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October 18, 2013

Mr. Terry Fulp, Regional Director
Bureau of Reclamation
Lower Colorado Regional Office
Attention LC00-4200
P.O. Box 61470
Boulder City, NV 89006-1470

Dear Terry:

Subject: IID Estimates of Diversion – Colorado River 2014

This letter responds to the Bureau of Reclamation's request to the Imperial Irrigation District for an estimate of IID's 2014 expected water use. This estimate constitutes IID's water order for 2014. This letter utilizes the *Accounting Methodology for IID Canal Losses Key Terms of Agreement* dated October 3, 2007 between IID and Reclamation. Should there be any changes to this methodology, it may or may not require further revision to the 2014 water order.

This water order should be considered by Reclamation in the context of the signed Quantification Settlement Agreement and the reservation of legal positions contained in the dismissal of IID v. USA, et al. As historically recognized by Reclamation and the position of many other Colorado River contractors, water orders submitted in advance of the water year are merely estimates of anticipated water use that may need adjustment based on a variety of variables that impact water use during the course of a year. No Colorado River contractor can predict exactly what it will need the following year; it can only make an educated guess. Thus, water orders may require subsequent revision and should not be perceived as a volume limitation on the annual exercise of the water right. Similarly, the exact volume and proposed uses of conserved water cannot be determined or accurately predicted in advance of any water conservation program's startup and final contracting. The final calculation of actual conserved water yields are dependent on year-end crop water use, rainfall, and delivery records that are not available prior to the conclusion of the current calendar year. Contracting parameters and conserved water requirements for 2014 are also dependent on Reclamation's or third-party measurement, reporting, and calculation of IID's diversions, return flow credits, and consumptive uses for the current and previous water years. The accuracy and timeliness of these final measurement and Decree Accounting records are a significant factor in IID's estimates, such that they may require subsequent revision and should not be considered a volume limitation for purposes of IID's annual consumptive use or diversion calculation.

Also significantly, for purposes of the 2014 estimate, there is some degree of uncertainty surrounding the QSA and implementation of the various agreements, transfers and environmental mitigation programs related to the QSA, although likely less than that expressed in IID's 2013 water order. As you know, in 2010, the Superior Court for the County of Sacramento entered a judgment that invalidated the QSA, the related water transfer agreements between IID and SDCWA, CVWD, and MWD, and invalidated the QSA JPA Agreement related to funding for QSA environmental mitigation. IID and others appealed the judgment and obtained a stay of that judgment. In late 2011 the Third District Court of Appeal reversed the judgment of invalidity, and remanded the case back to the Superior Court for trial of all remaining issues. The QSA cases were tried in Superior Court in November 2012 and a ruling validating the QSA and the related water transfer agreements between IID and SDCWA, CVWD, and MWD was issued in July of this year. That trial court ruling is currently being appealed. Appellate briefing will begin in early 2014 and an appellate court ruling is expected sometime that year.

Additionally, the U. S. District Court ruled in favor of the QSA in a case in San Diego brought by the county of Imperial and its air district against the United States and QSA signatories. This case challenged the QSA's compliance with NEPA and the Clean Air Act prior to the Secretary's approval and execution of the CRWDA, and seeks to set aside that agreement. The county and air district appealed the U. S. District Court Ruling and all appellate briefing has been submitted to the Ninth Circuit. The hearing for oral argument is set for December 4, 2013 and a Ninth Circuit court ruling is expected in 2014.

Thus, for IID water conservation programs and mitigation water creation programs that rely on contracts with farmers, which generally utilize a July 1 to June 30 contract year consistent with most farm plans and leases, 2014 again poses some contracting difficulty and risk to IID for pending and new contracts involving calendar years 2014 and beyond. While the QSA-related uncertainty caused by the litigation is not nearly as significant as in prior years, some concerns do still exist that could affect the funding ability and assurances of the QSA JPA for reimbursements to IID for implementing the required mitigation activities.

Thus, IID submits this water order without limiting IID's 2014 water rights. However, IID acknowledges that the QSA itself, assuming its continued viability, provides an annual volume limitation. Pursuant to that agreement, IID quantified its Priority 3 consumptive use at a maximum of 3.1 million acre-feet per year during the term of the QSA. IID anticipates (but does not limit itself except by the terms of the QSA) a consumptive use need of 2,515,062-2,540,062 acre-feet for 2014. This range of estimates is intended to address the consumptive use needs for IID in 2014 assuming a bookend of circumstances regarding the level of contracting for upcoming fallowing and conservation programs identified in IID's proposed Intentionally Created Surplus and 2011 and 2012 overrun payback plans. Pursuant to the QSA, and assuming implementation of the QSA as agreed to by all other parties without material changes or failure, IID's estimated water order for 2014 is as follows:

IID 2014 Estimated Consumptive Use¹ Table in Acre-Feet (October 18, 2013)	
Priority 3 Cap	3,100,000
Miscellaneous PPR's	(11,500)
1988 IID/MWD Agreement ²	(105,000)
IID/SDCWA Transfer	(100,000)
Salton Sea Mitigation	(90,000)
AAC Lining	(67,700)
IID/CVWD Transfer	(31,000)
Estimate of Additional Conserved Water ^{3,4,5,6}	(154,738-179,738)
Total IID 2014 Consumptive Use¹ Estimate Range⁷	2,515,062-2,540,062

IID 2014 Estimated River Consumptive Use¹ Table in Acre-Feet	
Total IID 2014 Consumptive Use ¹ Estimate Range ⁷	2,515,062-2,540,062
2014 Estimated Consumptive Use ¹ met by LCWSP ⁸	(7,200)
Total IID 2014 Consumptive Use¹ Estimate Range⁷ at River⁸	2,507,862-2,532,862

¹ Consumptive uses include uses for agricultural, municipal, industrial, environmental, environmental mitigation and storage purposes.

² In 2007 (by agreement between IID and MWD), the annual conservation yield of the 1988 IID/MWD Agreement was fixed at 105,000 AF. The conservation yield attributable to the Project 18 (Tailwater Return Systems) component of the IID/MWD Agreement is 3,500 AF provided it is at full operation. However this yield can be reduced to the amount conserved if the project is at less than full operation. This reduction (of 1,060 AF to 2,440 AF) occurred in 2011, 2012 (reduction of 860 AF to 2,640 AF), and is likely to occur in both 2013 (reduction of approximately 840 AF to 2,660 AF) and 2014 unless current circumstances or conditions change.

³ Additional conserved water uses include Intentionally Created Surplus (ICS), inadvertent overrun payback (IOP), early IOP payback on behalf of another Colorado River contractor, groundwater storage, groundwater recharge, storage in the Salton Sea, delivery of ICS to meet water transfer obligations, and/or other allowed uses of conserved water. This estimate will be adjusted and specific uses defined more appropriately as the year progresses.

⁴ The truing up of all 2013 and 2014 following and main canal seepage interception program yields after year-end may require an adjustment to this volume, as would approval of any requested II(B)(6) water to reduce any IID overrun obligation should it exist.

⁵ Final contracting of IID's 2013-2014, 2014, and 2014-2015 Following Programs and a true-up of all 2013 IID following and other conservation program yields at year-end will require an adjustment to this volume.

⁶ Pursuant to Section 3.B.9 of the Interim Guidelines for the Operation of Lake Powell and Lake Mead, IID's estimated volume of ICS water may decrease in 2014 with the appropriate notifications.

⁷ This range of estimates is intended to address the consumptive use needs for IID in 2014 assuming a bookend of circumstances regarding the level of contracting for upcoming following and conservation programs identified in IID's proposed Intentionally Created Surplus and 2011 and 2012 overrun payback plans.

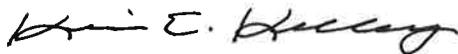
⁸ 2014 order not yet received from LCWSP contractors. IID estimates that it will be requested to maximize this project's yield, which is currently estimated to be 7,200 acre-feet in 2014. Actual pumped volumes and projections should be updated by Reclamation throughout 2014.

This 2,515,062 to 2,540,062 acre-feet of consumptive use at Imperial Dam (net of return flows) will require a larger volume diversion from the Colorado River in 2014. Any changes to the actual 2014 LCWSP pumping will, of necessity, result in changes to IID's actual Colorado River diversion and the associated return flow credit estimate, while the use of any in-lieu flows from the Warren H. Brock Reservoir in 2014 will require reductions to IID's actual Colorado River diversions and consumptive use accounting volumes at Imperial Dam. This annual water order estimate is based upon average conditions for rainfall, salinity and likely 2014 cropping patterns, including multiple cropped acreage and normal economic conditions in crop markets. Actual diversions in 2014 will, of necessity, reflect changed circumstances as they evolve including the final contracting of any 2014 fallowing programs, the truing-up of all IID fallowing and other conservation program yields at year-end, and the eventual developments in the QSA litigation.

Finally, attached to this water order is a monthly breakdown of IID's estimated 2014 water order intended for use by Reclamation's operational staff. These consumptive use estimates are prorated using historical monthly data and are subject to change based on actual water demands and conditions in 2014. Questions regarding operational data should be referred to IID's watermaster, Merlon Kidwell, at (760) 339-9074 or mlkidwell@iid.com.

If you have any questions regarding these issues, please contact, IID's Colorado River Resources Manager, Tina Shields, at (760) 339-9038 or tshields@iid.com.

Sincerely,



Kevin E. Kelley
General Manager

cc: CR Manager/Water Manager/Watermaster
Tanya Trujillo, CRB

**IID 2014 Estimated Monthly Consumptive Use Table
 (October 18, 2013)**

	Historical Proration	Estimated Consumptive Use Range (acre-feet)	
January	4.49%	112,556	113,678
February	4.78%	119,813	121,007
March	9.87%	247,530	249,998
April	11.72%	294,039	296,970
May	11.72%	293,858	296,787
June	10.65%	267,070	269,732
July	11.36%	284,853	287,692
August	9.59%	240,599	242,997
September	8.44%	211,692	213,802
October	7.82%	196,169	198,124
November	5.55%	139,079	140,466
December	4.01%	100,605	101,608
2014 Total	100.00%	2,507,862	2,532,862

**IID 2014 Estimated Monthly Salton Sea Delivery Table
 (October 18, 2013)**

	Estimated Salton Sea Mitigation Delivery (acre-feet)
January	10,500
February	7,000
March	10,500
April	2,500
May	1,500
June	3,000
July	3,000
August	3,000
September	12,000
October	13,500
November	13,500
December	10,000
2013 Total	90,000