



Colorado River Resources

4/13/2026 One Water and Adaptation Committee Meeting

6a

Subject

Information on Memorandum of Understanding to explore inter-state transfers and exchanges in the Lower Colorado River Basin

Executive Summary

The long-term and ongoing drought in the Colorado River Basin has required innovative actions by the federal government and state and local water users to adapt to reduced water supplies. Within California, Metropolitan has implemented numerous programs with agricultural agencies to reduce and manage demands allowing for intra-state transfers of water. Federal regulations and guidelines have also provided flexibility to water users by encouraging off-stream storage for future use as Intentionally Created Unused Apportionment and on-stream storage in Lake Mead for future delivery as Intentionally Created Surplus (ICS). As hydrologic conditions worsen, the need for additional innovative approaches has become apparent. The Bureau of Reclamation (Reclamation) is currently in the process of replacing the 2007 operating guidelines for the Colorado River, creating an opportunity to develop rules that allow for inter-state transfers and exchanges to add flexibility and resilience among Lower Basin water users and provide multiple funding sources for larger infrastructure projects. The General Manager has executed a non-binding memorandum of understanding (MOU) to establish a framework for exploring such transactions, a copy of which is provided as **Attachment 1**.

Fiscal Impact

None

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

Not applicable

Details and Background

Background

The Colorado River was the initial source of Metropolitan's water supplies and continues to be a crucial portion of Metropolitan's water portfolio. The Colorado River Aqueduct has the capacity to import 1.25 million acre-feet per year (afy), which is double the amount of Metropolitan's 550,000 acre-feet share of California's 4.4 million acre-feet allocation under the Law of the Colorado River. In the past, Metropolitan maintained a full Aqueduct through the unused portions of Arizona and Nevada entitlements and through surplus declarations by the Secretary of the Interior. As those sources diminished, Metropolitan implemented a series of programs within California to share water supplies allocated to senior agricultural agencies, including the 1988 conservation program with Imperial Irrigation District (IID), Quantification Settlement Agreement transfers approved in 2003, and following programs with Palo Verde Irrigation District, Bard Water District, and the Fort Yuma Quechan Tribe.

Reclamation recognized the benefit of water transfers between states with the adoption of regulations for Offstream Storage and Release of Colorado River water between Lower Basin States. Codified at Title 42,

Part 414, of the Code of Federal Regulations, the rules allow entities in one state to divert a portion of another state's Colorado River water for off-stream storage. In a future year, that water would be recovered by the storing entity that would reduce its own diversion of river water to make available Intentionally Created Unused Apportionment to the original state entity. In 2004, Metropolitan executed a Storage and Interstate Release Agreement with Nevada. Metropolitan currently has 330,225 acre-feet stored for Nevada's future use.

On-river storage has also long been sought by Metropolitan since its 1931 Colorado River water contract provided it with rights to store up to 4.75 maf in Lake Mead for future delivery. However, this right was subject to such terms as the Secretary of the Interior would establish for storage across the Lower Basin. Rules for Lake Mead storage were not adopted until the 2007 operating guidelines included provisions for ICS. The guidelines include rules for creation, losses, delivery, and accounting for various forms of ICS. As of the end of 2025, Metropolitan had 1,568,000 acre-feet stored in Lake Mead, out of a total 3,326,000 acre-feet of water stored by Lower Basin entities. IID is participating in the program, as well as the Southern Nevada Water Authority, Central Arizona Water Conservation District, and Arizona Indian Tribes.

The 2007 guidelines will expire at the end of this year, and Reclamation is in the process of developing new guidelines. Metropolitan has specifically urged that the new guidelines include an ICS program. In addition, Metropolitan proposed that the guidelines expand the current storage rules to accommodate inter-state exchanges of water developed through infrastructure projects. In its comment letter on the Draft Environmental Impact Statement for the post-2026 guidelines, Metropolitan pointed to the opportunity for cross-state funding for projects like Pure Water Southern California and stated that "The ability to exchange augmentation water in Lake Mead would provide critical operational flexibility to support partnerships of this kind and would encourage investment in new, sustainable water supply that reduces reliance on existing natural flows."

Proposed Approach

Past experience with the Part 414 regulations and ICS program under the 2007 guidelines shows the need for broad-based consensus on rules governing inter-state water transactions. Provisions must address in-state priority rules, restrictions on water deliveries provided in Section 5 contracts, and the Supreme Court decree in *Arizona v California*. Accounting for water stored and released through federally-controlled Lower Basin reservoirs must comply with legal requirements for Reclamation's decree accounting. No program will be successful without the support and cooperation of stakeholders across the Lower Basin.

Metropolitan and San Diego County Water Authority (SDCWA) have taken the lead approving an MOU to explore inter-state transfers and exchanges. The MOU could ultimately include parties in Arizona and Nevada, and Reclamation. The MOU, which is non-binding, provides that its purpose is to document the shared interest of the parties to:

- Work together in a collaborative process to assist the Parties in exploring the potential of transfers with entities in the states of Arizona and/or Nevada that are interested in acquiring water through transfers with entities in California.
- Explore the legal and policy framework under which such transfers to entities within the states of Arizona and/or Nevada could be implemented.
- Identify the shared responsibilities, if any, between the Parties to work with any parties with an interest in transfers within the states of Arizona and/or Nevada.
- Work toward creating a shared understanding of how pilot transfers could provide the framework for future transfers as an ongoing, flexible water management tool that helps meet the Basin's future water supply challenges.
- Explore and identify the potential need for federal funds to facilitate interstate transfers.
- Avoid or mitigate adverse impacts caused by transfers.

Discussions under the MOU could help lead to the development of rules for interstate transfers and exchanges as part of the post-2026 guidelines; but rules could also be adopted separately, similar to the Part 414 regulations.

Timing and Urgency

The MOU has been executed by Metropolitan and SDCWA, with discussions ongoing to bring Reclamation and Nevada and Arizona entities on board. Any amendments to the MOU required to add these entities will be provided to the Board. The process may lead to inclusion of rules in new guidelines Reclamation is adopting by the end of 2026 to govern river operations starting in 2027.

Attachment 1 – Memorandum of Understanding

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MEMORANDUM OF UNDERSTANDING BETWEEN
THE BUREAU OF RECLAMATION ON BEHALF OF THE UNITED STATES
DEPARTMENT OF THE INTERIOR, SAN DIEGO COUNTY WATER AUTHORITY,
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, SOUTHERN
NEVADA WATER AUTHORITY, ARIZONA DEPARTMENT OF WATER
RESOURCES, CENTRAL ARIZONA WATER CONSERVATION DISTRICT, AND
SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER
DISTRICT
FOR THE PURPOSE OF EXPLORING
COLORADO RIVER IMPORTED WATER/INTERSTATE WATER TRANSFERS AND
EXCHANGES

1. Preface:

- a. This Memorandum of Understanding ("MOU") is effective as of _____, 202X, by and between the United States Department of the Interior ("Interior"), Bureau of Reclamation ("Reclamation"), the San Diego County Water Authority ("Water Authority"), the Metropolitan Water District of Southern California (Metropolitan), the Southern Nevada Water Authority (SNWA), the Arizona Department of Water Resources (ADWR), Central Arizona Water Conservation District (CAWCD), and Salt River Project Agricultural Improvement and Power District (SRP) to explore interstate water transfers and exchanges (transfers), including transfers using desalinated seawater from the Claude "Bud" Lewis Desalination Plant in Carlsbad, California, and recycled wastewater, within existing authorities. Reclamation, Interior, the Water Authority, Metropolitan, SNWA, ADWR, CAWCD, and SRP may be referred to herein individually as a "Party" and collectively as the "Parties".
- b. Interior protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and honors its trust responsibilities or special commitments to American Indians, Alaska Natives, Native Hawaiians, and affiliated Island Communities. The mission of Reclamation is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public.
- c. The Water Authority, a county water authority of the state of California, is a wholesale water supplier that delivers safe, reliable water to sustain a \$262 billion regional economy and the quality of life for 3.3 million residents in the San Diego region. The Water Authority, through its investments in water resiliency over the last 30 years, has developed an innovative portfolio of water resources that provides drought-proof supplies. One of those investments is the nation's largest seawater desalination plant, the Claude "Bud" Lewis Carlsbad Desalination Plant. Residents across San Diego County have reduced per capita water use by more than 50% since 1990, creating an opportunity for a limited surplus of desalinated

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seawater supplies to be made available to support other regions facing water scarcity.

- d. Metropolitan is a metropolitan water district incorporated under the Metropolitan Water District Act, Stats. 1969, ch. 209, as amended, codified at Section 109.1 et seq. of the Appendix to the California Water Code, engaged in developing, transporting, storing, and distributing water for the benefit of its service area in the counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura, within the state of California.
- e. SNWA is a Nevada joint powers agency and political subdivision of the state of Nevada, created by agreement dated July 25, 1991, as amended November 17, 1994, and January 1, 1996, pursuant to N.R.S. Sections 277.074 and 277.120. SNWA member agencies serve more than 2 million residents in Southern Nevada. As the wholesale water provider, SNWA is responsible for water treatment and delivery, as well as acquiring and managing long-term water resources for Southern Nevada.
- f. ADWR is an agency of the state of Arizona acting pursuant to A.R.S. Section 45-107 with responsibility to safeguard the health, safety and economic welfare of the public by protecting, conserving and enhancing Arizona's water supplies in a bold, thoughtful and innovative manner.
- g. CAWCD is a multi-county water conservation district organized under A.R.S. Section 48-3701 et seq. and is the operating agency for the 336-mile Central Arizona Project system that supplies Colorado River water to Arizona's most populated regions.
- h. SRP is an agricultural improvement district organized and existing under the laws of the state of Arizona. SRP is a community-based, not-for-profit organization providing reliable, affordable and sustainable water and energy to more than 2 million people in Central Arizona.
- i. The Colorado River Basin began experiencing meaningfully drier hydrologic conditions more than twenty years ago, leading to substantially diminished inflows into the system and decreased water elevation levels in both Lakes Mead and Powell.
- j. To meet the challenges of drought in the Colorado River Basin, the Secretary adopted and, with the support and agreement of the Basin states, implemented the 2007 Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead, as supplemented ("2007 Interim Guidelines") to, among other things, provide additional mechanisms for the storage and delivery of water supplies in Lake Mead to increase the flexibility of meeting water use needs from Lake Mead, particularly under drought and low reservoir conditions.

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- k. Negotiations are underway to establish the new guidelines to manage operations for Lake Powell, beginning October 1, 2026, and operations for Lake Mead, beginning January 1, 2027. Negotiations seek to integrate flexible operational measures into the new guidelines to enable water users and managers to respond effectively to evolving conditions while enhancing the Basin's long-term resilience.
 - l. Interstate transfers, including those using new sources of water such as ocean desalination and recycled wastewater, could increase water supply reliability and increase water management tools to help meet the Basin's challenges.
2. Purpose of this MOU is to document the shared interest of the Parties to:
- a. Work together in a collaborative process to assist the Parties in exploring the potential of transfers with entities in the states of Arizona and/or Nevada that are interested in acquiring water through transfers with entities in California.
 - b. Explore the legal and policy framework under which such transfers to entities within the states of Arizona and/or Nevada could be implemented.
 - c. Identify the shared responsibilities, if any, between the Parties to work with any parties with an interest in transfers within the states of Arizona and/or Nevada.
 - d. Work toward creating a shared understanding of how pilot transfers could provide the framework for future transfers as an ongoing flexible water management tool that helps meet the Basin's future water supply challenges.
 - e. Explore and identify the potential need for federal funds to facilitate interstate transfers.
 - f. Avoid or mitigate adverse impacts caused by transfers.
3. Authority for this MOU:
- a. This MOU is entered into by Reclamation pursuant to the Reclamation Act of 1902 (Ch. 1093, 32 Stat 388; 43 U.S.C. Section 391 et seq.) and the acts amendatory thereof or supplementary thereto, including, but not limited to, the Act of August 26, 1937 (50 Stat. 844), as amended, and as reauthorized by the Act of October 17, 1940 (54 Stat. 1198), and as reauthorized by the Act of September 26, 1950 (64 Stat. 1036).
4. Agreement:
- a. The Parties agree to work together collaboratively to advance the purposes identified in this MOU, listed in section 2.

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- b. The Parties will comply with applicable law regarding implementation of this MOU.
- c. This MOU does not impact any obligations or agreements between or among any of the Parties, including any existing water transfer agreements within California.
- d. This MOU does not commit the Parties to the implementation of any operational actions as a result of entering into this MOU.

5. Effect of MOU:

- a. This MOU provides only for discussion and exploration of the potential of interstate transfers. This MOU is not intended to and shall not be asserted or interpreted to affect the validity of any existing water rights held by any Party; or to amend, modify, or otherwise alter any existing water service, repayment, exchange, transfer, settlement, purchase, or other contract of any nature; all of which shall remain in full force and effect.
- b. Nothing in this MOU will be interpreted as limiting, superseding, or otherwise affecting or requiring any modification of any Party's normal operations or decisions in carrying out its statutory, operational, contractual, or regulatory duties. This MOU does not limit or restrict the Parties from participating in similar activities or arrangements with other entities.
- c. Nothing in this MOU diminishes or abrogates the authority of the Secretary of the Interior under applicable Federal law, regulations, or the Consolidated Decree of the Supreme Court of the United States in the case of *Arizona v. California, et al.*, entered March 27, 2006, (547 U.S. 150 (2006)), or as it may be further modified.
- d. Nothing in this MOU is intended to conflict with current law, regulation, or policy. If a term of this MOU is inconsistent with any such authority, regulation or policy, then that term shall be invalid, but the remaining terms and conditions of this MOU shall remain in full force and effect.
- e. It is expressly understood and agreed that this MOU embodies the entire understanding between the Parties regarding the MOU's subject matter.

6. Relationship of Parties:

- a. Execution of this MOU does not create a new legal entity with a separate existence from the individual Parties. This MOU does not create an "advisory committee" as that term is defined in the Federal Advisory Committee Act, as amended (Pub. L. 92-463). This MOU also does not result in the joint exercise of powers as set forth in California Government Code Section 6500 et seq. This

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MOU neither expands nor is in derogation of those powers and authorities vested in the Parties, or any of them, by applicable laws, statutes, regulations, or Executive Orders, nor does it modify or supersede any other applicable interagency agreements existing as of the date of this MOU.

- b. Nothing in this MOU may be interpreted to imply that any Party endorses any of the products, services, or policies of any other Party.

7. Funding and Availability of Funds:

The Parties understand and agree:

- a. Contingent on Appropriation or Allotment of Funds: The expenditure or advance of any money or the performance of any obligation of the United States under this MOU shall be contingent upon appropriation or allotment of funds. No liability shall accrue to the United States in case funds are not appropriated or allocated.
- b. For any federal expenditures pursuant to this MOU, and as part of government-wide efforts to improve oversight of Federal grantmaking and spending, Reclamation will require reimbursement for its activities pursuant to Reclamation law, to ensure no net costs to Reclamation. Any funding must be authorized in separate, follow-on agreements based on appropriate statutory authorities. This MOU does not commit the Parties to enter into any specific agreements for the purpose(s) of this MOU. This MOU cannot be used to obligate or transfer funds, personnel, supplies, equipment, or services between the Parties or to affect any type of binding commitment or obligation. This MOU does not create an actual or implied intention, or requirement for Reclamation to enter into funding agreements.

8. General Provisions:

- a. Non-binding Nature. This MOU is legally nonbinding and in no event shall any signatory of this MOU assert or claim that it imposes a binding duty to act on any other Party. It is limited to determining the potential of interstate transfers and the actions required to implement such transfers. It in no way: (i) impairs any Party from continuing its own planning or project implementation; (ii) limits a Party from exercising its regulatory or discretionary authority in any matter; (iii) infers that a Party's governing body or management will act in any particular manner on a project or other component of this MOU; (iv) gives any of the Parties any authority over matters within the jurisdiction of any other Party; or (v) requires any Party to take any action that exceeds its legal authority or otherwise take any action without compliance with all applicable laws, policies and regulations, including environmental reviews.
- b. No New Legal Rights. Nothing in this MOU creates any legal rights, obligations, benefits, or trust responsibilities, substantive or procedural, enforceable at law or

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in equity, by a Party against any other Party, a Party's officers, employees, or agents, or any other person.

- c. Term. This MOU will be effective upon the execution of this MOU by all the Parties, with the effective date set forth on the first page. This MOU will remain in effect unless terminated in writing as set forth below.
- d. Termination. At any time, any Party to this MOU wishing to withdraw from this MOU shall provide a 30-day written notice to the other Parties specifying the reason the notifying Party wishes to withdraw. Before the withdrawal takes effect, the Parties will promptly meet and confer in a good-faith effort to address and resolve, if possible, the issues causing the notifying Party to wish to withdraw from this MOU. If following such meeting(s) the notifying Party still wishes to withdraw, such Party may withdraw no sooner than 30 days after the date of the final written notice following a good faith effort to resolve the disputing Party's concern(s) described herein. Upon the effective withdrawal by any Party, the remaining Parties will determine whether they wish to continue the MOU, continue the MOU with changes, or terminate the MOU.
- e. Amendment. Modifications or amendments to the terms of this MOU must be in writing and executed by all Parties.
- f. Authorities Not Altered. Nothing in this MOU shall be construed to alter, limit, expand or affect in any way the statutory or regulatory authority or legal responsibilities of any Party. Nothing in this MOU binds any Party to perform beyond their respective authorities. The mission requirements, funding, personnel, and other priorities of the Parties may affect their ability to undertake actions to achieve the goals identified in this MOU.
- g. No Benefit to Signatories. No member of or delegate to Congress, resident commissioner, or official of the signatories shall benefit from this MOU other than as a water user or landowner in the same manner as other water users or landowners.
- h. Transparency Laws. Any information furnished between the Parties under this MOU may be subject to the Freedom of Information Act, 5 U.S.C. Section 552, et seq. (FOIA), or applicable state public records laws.
- i. Counterparts. This MOU may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement.
- j. Notice. Any notice, demand, or request shall be deemed properly served, given, or made if delivered in person; emailed; sent by registered or certified mail, postage prepaid; or sent by overnight delivery to the addresses below, charges prepaid or charged to the sender's account, to the persons below:

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San Diego County Water Authority
Attn: General Manager
4677 Overland Avenue
San Diego, CA 92123
(858) 522-6600

United States
Bureau of Reclamation
Regional Director
Interior Region 8: Lower Colorado Basin
500 Date Street, BLDG 900
Boulder City, NV 89006
(702) 293-8407

Metropolitan Water District of Southern California
Attn: General Manager
700 North Alameda Street
Los Angeles, CA 90012-2944
(213) 217-6000

Southern Nevada Water Authority
Attn: General Manager
P.O. Box 99956
Las Vegas, NV 89193-9956
(702) 862-3400

Arizona Department of Water Resources
Attn: Director
1802 W. Jackson Street, Box #79
Phoenix, AZ 85007
(602) 771-8500

Central Arizona Water Conservation District
Attn: General Manager
P.O. Box 43020
Phoenix, AZ 85080-3020
(623) 869-2333

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Salt River Project Agricultural Improvement and Power District
Attn: Associate General Manager, Water
1500 N. Mill Ave.
Tempe, AZ 85288
(602) 236-5900

9. Authorized Representatives. The signatories to this MOU represent that they have been appropriately authorized to enter into this MOU on behalf of the Party for which they sign and that no further action or approvals are necessary before execution of this MOU.

SIGNATURE PAGE FOLLOWS

Scott J. Cameron
Acting Commissioner, Bureau of Reclamation

Dan Denham
General Manager, San Diego County Water Authority

Shivaji Deshmukh
General Manager, Metropolitan Water District of Southern California

John J. Entsminger
General Manager, Southern Nevada Water Authority

Tom Buschatzke
Director, Arizona Department of Water Resources

Brenda Burman
General Manager, Central Arizona Water Conservation District/Central Arizona Project

Leslie Meyers
Assoc. General Manager, Water, Salt River Project Agricultural Improvement and Power District