

EXECUTIVE DIRECTOR'S MONTHLY REPORT TO THE COLORADO RIVER BOARD OF CALIFORNIA

August 24, 2004

AGENCY MANAGERS MEETING

The Agency Managers met in San Diego, California on August 11, 2004. The purpose of the meeting was to continue discussions on the federal/state, interstate, and intrastate cost-sharing negotiations related to long-term implementation of the Lower Colorado River Multi-Species Conservation Program (LCR MSCP) and to discuss the results of the California Performance Review (CPR) report. Additionally, the Agency Managers had conference calls on August 12th and 13th associated with federal/state and interstate cost-sharing for the LCR MSCP and a conference call on August 20, 2004, to further discuss the intrastate cost sharing associated with implementation of the LCR MSCP and potential responses to recommendations contained in the CPR report. Details regarding the discussions associated with funding the LCR MSCP will be provided in the LCR MSCP section of the Executive Director's report and discussions regarding the CPR report's recommendations are discussed below, in the "Administration" section of the Executive Director's report.

ADMINISTRATION

California Performance Review

Upon finalization and approval of the California State budget in late July, Governor Schwarzenegger released a draft of the California Performance Review Commission's report and recommendations. The Commission, in its report, has made broad sweeping recommendations for reforming and reorganizing all elements of California State Government. The draft report proposes major reorganizations at the cabinet and department levels, as well as the elimination of approximately 118 boards and commissions. The Colorado River Board of California was identified as one of the Boards that should be abolished and its functions eliminated. The specific recommendation of the Commission was: "Eliminate the Board. Negotiations and issues related to California's "fair share" of Colorado River water—one of the most complex and important issues confronting the state—should be handled directly by the Governor's Office with assistance from the Secretary of Natural Resources."

The CPR Commission is currently conducting a series of public hearings associated with the draft report. Mr. Jay Malinowski, representing the Colorado River Association, attended the hearing in Riverside, California, on August 13th. Mr. Malinowski provided both written and oral statements at the hearing, indicating that the objectives established by the CPR to streamline state government, make it more efficient, cut state costs, and better serve the residents of California would not be met with elimination of the Colorado River Board and moving its functions into the Governor's Office. Mr. Malinowski, also expressed a desire to work with the

Commission to fashion a structure that better accomplishes the Commission's objectives. The next hearing addressing the Resource Conservation and Environmental Protection sections of the report is scheduled for September 17th in Fresno, California. A copy of the public hearing schedule has been included in the Board folder for your information. I will continue to work with the Agency Managers in developing an appropriate response strategy.

PROTECTION OF EXISTING RIGHTS

Colorado River Water Report

As of August 1, 2004, storage in the major Upper Basin reservoirs decreased by 529,200 acre-feet and storage in the Lower Basin reservoirs decreased by 95,000 acre-feet during July. Total System active storage as of August 19th was 30.475 million acre-feet (maf) or 51 percent of capacity, which is 4.188 maf less than one year ago. As of August 1st, the surface elevation of Lake Mead was at 1,125.73 feet above Mean Sea Level.

July releases from Hoover, Davis, and Parker Dams averaged 15,480, 14,950 and 11,890 cubic feet per second (cfs), respectively. Planned releases from those three dams for the month of August 2004 are 12,100, 12,100, and 10,800 cfs, respectively. The August releases represent those needed to meet downstream water requirements including those caused by reduced operation of Senator Wash Reservoir.

The final August 16, 2004, projected April through July 2004 unregulated inflow into Lake Powell was 3.638 maf, which is 46 percent of the 30-year average for the period 1961-1990. The final August 16, 2004, projected unregulated inflow into Lake Powell for the 2004-05 water year was 6.202 maf, or 52 percent of the 30-year average.

As of August 19th, taking into account both measured and unmeasured return flows, the Lower Division States' consumptive use of Colorado River water for calendar year 2004, as forecasted by Reclamation, totals 7.383 maf and is described as follows: Arizona, 2.803 maf; California, 4.283 maf; and Nevada, 0.297 maf. The Central Arizona Project (CAP) will divert 1.604 maf, of which 0.308 maf are planned to be delivered to the Arizona Water Bank. The Metropolitan Water District of Southern California (MWD) will use about 0.517 maf, which is 0.167 maf less than its actual use of mainstream water in 2003.

The preliminary end-of-year estimate by the Board for 2004 California agricultural consumptive use of Colorado River water under the first three priorities and the sixth priority of the 1931 *California Seven Party Agreement* is 3.694 maf. This estimate by the Board staff is based on the collective use, through June 2004, by the Palo Verde Irrigation District, the Yuma Project-Reservation Division (YPRD), the Imperial Irrigation District, and the Coachella Valley Water District. Figure 1, found at the end of this report, depicts the historic projected end-of-year agricultural use for the year.

Colorado River Operations

2005 Annual Operating Plan (AOP)

The second meeting of the Colorado River Management Work Group was held on August 19, 2005, in Las Vegas, Nevada. A copy of the meeting agenda has been included in the Board folder for your information. At the meeting, updates associated with basinwide hydrologic conditions and operations were provided by Reclamation staff. Additionally, Reclamation's Yuma Area Office provided an overview of operations below Parker Dam, including those in conjunction with the 1944 Treaty with Mexico. A review draft of the 2005 Annual Operating Plan for the Colorado River System Reservoirs (2005 AOP) is included in the Board folder and will be discussed at the Board meeting. Also, a copy of the latest review draft of the 2005 AOP can be found at <http://www.usbr.gov/uc/water/aop/aop05draft.pdf>.

Based upon the data provided in the August 2004 24-Month Study, Reclamation has indicated that the criterion governing reservoir operations in 2005 will be the *normal* criterion. This determination has been made based upon the projected water surface elevation of Lake Mead on December 31, 2004, as projected in the August 2004 24-Month Study. The water surface elevation for Lake Mead on December 31st indicated in the Study was 1,124.28 feet above mean sea level. It is recognized that, within this estimate of Lake Mead's projected December 31st water surface elevation, there are several unknowns including releases from Lake Powell, tributary inflow between Lakes Powell and Mead, and releases from Lake Mead. To increase Lake Mead's water surface elevation above 1125 feet, which would be a partial domestic surplus, would take either an increase of inflow into Lake Mead, a reduction of releases from Lake Mead or a combination of increased inflow and reduction of releases at Lake Mead totaling about 75,000 acre-feet between now and December 31, 2004.

Due to the current severe drought and the reduction in available reservoir storage in the Upper Colorado River Basin and especially in Lake Powell, the Upper Basin states proposed that the 2005 AOP provide for a mid-year review of the reservoir operations to determine if adjustments to Lake Powell's releases are warranted. Potentially, this would mean that less than 8.23 maf would be released from Glen Canyon Dam during Water Year 2005 to conserve storage in Lake Powell. A reduced release of water from Lake Powell would translate into reductions of the inflow into Lake Mead and in Lake Mead's water surface elevation

Estimates of 2005 Diversions

Reclamation recently sent letters to each of the entitlement holders in the Lower Division States regarding the best estimates of 2005 monthly diversion requirements in order to plan for river operations for the coming calendar year. Reclamation has requested that the entitlement holders provide this information to the Boulder Canyon Operations Office by August 15th. Included in the Board folder is a representative letter for your information.

Navajo Nation Water Rights Settlement – San Juan River Basin, New Mexico

On July 9th, the State of New Mexico and the Navajo Nation distributed a draft of the Navajo Nation Water Rights Settlement for the San Juan River Basin in New Mexico. The proposed settlement would resolve the claims of the Navajo Nation to the use of the waters of the San Juan River Basin in New Mexico. The settlement is intended to provide water rights and associated water development projects for the benefit of the Navajo Tribe in exchange for release of claims to water that may potentially affect non-Indian water uses in the San Juan River Basin in New Mexico. The proposed water rights settlement includes three documents, including the following: (1) Partial Final Decree for the San Juan River Basin Adjudication; (2) a proposed Water Rights Settlement Act for Congress to authorize Reclamation to construct the Navajo-Gallup Water Supply Project and complete other Navajo water development projects in the San Juan River Basin; and (3) a Settlement Contract to provide for water deliveries to the Navajo Nation, including the Navajo Indian Irrigation Project, Navajo-Gallup Water Supply Project, and the Animas-La Plata Project.

The proposed water rights settlement would result in the following diversion and depletion amounts annually for the Navajo Nation:

Diversion	606,060 acre-feet per year
Depletion	325,370 acre-feet per year.

Under the proposed settlement agreement, the Navajo Nation would administer its rights on Navajo lands in New Mexico. Any potential transfers of water uses by the Navajo Nation to locations off of Navajo lands would require the approval of the New Mexico State Engineer's Office.

Currently, it is anticipated that approval of the proposed Settlement Agreement could occur as early as August 2004, and that a Water Rights Settlement Act could be introduced to Congress as early as September 2004. Finally, after the passage of the Act, a Joint Hydrographic Survey would be conducted by the United States and the State of New Mexico to identify the rights of the Navajo Nation to historic and existing irrigation, recreation, and livestock uses on Navajo lands in areas tributary to the San Juan River and the water rights acquired by the Navajo Nation under state law.

Information on the Drought

I have included several recent news media articles related to the drought conditions which continue to persist not only in the Colorado River Basin, but throughout much of the Rocky Mountain west. Additionally, I have included a recent academic article prepared by researchers at University of Nevada Las Vegas and Scripps Institute in La Jolla, California. The article endeavors to characterize the nature of the current drought compared to the historical record. According to the research, this drought (1999-2004) can be characterized as the seventh worst drought at the Cisco and Green River gaging stations over the past 500 years. The researchers point out that the magnitude of this drought is amplified by population growth, decreasing water supply, and increasing demand in the Southwestern United States.

Basin States Discussions

Status of the Technical Studies

As has been reported at previous Board meetings, representatives from the Colorado River Basin states are continuing to meet to discuss managing the Colorado River System during times of low runoff conditions, especially focusing on the next 24 to 36 months. The Technical Committee that was formed is: 1) conducting model studies to analyze possible future water supply conditions and impact that those conditions may have on the reservoir system storage and the ability of the system reservoirs to meet future water supply demands and 2) identifying potential projects, programs, and actions that could be implemented to avoid, or at least reduce, the impacts associated with drought and shortage conditions.

A number of model runs have been made by the Technical Committee looking at a worst-case scenario in terms of potential future runoff conditions, as well as looking at various potential operating scenarios based upon historical hydrology. These model runs are continuing to be analyzed. Meetings have been held on July 22nd in Salt Lake City, Utah, and on August 19th in Las Vegas, Nevada, to review various model studies and further identify potential actions that could be taken in the near term to lessen or avoid the impacts associated with a continued drought. The focus of the Technical Committee now is to take the information that has been obtained from the model runs and to begin to identify potential reservoir operating criteria that could be used to assist in managing the impacts of a prolonged drought and to distribute shortages.

The Technical Committee is now beginning to look at shortage criteria and “event horizons”, the conditions under which specific resources are impacted by an elevation in the reservoirs, e.g., Southern Nevada Water Authority’s water intake. In this regard, the Technical Committee is preparing discussion paper that addresses the shortage criteria and event horizons, which will be further discussed at its next meeting scheduled for September 19, 2004.

The development of shortage criteria and the identification of appropriate event horizons is an extremely important and significant aspect of Colorado River System management, and must be conducted deliberately and thoughtfully. As with surplus criteria, adoption of shortage criteria may impact California’s use of Colorado River water. Thus, I am proposing that the Board members, alternates, and their advisors hold a workshop in the very near future, preferably prior to September 19th, to discuss the concepts and issues associated with the establishment of shortage criteria for the Colorado River System reservoirs and to come away from the workshop with policy direction to take into the interstate discussions.

Colorado River Environmental Activities

Status of the Lower Colorado River Multi-Species Conservation Program (LCR MSCP)

July and August has been taken up with several public hearings associated with the release of the draft LCR MSCP documents (Habitat Conservation Plan, and Biological

Assessment) for public review and comment. The comment period closed on August 18, 2004. The LCR MSCP Technical Contractors and lead agencies met in Santa Barbara to review the comments and determine initial responses.

The non-federal LCR MSCP participants spent much of the last month in developing an appropriate interim interstate cost-sharing relationship associated with long-term LCR MSCP implementation. These discussions revolved around the recent proposal of The Metropolitan Water District of Southern California, Southern Nevada Water Authority, and the Colorado River Commission of Nevada to underwrite a portion of the non-federal share. The proposal recognizes the federal/non-federal cost-share of 50/50 for long-term Program implementation of the LCR MSCP. It also recognizes that to fully fund the non-federal share California would contribute 50% of the non-federal share and Arizona and Nevada each would contribute 25% of the non-federal share. In order to ensure continuity of the Program as described in the draft documents, The Metropolitan Water District of Southern California, Southern Nevada Water Authority, and the Colorado River Commission of Nevada would underwrite the unfunded non-federal share (estimated to be \$310 million) during the 50-year implementation period.

For funding the non-federal share over the 50-year implementation period the funding has been separated into coverage for existing operations, 60%, and future activities, 40%. California and Nevada will fully fund coverage for their existing operation; however, Arizona has indicated that, at this time, it can only fund 10%, which would increase to 15% within three years, its full share for existing operations. The non-federal parties who are paying less than their full share cost share will have coverage for their existing operations, but will not be able to implement future covered actions without additional funding. Those parties not fully funding their shares will have up to 10 years to decide to fully fund their share, and if they do, they will receive benefit of the mitigation provided by the LCR MSCP for their future covered actions. If those parties do not elect to fund their full cost share, the underwriters will be entitled to the benefits from mitigation credits associated with those future covered actions.

The three states prepared a letter to Interior Secretary, Gale Norton, detailing the funding commitments and the proposed long-term funding structure for the non-federal share. The letter is intended to provide the Secretary, the U.S. Bureau of Reclamation (Reclamation), and the U.S. Fish and Wildlife Service (USFWS) with necessary funding assurances in order to complete the Program on schedule in late-2004. The funding assurances are also a necessary requirement for the USFWS to issue the ESA Section 10(a)(1)(B) incidental take authorization pursuant to the Habitat Conservation Plan element of the LCR MSCP. Included in the Board folder for your information is a copy of the letters to Secretary Norton from each of the three states.

It should be pointed out that there is a significant amount of work that remains in order to complete the LCR MSCP in time for the expected signing of the Record of Decision by Secretary Norton in late December 2004 or early January 2005. Over the next few months there will need to be further discussions on the interstate and intrastate cost sharing so that the specific language and the arrangements can be incorporated into the implementation, governance, and related documents. The California agencies need to work with the California Department of Fish and Game so that the necessary CESA compliance is obtained concurrently with the federal ESA compliance. Comments that were received on the draft documents during the public review

process will need to be considered and a response prepared as these documents are prepared in final form. The Implementation Agreement and Governance documents will need to be finalized, approved by the participating agencies boards, and executed by the participating agencies. Also, a work plan for the first 2-3 years of implementation LCR MSCP will need to be prepared.

Status of the Glen Canyon Dam Adaptive Management Program (GCDAMP)

The Glen Canyon Dam Adaptive Management Work Group (AMWG) met in Phoenix, Arizona, on August 9-11, 2004. The purpose of the meeting was to identify and describe the priority actions that should be addressed by the Grand Canyon Monitoring and Research Center (GCMRC), Reclamation, and the AMWG. The priority identification process was one of the results coming out of the AMWG Retreat and Workshop held in late-June.

Because of the continuing drought conditions in the Basin, there has been significant concern related to conducting a "Beach Habitat Building Flow" (BHBF) experiment in late-Fall 2004 or early-2005. Currently, the BHBF experiment is scheduled for January 2005, if the necessary sediment inputs are received from the Paria and Little Colorado Rivers as a result of the monsoon season. The experiment would be planned to move the sediment up onto the beaches throughout the Glen and Grand Canyons. This would be similar to the flow releases conducted in 1996. It does not look like the requisite amount of sediment will be available to conduct the test flow at this time. If the sediment trigger threshold is not reached monthly release volumes for the Fall and Winter would be according to the existing Glen Canyon Dam EIS Record of Decision and in accordance with the 2004 and 2005 Annual Operating Plans.

These issues were further discussed in a conference call with Assistant Secretary Bennett Raley on August 20th. Largely, the issue of holding the BHBF is contingent upon reaching the sediment trigger threshold. If this threshold is reached in late-October, it may be possible to hold the BHBF experiment in November or December 2004. If the BHBF were conducted in these months, it would reduce the loss of power revenues and provide the flow regimen better suited for disadvantaging trout reproduction.

Lower Colorado Water Supply Project (LCWSP)

Status of the Lower Colorado River Water Supply Project

The City of Needles (Needles) is continuing to execute subcontracts with the Lower Colorado Water Supply Project (Project) beneficiaries to receive Project water. As of August 23rd, over 474 subcontracts in the amount of 3,479 acre-feet of water per year for current and for future use have been forwarded to potential applicants for execution (479 acre-feet for current use and 3,000 acre-feet for future use). To date, 344 or 72.6 percent, of the subcontracts have been executed and returned to Needles.

The Board staff is continuing to receive the applications for the Lower Colorado River Water Supply Project (LCWSP) water. Staff will present the new application cases to the Board for action at the next Board meeting in September.

Proposed Legislative Amendment to the 1986 Lower Colorado Water Supply Project Act (P.L. 99-655)

The Board's staff, Reclamation, the Bureau of Land Management, the City of Needles, and The Metropolitan Water District of Southern California (MWD) are continuing to work on a draft contract that provides for the use of the Project's excess capacity to deliver water to MWD. During its review of the draft contract, Reclamation has determined that for MWD to receive water from this Project the enabling legislation, P.L. 99-655, needs to be amended. Included in the Board folder is a copy of the proposed amendment, which allows the Secretary of the Department of the Interior, when there is excess pumping capacity from the well field, to contract with other Boulder Canyon Project Act Section 5 contract holders within California to receive Project water. Currently, the City of Needles and others are working with Congressional representatives to get this amendment introduced into this session Congress. With this proposed amendment and with the proposed draft contract, this proposal would take advantage of the good quality water, while it is available, and provide the financial resources to ensure a long-term water supply source for the Project's beneficiaries.

WATER QUALITY

Colorado River Basin Salinity Control Program

Meetings of the Forum's Work Group - Subheading Description

The Colorado River Basin Salinity Control Forum Work Group (CRBSCFWG) held a meeting in Los Angeles (MWD office) on July 26th and 27th. The main items of the agenda were: 1) review of the Salinity Model results, 2) how the model results apply to estimating the salt in the River in the future to be used in the 2005 Triennial Review, and 3) discuss the process for preparing the 2005 Triennial Review. Based upon presentation of the model by Reclamation, it was determined that some modifications are needed to the model. Also, the results of this model may need to be reviewed in conjunction with the Lake Mead Water Quality Model (another independent model that is being worked on). It was concluded that at the August CRBSCFWG meeting, the model results will be further discussed and decision will be made on the data to be used in the Triennial Review. The CRBSCFWG will finish the August meeting with specific recommendations on how to approach the 2005 Triennial Review to be presented to the Forum at its October meeting.

PG&E Topock Gas Compression Station

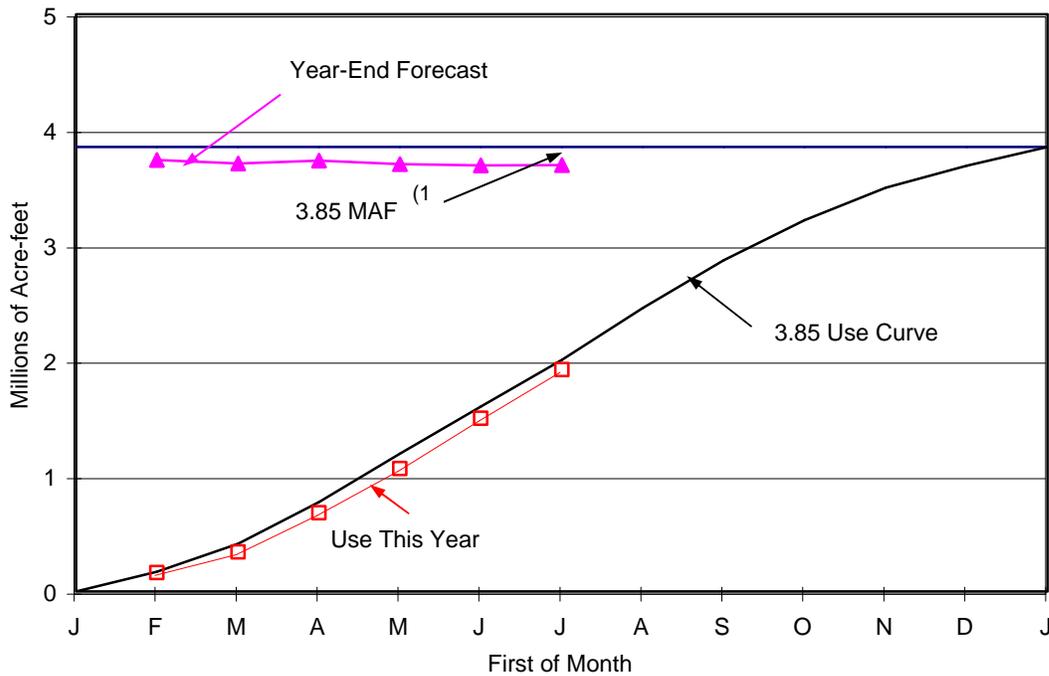
At the last month's Board meeting the Chromium VI contamination issues at the PG&E Topock Gas Compression Station site were discussed. It was reported that PG&E proposed to pump groundwater in order to create a reverse gradient to prevent the contaminated groundwater from flowing toward the Colorado River. PG&E started on-site pumping and treatment at the site on May 1, 2004. As of July 31st, the total cumulative volume of groundwater that has been

pumped out of the ground from the extraction well clusters is approximately 3.81 million gallons or 11.68 acre-feet.

PG&E has submitted its three permit applications to the California Regional Water Quality Control Board, Colorado River Basin Region (Regional Board), for the discharge of the on-site treated groundwater: one National Pollutant Discharge Elimination System (NPDES) permit to allow the surface discharge of treated water back to the Colorado River and two Waste Discharge Requirements (WDR) permits to allow the discharge treated water back to groundwater aquifer. The Regional Board has scheduled a public hearing on September 15, 2004, in the La Quinta City Council Chambers to receive public comments on these permit applications. Included in the hand-out material for your information is a copy of public hearing notice from the Regional Board.

Gerald R. Zimmerman
Executive Director

FIGURE 1
AUGUST 1 FORECAST OF 2004 YEAR-END COLORADO RIVER WATER USE
BY THE CALIFORNIA AGRICULTURAL AGENCIES



Forecast of Colorado River Water Use by the California Agricultural Agencies (Millions of Acre-feet)			
Month	Use as of First of Month	Forecast of Year End Use	Forecast of Unused Water (1)
Jan	0.000	-----	-----
Feb	0.162	3.738	-0.032
Mar	0.343	3.707	-0.001
Apr	0.680	3.733	-0.027
May	1.063	3.702	0.004
Jun	1.499	3.691	0.015
Jul	1.920	3.694	0.012
Aug			
Sep			
Oct			
Nov			
Dec			
Jan			

(1) The forecast of unused water is based on the availability of 3.713 MAF under the first three priorities of the water delivery contracts. This accounts for the 101,900 acre-feet of conserved water available to MWD during 2003 in accordance with the 1988 IID-MWD Conservation Agreement and the 1989 IID-MWD-CVWD-PVID Agreement, as amended; and 35,000 AF of conserved water available to SDCWA in accordance with the IID-SDCWA Transfer Agreement, as amended. As USBR is charging disputed uses by Yuma Island pumpers to priority 2, the amount of unused water has been reduced by those uses - - 0.007 maf. The CRB does not concur with the USBR's viewpoint on this matter.