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

August 14, 2012

ADMINISTRATION

Minutes of the June 13, 2012 Meeting of the Colorado River Board

A copy of the draft June 13th Board meeting minutes has been included in the Board folder for review and consideration. I am respectfully requesting the Board's adoption and approval at the regularly scheduled Board meeting on August 15th.

PROTECTION OF EXISTING RIGHTS

Colorado River Basin Water Report

As of August 1, 2012, storage in the major Upper Basin reservoirs decreased by 738,120 acre-feet and storage in the Lower Basin reservoirs increased by 22,700 acre-feet during July 2012. Total System active storage as of August 5th was 35.273 million acre-feet (maf), or 59 percent of capacity, which is 4.032 maf less than one year ago (Upper Basin reservoirs decreased by 5.080 maf and Lower Basin reservoirs increased by 1.047 maf).

July releases from Hoover, Davis, and Parker Dams averaged 13,680, 13,090 and 10,980 cubic feet per second (cfs), respectively. Planned releases from those three dams for the month of August 2012, are 12,300, 12,200, and 9,400 cfs, respectively. The August releases represent those needed to meet downstream water requirements including those caused by reduced operation of Senator Wash Reservoir and storage in the Warren H. Brock (Drop 2) Reservoir.

As of August 5th, taking into account both measured and unmeasured return flows, the Lower Division states' consumptive use of Colorado River water for calendar year 2012, as forecasted by Reclamation, totals 7.497 maf and is described as follows: Arizona, 2.813 maf; California, 4.414 maf; and Nevada, 0.270 maf. The Central Arizona Project (CAP) will divert 1.602 maf, of which 0.134 maf are planned to be delivered to the Arizona Water Bank. The Metropolitan Water District of Southern California (MWD) will use about 0.722 maf, which is 19,000 acre-feet more than its 2011 use of mainstream water.

The preliminary end-of-year estimate by the Board staff for 2012 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 3.742 maf. This estimate is based on the collective use, through June 2012, 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 projected end-of-year agricultural use for the year.

As of August 5th, the water level at the Lake Mead was at 1,116.10 feet above the mean sea level, and the storage was 13.225 maf, 51.1 percent of capacity, while the water level at Lake Powell was at 3,627.69 feet above the mean sea level and the storage was 14.596 maf, 60.0 percent of capacity.

COLORADO RIVER OPERATIONS

Development of the 2013 Annual Operating Plan for the Colorado River Reservoir System

The Bureau of Reclamation (Reclamation) held its second consultation meeting for preparation of the 2013 Annual Operating Plan (AOP) at the McCarran International Airport in Las Vegas, Nevada, on July 26th. A revised draft of the 2013 AOP was posted to Reclamation's Upper and Lower Colorado Regions websites and was the focus of review and discussion during the second consultation meeting. Additionally, Reclamation staff from the Upper and Lower Colorado Regional Offices provided overviews of the current hydrologic conditions within the Colorado River Basin, as well as projected operations of the Colorado River reservoir system.

Currently, the draft 2013 AOP still projects that the Upper Elevation Balancing Tier will govern releases from Lake Powell. This proposed determination is based upon current water supply conditions and the most probable near-term conditions projection in the upcoming August 2012 24-Month Study. Based upon current projections, it still appears that the total release from Glen Canyon Dam during 2013 will be at least 8.23 million acre-feet.

Again, taking into account the current water storage conditions in the Colorado River Basin, the most probable near-term water supply conditions, and the 2007 Interim Guidelines, the Intentionally Created Surplus (ICS) Condition will govern releases from Hoover Dam and Lake Mead during 2013; and ICS may be created and delivered in 2013 pursuant to the Interim Guidelines. At this time, no unused apportionment for calendar year 2013 is anticipated. Finally, the Inadvertent Overrun and Payback Policy, which became effective January 1, 2004, will be in effect during calendar year 2013.

From a water supply perspective, 2012 is on course to be the third driest year on record, and as of May 17th the forecast runoff into Lake Powell was only 14% of average. The April-July unregulated inflow into Lake Powell during water-year 2012 was 4.9 MAF, or 46% of the 30-year average (1981-2010). Precipitation in the upper basin throughout much of water-year 2012 was approximately 80% of average. At the beginning of water-year 2012 (October 1, 2011), the total storage in the Colorado River system was 64% of capacity and it is projected to be 60% of capacity at the end of the water-year on September 30, 2012. Finally, it was recently reported that July 2012 will go down as the hottest July on record for the contiguous United States, and that drought now covers nearly 63 percent of the Lower 48 states.

The final consultation meeting for the 2013 AOP has been scheduled for September 12, 2012, and will also be held at McCarran International Airport in Las Vegas, Nevada. Finally, an updated electronic version of the draft 2013 AOP can be accessed on Reclamation's webpage at http://www.usbr.gov/uc/water/rsvrs/ops/aop/AOP13_draft.pdf.

Status of the Colorado River Basin Water Supply and Demand Study Report

Members of the Project Team and the consultants met in Las Vegas and Boulder City, Nevada, on July 26-27, 2012, to work on refining and finalizing the options characterization and portfolio development. In support of more realistic implementation and detailed approach to the development of the portfolios, one of the recent refinements to options characterization is that all individual options are to be evaluated for increments up to 200,000 acre-feet per year, which provides greater clarity for scale relative to timing, feasibility, implementation risks, reliability, etc. Some of options affected by this option characterization refinement are large-scale desalination projects, Salton Sea drain-water reuse, watershed management, and large-scale import projects. Once finalized, a similar refinement will be applied to the M&I and Agricultural conservation options. The general comments on the option characterization are the consistency of application of "political will" for timing, yield, and other factors, as well as funding sources consideration. The Study aims to stay away from identifying specific project proponents, and provide a general assessment of benefits and beneficiaries.

During the meeting, the Project Team also made the decision to split the agricultural water conservation options into two categories, including: (1) a basin-wide incentive program, which is similar to the U.S. Department of Agriculture's Environmental Quality Incentives Program (EQIP); and (2) a more targeted agricultural program, which includes short-term and permanent transfers and banking of M&I water, e.g., similar to California's Quantification Settlement Agreement (QSA). Water conserved in both categories will add up to 1 MAF, with 500,000 acre-feet in each. The next steps include identifying vulnerable conditions related to the water delivery indicator metrics, which will be incorporated into CRSS modeling runs for portfolio analysis.

Members of the Project Team and consultants anticipate having the options characterization finalized in the next week, and plans to move on to development and modeling of the proposed portfolios. The Options and Strategies Workgroup is scheduled to hold a conference call on August 16th and continue working on finalizing the options characterization. The Project Team is scheduled to meet on August 21-22, 2012, in Santa Fe, New Mexico.

As was reported at the last Board meeting, the format of the final Colorado River Basin Water Supply and Demand Study is envisioned to be similar to Interim Report No. 1 that was released in June 2011. The Final Report is expected to consist of the following components:

- Technical Reports A—G;
- Summary Report (summarizes the technical reports);
- Executive Summary;
- Technical Report E—Approach to Develop and Evaluate Opportunities to Balance Supply and Demand;

- Technical Report F—Development of Options and Strategies; and
- Technical Report G—System Reliability Analysis and Evaluation of Options and Strategies

The Basin Study Project Team and consultants still anticipate that the final draft of the Basin Study Report will be published in September 2012.

2013 Plans for the Creation of Intentionally Created Surplus for the Imperial Irrigation District, The Metropolitan Water District of Southern California, and the Southern Nevada Water Authority

In mid- and late-June 2012, the Imperial Irrigation District (IID), MWD, and the Southern Nevada Water Authority (SNWA) submitted plans for the creation of intentionally created surplus (ICS) for calendar-year 2013.

The IID has submitted a plan that proposes to create up to 25,000 acre-feet of Extraordinary Conservation ICS (EC ICS), but states that this amount may be decreased "…due to IID's focus on meeting its 2013 water transfer and 2011 Inadvertent Overrun Payback obligations." The IID plans to create its EC ICS water supply from its on-farm fallowing program and/or its Main Canal Seepage Interception System.

MWD's 2013 ICS creation plan requests approval to create 200,000 acre-feet of EC ICS during CY-2013, and is comprised of activities, including (1) its forbearance and fallowing program with the Palo Verde Irrigation District; (2) its water conservation program with IID; (3) its funded water supply program from desalination; and (4) its funded water supply from the Lower Colorado Water Supply Project.

Finally, SNWA proposes to create ICS from the three distinct sources. The first is an amount of water up to 9,000 acre-feet of Imported ICS from groundwater rights it holds within Coyote Spring Valley and convey that water to Lake Mead. The second source of supply is up to 20,000 acre-feet of Tributary ICS from Muddy River water that would also be conveyed to Lake Mead. The third source is up to 17,000 acre-feet of Tributary ICS created from Virgin River water rights held by SNWA and conveyed to Lake Mead. The total amount of ICS that is proposed to be created by SNWA during 2013 is 46,000 acre-feet. I have include copies of the introductions to the ICS creation plans of IID and MWD in the Board folder.

In late July, Reclamation's Lower Colorado Regional Office distributed the proposed ICS creation plans from IID, MWD, and SNWA and requested review and comments from stakeholders. It is my understanding that the Central Arizona Water Conservation District and Arizona Department of Water Resources, so far, have expressed some initial concerns about elements of the plans submitted by IID and MWD. The Arizona comments generally focused on whether IID should be allowed to create ICS until prior year inadvertent overrun balance have been fully repaid. Additionally, there was some concern about whether some of MWD's proposed programs actually qualified as extraordinary conservation. It is apparent that there will need to be further discussion among the ICS plan proponents, Reclamation, and interested stakeholders before all of the proposed ICS creation plans are approved by Reclamation.

BASIN STATES DISCUSSIONS

Update & Status of the Binational Discussions/Negotiations with Mexico

Progress is being made in the discussions with Mexico regarding the proposed Minute 319, although this progress is not being made as quickly as had been hoped by some. Since the end of May three Binational workshops have been held by a Technical Group in an attempt to identify the linkages in the various components of Minute 319 and common ground between the two countries regarding elements to be included in the proposed Minute 319. These workshops were held on May 29th through June 1st; on June 20th through June 22nd; and on July 5th and 6th.

During the workshops, it was determined that agreement on a Binational project, or projects, to be pursued during the term of Minute 319 was essential in being able to identify the common ground associated with the terms and elements to be included in Minute 319. The conclusion was that the Binational project(s) helps to identify and address the associated linkages among each of the elements of Minute 319 and allows those elements to be accomplished. As such, a Binational Projects Small Group was formed to explore the potential "Pilot Project" to be pursued in Minute 319.

The Binational Projects Small Group met twice: on July 18th and 19th, and on July 30th and 31st; and held a conference call on August 13th. Progress has been achieved in identifying a "Pilot Project" that could be implemented during the term of Minute 319. This "Pilot Project" has several elements and would assist in meeting the objectives of Minute 319. The Pilot Projects Small Group will be making a report to the Technical Group at its meeting scheduled for August 16th and 17th. The elements of the "Pilot Project" and the common ground reach by the Technical Group will be further discussed during the Board meeting.

In addition to the activities of the Technical and Projects Small Groups, a Small Salinity Work Group was formed to evaluate the equation for determining the Minute 242 salinity deferential included in Mexico's April 2012 draft of Minute 319. That Small Group is continuing to meet and will be meeting with Mexico to get clarification on the appropriate equation to be using in Minute 319.

Upcoming Basin States Meeting—August 20, 2012, Las Vegas, Nevada

A seven Basin States Principals meeting has been scheduled for 10:00 a.m.—3:00 p.m., PDT, August 20th, and will be held at SNWA's office in Las Vegas, Nevada. Currently, the agenda for the meeting includes the following topics: (1) status of the on-going Binational negotiation process; (2) status of the LTEMP EIS development process and the Basin States alternative; and (3) California water use issues (e.g., the 2007 Guidelines Benchmark Reporting requirement, status of the QSA, and 2012 consumptive use and overrun accounting).

COLORADO RIVER ENVIRONMENTAL ISSUES AND WATER QUALITY

Status of the Development of the Glen Canyon Dam Long-Term Experimental and Management Plan Environmental Impact Statement

As you may recall from discussions at recent Board meetings, Reclamation and the National Park Service (NPS) are currently engaged in the preparation of an Environmental Impact Statement related to the development and implementation of the Long-Term Experimental and Management Plan for the Operation of Glen Canyon Dam Environmental Impact Statement (LTEMP EIS). Implementation of the Glen Canyon Dam LTEMP is intended to guide Glen Canyon Dam operations over the next 15-20 years, and fully incorporates much, if not all, of the relevant scientific knowledge that has been gained through the current Adaptive Management Program since the original Record of Decision was executed in 1996. Also, as I reported at the June Board meeting, in early-May, the Basin states principals agreed to formally develop and submit a Basin states' alternative for inclusion and analysis in the LTEMP EIS process. The final draft of Basin states' alternative was formally submitted to the LTEMP EIS co-leads on July 2nd.

The Basin states proposed alternative for analysis and evaluation in the LTEMP EIS process includes the following primary components: (1) elements addressing the long-term endangered species requirements of the humpback chub; (2) a non-native fish control element (based upon the monitoring of humpback chub population numbers); (3) provides a modification of the Glen Canyon flow-release regime to conserve and redistribute sediment resources, and (4) establishes a set of criteria that can be utilized to develop high-flow experiments to help manage non-native fish communities as well as conserve and redistribute sediment and enhance the aquatic foodbase. One of the significant strengths of the Basin states' alternative is the strong reliance upon the scientific knowledge that has been gained since the Record of Decision in the Glen Canyon Dam EIS was signed in 1996. This alternative has fully incorporated the results of the series of high-flow release experiments that have been run at the dam, as well as makes use of all of the scientific research generated through the existing Adaptive Management Program.

The states' alternative that was submitted on July 2nd is entitled "The Resource Targeted Condition-Dependent Strategy" and is intended to accomplish the following:

- To implement management actions to benefit key resources (i.e., humpback chub, and manage the trout, sediment resources, and benefit the aquatic foodbase);
- To use scientific experimentation and research to further identify and develop future management actions (i.e., utilizes the principles of adaptive management);
- To balance learning with improvements in key resources;
- To address the full-range of possible future hydrologic and reservoir conditions;
- To adhere to and conform with the 2007 Interim Guidelines; and
- To recognize and incorporate the provisions of the recently-issued FONSIs for the High-Flow Experimental Protocol and Non-Native Fish Control EAs.

On June 29th, representatives of the Basin states met in Denver, Colorado, with the LTEMP EIS co-leads (i.e., Reclamation and the NPS) and made a formal presentation of the

Basin states' alternative. I attended that meeting and believe that the states' efforts were generally well received by the Department of the Interior (DOI). At that meeting, the states made the point that the elements in the proposed alternative are completely inter-related and inter-dependent, and as such the proposed alternative should not be significantly altered. Additionally, the states expressed their strong desire to work closely with the EIS co-leads during the alternatives analysis and evaluation process, particularly if any CRSS (i.e., Riverware), or other hydrologic modeling, rules sets modifications are proposed.

On July 13th a small group of Basin states representatives met and provided a briefing and overview of the Basin states' proposed LTEMP alternative for DOI Assistant Secretary for Water and Science, Anne Castle, in Denver, Colorado. This meeting was viewed as an excellent opportunity to provide the viewpoint of the states and to indicate the importance of the states continuing to be directly involved, to maximum extent possible, in the development of the LTEMP EIS. Following submittal of proposed alternatives on July 2nd, there is anticipated to be a series of public presentations associated with the LTEMP process and an overview of all of the submitted proposed alternatives. The alternative workshop meeting scheduled for late-August has been cancelled and will be rescheduled for later this fall. Currently, Reclamation and NPS anticipate issuance of the draft LTEMP EIS in February or March 2013 for a sixty-day review and comment period.

In the July Board Report that was mailed out, I included a package of LTEMP-related materials, including a copy of the seven Basin states cover letter introducing the Basin states' LTEMP EIS alternative that was submitted on July 2nd. Additionally, I electronically distributed a copy of the final Basin states' LTEMP Alternative to the Agency Managers and technical staff. If any of the Board members, or alternates, would like a copy of this document (nearly 90 pages) please feel free to contact me and I will arrange for you to receive a copy.

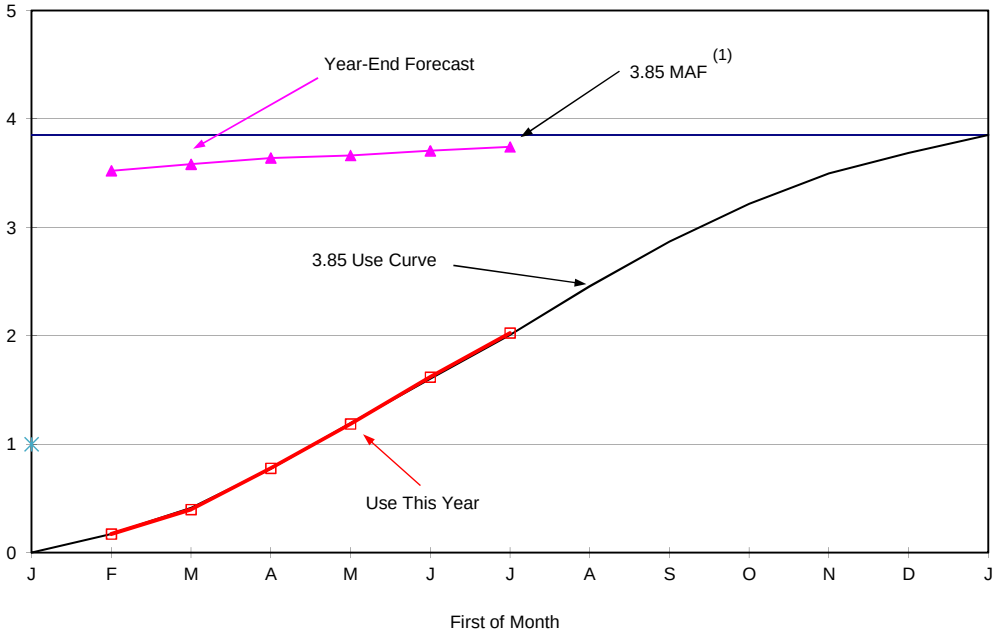
Status of the 2012 Farm Bill Legislation

Through a memorandum dated August 7th, 2012, the Colorado River Basin Salinity Control Forum's (Forum) Executive Director, Mr. Don Barnett, provided an update on the 2012 Farm Bill. The Senate version of the Farm Bill was passed in June 2012, providing $1.65 billion annual funding under EQIP. In July, the House Committee on Agriculture passed its version of the Farm Bill, which included the $1.75 billion in EQIP funding, but the Farm Bill has stalled on the full House floor. Last week, the Agricultural Disaster Assistance Act of 2012 (H.R. 6233) was brought forward for a House floor vote and passed. This legislation is designed to provide $383 million in livestock indemnity and other assistance due to the drought that the nation is facing. Although funding for H.R. 6233 is to come through future cuts in the EQIP and the Conservation Stewardship Program, it modifies funding under EQIP showing $1.75 billion in 2012, $1.4 billion in 2013 and $1.75 billion in 2014. Hence, it shows a savings of $350 million in 2013 over what was proposed by the House Agriculture Committee under the 2012 Farm Bill. The 2012 Farm Bill, however, is not yet law. The actual funding under EQIP has been closer to the $1.4 billion, and thus if appropriations matched the authorized amount in 2012, then EQIP would be funded at the same level as it has been in past years.

Mr. Barnett also pointed out that it is still unclear whether, or not, the Senate will be receptive to the House legislation. Congress will be in recess until the week after Labor Day and hence, has few working days left in the federal fiscal year before authorities under the Farm Bill expire. Mr. Barnett continues to monitor activities related to the Farm Bill. The memorandum from Mr. Barnett is included in the Board folder. The Senate's version of the 2012 Farm Bill and a copy of H.R. 6233 can be found on the Forum's website, at http://www.coloradoriversalinity.org.

for Christopher S. Harris
Acting Executive Director

FIGURE 1
AUGUST 1, 2012 FORECAST OF 2012 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	0.172	3.522	-0.008
Mar	0.398	3.582	-0.068
Apr	0.779	3.640	-0.126
May	1.187	3.663	-0.149
Jun	1.619	3.706	-0.192
Jul	2.026	3.742	-0.228
Aug			
Sep			
Oct			
Nov			
Dec			
Jan			

(1) The forecast of unused water is based on the availability of 3.514 MAF under the first three priorities of the water delivery contracts. This accounts for the 85,000 af of conserved water available to MWD under the 1988 IID-MWD Conservation agreement and the 1988 IID-MWD-CVWD-PVID Agreement as amended; 90,000 AF of conserved water available to SDCWA under the IID-SDCWA Transfer Agreement as amended being diverted by MWD; as estimated 24,500 AF of conserved water available to SDCWA and MWD as a result of the Coachella Canal Lining Project, 67,700 AF of water available to SDCWA and MWD as a result of the All American Canal Lining Project; 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 and 25,000 AF of water IID is conserving to create Extraordinary Conservation Intentionally Created Surplus. 22,500 AF has been subtracted for IID's Salton Sea Salinity Management in 2012. As USBR is charging uses by Yuma Island pumpers to priority 2, the amount of unused water has been reduced by those uses - 6,660 AF. The CRB does not concur with USBR's viewpoint on this matter.