedicate for funding community improvement in the Palo Verde Valley.
5. Metropolitan would have the option of diverting water saved in an amount equal to the fallowing call, if needed, or providing it as system conservation to Lake Mead. Metropolitan would receive federal funding for any water left in Lake Mead as system conservation.
6. The community funds would be used for local community improvements in the Palo Verde Valley as agreed to by Metropolitan and PVID.
7. Metropolitan would have the same voluntary option to fallow its land up to the maximum fallowing call, and Metropolitan would receive payments from Reclamation as the landowner.
8. Maximum fallowing calls during the LC Conservation Program would not count against Metropolitan's limit of ten total maximum fallowing calls during the term of the PVID-Metropolitan forbearance and fallowing agreement, as provided for in the existing PVID-Metropolitan and Metropolitan-landowner agreements.
9. On January 1, 2027, the fallowing level will revert to the fallowing call for that period for all farmers in the Palo Verde Valley and remain there for the rest of the contract year (through July 2027).