

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

July 11, 2006

ADMINISTRATION

Colorado River Board Officers

At the June 14, 2006, Board meeting, Mr. Bart Fisher of the Palo Verde Irrigation District was elected chairman and Mr. Jack McFadden of the Coachella Valley Water District was elected vice-chairman of the Colorado River Board.

Fiscal Year 2006-2007 Budget

The Department of General Services (DGS) has approved Standard Agreement No. 39, which sets forth the financial arrangements between the Colorado River Board and the Six Agency Committee for funding the Board's FY 2006-07 Budget. Upon receiving DGS' approval, the assessment letters have been sent to each of the agencies on the Six Agency Committee.

PROTECTION OF EXISTING RIGHTS

Colorado River Water Report

As of July 1, 2006, storage in the major Upper Basin reservoirs increased by 594,100 acre-feet and storage in the Lower Basin reservoirs decreased by 298,500 acre-feet during June 2006. Total System active storage as of July 5th was 34.917 million acre-feet (maf), or 59 percent of capacity, which is 1.062 maf less than one year ago.

June releases from Hoover, Davis, and Parker Dams averaged 17,410, 17,540, and 12,270 cubic feet per second (cfs), respectively. Planned releases from those three facilities for the month of July 2006 are 14,800, 14,500, and 12,200 cfs, respectively. The July releases represent those needed to meet downstream water requirements including those caused by reduced operation of Senator Wash Reservoir.

As of July 6th, taking into account both measured and unmeasured return flows, the Lower Division States' consumptive use of Colorado River water for calendar year 2006, as forecasted by Reclamation, totals 7.463 maf and is described as follows: Arizona, 2.801 maf; California, 4.366 maf; and Nevada, 0.296 maf. The Central Arizona Project (CAP) will divert 1.599 maf, of which 0.178 maf are planned to be delivered to the Arizona Water Bank. The Metropolitan Water District of Southern California (MWD) will use about 0.695 maf, which is 202,000 acre-feet less than its 2005 use of mainstream water.

The preliminary end-of-year estimate by the Board staff for 2006 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 3.710 maf. This estimate, by Board staff, is based on the collective use, through May 2006, 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

Draft 2007 Annual Operating Plan (AOP) Consultation Meeting, June 16, 2006

On June 16th, the Bureau of Reclamation hosted the kickoff meeting related to the development of the 2007 Annual Operating Plan (AOP) for the Colorado River System Reservoirs. Reclamation provided overviews of the hydrology and reservoir operations in both the Upper and Lower Colorado River Basins. Additionally, Reclamation provided an update on the progress of the development of the Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lakes Powell and Mead and associated environmental impact statement (EIS).

The draft 2007 AOP is available for review and comment on Reclamation's internet webpage at http://www.usbr.gov/uc/water/rsrvs/ops/aop/aop07_draft.pdf. Based upon the draft 2007 AOP, operations at Lake Powell will result in the objective minimum release of 8.23 maf. Operations at Lake Mead are expected to result in a Partial Domestic Surplus and Mexico can schedule the delivery of 1.5 million acre-feet. At this time, Reclamation has not suggested that language be included in the 2007 AOP calling for a mid-year review of the releases from Glen Canyon Dam.

Reclamation's Managing for Excellence Action Plan

On April 5th, before Congress, and again on June 20th, through press releases, the Department of the Interior and Reclamation announced the development of a new action plan for Reclamation entitled "Managing for Excellence." This action plan is intended to define how Reclamation operates and conducts business well into the next century. The plan contains forty-one specific action items. Each action item has a specific start and end date. Currently, all but twelve items are scheduled to be completed by the end of 2006. The Board folder contains several Reclamation press releases, as well as, a prepared statement from Assistant Secretary of the Interior Mark Limbaugh. Several public meetings associated with the proposed action plan have been scheduled. Additional information regarding the proposed action plan and public meetings can be found on Reclamation's webpage at www.usbr.gov/excellence.

Reclamation Letter Agreements with Imperial Irrigation District and The Metropolitan Water District of Southern California for Temporary Re-regulation of Excess Colorado River Flows

On June 5th Reclamation and the Imperial Irrigation District (IID) entered into an agreement to temporarily re-regulate flows of excess Colorado River water for storage in the Salton Sea. A similar letter agreement was developed between Reclamation and The Metropolitan Water District of Southern California (MWD) permitting the temporary storage of excess flows in MWD's storage facilities. As described in the letter agreements, water from the Colorado River System storage spilled or released for flood control purposes, or released to fill a water order but not then diverted by an entitlement holder, might otherwise flow to the Northerly International Boundary in excess of the 1944 Mexican Water Treaty obligations. Historically, Reclamation would endeavor to re-regulate this water through capture and storage in Senator Wash Reservoir. Operation of Senator Wash Reservoir has been restricted due to dam safety concerns. The IID letter agreement will permit the IID to capture a portion of these flows and convey them to the Salton Sea in an effort to prevent the excess flows from being lost for beneficial use within the United States. IID accommodated similar Reclamation requests in 2004 and 2005. A copy of both of the letter agreements has been included in the Board folder.

All-American Canal Lining Lawsuit

As you are aware, a coalition of business and environmental groups had filed a lawsuit challenging the All-American Canal Lining Project on the grounds that it would negatively affect business opportunities in the cross-border region and damage environmental resources and species in both countries. On July 3rd U.S. District Court Judge Philip M. Pro issued an order in the case. The Judge's order was entered in favor of the defendants. In effect, the Court determined that all relevant environmental compliance had been completed by Reclamation related to the canal lining project and that many of the predicted negative economic effects were, in the Judge's words, "highly speculative." Copies of the Court's order and judgement dismissing all of eight counts of the complaint, as well as, an IID press release and newspaper article have been included in the Board folder and in the handout materials.

IID to Take Part in Reclamation Water Storage Pilot Project

On June 27th, IID announced that it will be participating in Reclamation's 2006 and 2007 Intentionally Created Surplus (ICS) Demonstration Program to store water in Lake Mead. IID announced that it will commit 1,000 acre-feet in 2006 and another 1,000 acre-feet in 2007 to the storage project. The IID water will be made available through existing land fallowing projects within the IID's service area. According to IID, no additional land fallowing will be required to meet these commitments. Reclamation's ICS water storage program is expected to become a permanent feature of Colorado River System reservoir operations in the future. A copy of the IID press release announcing the District's participation in the demonstration program has been included in the Board folder.

Miscellaneous News Articles of Interest

Included in the Board folder is a copy of a recent article from the San Diego Union Tribune, published on June 26th regarding potential habitat restoration opportunities in the Colorado River delta region in Mexico. As the Board has discussed many times over the past few years, the article describes the current ecological condition of the delta region, as well as,

several of the potential solutions related to restoration of portions of the delta riparian and wetland habitats.

Basin States Discussions

Seven Basin States Representatives Meetings

Discussions among representatives of the Colorado River Basin states are continuing. Since the June 12th Board meeting, the discussions have focused among representatives of the Lower Basin states and the Basin States Technical Committee. The primary topics of discussion have been the Intentionally Created Surplus (ICS) Demonstration Program for 2006 and 2007, the Drop 2 Reservoir, alternatives to be considered in Reclamation's process for development of Guidelines for the Coordinated Operations of Lakes Powell and Mead and for Shortage Determinations in the Lower Basin, and Reclamation's proposed System Conservation Demonstration Program to replace a portion of the water currently released in the Bypass Drain and lost for consumptive use in the United States.

On June 15th, the Lower Basin states met to continue their discussions regarding the 2006 ICS Demonstration Program, Reclamation's System Conservation Demonstration Program, the status of the groundwater studies and the environmental process related to the Drop 2 Reservoir, the status of Southern Nevada Water Authority's System Augmentation studies, and the status of Reclamation's coordination efforts and its development of alternatives to be analyzed in its process to develop guidelines for Lower Basin shortages and coordinated operations of Lakes Powell and Mead. As discussed during the meeting, progress is being made on each of these activities.

On June 16th the Basin States Technical Committee met with Reclamation and others to discuss the alternatives that Reclamation is proposing to be evaluated in its NEPA and EIS processes to develop Lower Basin Shortage Guidelines and Coordinated Management Strategies for Operations of Lake Powell and Lake Mead.

On June 30th, Reclamation released its "Description of Alternatives to be Considered in the Draft Environmental Impact Statement" for its process to develop Lower Basin shortage guidelines and management strategies for Lake Powell and Lake Mead. A copy of this document is posted on Reclamation's web site. Reclamation has indicated that the proposed federal action will consider three important elements: 1) the importance of encouraging conservation; 2) the importance of consideration of reservoir operations at all operational levels; and 3) the term of the operational guidelines. Based upon the comments that were received, Reclamation anticipates that the guidelines that will be developed will be implemented through 2025 and that the proposed action will include:

- The adoption of guidelines that will identify the circumstances under which the releases from Lake Mead would satisfy less than 7.5 maf of consumptive use from the mainstream of the Colorado River in the Lower Basin, a declared shortage condition pursuant to Article II(B)(3) of the Supreme Court Decree in *Arizona v. California*

- The adoption of guidelines for the coordinated management of Lakes Powell and Mead over the expected full range of operations of these reservoirs to provide improved operations
- The adoption of guidelines for the storage and delivery of water in Lake Mead to increase the flexibility to meet water demands from Lake Mead, particularly under low reservoir conditions, through the use of non-system water, water exchanges, and/or water created through extraordinary conservation
- The modification of the substance and term of the existing Interim Surplus Guidelines to coincide with the term and content of the proposed guidelines

In order to evaluate a broad range of possible impacts in the draft EIS, Reclamation has identified five alternatives. These alternatives include:

- No Action Alternative: The No Action alternative represents the conditions that may occur if the proposed action is not taken. Under the No Action Alternative, the operation of the reservoirs, especially under low runoff and low reservoir conditions, would be an annual determination by the Secretary of the Interior through the process of development of the Annual Operating Plan for the Colorado River System Reservoirs because of the lack of specific guidelines for operation of the reservoirs under low reservoir or shortage conditions.
- Basin States Preliminary Alternative: On February 3, 2006, the seven Colorado River Basin states submitted a Preliminary Proposal regarding Colorado River Operations to the Secretary of the Interior. The Basin states proposal calls for the coordinated operations of both Lake Powell and Lake Mead over the full range of expected operations of these reservoirs; the development of guidelines for stepped shortages within the Lower Basin, including Mexico; the development of guidelines and forbearance agreements for the use, storage, and delivery of non-Colorado River System water, conserved Colorado River System water, and water exchanges; and the modification and extension of the 2001 Interim Surplus Guidelines
- Conservation Before Storage Alternative: A consortium of non-governmental organizations have developed and submitted a second proposal to the Department of the Interior, called Conservation Before Shortage II. This alternative builds upon their “Conservation Before Shortage” proposal previously submitted to the Department of the Interior by including an Intentionally Created Surplus (ICS) element in the alternative. It would require the federal government under a conservation condition, i.e., Lake Mead below a water surface elevation of 1,075 feet, to enter into voluntary conservation with participants to produce 400,000 to 600,000 acre-feet of water. Under non-conservation conditions, the federal government can obtain up to 100,000 acre-feet of voluntary conservation for environmental purposes. The funding to obtain the conserved water would come from federal appropriations and user fees. This alternative would allow the Republic of Mexico and others, in addition to water contractors in the United States, to

participate in the ICS program. A copy of the proposed alternative submitted by the non-governmental organizations is included in the Board's handout materials.

- Water Supply Alternative: The Water Supply Alternative was developed by Reclamation in consultation with a wide range of stakeholders and is intended to maximize the water deliveries in the Lower Basin at the expense of retaining water in storage for future use. As a result, shortages in the Lower Basin would only occur when there is insufficient water to meet all of the normal demands in the Lower Basin. This would also mean that when shortages do occur; they may be significantly larger.
- Reservoir Storage Alternative: This alternative is designed to retain more water in storage at Lake Powell and Lake Mead than the other alternatives and was developed in consultation with the federal cooperating agencies and other stakeholders. As a result, this alternative reduces the water deliveries and increases the shortages in the Lower Basin to benefit recreation and hydroelectric power resources.

With the identification of these five alternatives, Reclamation is of the opinion that a broad range of alternatives have been identified for analysis in the NEPA and EIS processes. It is anticipated that the draft EIS will be published in December 2006.

The Lower Basin states plan to meet on July 13th and representatives from the seven Colorado River Basin states will meet on July 14th. One of the primary items to be discussed during the Lower Basin states meeting is the May 2006 draft Hydrologic Determination regarding the Water Availability from Navajo Reservoir and the Upper Colorado River Basin for Use in New Mexico. Other topics that will be discussed during these two meetings include: the short- and long-term options for augmenting the water supply of the Colorado River through weather modification, the status of drafting a Lower Basin states drought management memorandum of understanding, Reclamation's alternatives report on the development of Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead, the status of Nevada's water supply augmentation study, and the status of the Drop 2 Reservoir environmental analysis and construction.

Colorado River Basin Weather Modification Workshop, Boulder Colorado

A workshop was held on June 20-21, 2006 in Boulder, Colorado, to discuss weather modification efforts and opportunities in the Colorado River Basin. Included in the Board folder is a copy of the workshop agenda. There were many interesting and informative discussions and presentations made by workshop participants. Representatives of many federal, state, and local water user groups attended the workshop, as well as, participated in the panel discussions or made presentations. Following the workshop, representatives of the Basin states met to discuss possible funding of weather modification programs in the 2007 water year and the development of a five-year plan for weather modification activities. There will be further discussion of these topics at the next Basin states meeting.

Conservation Before Shortage II – Proposal for Colorado River Operations

As was briefly discussed above, on July 7th, a coalition of environmental and conservation organizations sent a letter and proposal to Secretary of the Interior Kempthorne amending their original proposal regarding the proposed shortage guidelines and coordinated reservoir operations. The original proposal, entitled, Conservation Before Shortage, was completed on July 18, 2005. The amended Conservation Before Shortage II proposal incorporates the intentionally created surplus concept. Additionally, the environmental coalition believes that the amended proposal continues to meet the purposes identified in the Basin States' proposal, as well as meets the federal objectives on the Colorado River. The coalition believes that the Conservation Before Shortage II proposal can assist in protecting important environmental resources in both the United States, and Mexico, and provide for replacement of the By-Pass flow to the Cienega de Santa Clara. The handout material includes a copy of the coalition's letter to Secretary Kempthorne and the Conservation Before Shortage II proposal.

Drought Management Planning Meeting, Phoenix, Arizona

On July 6th a meeting was held at the Arizona Department of Water Resources in Phoenix, Arizona, to discuss the development of a Lower Basin States Drought Planning Memorandum of Understanding (MOU). At the meeting, each of the Lower Basin states provided an overview of state-level drought planning actions. Discussions were also held regarding the potential scope of interstate drought planning activities. A draft MOU was circulated and discussed as well. Based upon discussions at the meeting, this topic will be further discussed at the July 13th Lower Basin states meeting to obtain further guidance from the principals. A copy of the meeting agenda has been included in the Board folder.

Colorado River Environmental Activities

Status of the Glen Canyon Dam Adaptive Management Program

On June 16th, Assistant Secretary of the Interior for Water and Science, Mark Limbaugh, issued a memorandum to the members of the Glen Canyon Dam Adaptive Management Work Group (AMWG) providing an update on several significant items of interest. In the memorandum, included in the Board folder, Assistant Secretary Limbaugh states that newly sworn in Secretary Kempthorne has been fully briefed about the importance of the Glen Canyon Dam Adaptive Management Program. Also, the Assistant Secretary indicated that he has visited with the staff of the Grand Canyon Monitoring and Research Center and made site visits to several of the monitoring sites within the Grand Canyon. Assistant Secretary Limbaugh also informed the AMWG members that he is encouraged by recent reports that the endangered humpback chub population in Grand Canyon seems to have stabilized. It appears that the non-native fish removal efforts, and other actions, seem to be benefiting the chub population.

Assistant Secretary Limbaugh indicated that he will take a very active role in developing agendas for future AMWG meetings and will endeavor to focus the group on the pending broader and longer-term issues facing the adaptive management program. The Assistant Secretary has also requested that the Program's Science Planning Group consider a longer term

time horizon related to the development and implementation of the long-term science and operational strategy.

The Assistant Secretary identified the short-term schedule for upcoming AMWG meetings. He proposes to hold a conference call with AMWG members in August, followed by a face-to-face meeting in October 2006. It is his intention to have sufficient information related to the current status of the humpback chub population estimates available for discussion at the October meeting.

Finally, Assistant Secretary Limbaugh reported that preliminary settlement discussions are underway between the Department of the Interior and the plaintiffs in the Glen Canyon Dam lawsuit. According to the memorandum, he wanted it generally understood that the AMWG and the adaptive management program "...must not be affected either by the conduct of the ongoing litigation, or in any potential litigation settlement."

WATER QUALITY

Upper Colorado River Basin Salinity Control Inspection Tour, June 28-30, 2006

On June 28-30, 2006, a group of representatives from the agencies and members of the Colorado River Board of California participated in an inspection tour of the salinity control projects in the Upper Colorado River Basin. The tour started in Denver, Colorado and terminated in Salt Lake City, Utah. Stops in Colorado were made near Dillon Reservoir, Glenwood Springs, in and around Grand Junction, and in the Paradox Valley. Stops in Utah included a visit to the Moab uranium mill tailings site, and several on-farm salinity control projects near Ferron, Utah.

Arizona Department of Environmental Quality Report on Hexavalent Chromium Contamination of Groundwater near the Pacific Gas & Electric Topock Plant

It recently came to my attention that the Arizona Department of Environmental Quality (ADEQ) is preparing a technical report on the potential contamination of local groundwater aquifers in the Topock region due to hexavalent chromium pollution from the PG&E Topock Gas Compressor Plant just south of Needles, California. In discussions with ADEQ, the technical report is not yet completed, but is expected to be completed in August. ADEQ has indicated a willingness to provide a briefing and overview of the technical report's findings and conclusions at a future Board meeting. I will keep the Board members posted as additional information becomes available.



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