

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

October 10, 2006

PROTECTION OF EXISTING RIGHTS

Colorado River Water Report

As of October 1, 2006, storage in the major Upper Basin reservoirs decreased by 188,000 acre-feet and storage in the Lower Basin reservoirs decreased by 264,000 acre-feet during September 2006. Total System active storage as of October 2nd was 33.512 million acre-feet (maf), or 56 percent of capacity, which is 1.408 maf less than one year ago (Upper Basin reservoirs decreased by 104,000 acre-feet and Lower Basin reservoirs decreased 1.304 maf).

September releases from Hoover, Davis, and Parker Dams averaged 10,640, 12,400, and 9,210 cubic feet per second (cfs), respectively. Planned releases from those three dams for the month of October 2006, are 8,700, 10,700, and 8,100 cfs, respectively. The October releases represent those needed to meet downstream water requirements including those caused by reduced operation of Senator Wash Reservoir.

As of October 2nd, 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 7.330 maf and is described as follows: Arizona, 2.762 maf; California, 4.265 maf; and Nevada, 0.302 maf. The Central Arizona Project (CAP) will divert 1.575 maf, of which 0.220 maf are planned to be delivered to the Arizona Water Bank. The Metropolitan Water District of Southern California (MWD) will use about 0.620 maf, which is 277,000 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 3.709 maf. This estimate is based on the collective use, through August 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

Senate Confirmation of Robert W. Johnson as Commissioner of the Bureau of Reclamation

On October 2nd, the United States Senate confirmed Lower Colorado Regional Director Robert W. Johnson as the Commissioner of the Bureau of Reclamation (Reclamation). As many of you are aware, Bob Johnson has had a long career, nearly thirty-one years, with Reclamation.

Bob replaces former Commissioner John Keys III, who retired several months ago. At this juncture, I have no information regarding who will replace Bob as Regional Director for the Lower Colorado Region. I am sure all of you will join me in welcoming Bob to his new role and responsibilities with Reclamation. A draft letter congratulating Bob on being confirmed as Commissioner of Reclamation is in the Board's handout material for the Board's consideration.

It may be of interest to know that along with Bob Johnson's confirmation, the Senate confirmed the appointment of Ms. Mary A. Bomar as the new Director of the National Park Service; Mr. David L. Bernhardt as the new Solicitor for the Department of the Interior; and Mr. C. Stephen Allred as the new Assistant Secretary for Lands and Minerals Management. A news release from the Department of the Interior providing background information on the confirmations has been included in the handout materials.

Draft 2007 Annual Operating Plan (AOP) Consultation Meeting, September 21, 2006

On September 21st the Bureau of Reclamation hosted the final consultation meeting of the Colorado River Management Work Group related to the development of the 2007 Annual Operating Plan for the Colorado River System Reservoirs (2007 AOP). During the meeting, Reclamation provided overviews of upper and lower basin hydrology and river system operations. Additionally, Reclamation provided an updated version of the proposed 2007 AOP for review and discussion. The draft 2007 AOP is available for review and comment on Reclamation's internet webpage. Based upon the draft 2007 AOP, operations at Lake Powell will result in the objective minimum release of 8.23 million acre-feet. Operations at Lake Mead and Hoover Dam are expected to result in a Partial Domestic Surplus and Mexico can schedule the delivery of 1.5 million acre-feet of mainstream water during calendar year 2007.

Reclamation's Proposed Rule-Making Process Regarding Non-Contract Mainstream Water Use in the Lower Basin

On August 18th, Reclamation published a notice in the *Federal Register* (71 FR 160, 47763-47764) regarding the initiation of a proposed rule-making process addressing the non-contract use of Colorado River mainstream water in the Lower Basin. Currently, Reclamation estimates that approximately 10,000 acre-feet per year is diverted and used by non-contract water users in the three Lower Basin states. Reclamation anticipates establishing a process that will result in identifying these non-contract water uses, and where possible, legalize the non-contract use, or require that non-contract water users cease the use of mainstream water. Copies of a Reclamation press release, a letter from Reclamation's Boulder Canyon Operations Office, and the *Federal Register* notice have been included in the Board folder. Comments from interested parties are to be received by Reclamation on or before October 17th.

With respect to comments on the proposed rule, the Board staff has prepared a comment letter to Reclamation. The draft letter addresses the proposed rule-making process and several issues that should be addressed by Reclamation during that process. A copy of the draft letter was circulated to the Agency Managers and agency technical staff for their review and comment. Upon receiving comments from the agencies, a revised draft of the letter was prepared and sent to the Board members for their review prior to the Board meeting. During the October 11th

Board meeting, the Board will consider the draft letter. Once approved by the Board, the comment letter will be finalized and send to Reclamation on or before the comment deadline.

Gila Monster Farms Inadvertent Overrun of 2004 Colorado River Entitlement

On September 13th, Reclamation notified an Arizona contract holder, Gila Monster Farms, that it had inadvertently overrun its 2004 mainstream entitlement by 16.6 percent. Gila Monster Farms is entitled to divert up to 9,156 acre-feet annually, but in 2004 diverted 10,677 acre-feet, 1,522 acre-feet over its entitlement. Consequently, Reclamation is requiring that Gila Monster Farms initiate a payback program, beginning in 2007, of a minimum of 33.3 percent of the overrun each year for the next three years. Further, in order to demonstrate the ability to make the overrun payback, Reclamation has requested Gila Monster Farms to prepare an Extraordinary Water Conservation Plan by October 1, 2006, that identifies how the overrun payback water will be generated and repaid to the System. A copy of Reclamation's letter to Gila Monster Farms has been included in the Board folder.

Lower Division States' Letter to Secretary of the Interior Kempthorne Regarding the 2006 Upper Basin Hydrologic Determination and New Mexico Water Use

As discussed at the last Board meeting, the three Lower Division states have finalized the draft letter to Secretary Kempthorne regarding the proposed 2006 Upper Basin Hydrologic Determination and New Mexico Water Use from Navajo Reservoir. The letter was sent to the Secretary of the Department of the Interior, Dirk Kempthorne, on September 7th. The primary issues identified in the letter include the following: 1) the lack of coordination with the Lower Basin states as the Hydrologic Determination was being prepared; 2) the inclusion of only the Upper Basin's position on its water delivery obligation to the Lower Basin; 3) the inclusion of, and assumptions regarding, reservoir storage in addition to the Colorado River Storage Project initial units; and 4) the technical adequacy of Reclamation's analysis and conclusion. The letter also indicated that the review and approval of the Hydrologic Determination should be by both the Assistant Secretaries for Water and Science and Indian Affairs. A copy of the finalized letter 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. On July 24th, the plaintiffs filed a notice of motion for an injunction to stop the proposed canal lining project in the interim while the appeal of the Court's decision moves forward with the Ninth U.S. Circuit Court of Appeals. A copy of the motion to enjoin the project and memorandum of points and authorities has been included in the Board folder.

On August 24th a two-judge panel of the Ninth U.S. Circuit Court of Appeals granted the plaintiffs motion to enjoin the canal-lining project pending the appeal being heard by the first

available panel of the Court of Appeals. The order states that the case will be calendared with the panel during the week of December 4th. A copy of the August 25th Imperial Irrigation District press release discussing the potential impacts of the temporary injunction on the project has been included in the Board folder.

Basin States Discussions

Seven Basin States Representatives Meetings

Discussions among representatives of the Colorado River Basin states are continuing. A meeting of the Lower Basin states was held in Denver, Colorado, on July 13th. The discussions among the Basin states have primarily focused within the Lower Basin and between Arizona and Nevada. The primary issues being discussed include: 1) shortage sharing between Arizona and Nevada; 2) accounting for water use of Non-Colorado River System water, e.g., Nevada's non-system groundwater; and 3) accounting for Nevada's conserved water on the Virgin and Muddy Rivers that is associated pre-Colorado River Compact water rights. The major issue continues to be the shortage sharing between Arizona and Nevada.

A meeting among the Lower Basin states was held on August 31st in San Diego, California. During that meeting Reclamation provided an update on the status of its NEPA/EIS process regarding the development of Shortage Guidelines for the Lower Basin and Coordinated Operations for Glen Canyon and Hoover Dams. According to Reclamation, the schedule for publication of the draft EIS has slipped about two months. Now the draft EIS is expected to be released in February 2007; however, publication of the Record of Decision is still on schedule and is expected to be issued in December 2007.

During the August 31st meeting, the Lower Basin states also discussed the letter to the Department of the Interior Secretary, Dirk Kempthorne, commenting on the Upper Basin's May 2006 draft Hydrologic Determination regarding the Water Available from Navajo Reservoir and the Upper Colorado River Basin for Use in New Mexico. Based upon the discussions at the meeting the draft letter to Secretary Kempthorne was finalized and transmitted to him on September 6, 2006.

On September 28, 2006, representatives from the seven Basin states met in Salt Lake City, Utah. During the meeting the primary items of discussion were on: 1) the status of Reclamation's NEPA/EIS process regarding the development of Shortage Guidelines for the Lower Basin and Coordinated Operations for Glen Canyon and Hoover Dams; and 2) the status of the ongoing discussions in the Lower Basin. During the meeting updates were provided on: 1) the weather modification and tamarisk control efforts in 2007; 2) the Intentionally Created Surplus and System Conservation demonstration programs in 2007; 3) the test operation of the Yuma Desalting Plant in 2007; 4) the Long-Term System Augmentation study being conducted by the Southern Nevada Water Authority; and 5) litigation associated with the All-American Canal and the Operations of Glen Canyon Dam.

The Lower Basin states met again on October 3, 2006, in an attempt to reach agreement on: 1) shortage sharing between Arizona and Nevada; 2) the accounting for water use of Non-

Colorado River System water and conserved tributary water from pre-Colorado River Compact water rights on the Virgin and Muddy Rivers. During the meeting progress was made on reaching agreement on each of the issues. General agreement was reached on the water use accounting issues for both the Non-Colorado River System water and conserved tributary water on the Virgin and Muddy Rivers; however, further discussion is needed on the shortage sharing between Arizona and Nevada. Arizona needed to take the proposal that came out of the meeting back to its Colorado River Advisory Committee, which will meet on October 10th. Assuming that Arizona and Nevada can reach general agreement on the shortage sharing, a draft document will be prepared outlining the terms of agreement. That draft document will be brought to the Board for its consideration.

The next meeting of the Basin states has been scheduled for October 30th and 31st in Las Vegas, Nevada.

Status of the Development of the Shortage Guidelines and Coordinated Reservoir Management Strategies Environmental Impact Statement

Regarding the development of Lower Colorado River Basin shortage guidelines and coordinated management strategies for Lakes Powell and Mead, Reclamation announced on September 18th that the schedule for the release of the draft environmental impact statement (EIS) has slipped to February 28, 2007. Originally, the draft EIS was slated to be released on December 31, 2006. Based upon the revised schedule, Reclamation plans to publish a final EIS in September 2007, and a record of decision in December 2007. For those wishing further information associated with development of the strategies and the EIS, Reclamation has information posted at its webpage at <http://www.usbr.gov/lc/region/programs/strategies.html>. A copy of Reclamation's memorandum announcing the revised schedule is included in the Board folder.

Colorado River Long-Term Augmentation Options Project Status Report

Included in the Board folder is a brief status report and proposed completion schedule for the Colorado River Long-Term Augmentation Options Project. As you are aware, this is an effort initiated by the Southern Nevada Water Authority, and supported by the other six Basin states, to develop options and opportunities for augmenting the water supplies available for use in the Basin. The consultants continue to meet with interested stakeholders in each of the Basin states to identify options and alternatives for developing additional water supplies. A meeting will be held with the consultants and the Basin states' Technical Committee on October 20th in Las Vegas, Nevada. The project is expected to be completed in late-February 2007.

Colorado River Environmental Activities

Status of the Glen Canyon Dam Operations Lawsuit

On August 30th, U.S. District Court Judge David G. Campbell, for the District of Arizona, signed an order dismissing the lawsuit initiated by Center for Biological Diversity, and others, against the Bureau of Reclamation and Secretary Kempthorne regarding Glen Canyon

Dam operations and impacts to listed species. The cause for the Court's dismissal of the law suit was the acceptance of a proposed settlement agreement entered into by the Department of the Interior and the plaintiffs. Under the terms of the settlement agreement, Reclamation will initiate documentation activities pursuant to NEPA and ESA with respect to current and proposed Glen Canyon Dam operations by January 31, 2007. Also, Reclamation will prepare a biological assessment and submit the assessment to the U.S. Fish and Wildlife Service (USFWS) by May 1, 2008. The expectation of the parties to the agreement is that by September 30, 2008, Reclamation will have completed any relevant NEPA analysis; and if required, the USFWS will have prepared a biological opinion. A copy of the Court's order and the settlement agreement has been included in the Board folder.

Status of the Lower Colorado River Multi-Species Conservation Program

As some of you may be aware, the House Subcommittee for Water and Power is holding a field hearing in Scottsdale, Arizona, on October 10th regarding the proposed legislation that has been developed for the LCR MSCP. The legislation, H.R. 5180 and its companion in the Senate, S. 3841, is intended to address the following: 1) provide a long-term authorization related to Reclamation's funding of the federal government's share of LCR MSCP implementation; 2) establish a process for acquiring and using water supplies related to habitat restoration and species conservation purposes; and 3) provide an exemption to the Federal Advisory Committee Act for the LCR MSCP Steering Committee. On behalf of California's interests in the LCR MSCP, I have been asked to provide testimony regarding the proposed legislation at the field hearing. A copy of the proposed legislation, both Senate and House versions, have been included in the Board folder. A copy of the written testimony that I delivered to the Subcommittee on October 10th has been included in the handout materials. Also, copies of the Department of the Interior's testimony and my oral testimony responding to the Department of the Interior's testimony have been included in the handout material.

WATER QUALITY

Status of Perchlorate Remediation Efforts at Las Vegas Wash

The Tronox perchlorate remediation and treatment system, Fluidized Bed Reactor (FBR), continues to operate and perform as expected. The flow to FBR is about 1,000 gpm and the perchlorate concentration to the FBR system varies from between 200 to 250 parts-per-million (ppm). According to the Nevada Department of Environmental Protection (NDEP) the effluent concentration is consistently below the permit condition of 18 parts-per-billion (ppb) and is generally below 4 ppb.

According to NDEP, the perchlorate load to Las Vegas Wash has been reduced to approximately 100 pounds per day. The perchlorate removal is between 1,700-2,000 pounds-per-day. As of October 1, 2006, approximately 2,068 tons of perchlorate has been removed from the environment. Currently, the perchlorate concentration at the Willow Beach monitoring station is about 2 ppb.

Tronox continues to make adjustments to its remediation system to further optimize its operation. A new well has been constructed to capture more perchlorate-contaminated water, and the FBR treatment system has been expanded for more perchlorate removal by adding an additional biological reactor. Also, Tronox has installed a filtration system to reduce the turbidity of the treatment system's effluent that reenters the Las Vegas Wash.

At the last update, it was reported that AMPAC obtained a permit for its bioremediation system and constructed its first remediation system, which included two extraction well fields and two injection well fields to capture the leading edge of the plume. Total flow from this system would be about 300-330 gallons-per-minute (gpm) at this time, and would expand to approximately 450 gpm with all of the wells online. The AMPAC *in situ* bioremediation system is operating in an interim mode with full-scale operation expected in January 2007.

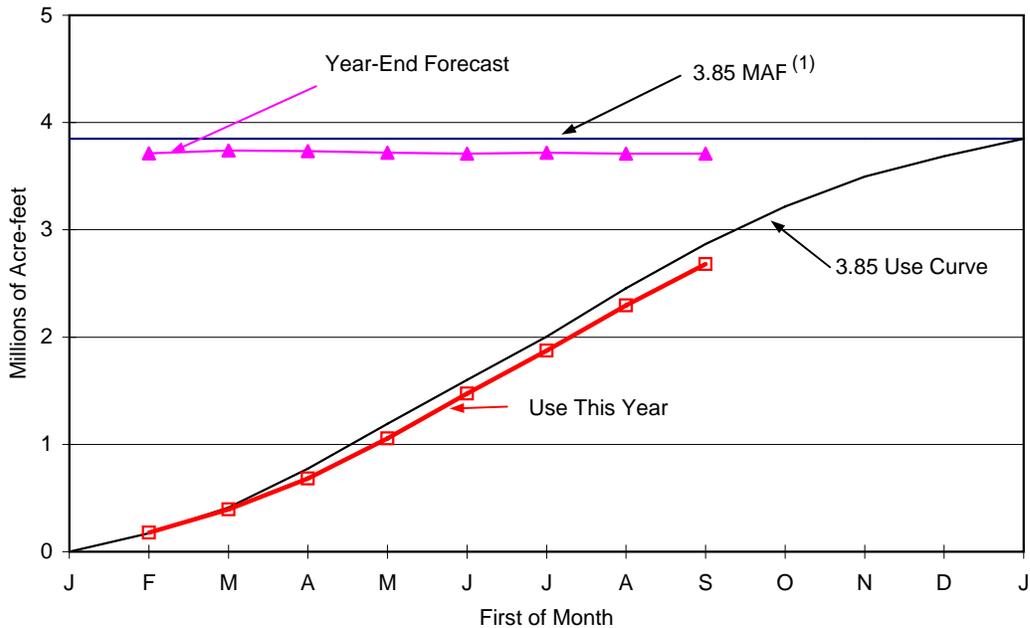
On a related issue, the California Department of Health Services has proposed to adopt a Maximum Contaminant Load (MCL) of 6 ppb for perchlorate in drinking water. A copy of the proposed Notice is included in the Board folder. A public hearing will be held on October 30th in Sacramento. Written comments are due by November 3rd.

State Water Resources Control Board's Notice of Opportunity for Public Comment on the proposed Federal Clean Water Act Section 303(d) List of Water Quality Limited Segments for California

The State Water Resources Control Board (SWRCB) has published a Notice on a proposed revision to the Clean Water Act Section 303(d) list of water quality limited segments for California. A copy of the SWRCB's Notice and the List is included in the Board folder. Related to the Colorado River, the SWRCB recommends the listing of the Colorado River (Imperial Dam to California-Mexico) as water quality limited for selenium, and the All-American Canal as water quality limited for specific conductance, sulfate, and total dissolved solids. The SWRCB expects to consider the list for adoption at its meeting on October 25th. Comments are due by October 20th. Board staff prepared a draft comment letter, which was forwarded to the Agency Managers and agency technical staff for review and comment. The draft letter included in the handout materials reflects those comments received from several of the agencies. I am requesting authorization to send the letter to the SWRCB before the October 20th deadline.


Gerald R. Zimmerman
Executive Director

FIGURE 1
OCTOBER 1 FORECAST FOR 2006 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	0.178	3.713	-0.007
Mar	0.394	3.741	-0.035
Apr	0.683	3.733	-0.027
May	1.055	3.717	-0.011
Jun	1.473	3.710	-0.004
Jul	1.873	3.720	-0.014
Aug	2.295	3.711	-0.005
Sep	2.680	3.709	-0.003
Oct			
Nov			
Dec			
Jan			

(1) The forecast of unused water is based on the availability of 3.657 MAF under the first three priorities of the water delivery contracts. This accounts for the: 81,940 af of conserved water available to MWD under the 1988 IID-MWD Conserv. agreement and the 1989 IID-MWD-CVWD-PVID Agreement as amended; 60,000 af of conserved water available to SDCWA under the IID-SDCWA Transfer agreement as amended; 14,500 af of water IID and CVWD are forbearing to permit the Secretary of the Interior to satisfy a portion of Indian and Miscellaneous present perfected rights use; 35,450 af of water IID is forbearing to pay back Colorado River Water Delivery Agreement Exhibit C overruns; 1,000 af of water IID is conserving to create Intentionally Created Surplus in Lake Mead. As USBR is charging disputed uses by Yuma Island pumpers to Priority 2, the amount of unused water has been reduced by those uses --0.008 maf. The CRB does not concur with USBR's viewpoint on this matter.