THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

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

7/14/2026 Board Meeting

8-6

Subject

Authorize the General Manager to enter into (1) an agreement with the U.S. Bureau of Reclamation (Reclamation) to add water to Lake Mead conserved under Metropolitan's existing Intentionally Created Surplus (ICS) Exhibits pursuant to Reclamation's Lower Colorado River Basin System Conservation and Efficiency Program (LC Conservation Program), (2) agreements with Reclamation, the Quechan Tribe of the Fort Yuma Indian Reservation (Quechan Tribe), and Bard Water District (BWD) for system conservation projects under Reclamation's LC Conservation Program, and (3) related forbearance and implementing agreements; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Staff seeks authorization for the General Manager to enter into several agreements. The first is a System Conservation Implementation Agreement (SCIA) with Reclamation to add up to 200,000 acre-feet (AF) of Colorado River system water to Lake Mead in 2026. Metropolitan would be compensated at $325 per AF for this conserved water, pursuant to funding provided by Reclamation's LC Conservation Program.

Second, staff seeks authorization for the General Manager to enter into SCIAs to allow Reclamation to pay for conserved water under the following Metropolitan transfer and supply programs and for the water to be left in Lake Mead:

1. Metropolitan's 2005 settlement agreement with the Quechan Tribe (Quechan Settlement Agreement). Under the LC Conservation Program, Reclamation (instead of Metropolitan) would pay the Quechan Tribe to forbear diversion of up to 13,000 AF per year in 2027 and 2028. The agreement would provide Metropolitan with the first right to pay for and receive the water in accordance with the existing Quechan Settlement Agreement. To the extent Metropolitan does not need the water, Reclamation would pay the Quechan Tribe to create system water at $325 per AF for water the Quechan Tribe does not divert.
2. The Metropolitan/Bard Seasonal Land Fallowing Program (Bard Program). If Metropolitan enters into an agreement with BWD for calendar years 2027 and 2028, then under the LC Conservation Program, Reclamation would pay for land fallowing during the summers of calendar years 2027 and 2028 to generate an estimated 6,000 AF per year of system water. The agreement would provide Metropolitan with the first right to pay for and receive the water. To the extent Metropolitan does not choose to fund the conservation, Reclamation would pay BWD to create system water at $325 per AF, and the water would not be made available to Metropolitan.

Third, staff seeks authorization for the General Manager to enter into agreements with the other Section 5 Contractors in California (Imperial Irrigation District (IID), Coachella Valley Water District (CVWD), Palo Verde Irrigation District (PVID), and the City of Needles) to forbear water conserved under amendments to IID's and CVWD's SCIAs with Reclamation, which would have the following key terms:

1. IID's amended SCIA would increase the volume of conserved water that IID can leave in Lake Mead in 2026 by 100,000 AF. IID would conserve this water through existing programs, including its Deficit Irrigation Program. Reclamation would provide funding to IID through the LC Conservation Program.
2. CVWD's amended SCIAs would allow CVWD to leave up to 45,000 AF per year in Lake Mead during 2027 and 2028. CVWD would conserve this water by reducing groundwater replenishment (up to 35,000 AF per year) and agricultural irrigation (up to 10,000 AF per year). Reclamation would provide funding to CVWD through the LC Conservation Program.

Unlike previous SCIAs, the newly proposed SCIAs and the amended SCIAs would not require the federal government to maintain the water conserved as system water. Instead, the proposed SCIAs will provide that they do not prohibit the Secretary of the Interior, in his sole discretion, from storing or using the water for federally determined purposes. While the proposed SCIAs will not specify particular federal purposes, Reclamation has stated that it wants the option to use water conserved under these SCIAs to create a Federal Water Resources Pool to benefit Indian Tribes in Arizona.

Reclamation has not yet agreed that this water will count toward meeting any post-2026 requirements. However, these agreements would provide a financial benefit to Metropolitan and demonstrate how multi-agency partnerships can benefit the Colorado River.

Timing and Urgency

These agreements would help boost Lake Mead, which is currently forecasted to drop to record-low levels in 2026 under dry runoff conditions. These agreements would be funded through the LC Conservation Program, and funding for the LC Conservation Program must be encumbered by the end of the federal fiscal year (September 30, 2026). After the current federal fiscal year, the funding associated with the LC Conservation Program will no longer be available.

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

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to enter into (1) an agreement with the U.S. Bureau of Reclamation (Reclamation) to add water to Lake Mead conserved under Metropolitan's existing Intentionally Created Surplus (ICS) Exhibits pursuant to Reclamation's Lower Colorado River Basin System Conservation and Efficiency Program (LC Conservation Program), (2) agreements with Reclamation, the Quechan Tribe of the Fort Yuma Indian Reservation (Quechan Tribe), and Bard Water District (BWD) for system conservation projects under Reclamation's LC Conservation Program, and (3) related forbearance and implementing agreements.

Fiscal Impact: Metropolitan would be compensated up to $65 million (200,000 AF x $325 per acre-foot) for water conserved and added to Lake Mead. Metropolitan could also reduce expenditures by up to approximately $5.5 million by allowing Reclamation to pay for the Quechan Settlement Agreement in 2027 and 2028. There would be no fiscal impact of entering into forbearance agreements for water conserved by IID and CVWD and left in Lake Mead.
Business Analysis: The agreements would add, or allow to be added, up to 428,000 AF of conserved water to Lake Mead. Additionally, increasing Lake Mead's elevation would increase Metropolitan's supply reliability and would support Metropolitan's power resources.

Option #2

Direct the General Manager not to enter into the agreements under the proposed terms.
Fiscal Impact: Metropolitan would forgo up to $65 million in revenue and savings of up to approximately $5.5 million.
Business Analysis: Metropolitan could potentially forgo an opportunity to help boost Lake Mead levels by 428,000 AF, which could have a detrimental effect on the reliability of Metropolitan's Colorado River water

supply and could result in Lake Mead falling below elevation 1,035 feet earlier, resulting in reduced power resources.

Alternatives Considered

Metropolitan considered storing 200,000 AF of conserved water for its own purposes. However, Metropolitan's storage is at a record high, including Metropolitan's ICS storage account in Lake Mead, which is effectively full. Additionally, storing the water for Metropolitan's own purposes would forgo an opportunity to generate new revenue of up to $65 million and would forgo an opportunity for savings of up to $5.5 million.

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.

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

By Minute Item 53882 in December 2024, Metropolitan's Board approved two agreements under Bucket 2 of Reclamation's LC Conservation Program for the Antelope Valley East Kern High Desert Water Bank and turf replacement on commercial, industrial, and institutional properties.

By Minute Item 53909 in January 2025, Metropolitan's Board approved an agreement under Bucket 2 of Reclamation's LC Conservation Program for the Leak Detection and Repair pilot program.

By Minute Item 53911 in January 2025, Metropolitan's Board approved a similar action for Reclamation to fund Metropolitan's Palo Verde Irrigation District Fallowing Program under the LC Conservation Program to create system conservation water to be left in Lake Mead.

By Minute Item 53973 in March 2025, Metropolitan's Board approved an expansion of the Bard Seasonal Fallowing Program and an amendment to the System Conservation Implementation Agreement for the Bard Seasonal Fallowing Program.

By Minute Item 53404 in March 2025, Metropolitan's Board approved forbearance for system conservation created by CVWD in 2026 to be left in Lake Mead as system water under Reclamation's LC Conservation Program.

Summary of Outreach Completed

The opportunities and agreements described in this letter were discussed in a Board Report at the One Water and Adaptation Committee meeting in June 2026.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed actions are not defined as a project under 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)). In addition, the proposed actions are exempt from CEQA because they involve agreements associated with the operation of existing public water conveyance facilities, involving negligible or no expansion of existing or former use and no possibility of significantly impacting the physical environment. (State CEQA Guidelines Section 15301).

CEQA determination(s) for Option #2:

None required

Details and Background

LC Conservation Program

The 2022 Inflation Reduction Act (IRA) provided $4 billion in funding specifically for conservation efforts in the West, including in the Colorado River Basin. The Department of the Interior, through Reclamation, created the LC Conservation Program to use IRA funding to increase voluntary system conservation and efficiency opportunities to address the drought in the Lower Colorado River Basin. Metropolitan previously entered into several SCIAs associated with two rounds of LC Conservation Program funding—"Bucket 1" (short-term conservation projects) and "Bucket 2" (long-term conservation projects). Funding for the LC Conservation Program must be obligated by the end of the current federal fiscal year (September 30, 2026).

Dry Conditions on the Colorado River

In the period since Metropolitan's Bucket 1 and Bucket 2 SCIAs were initiated, conditions on the Colorado River have deteriorated. Based on its August 2025 forecast, Reclamation had planned to release 7.48 million acre-feet (MAF) from Lake Powell in Water Year (WY) 2026. However, WY 2026 has been one of the driest on record in the Upper Colorado River region, and more recent forecasts showed that with a 7.48 MAF release, there was a strong likelihood that Lake Powell would drop below the critical elevation of 3,500 feet (the minimum pool elevation at which power can be generated at Glen Canyon Dam is 3,490 feet). In an effort to stabilize Lake Powell elevations, Reclamation reduced the WY 2026 release to 6.00 MAF and plans to release up to 1.0 MAF from Flaming Gorge Reservoir, upstream of Lake Powell. As a result of the reduced release from Lake Powell, Reclamation's most recent forecasts show Lake Mead dropping below 1,035 feet in 2026—its lowest level since filling, and a level that would greatly reduce Metropolitan's power resources.

System Conservation as Part of the Lower Basin Proposal for Short-Term Operations

Per the May 1, 2026, Lower Basin Proposal for the short-term operation of the Colorado River, California proposed conserving and leaving 300,000 AF in Lake Mead between 2026 and 2028 as system water, compensated by federal funding. This system conservation would be in addition to any mandatory reductions. Reclamation has initiated the development of new and extended SCIAs to conserve additional water and leave it in Lake Mead, which could help meet those targets. However, unlike previous SCIAs, the newly proposed SCIAs and amended SCIAs would not require the federal government to maintain the water conserved as system water. Instead, the proposed SCIAs will provide that they do not prohibit the Secretary of the Interior, in his sole discretion, from storing or using the water for federally determined purposes. While the proposed SCIAs will not specify particular federal purposes, Reclamation has stated that it wants the option to use water conserved under these SCIAs to create a Federal Water Resources Pool to benefit Indian Tribes in Arizona. The SCIAs to which Metropolitan is a party will contain provisions requiring the federal government to consult with Metropolitan regarding any federally determined purposes. There are currently three related items for which staff is seeking Board authorization.

First, staff seeks authorization for an agreement between Metropolitan and Reclamation under which Reclamation would pay Metropolitan $325 per AF for up to 200,000 AF of water that Metropolitan conserves and is left in Lake Mead as system water in 2026. Water would be conserved through activities identified in Exhibits associated with the 2007 Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead, and the 2019 Lower Basin Drought Contingency Plan ("ICS Exhibits"). The conservation activities identified in the ICS Exhibits include the IID-Metropolitan Water Conservation Program, the Lower Colorado Water Supply Project, the Landscape Transformation Program, Indoor Water Conservation Devices, and Local Resources Program Groundwater Recovery and Recycling Projects. In January 2026, Reclamation approved Metropolitan's 2026 Plan of ICS Creation, which states Metropolitan's plan to generate up to 450,000 AF of ICS in calendar year 2026 by way of these ICS Exhibits.

Second, staff seeks authorization for an agreement between Metropolitan, Reclamation, and the Quechan Tribe that would allow Reclamation to fund the Quechan Settlement Agreement in calendar years 2027 and 2028, instead of Metropolitan, under the LC Conservation Program. Under this SCIA, Metropolitan would have the first right to the full 13,000 AF of water each year, and if not needed, Metropolitan would allow system water to be created and paid for by Reclamation. If Metropolitan needs the water, it would pay the Quechan Tribe at the lower rate set forth in the existing Quechan Settlement Agreement. By allowing Reclamation to fund the Quechan Settlement Agreement, Metropolitan could reduce expenditures by up to an estimated $2,729,000 and $2,798,000 in 2028 and 2029, respectively.

Third, staff seeks authorization for an agreement between Metropolitan, Reclamation, and BWD that would allow Reclamation to fund a future Bard Seasonal Fallowing Program (Bard Program) in calendar years 2027 and 2028, under the LC Conservation Program. While there is no agreement for a Bard Program for calendar years 2027 and 2028 at this time, Metropolitan intends to pursue and has budgeted for such a program and will seek Board approval at a future time. Under this SCIA, Metropolitan would have the first right to an estimated 6,000 AF of water each year from the Bard Program, and if not needed, Metropolitan would allow system water to be created and paid for by Reclamation. Metropolitan would administer the Bard Program and would retain 5 percent of Reclamation's payment as an administration fee. If Metropolitan needs the water, it would pay BWD in accordance with any future program authorized by the Board for fallowing in calendar years 2027 and 2028.

Fourth, staff seeks authorization for the General Manager to enter into agreements with the other Section 5 Contractors in California (IID, CVWD, PVID, the City of Needles) to forbear water conserved under amendments to IID's and CVWD's SCIAs with Reclamation. The amendment to IID's SCIA would increase the volume of conservation water IID can leave in Lake Mead in 2026 under the LC Conservation Program by up to 100,000 AF. IID would use existing conservation programs to generate the water, including IID's Deficit Irrigation Program. The amendments to CVWD's SCIAs would allow CVWD to leave up to 45,000 AF per year in Lake Mead during 2027 and 2028. CVWD would conserve this water by reducing groundwater replenishment (up to 35,000 AF per year) and agricultural irrigation (up to 10,000 AF per year). For additional background on the purpose and mechanics of forbearance by Metropolitan, please see the June 2024 presentation on that subject, available at the following URL:

21-3432 - 06102024 OWS 6b Presentation

As explained above, IID's and CVWD's SCIAs would not prohibit the Secretary of the Interior from using system conservation water for unspecified federally determined uses, rather than requiring it to remain as system water.

Summary

Metropolitan continues to expand and support opportunities to conserve Colorado River system water. This action lowers the risk of Lake Mead falling to elevations that would reduce power resources while generating up to $65 million in new revenue and yielding reduced expenditures estimated at $5.5 million. All Lower Basin water users benefit from raising the elevation of Lake Mead and preserving hydroelectric capacity at Hoover Dam.

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