

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

January 11, 2005

ADMINISTRATION

Final Board Meeting Schedule for Calendar Year 2005

Enclosed in the Board folder is a copy of the final Board meeting schedule for calendar year 2005. I would like to point out that the May 4th Board meeting is scheduled to be held in conjunction with the Association of California Water Agencies (ACWA) spring meeting in San Jose, California. Also, the August 24th meeting is scheduled to be held in conjunction with the Urban Water Institute annual meeting in San Diego. As the August meeting is held so late in the month, the September Board meeting has been cancelled.

AGENCY MANAGERS MEETING

The Agency Managers have not met since the December 2004 Board meeting.

PROTECTION OF EXISTING RIGHTS

Colorado River Water Report

As of January 1, 2005, storage in the major Upper Basin reservoirs decreased by 218,980 acre-feet and storage in the Lower Basin reservoirs increased by 93,000 acre-feet during December. Total System active storage as of January 6th was 29.887 million acre-feet (maf) or 50 percent of capacity, which is 2.967 maf less than one year ago.

December releases from Hoover, Davis, and Parker Dams averaged 10,440, 8,080 and 3,850 cubic feet per second (cfs), respectively. Planned releases from those three dams for the month of January 2005 are 10,100, 8,800, and 6,000 cfs, respectively. The January releases represent those needed to meet downstream water requirements including those caused by reduced operation of Senator Wash Reservoir. In November 2004, there were 1,055 acre-feet of mitigation water delivered to the Salton Sea. Through the end of November 2004, a total of 15,226 acre-feet of mitigation water were delivered to the Salton Sea.

As of January 2nd, 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 7.382 maf and is described as follows:

Arizona, 2.784 maf; California, 4.314 maf; and Nevada, 0.284 maf. The Central Arizona Project (CAP) will divert 1.668 maf, of which 0.310 maf are planned to be delivered to the Arizona Water Bank. The Metropolitan Water District of Southern California (MWD) will use about 0.760 maf, which is 76,000 acre-feet more than its 2003 use of mainstream water.

The preliminary end-of-year estimate by the Board staff 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 3.530 maf. This estimate, by Board staff, is based on the collective use through November 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

Speeches Delivered at the 2004 Annual Meeting of the Colorado River Water Users Association

At the annual meeting of the Colorado River Water Users Association on December 17th, in Las Vegas, Nevada, the Deputy Secretary of the Interior, J. Steven Griles, delivered remarks on behalf of the Secretary. The Deputy Secretary recounted the progress made on the numerous programs and activities within the Colorado River Basin over the past 12 months. Topics addressed by Mr. Griles included (1) the ongoing drought and the development of potential solutions, (2) bringing new water management solutions through improved reservoir and river system operations, (3) increased commitment and respect to treaties, compacts, and statutes governing operations and management of the Colorado River, (4) increased attention to solving environmental issues in the Upper and Lower Basins, (5) passage of key legislation addressing Indian water rights claims in Arizona, (6) supporting the development of interstate banking arrangements between Arizona, California, and Nevada, and (7) looking ahead to providing leadership to assist the seven Basin States in developing key water management solutions to more effectively manage the limited supplies during the drought. A copy of the Deputy Secretary's remarks has been included in the Board folder.

Deputy Secretary Griles was followed by Reclamation Commissioner John Keys. Commissioner Keys provided an overview of the current condition of the reservoir system in the context of historical hydrology and the prognosis for the future, and the implications on reservoir and river management in the Basin. Commissioner Keys described the current Basin States/Reclamation effort to conduct technical analyses and reservoir operation scenarios geared toward protecting and maximizing the storage capability of the available reservoirs in the Basin. The Commissioner emphasized the need for consensus-based solutions developed by all of the concerned stakeholders in the Basin. The Commissioner also spent some time describing the Secretary's Water 2025

Initiative. He explained that the heart of the program is a challenge grant program that matches federal funds to locally managed, on-the-ground conservation efforts. He reported that Reclamation expects approximately \$20 million to be available for the challenge grant program in 2005. A copy of the Commissioner's remarks has been included in the Board folder.

California Department of Water Resources Concurrence Letter Regarding the SIRA between the United States, Metropolitan, Colorado River Commission of Nevada, and the Southern Nevada Water Authority

On December 10, 2004, the California Department of Water Resources (DWR) submitted a letter to the Secretary of the Interior indicating its approval of the recently executed Storage and Interstate Release Agreement (SIRA) between the United States, The Metropolitan Water District of Southern California, the Colorado River Commission of Nevada, and the Southern Nevada Water Authority. The SIRA will provide for the management of up to 30,000 acre-feet annually. I have included a copy of the DWR letter in the Board folder.

Revision of Calendar Year 2004 Diversion Estimates for The Metropolitan Water District of Southern California

As occurred last month, The Metropolitan Water District of Southern California (MWD) revised its estimates of diversion for Calendar Year 2004. With the execution of the SIRA between Nevada and MWD an additional 10,000 acre-feet was made available for diversion by MWD in Calendar Year 2004. The total revised diversion amount includes the following: (1) 10,000 acre-feet made available by Nevada, (2) 377 acre-feet for Tijuana emergency delivery, (3) 20,000 acre-feet for delivery to the San Diego County Water Authority, and (4) 3,285 acre-feet for estimated return flows. Based upon this revised diversion amount, the revised diversion approval is 755,550 acre-feet, and the resulting MWD consumptive use is 721,886 acre-feet. A copy of Reclamation's December 14th letter of approval is included in the Board folder.

State of New Mexico and the Navajo Nation San Juan Basin Water Rights Settlement

The State of New Mexico and the Navajo Nation have released a proposed water rights settlement for the San Juan River Basin in northwestern New Mexico. The draft settlement is available for public review and comment. The Navajo Nation Tribal Council was expected to have acted upon the proposed settlement in mid-December 2004. The New Mexico Interstate Stream Commission is expected to meet in January and consider the settlement. The water rights settlement is intended to adjudicate the Navajo Nation's water rights and provide additional water development projects for the benefit of the Navajo Nation in exchange for a release of future claims to water in the San Juan Basin. If completed and agreed upon, the settlement would bring an end to more than 20 years of efforts to adjudicate the Navajo Nation's water rights in the San Juan Basin. A copy of the information packet and executive summary of the settlement is enclosed in the Board folder.

Basin States/Tribes Discussions

Salt Lake Tribune Article Regarding the Colorado River Compact

On December 19th an article was published in the Salt Lake Tribune regarding the effectiveness of administering the Colorado River Compact while managing the Basin's reservoir system during this period of historic drought. The article referenced comments made at the Colorado River Water Users Association meeting this year by Deputy Secretary Griles. Additionally, the Living Rivers environmental organization was quoted as advocating the draining of Lake Powell and that the original Compact was signed and allocations were made based upon limited and incorrect hydrologic data. A copy of the Tribune article has been included in the Board folder.

Request for FY 2006 Funding for Lower Colorado River Regulatory Storage

Included in the Board folder are two draft letters, which are being reviewed by representatives of the seven Basin states. The first letter is addressed to the fourteen Senators from the Colorado River Basin states and the second letter is addressed to Senators Peter Domenici and Harry Reid, respectively as Chairman and Ranking Member of Energy and Water Development Subcommittee of Senate Committee on Appropriations, and would be signed by Congressional representatives from seven Colorado River Basin states. Both letters express the urgent need for Fiscal Year 2006 funding for (1) advancement of new off-stream storage near the All-American Canal, and (2) dredging work to remove sediment from the Colorado River behind Laguna Dam in order to save up to 200,000 acre-feet of Colorado River water annually. The letters identify the need for Reclamation funding of \$32 million to complete the environmental compliance and design and to begin construction of a 10,000 acre-foot management reservoir adjacent to the All-American Canal, near Drop 2 east of the Imperial Valley. Additionally, the letters identify the need for Reclamation to receive \$2 million to complete the environmental compliance and procurement processes and to begin restoration of 1,100 acre-foot storage behind Laguna Dam.

Basin States Meetings

Representatives of the Colorado River Basin states met on December 17, 2004, in Las Vegas, Nevada. The primary focus of this meeting was to obtain a better understanding of the concerns expressed in the Upper Basin states' letter of October 7, 2004. After discussion on the concerns expressed by the Upper Basin states' representatives, it was decided that the Technical Committee would provide a summary of the analyses and information that has been generated to date and have it available for the next meeting, which is scheduled for January 31st and February 1st in Albuquerque, New Mexico. In the meantime, the Upper Basin and Lower Basin representatives will hold independent meetings and outline a strategy to advance this process.

Colorado River Environmental Activities

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

The final environmental compliance documents associated with the Lower Colorado River Multi-Species Conservation Program (LCR MSCP) were completed and released for a 30-day public review on December 17th. I have included a copy of a news release regarding the final documents from Reclamation and their availability in the Board folder.

The participants are in the process of finalizing the terms and conditions of the federal incidental take permit. Several conference calls and meetings have been held in an effort to reach final agreement on this important document. The federal permit is the binding contractual agreement among all of the LCR MSCP parties and the U.S. Fish and Wildlife Service (USFWS).

Finally, discussions are continuing between the California LCR MSCP agencies and the California Department of Fish and Game (CDFG) associated with finalizing the CESA Section 2081 incidental take permit and terms and conditions. Based upon our meeting with CDFG on December 13th, the California agencies are preparing revised sections of the permit and will submit them to CDFG for its review and concurrence. The revised sections of the CESA 2081 permit were submitted to CDFG for its review on January 10th. A meeting has been scheduled with CDFG to discuss the permit and its terms and conditions on January 20-21, 2005, in Ontario, California.

In a separate, but related informational item, the USFWS has extended the comment period associated with the designation of critical habitat for the southwestern willow flycatcher. The comment period is being extended until March 30, 2005, in order to allow the public to review and comment on an amended environmental assessment related to the economic analysis of critical habitat designation. When the revised and amended critical habitat designation documents are available for review and comment, the USFWS intends to re-circulate a formal notice of availability and hold public meetings. The Board members and Agency Managers will be notified when these documents become available. Included in the Board folder is a copy of the USFWS' memorandum announcing the comment extension period.

Lower Colorado Water Supply Project (LCWSP)

Status of the Lower Colorado River Water Supply Project – Advance Delivery

Because of adverse weather conditions, a special meeting of the Needles City Council and the Board of Public Utilities has been rescheduled from December 28, 2004, to February 22, 2005. The meeting is being held to provide a status report and overview of the LCWSP and the potential sale of excess Project water to a third party contractor. Currently, I plan on attending this meeting with Mr. Dennis Underwood of MWD.

WATER QUALITY

Draft Environmental Impact Statement for Moab, Utah, UMTRA Project Site Available for Public Review and Comment

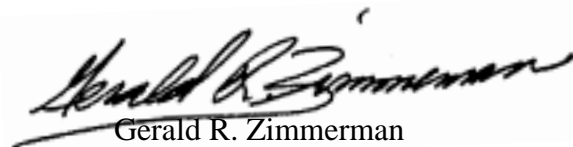
The U.S. Department of Energy (DOE) recently released a draft EIS associated with the proposed remediation project at the Moab, Utah, uranium mill tailings site. The draft EIS describes a proposed project to clean up the surface contamination at the site and implement a groundwater remedial action program. DOE will hold a series of public meetings in conjunction with public review and comment on the draft EIS. Comments are due on the draft EIS by February 18, 2005. Board staff have requested a copy of the draft EIS and will prepare comments as appropriate. A copy of the draft EIS can be obtained online at <http://gj.em.doe.gov/moab/>.

Additionally, I have included a copy of letter to the Department of Energy from Utah Governor, Ms. Olene Walker, regarding the State of Utah's concerns that the draft EIS does not identify a preferred alternative for evaluation by reviewers. The State of Utah advocates an alternative that physically removes the uranium mill tailings from its site to a disposal site away from the Colorado River. The State of Utah maintains that any remediation other than an off-site option is not acceptable.

PG&E Topock Gas Compressor Station Site

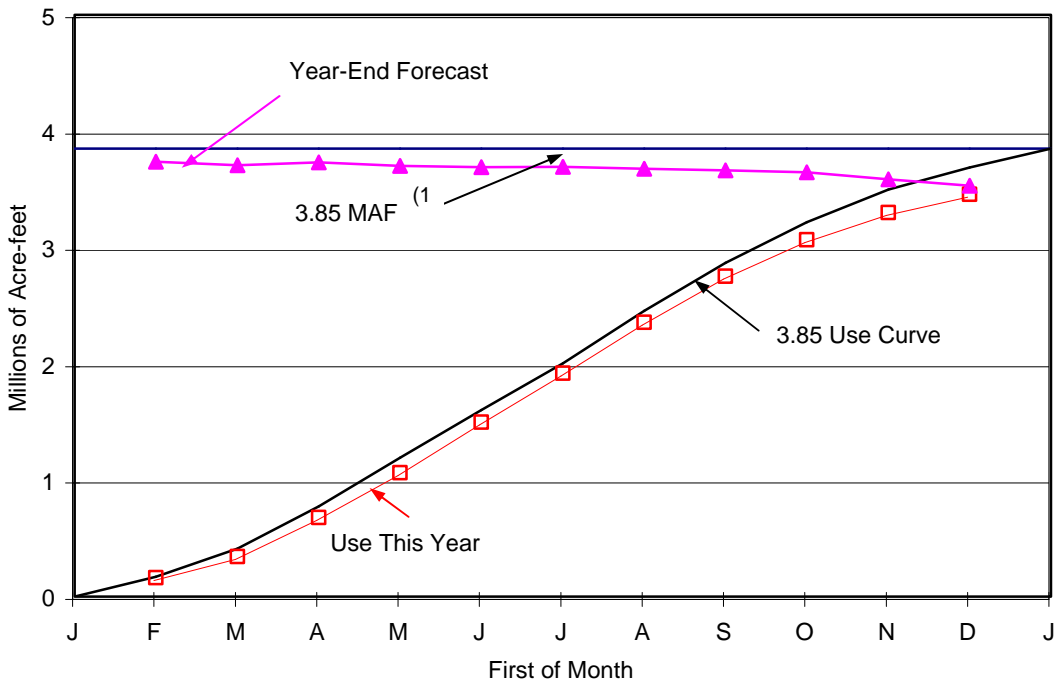
Handed out for your information is a letter, dated January 6, 2004, from the Department of Toxic Substances Control (DTSC) to Arizona Department Environmental Quality (ADEQ). As a lead regulatory agency for the PG&E Topock site remedial action efforts, DTSC issued this letter in response to a September 9, 2004, letter from Arizona Department of Environmental Quality (ADEQ) to Mr. Philip Gruenberg, former Executive Officer of the Regional Water Quality Control Board (RWQCB), regarding ADEQ's concerns of possible groundwater plume contamination of hexavalent chromium (Cr(VI)) spreading into the Arizona groundwater beyond the Colorado River. A copy of a previous letter from ADEQ was included in the October 13, 2004, Board folder.

In its response letter, DTSC considers the contamination plume to be relatively well delineated. The low concentration of Cr(VI) found in wells in Arizona might be from background contributions. Sacramento Valley in Arizona could be the source. The contamination of low concentration should be evaluated and differentiated between anthropogenic releases and background contributions. Both DTSC's and ADEQ's staffs are working together to identify existing monitoring wells in Arizona to be studied.



Gerald R. Zimmerman
Executive Director

FIGURE 1
JANUARY 1 FORECAST FOR 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	2.357	3.678	0.028
Sep	2.752	3.662	0.044
Oct	3.067	3.646	0.060
Nov	3.300	3.586	0.120
Dec	3.457	3.530	0.176
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 2004 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.