



- Board of Directors
Water Planning and Stewardship Committee

6/8/2021 Board Meeting

7-9

Subject

Authorize General Manager to enter into an agreement with the U.S Bureau of Reclamation, Central Arizona Water Conservation District, and Southern Nevada Water Authority to: (1) fund up to \$8.8 million to conserve water from land fallowing programs; and (2) forebear up to 246,600 acre-feet of conserved Colorado River water generated under the agreement; and adopt CEQA determination that the environmental effects of the fallowing programs that are the subject of the proposed action were previously addressed in various CEQA documents and related actions, and that no further CEQA review is required

Executive Summary

Staff seeks authorization for the General Manager to enter into an agreement with the U.S. Bureau of Reclamation (Reclamation), Central Arizona Water Conservation District (CAWCD), and Southern Nevada Water Authority (SNWA) to provide up to \$8.8 million to fund land fallowing programs and to forebear up to 246,600 acre-feet (AF) of conserved Colorado River water generated by the program to add system water to Lake Mead (Conservation Funding Agreement). Metropolitan's funding share represents one-sixth of the total amount provided by the funding agencies. The water would be conserved through additional fallowing that is not needed for Metropolitan's own use under the Palo Verde Irrigation District/Metropolitan Forebearance and Fallowing Program (PVID Program) and the Bard Seasonal Fallowing Program (Bard Program). Metropolitan and other Colorado River water users would benefit from the improved storage in Lake Mead, reducing the risk of future water curtailments.

Timing and Urgency

The additional fallowing would start as early as August 1, 2021, and continue through July 31, 2024. To conserve additional water during the first year, Metropolitan would enter into voluntary fallowing agreements with the PVID Program participants to fallow additional acres above Metropolitan's existing fallowing call (Voluntary Fallowing Program). During the subsequent contract years, the Conservation Funding Agreement would fund the additional fallowed acres consistent with the terms of the existing PVID and Bard Programs.

Details

Background

Because of the large amount of Intentionally Created Surplus Metropolitan has in storage in Lake Mead (nearly 1.3 million acre-feet), Metropolitan has reduced the PVID fallowing call, which will be set at the minimum level beginning this August. Additionally, Metropolitan does not anticipate needing to increase the fallowing call for its own needs for the next several years. At the same time, Lake Mead is projected to fall to record-low levels in the next few years, triggering shortages and potentially contributions from Metropolitan under the Colorado River Drought Contingency Plan (DCP). The low amount of fallowing for Metropolitan's direct needs provides an opportunity for Metropolitan to partner with other agencies to fund additional fallowing that would benefit Lake Mead.

Metropolitan has a history of collaborating with other agencies to provide system water to Lake Mead. In 2006, Metropolitan entered into an agreement with Reclamation to provide up to 10,000 AF of conserved Colorado River water during 2006 and 2007 to increase Colorado River system storage. The water was conserved through a voluntary fallowing call under the PVID Program. Metropolitan and other Colorado River users benefitted from

the resultant increase in system storage. Reclamation provided up to \$1.7 million to cover Metropolitan's expenditures associated with issuing the supplemental fallowing call.

In 2014, Reclamation initiated the Pilot System Conservation Program, which was a collective effort of the federal government and major urban water agencies to fund water-saving actions to create conserved system water to protect the elevation of Lake Powell and Lake Mead and thus benefit all Colorado River water users. The Pilot System Conservation Program funded projects that have created at least 175,000 AF of conserved system water.

Fallowing Programs

PVID Program

At Metropolitan's call, landowners participating in the PVID Program are obligated to collectively fallow up to 25,947 acres in any year. Landowners received an initial signup payment for enrolled lands and continue to receive an annual payment for actual acreage fallowed after each call. The PVID Program call for the 2021/2022 contract year is for 25 percent of eligible lands (the minimum level of fallowing), which equates to 6,497 acres. Metropolitan plans to use water generated by this minimum 25 percent fallowing for its own needs.

Bard Seasonal Fallowing Program

At Metropolitan's call, farmers participating in the Bard Seasonal Fallowing Program collectively fallow up to 3,000 acres in any year of the program between the months of April and July. Farmers receive a payment, in two parts, for actual acreage fallowed after each call. Farmers are currently fallowing lands for Metropolitan's use, based on a call made last year. The next fallowing call, for summer 2022, will be made by October 1, 2021.

Voluntary and Program Fallowing

Using available capacity in the PVID and Bard fallowing programs, additional conserved system water can be created in a short amount of time. The water conserved by the PVID Program would be produced by participating farmers voluntarily fallowing additional acres above the 25 percent fallowing level as early as August 1, 2021, and by fallowing of Metropolitan-owned lands based on the terms included in the lease agreements. To accommodate the proposed Voluntary Fallowing Program, landowners would voluntarily increase fallowing of eligible land up to a total of 90 percent (65 percentage points above Metropolitan's minimum call). The actual fallowing level would be determined by Metropolitan after consulting with PVID. Landowners voluntarily accepting this call would be subject to the terms and compensation set forth in the PVID Program. Beginning August 1, 2022, and August 1, 2023, additional conserved system water will be produced by the PVID Program's normal process. In addition, water conserved by the Bard Program would be produced through seasonal fallowing during the summers of 2022, 2023, and 2024.

Proposed Terms of Agreement

Attachment 1 provides the major terms of the Conservation Funding Agreement, which are summarized below:

- Reclamation, CAWCD, SNWA, and Metropolitan would jointly fund additional fallowing between 2021 and 2024; Metropolitan's funding share would be up to \$8.8 million (one-sixth of the total amount provided by the funding agencies).
- Metropolitan would enter into voluntary fallowing agreements with PVID Program participants to increase conserved water in the 2021/22 contract year.
- Metropolitan would issue Bard Program fallowing calls for the summers of 2022, 2023, and 2024.
- Metropolitan would forbear use of up to 246,600 AF of conserved water through 2024, with the water augmenting storage in Lake Mead.
- In the event Metropolitan later determines it needs the fallowed water for its own use, it has the option of paying for all of the fallowing in any year and receiving the conserved water.

Summary

Metropolitan's investments in supply programs and continued conservation and local supply development within the region allowed Metropolitan to increase its storage on the Colorado side of its system. As a result, Metropolitan reduced the PVID Program following call and plans to keep it at a minimum level (25 percent) for the next two years. Similarly, in absence of the Conservation Funding Agreement, Metropolitan would likely not issue a Bard Program following call in the next two years. Lake Mead's elevation is projected to fall to levels that initiate shortages and increase the risk of Drought Contingency Plan contributions to Metropolitan in future years. A partnership with Reclamation, SNWA, and CAWCD to increase flow through Metropolitan's programs would keep up to 246,600 AF of water in Lake Mead, augmenting storage by several feet. All Lower Basin water users would benefit from the improved storage in Lake Mead by potentially delaying the timing and depth of DCP contributions or shortages and preserving hydroelectric capacity.

Policy

By Minute Item 41222, dated January 10, 1995, the Board adopted a policy that Metropolitan continues to protect the rights and interests in its contracts with the United States for delivery of Colorado River water.

By Minute Item 45517, dated September 23, 2003, the Board authorized the Chief Executive Officer to execute the finalized Quantification Settlement Agreement and related agreements.

By Minute Item 51427, dated December 11, 2018, and Minute Item 51522, dated March 12, 2019, the Board authorized participation in the Drought Contingency Plan.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The following programs that are subject to this action were previously evaluated by the Board, and the Board made CEQA determinations for each.

On October 22, 2002, the Board acted as a responsible agency and certified that it reviewed and considered the information in the Palo Verde Irrigation District's 2002 Final EIR and adopted the Lead Agency's findings; and authorized entering into agreements for the Palo Verde Irrigation District Land Management, Crop Rotation, and Water Supply Program.

On December 10, 2019, the Board determined that entering into a Program agreement with Bard Water District and seasonal flow agreements with farmers within the Bard Unit was exempt from CEQA in accordance with Sections 15301 and 15304, and also not subject to CEQA in accordance with Section 15061(b)(3), of the State CEQA Guidelines.

The proposed action to enter into an agreement and provide funding for the following programs represents a minor modification that relates solely to fiscal and administrative aspects of these programs. Thus, the previous environmental documentation acted on by the Board in conjunction with these following programs fully complies with CEQA and the State CEQA Guidelines, and no further CEQA review is required for the proposed action.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination that the previous environmental documentation acted on by the Board in conjunction with these following programs fully complies with CEQA and the State CEQA Guidelines, and that no further CEQA review is required, and authorize the General Manager to enter into an agreement with Reclamation, CAWCD, and SNWA to generate up to 246,600 acre-feet of conserved Colorado River system water through 2024.

Fiscal Impact: Up to \$8.8 million through 2024, approximately \$2.5 million of which would accrue in FY 2021/22 as an unbudgeted water supply expense. If approved, staff would include the remaining expenditures in subsequent budgets.

Business Analysis: The agreement would fund additional land fallowing to augment Colorado River supplies to reduce risk of future curtailments.

Option #2

Direct the General Manager not to enter into agreement with Reclamation, CAWCD, and SNWA under the proposed terms.

Fiscal Impact: None

Business Analysis: Forego opportunity to augment Colorado River water supplies to reduce risk of future curtailments.

Staff Recommendation

Option #1

	6/2/2021
Brad Coffey Manager, Water Resource Management	Date

	6/3/2021
Jeffrey Nightlinger General Manager	Date

Attachment 1 – Draft Terms for Conservation Funding Agreement

Ref# wrm12682410

Attachment 1. Draft Terms for Conservation Funding Agreement

Funding Partners:

U.S. Bureau of Reclamation
Central Arizona Water Conservation District
Southern Nevada Water Authority
Metropolitan Water District

Proposed Terms:

- Agreement duration: August 1, 2021 to July 31, 2024
- Cost sharing among the parties for all costs incurred for the conservation of a total of up to 246,000 acre-feet of Colorado River water due to fallowing:
 - Reclamation = 50.00%
 - Central Arizona Water Conservation District = 16.67%
 - Southern Nevada Water Authority = 16.67%
 - Metropolitan = 16.67%
- Payments are escalated yearly using the Consumer Price Index.
- Metropolitan will forebear the delivery and diversion for its own beneficial use of Colorado River Water conserved over the period of August 2021 and July 2024 as follows:
 - Up to 32,000 acre-feet in 2021
 - Up to 82,000 acre-feet in 2022
 - Up to 82,000 acre-feet in 2023, and
 - Up to 50,000 acre-feet in 2024
- Metropolitan will increase fallowing call for contract years 2022 and 2023. Metropolitan can call back the water and pay the parties if Metropolitan needs the water in any year.
- Metropolitan will issue invoices to Reclamation, CAWCD, and SNWA.

PVID Fallowing Program

- Current fallowing level starting August 1, 2021: 25%
- Acres fallowed at 25%: 6,497 acres
- Increase additional fallowing level (amount to be determined but no more than 90%)
- Acres fallowed at 90%: 23,352 acres
- Metropolitan will issue a notice offering the participating landowners to voluntarily increase fallow acres from 25% up to 90% of their maximum fallowing commitment. For the first year, landowners will have either August 1, 2021 or February 1, 2022 to voluntarily start increase fallow acres.
- Metropolitan will execute agreements with participating landowners to voluntarily fallow additional land.

- Metropolitan will issue a fallowing call for years 2022 and 2023 consistent with the first year's fallowing percent. Years 2 and 3 will be in accordance with the PVID Fallowing Program's terms and provisions.
- Payments to landowners are in accordance with the fallowing program's landowner agreement payment schedule.
- PVID will submit to Reclamation a revised water order for 2021.

Bard Seasonal Fallowing Program

- Maximum Acres: 3,000 Acres.
- Metropolitan will issue a maximum fallowing call for years 2022, 2023, and 2024 by October 1 of each preceding year. Metropolitan can call back the water and pay the parties if Metropolitan needs the water in any year.
- Metropolitan will execute agreements with participating landowners not currently participating in the Program and amend necessary agreements to include new lands.
- Metropolitan will issue payments to farmers and Bard per the terms of the program agreement payment schedule.