United States Department of the Interior

BUREAU OF RECLAMATION
Lower Colorado Regional Office
P.O. Box 61470
Boulder City, NV 89006-1470

TAKE PRIDE IN AMERICA

IN REPLY REFER TO:
BCOO-4440
WTR-4.00

JUN 05 2006

Mr. Jeffrey Kightlinger
General Manager
The Metropolitan Water District
Of Southern California
700 North Alameda Street
Los Angeles CA 90012-2944

Subject: Letter Agreement for Temporary Re-regulation of Excess Colorado River Flows

Dear Mr. Kightlinger:

This letter serves to document the agreement between The Metropolitan Water District of Southern California (MWD) and the Bureau of Reclamation regarding the temporary re-regulation of certain Colorado River flows captured at Reclamation's request and conveyed to MWD's storage facilities for temporary storage. We appreciate your assistance in the capture and conveyance of this water, which would otherwise flow to the Northerly International Boundary (NIB) with Mexico in excess of Treaty obligations. This Letter Agreement applies to the temporary re-regulation of Colorado River water to the extent requested by Reclamation and undertaken by MWD to assist Reclamation during calendar years 2005 and 2006.

Water from 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 NIB in excess of Treaty obligations. Historically, when possible, this water has been subject to temporary re-regulation by Reclamation, for example when it has been captured and held in Senator Wash Reservoir. Operation of Senator Wash Reservoir has been restricted due to dam safety concerns.

The purpose of temporary re-regulation is to permit the maximum amount of water from the Colorado River system to be put to beneficial use within the United States. Temporary re-regulation is consistent with Reclamation's goal of meeting but not exceeding Treaty obligations, and is consistent with the U.S. Supreme Court Decree in Arizona v. California, the 2003 Colorado River Water Delivery Agreement (CRWDA), the Inadvertent Overrun & Payback Policy (IOPP), and the Interim Surplus Guidelines (ISG). Temporary re-regulation provides Reclamation with critical flexibility in river management. The temporary re-regulation of river flow that otherwise would flow to the NIB in excess of Treaty obligations may be effected at the request of Reclamation, but only in the event the water cannot otherwise be stored by Reclamation works or diverted by an entitlement holder in satisfaction of an existing entitlement.

In the early part of 2005, in response to heavy rainfall occurring in a watershed that is tributary to the lower Colorado River, Reclamation released water from Lake Havasu to protect the integrity of Parker Dam. Also, as a result of these rainstorms, water ordered by entitlement holders and released from Hoover Dam was not diverted. In an effort to prevent these releases from being lost to beneficial use within the United States as excess flows to the NIB, and in light of the current storage capacity limitation at Senator Wash Reservoir, Reclamation requested that MWD capture a portion of this water and convey it to MWD storage facilities. MWD accommodated such a request from Reclamation in 2005 and increased its pumping level beyond what was originally planned and scheduled with Reclamation. Reclamation anticipates the possible need for additional temporary re-regulation of Colorado River water with the assistance of MWD in 2006.

This Letter Agreement sets forth the understanding between Reclamation and MWD relating to the temporary re-regulation of Colorado River water and the capture, conveyance, and temporary storage of this water by MWD in 2005 and 2006. The parties hereto agree as follows:

1. Capture and Conveyance of Water Subject to Temporary Re-Regulation.

1.1 The quantity of Colorado River water temporarily re-regulated by Reclamation and captured, conveyed, and temporarily stored by MWD at the request of Reclamation in 2005 was 21,649 acre-feet, stated as a consumptive use amount, as pumped and measured at Whitsett Intake Pumping Plant. MWD conveyed this water to MWD's storage facilities in 2005.

1.2 MWD may elect to capture additional Colorado River water in 2006 and convey it to MWD storage facilities after a specific request from Reclamation to assist in the temporary re-regulation of Colorado River water which might otherwise flow to the NIB in excess of Treaty obligations.

1.3 MWD will compile and maintain complete and accurate records of the amount of water captured from Lake Havasu at Reclamation's request for purposes of temporary re-regulation in 2005 and 2006. These records will indicate, on a daily and monthly basis, the amount of water captured by MWD from Lake Havasu, stated as a consumptive use amount as pumped and measured at Whitsett Intake Pumping Plant.

2. Accounting Procedures for Water Subject to Temporary Re-Regulation.

2.1 Reclamation, in its Decree accounting for 2005 and 2006, will reflect the temporary re-regulation by Reclamation of the Colorado River water subject to this Letter Agreement in a new category entitled "Water Subject to Temporary Re-regulation" and will identify the quantity of re-regulated water temporarily stored in MWD's facilities.

2.1.1 Reclamation will not reflect MWD's capture, conveyance, or temporary storage of the re-regulated water as a diversion or consumptive use by MWD.

2.1.2 Reclamation will not account for the re-regulated water as part of the State of California's consumptive use for that year under the Annual Operating Plan for the Colorado River System Reservoirs (AOP) or as a consumptive use under MWD's Colorado River water delivery contracts with the Department of the Interior.

2.1.3 Reclamation will not take the re-regulated water into account in determining water order approvals, or in determining overruns under the IOPP, or in applying the ISG. Under no circumstance will MWD's capture, conveyance, or temporary storage of the re-regulated water cause MWD to incur or have an overrun, or cause MWD to have to repay an overrun under the IOPP.

2.2 The Colorado River water temporarily re-regulated by Reclamation through MWD's assistance in 2005 will be fully restored to Lake Mead as provided herein before or during the year following the publication of the Decree Accounting Report which reflects Water Subject to Temporary Re-regulation captured in 2005. Water re-regulated in 2006 will be fully restored to Lake Mead before or during the year following the publication of the Decree Accounting Report which reflects Water Subject to Temporary Re-regulation captured in 2006.

2.2.1 Water Subject to Temporary Re-regulation will be fully restored to Lake Mead by satisfying MWD's approved water order first from Colorado River water subject to re-regulation and temporarily stored in MWD's facilities until that supply is fully exhausted, and then from Colorado River water delivered to the Whitsett Intake Pumping Plant.

2.2.2 Reclamation's Decree accounting will reflect a diversion and consumptive use of Colorado River water by MWD under its entitlement for both the water subject to temporary re-regulation and the water delivered to the Whitsett Intake Pumping Plant in separate categories.

2.2.3 MWD's consumptive use of the re-regulated water as part of its entitlement in that year will be subject to the normal accounting procedures applicable to consumptive use, including application of the CRWDA, the IOPP, the ISG, and the AOP.

2.2.4 The Decree accounting for each such year will reflect a commensurate reduction in the cumulative quantity of water remaining subject to temporary re-regulation.

2.3 MWD's assistance to Reclamation in the temporary re-regulation of Colorado River water is an act of extraordinary conservation that prevents water from being lost to beneficial use within the United States and ultimately results in substantial increased supplies in Lake Mead.

2.3.1 In consideration for the above benefit, Reclamation will, in the year of MWD's choosing, credit MWD with an amount equal to 25 percent of the amount of re-regulated water captured as a prior satisfaction of a portion of MWD's payback requirements under Exhibit C of the CRWDA.

2.3.2 MWD shall not be required to conserve additional Colorado River water or to substitute non-Colorado River water in an amount equal to 25 percent of the amount of re-regulated water captured by MWD to satisfy its Exhibit C payback obligation in the year in which this credit is applied.

3. Payment by the United States.

3.1 Subject to appropriations, the United States will pay MWD for MWD's reasonable incremental costs of capturing and conveying the re-regulated water to MWD's storage facilities during calendar years 2005 and 2006. Reclamation will reimburse MWD for said reasonable incremental costs, which have been identified at this time as those direct and indirect costs associated with operating eight pumps at its Colorado River Aqueduct pumping plants.

3.1.1 MWD and the United States have quantified these costs to date as $0.00.

3.1.2 MWD will compile and maintain complete and accurate records of the reasonable incremental costs MWD incurred during calendar year 2005 and those reasonable incremental costs that MWD incurs during calendar year 2006 in capturing and conveying to MWD storage facilities Colorado River water subject to temporary re-regulation under the terms of this Letter Agreement.

3.1.3 Prior to United States payment to MWD of the reasonable incremental costs, MWD will provide an itemized statement to the United States reflecting all charges.

4. Liability.

4.1 MWD hereby releases and agrees that it will indemnify and hold harmless the United States and its officers, agents, employees, and successors or assigns, from every claim for damages to persons or property, direct or indirect, and of whatever nature, arising by reason of the capture and conveyance by MWD of Colorado River Water Subject to Temporary Re-regulation by Reclamation under this Letter Agreement.

4.2 The United States shall be liable only for negligence on the part of its officers and employees in accordance with the Federal Tort Claims Act, as amended.

5. Term of This Letter Agreement. This Letter Agreement becomes effective upon the date of its execution by MWD and will remain in effect until all terms and conditions are satisfied.

If the above provisions meet with your approval, please indicate your concurrence by signing and dating this Letter Agreement in the space provided below and having your signature

attested. Please return a signed original of this letter to this office at the above address. If you have any questions or comments concerning this matter, please contact Ms. Ruth Thayer in writing or by telephone at 702-293-8426.

Sincerely,

Robert W. Johnson
Regional Director

In Duplicate

I concur with the provisions of this Letter Agreement

By: _____ 6/14/06
MWD General Manager Date

Attest: _____

cc: Mr. Gerald R. Zimmerman
Executive Director
Colorado River Board of California
770 Fairmont Avenue, Suite 100
Glendale, California 91203-1035