

SYSTEM CONSERVATION IMPLEMENTATION AGREEMENT (SCIA)  
BETWEEN THE UNITED STATES BUREAU OF RECLAMATION AND  
THE COACHELLA VALLEY WATER DISTRICT TO IMPLEMENT A PILOT SYSTEM  
CONSERVATION PROGRAM (PILOT PROGRAM)

This SCIA to implement a Pilot Program is entered into this 11<sup>th</sup> day of January, 2016, by and between the United States Bureau of Reclamation (“Reclamation”) and the Coachella Valley Water District (“CVWD”), hereinafter referred to singularly as “Party” or collectively as “Parties.”

1. EXPLANATORY RECITALS

1.1 On July 30, 2014, Reclamation and four municipal entities, the Central Arizona Water Conservation District (“CAWCD”), The Metropolitan Water District of Southern California (“MWD”), Denver Water (“DW”), and the Southern Nevada Water Authority (“SNWA”) (collectively “Funding Agreement Parties”), entered into Agreement No. 14-XX-30-W0574 for a Pilot Program for funding the creation of Colorado River System water through voluntary water conservation and reductions in use (“Funding Agreement”).

1.2 On August 12, 2015, the Funding Agreement was amended to increase Reclamation’s funding ceiling for the Pilot Program.

1.3 Under the Funding Agreement, as amended, the Funding Agreement Parties will fund up to \$14 million for a Pilot Program to conserve Colorado River System water for storage in Lakes Powell and Mead.

1.4 Over the next 2 years, the Pilot Program will provide funding to develop short-term pilot projects that keep water in Lakes Powell and Mead through temporary, voluntary, and compensated conservation mechanisms.

1.5 Participation in System Conservation activities as part of the Pilot Program in the Lower Division States is limited to Entitlement Holders, as defined in the Funding Agreement, as amended.

1.6 CVWD is an Entitlement Holder that shares priorities 3a and 6a to Colorado River water in accordance with Contract No. Ilr-781 dated October 15, 1934, as supplemented; as modified (or quantified) by the terms of the Colorado River Water Delivery Agreement (“CRWDA”) dated October 10, 2003, specifically Exhibit B of the CRWDA, while the CRWDA remains in effect.

1.7 CVWD submitted to Reclamation a Pilot Program proposal to establish a Furrow/Flood to Drip Conversion Rebate Program (“Farm Conversion Rebate Program”) to convert up to 667 acres of farmland within CVWD from furrow/flood irrigation to drip

irrigation. CVWD proposes to dedicate 1,000 acre-feet per year of the reduced water use to create System Conservation Water beginning in 2016 and continuing through at least 2020, thus creating 5,000 acre-feet of System Conservation Water for the Pilot Program at a cost of \$1,000,500 or \$200.10 per acre-foot.

1.8 CVWD's Pilot Program proposal for the Farm Conversion Rebate Program was evaluated independently and collectively by the Funding Agreement Parties pursuant to the factors provided in Section 5.5 of the Funding Agreement, as amended.

1.9 CVWD's Pilot Program proposal for the Farm Conversion Rebate Program was selected by the Funding Agreement Parties for inclusion in the Pilot Program.

1.10 A copy of CVWD's Pilot Program proposal for the Farm Conversion Rebate Program is attached hereto as Exhibit A and made a part of this SCIA.

1.11 Prior to entering into this SCIA, as provided in Section 5.3 of the Funding Agreement, as amended, Reclamation and the participating Funding Agreement Parties are required to enter into a project specific funding agreement specifying, among other things, the timing of the Funding Agreement Parties' contributions and the project specific performance metrics upon which funds will be dispersed.

1.12 The project specific funding agreement ("Project Funding Agreement No. 15-XX-30-W0592") was entered into and a copy is attached hereto as Exhibit B and made a part of this SCIA.

1.13 MWD, in accordance with Section 7.1 of the Funding Agreement, as amended, agrees not to request delivery of any of the water created pursuant to the Pilot Program which includes the System Conservation Water created under this SCIA by CVWD. MWD is committed to working with Reclamation on the appropriate way to measure the amount of water conserved and saved in Lake Mead through the existing Colorado River Accounting and Water Use reporting process.

1.14 Reclamation has received separate letters from the Imperial Irrigation District (IID) and the Palo Verde Irrigation District (PVID) providing that these California water agencies agree not to divert the conserved water generated through the Farm Conversion Rebate Program, thereby ensuring that the conserved water remains in Lake Mead as System Conservation Water.

NOW, THEREFORE, in consideration of the terms and conditions set forth herein, Reclamation and CVWD agree as follows:

## 2. DEFINITIONS

2.1 Definitions included in the Funding Agreement, as amended, are applicable to this SCIA.

2.2 Exhibit A is a copy of CVWD's Pilot Program proposal for the Farm Conversion Rebate Program. Exhibit A is attached hereto and made a part of this SCIA.

2.3 Exhibit B is a copy of Project Funding Agreement No. 15-XX-30-W0592 among Reclamation and the participating Funding Agreement Parties which is a project specific funding agreement providing for, among other things, the amount and timing of the Funding Agreement Parties' contributions and project specific performance metrics upon which funds will be dispersed. Exhibit B is attached hereto and made a part of this SCIA.

2.4 System Conservation Water means Colorado River water that is conserved by CVWD under this SCIA and left in Lake Mead to benefit the Colorado River System pursuant to this SCIA.

### 3. DESCRIPTION OF THE CVWD'S PILOT PROGRAM PROJECT (PILOT PROJECT)

3.1 CVWD proposes to establish a Farm Conversion Rebate Program to convert the means of irrigating a portion of the farmland within CVWD from furrow/flood irrigation to drip irrigation.

3.2 CVWD anticipates that its producers will enroll up to 667 acres of dates and other tree crops in the Farm Conversion Rebate Program. CVWD estimates that the Farm Conversion Rebate Program will conserve 2,000 acre-feet per year, and proposes to make 1,000 acre-feet per year available for the Pilot Program with the remaining amount each year available to CVWD to provide an additional local water supply to address the existing overdraft in the Whitewater River Basin, a portion of which underlies CVWD's Improvement District No. 1.

3.3 Funding under this SCIA will pay for implementation of a project that CVWD has otherwise been unable to fund.

### 4. IMPLEMENTATION

4.1 Implementation begins upon execution of this SCIA and ends upon the termination of this SCIA by Reclamation.

4.2 CVWD will solicit Farm Conversion Rebate Program applications within 30 days of the execution of this SCIA. CVWD will send a copy of each of the CVWD-approved Farm Conversion Rebate Program applications to Reclamation for its information and files.

4.3 CVWD will use its best efforts to secure 667 acres of participation in the Farm Conversion Rebate Program.

4.4 CVWD's consumptive use entitlement for each year this SCIA is in effect will be reduced by the amount of System Conservation Water that is estimated to remain in Lake Mead. CVWD agrees to submit to Reclamation an annual Colorado River water order that has been reduced by the amount of System Conservation Water anticipated to remain in Lake Mead. The System Conservation Water to remain in Lake Mead will be reported in a section of the annual water order entitled, "Farm Conversion Rebate Program."

4.4.1 The actual amount of water conserved in any year for the Farm Conversion Rebate Program will be determined by comparing the information provided by

CVWD in Section 5.3.4 herein, which is the historical amount of water delivered to each field in each of the 5 years prior to enrollment in the Farm Conversion Rebate Program, with the information provided by CVWD in Section 5.3.5 herein, which is the monthly and annual amount of water delivered to each field beginning in the month each drip irrigation system begins operation.

4.4.2 In the initial year of the Farm Conversion Rebate Program, where the drip irrigation system conversions will likely have been in place for less than a year, CVWD and Reclamation agree that 50 percent of the amount of water conserved pursuant to Section 4.4.1 herein shall be made available as System Conservation Water and 50 percent shall be available to CVWD to address the existing overdraft in the Whitewater River Basin.

4.4.3 Except for the initial year of the Farm Conversion Rebate Program, and in the circumstance where at least 650 acres are enrolled in the Farm Conversion Rebate Program, the Parties agree that the first 1,000 acre-feet of water conserved each year shall be made available as System Conservation Water under this SCIA.

4.4.4 If less than 650 acres of land are enrolled in the Farm Conversion Rebate Program, CVWD shall provide Reclamation with written notice of the acreage enrolled in the Farm Conversion Rebate Program and the Parties agree that the quantity of water made available by CVWD under the Farm Conversion Rebate Program shall be automatically adjusted by multiplying 5,000 acre-feet times a ratio with the numerator being the acreage enrolled in the Program and with the denominator being 667 acres. Reclamation shall provide CVWD with written notice of any adjustment occurring under this section. As an example, if 600.3 acres are enrolled in the Farm Conversion Rebate Program, (1) the quantity of water to be made available by CVWD for the Pilot Program shall be reduced from 5,000 acre-feet to 4,500 acre-feet ( $600.3/667$  times 5,000 acre-feet), (2) the 1,000 acre-foot commitment by CVWD in Section 4.4.3 herein, shall be proportionately reduced (in this case from 1,000 acre-feet to 900 acre-feet), and (3) the amount of funding made available to CVWD pursuant to Section 7.4 herein, shall be reduced from \$1,000,500 to \$900,450 (\$1,500 rebate per acre times 600.3 acres).

4.4.5 Notwithstanding Sections 4.4.3 and 4.4.4 herein, CVWD may at its option and upon notification to Reclamation, contribute in any year more than 1,000 acre-feet of System Conservation Water, as such quantity may be adjusted.

4.5 The Pilot Project will remain in effect until the 5,000 acre-feet of System Conservation Water, as such quantity may be adjusted pursuant to Section 4.4.4 herein, is created and conserved in Lake Mead. Once such quantity has been created and conserved in Lake Mead, CVWD is no longer obligated by this SCIA to create System Conservation Water pursuant to this SCIA and this SCIA will terminate in accordance with Section 9 herein.

4.6 Each drip irrigation system constructed under the Pilot Program will become the property of the entity(ies) specified in the CVWD-participant agreements.

5. MONITORING

5.1 Pursuant to Section 5.3 of the Funding Agreement, as amended, Reclamation is required to verify and document reductions in consumptive use of Colorado River water under

the Pilot Program.

5.2 CVWD will submit a Measuring, Monitoring and Reporting Plan (“Plan”) within 30 days after execution of this SCIA. The Plan will be implemented to quantify the actual water savings obtained by the Farm Conversion Rebate Program and to use this information to advise future drip conversion projects.

5.3 Consistent with the Plan, CVWD will provide to Reclamation, at least annually, a data report (“Report”) to include:

- 5.3.1 a map showing the fields enrolled in the program.
- 5.3.2 a unique field identification number for each participating field.
- 5.3.3 the acreage of each field (updated as required).
- 5.3.4 the historical amount of water delivered to each field in each of the 5 years prior to participant enrollment in the program.
- 5.3.5 the monthly amount of water delivered to each field beginning in the month each drip irrigation system begins operation, through the duration of the Pilot Program.

5.4 To ensure the privacy of the participants, the data included in the Report will be presented in a blind data set format.

5.5 Within 30 days after the execution of this SCIA, CVWD and Reclamation will establish a regular schedule to review the Farm Conversion Rebate Program’s progress at a frequency of at least one consultation meeting during each year of the Farm Conversion Rebate Program.

5.6 By entering into this SCIA, CVWD grants access to Reclamation, or will provide for such access through the CVWD-participant agreement, to perform periodic on-site inspections of Pilot Project fields to verify compliance with this SCIA.

5.7 CVWD will develop application specifications for drip irrigation system construction pursuant to CVWD’s Farm Conversion Rebate Program and will provide a copy of these specifications to Reclamation and each participant. CVWD will verify that all equipment required to drip-irrigate the fields converted by participants has been installed in accordance with those specifications and is in proper working condition. CVWD will measure or cause to be measured the amount of water delivered to each field converted consistent with Section 5.3 herein.

5.8 Reclamation will use its existing Colorado River water order approval process to ensure that the water conserved for this Pilot Project is not ordered by CVWD. Reclamation will use its existing Colorado River Accounting and Water Use reporting process in conjunction with its Inadvertent Overrun and Payback Policy to ensure that the water conserved by this Pilot Project was not used by CVWD, MWD, IID, or PVID and that CVWD’s unused entitlement is not accounted as System Conservation Water.

## 6. EVALUATION

6.1 Reclamation's annual *Colorado River Accounting and Water Use Report - Arizona, California, and Nevada* ("Water Accounting Report") will document the amount of System Conservation Water created by CVWD.

6.2 Reclamation and CVWD agree that the System Conservation Water created pursuant to this SCIA shall accrue to the benefit of the Colorado River System and shall not accrue to the individual benefit of any Funding Agreement Party, CVWD, or any third party.

## 7. COMPENSATION AND PAYMENTS

7.1 Compensation for System Conservation Water created under this SCIA shall be paid by Reclamation from the amounts contributed by non-Federal Funding Agreement Parties.

7.2 As required by Section 5.3 of the Funding Agreement, as amended, prior to entering into this SCIA, the Funding Agreement Parties entered into Project Funding Agreement No. 15-XX-30-W0592, a copy of which is Exhibit B.

7.3 The total Pilot Project cost is not to exceed \$1,000,500. CVWD will provide Reclamation with quarterly invoices, within 60 days after the end of each fiscal quarter of CVWD, that include a map, the number of applications received, the monthly and cumulative number of acres enrolled (contracted), the CVWD-participant agreements executed, and the number of acres for which the conversion has been implemented, and photographs of each drip irrigation system constructed during the fiscal quarter.

7.4 Subject to the \$1,000,500 funding limitation, CVWD will be reimbursed on a quarterly basis at a rate of \$1,500 per acre, converted from furrow/flood irrigation to drip irrigation, or the actual cost of the conversion, whichever is less. Payment amounts will be based on the number of acres on which conversions from furrow/flood irrigation to drip irrigation have been implemented and verified, as reflected in the quarterly reports. CVWD will send documentation of acreage converted to drip irrigation to Reclamation along with its invoice requesting payment from Reclamation for Farm Conversion Rebate Program participant(s) that have completed conversion to drip irrigation.

## 8. GENERAL TERMS

8.1 CVWD agrees to remain in compliance with applicable Federal, State, and local environmental, cultural, and paleontological resource protection laws and regulations throughout the term of this SCIA.

8.2 Reclamation shall be responsible to obtain any further consents or forbearances required to ensure that System Conservation Water created by CVWD remains in Lake Mead and does not inure to the benefit of any individual Entitlement Holder.

8.3 The System Conservation Water created by CVWD under this SCIA will not be charged against CVWD's use of Colorado River water or charged as a use of California's Colorado River apportionment.

8.4 Except as otherwise provided in this SCIA, CVWD 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 creation of System Conservation Water under this SCIA. 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.

8.5 None of the provisions of this SCIA shall be considered waived, except when such waiver is given in writing. The failure of a Party to this SCIA to insist in any one or more instances upon strict performance of any of the provisions, or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or that Party's relinquishment of any such rights for the future, but such provisions and rights shall continue and remain in full force and effect.

8.6 This SCIA is not intended nor shall it be construed to create any third-party beneficiary rights to enforce the terms of this SCIA in any person or entity that is not a party, other than CAWCD, MWD, DW, and SNWA. CAWCD, MWD, DW, and SNWA are expressly designated as third-party beneficiaries to this SCIA.

8.7 The Parties do not intend that any right or remedy given to a Party on the breach of any provision under this SCIA be exclusive; each such right or remedy is cumulative and in addition to any other remedy provided in this SCIA or otherwise available at law or in equity. If the non-breaching Party fails to exercise or delays in exercising any such right or remedy, the non-breaching Party does not thereby waive that right or remedy. In addition, no single or partial exercise of any right, power or privilege precludes any other or further exercise of a right, power or privilege granted by this SCIA or otherwise.

8.8 Each Party to this SCIA represents that the person executing on behalf of such Party has full power and authority to do so, and that his/her signature is legally sufficient to bind the Party on whose behalf he/she is signing.

8.9 This SCIA constitutes a valid and binding agreement of each Party, enforceable against each Party in accordance with its terms. This SCIA is and will be binding upon and will inure to the benefit of the Parties and, upon dissolution, the legal successors and assigns of their assets and liabilities.

8.10 This SCIA may be supplemented, amended, or modified only by the written agreement of the Parties. No supplement, amendment, or modification will be binding unless it is in writing and signed by the Parties.

8.11 Any notice, demand, or request shall be deemed properly served, given, or made if delivered in person; sent by registered or certified mail, postage prepaid; or overnight delivery, charges prepaid or charged to the sender's account to the persons in the positions executing this SCIA.

8.12 All information and data obtained or developed with the performance of duties mentioned in this SCIA shall be available upon request to a Party, subject to the provisions of the Freedom of Information Act or other applicable law. However, use of said reports, data and information shall appropriately reference the source for the respective documents.

8.13 The expenditure or advance of any money or the performance of any obligation by the United States under this SCIA shall be contingent upon the appropriation or allotment of funds. No monetary liability shall accrue to the United States in case funds are not appropriated or allocated or received from the Funding Agreement Parties as provided in Project Funding Agreement No. 15-XX-30-W0592.

8.14 No member of or Delegate to Congress, Resident Commissioner, or official of CVWD shall benefit from this SCIA other than as a water user or landowner in the same manner as other water users or landowners.

8.15 This SCIA is entered into under the Reclamation Act of 1902 as supplemented and amended and, in particular, the Boulder Canyon Project Act (45 Stat. 1057), the Colorado River Basin Salinity Control Act (88 Stat. 266), as amended, and consistent with Section 206 of Title II of Division D of the Consolidated and Further Continuing Appropriations Act, 2015 (Public Law 113-235) constitutes a pilot project designed to increase Colorado River System water in Lake Mead to address the effects of historic drought conditions. Nothing in this SCIA diminishes or abrogates the authority of the Secretary of the Interior under applicable Federal law, regulations, or the Consolidated Decree of the Supreme Court of the United States in the case of *Arizona v. California, et al.*, entered March 27, 2006, (547 U.S. 150 (2006)), or as it may be further modified. This SCIA is subject to and controlled by the Colorado River Compact. This SCIA shall not be deemed to be a new or amended contract for the purpose of Section 203(a) of the Reclamation Reform Act of 1982 (Public Law 97-293, 93 Stat. 1263).

8.16 In the event that any dispute arises regarding this SCIA, Reclamation and CVWD agree to meet and attempt to resolve the dispute before seeking any remedy.


9. EFFECTIVE DATE

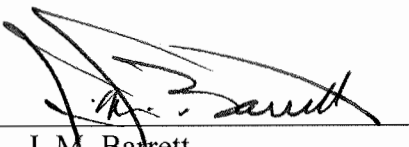
9.1 This SCIA shall become effective upon the date of its execution by both Parties. Once effective, this SCIA will remain in effect until all terms and conditions are satisfied and Reclamation provides a notice of termination letter to CVWD.

9.2 The Parties hereto have executed this SCIA on the day and year first written above.

Approved as to form:

**COACHELLA VALLEY WATER  
DISTRICT**


By:   
Steven B. Abbott  
Attorney


By:   
J. M. Barrett  
General Manager  
Coachella Valley Water District

*Signatures continued on next page.*

Approved as to form:

**UNITED STATES OF AMERICA**

By:   
Robert Snow, Esq.  
Attorney-Advisor

By:   
Terrance J. Fulp, Ph.D.  
Regional Director  
Lower Colorado Region  
Bureau of Reclamation

**EXHIBIT A**

1. A copy of Coachella Valley Water District's Pilot Program proposal for the Farm Conversion Rebate Program dated June 5, 2015, is attached.



Established in 1918 as a public agency  
**Coachella Valley Water District**

**Directors:**

John P. Powell, Jr., President - Div. 3  
Peter Nelson, Vice President - Div. 4  
G. Patrick O'Dowd - Div. 1  
Ed Pack - Div. 2  
Cástulo R. Estrada - Div. 5

June 5, 2015

**Officers:**

Jim Barrett, General Manager  
Julia Fernandez, Board Secretary

Best Best & Krieger LLP, Attorneys

File No.: 0645.6

Steven C. Hvinden  
Chief, Boulder Canyon Operations Office  
Bureau of Reclamation  
Lower Colorado Regional Office  
P.O. Box 61470  
Boulder City, NV 89006-1470

Dear Mr. Hvinden:

**Subject: Pilot System Water Conservation Program (Pilot Program)**

The Coachella Valley Water District (CVWD) is pleased to submit two final proposals for the subject Pilot Program.

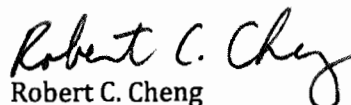
The CVWD Farm Conversion Rebate Program Proposal consists of a \$1 million flood-to-drip conversion program which will yield 5,000 afy of Colorado River system storage over the next five years.

The CVWD Golf Turf Rebate Program Proposal consists of a \$1.5 million turf removal program which will also yield 5,000 afy of Colorado River system storage over the next five years.

Both proposals are enclosed, and have been reviewed and approved by the CVWD Board of Directors. If Reclamation is in agreement with the proposals, CVWD requests an implementation agreement between our two agencies in order to initiate both programs.

If you have questions or need additional information, please call me at 760.398.2651, ext. 2263 or Patti Reyes at ext. 2270. We look forward to working with Reclamation on the successful implementation of these two programs.

Sincerely,

  
Robert C. Cheng  
Assistant General Manager

## **CVWD Farm Conversion Rebate Program Proposal**

The Coachella Valley Water District (CVWD) is pleased to submit a Furrow/Flood to Drip Conversion Rebate Program Proposal (Farm Conversion Rebate Program) in compliance with the US Bureau of Reclamation's (USBR) Pilot System Water Conservation Program. CVWD will immediately begin soliciting furrow/flood to drip conversion rebate applications contingent on USBR's agreement with proposal terms and conditions and the successful execution of an agreement. It is anticipated that this program will convert 667 acres of farm land from furrow/flood irrigation to drip irrigation.

### **Proposal:**

CVWD is requesting that USBR funds a \$1 million (m) Farm Conversion Rebate Program for CVWD's agricultural customers to convert approximately 667 acres of dates and other trees from furrow/flood to drip irrigation (estimated to conserved approximately 2,000 acre feet per year (afy). For the first five years, 50% (1,000 afy) of the conserved water would be left in Lake Mead, resulting in 5,000 af total that remains as Colorado River system water. It is estimated that the unit cost of this water is approximately \$1 m/5,000 af= \$200/af.

The remaining 50% of the conserved water would accrue to CVWD, and will aid to improve the overdraft status in the Whitewater River Basin that underlies CVWD's Improvement District No. 1. CVWD would contribute the labor for managing, implementing and monitoring the program, and would bear the financial impacts of reduced water sales; the value of CVWD's contribution is estimated to be approximately \$500,000 over five years (\$400,000 in lost water sales plus \$20,000 per year in managing, implementing and monitoring).

This Pilot Program would pay for implementation of a project that CVWD has otherwise been unable to fund. The overall benefit to CVWD for participating in a Farm Conversion Rebate Program is the ability to immediately implement an important program that will permanently create an additional local water supply of 2,000 afy (minus Lake Mead Storage) to meet local water demands without increasing overdraft in the Whitewater River Basin, which underlies CVWD's Improvement District No. 1.

### **Schedule:**

A call for rebate applications would be distributed within 30 days of completion of an agreement between CVWD and the USBR, and would remain in effect until the \$1 m in program funds are completely expended, at a rate of \$1,500/ac. CVWD would strive to complete the Farm Conversion Rebate Program by December 2016. CVWD will use its best effort to secure 667 acres of participation, which is the estimated average amount of conversion necessary to save 2,000 afy of water per year.

Assuming that the full 667 acres of participation occurs, CVWD would leave a total of 1,000 afy of water in Lake Mead in years 2016 through 2020, which will be documented by reducing CVWD's full allocation by 1,000 af in each of those years. If, for any reason, CVWD is able to conserve more water over a shorter time period, CVWD may request approval from the USBR to do so with the guarantee that CVWD will continue to quantify and verify the actual annual program water savings for Reclamation's review to ensure not only that the total storage volume of 5,000 af is conserved, but that the total

project water savings of 2,000 afy is achieved and verified. If CVWD is not successful in securing a full level of participation to meet this goal, in consultation with Reclamation, CVWD will either 1) proportionally reduce the amount of conserved water in Lake Mead for five years, or 2) increase the duration of the program to meet the 5,000 af obligation.

### **Background**

According to the 2014 Draft CVWD Crop Summary, approximately 10,500 acres were flood irrigated in the Coachella Valley in 2014, with approximately 7,000 acres of dates and other trees being flood-irrigated. Flood irrigation of dates consumes about 10 afy per acre, and it is estimated that drip irrigation would require only about 7 afy, resulting in a 3 afy per acre savings.

A study of drip irrigation of date palms with lower water use is in the early stages in the Coachella Valley. A local grower (Kohl Ranch), studying date production in Israel, discovered the work of Moshe Kirat on drip irrigation of date palms using deficit irrigation. Mr. Kirat was hired to introduce this practice in the United States. CVWD has been invited to participate in the study and would propose to have USBR participate as well.

The estimated construction cost of converting from furrow/flood irrigation to drip irrigation is approximately \$2,000/ac. The estimated annual cost savings due to reduced water use is about \$120/ac, assuming a \$40/af water cost (\$600/ac savings over 5 years of the program). The net conversion cost after considering water savings over a 5-year period is \$1,400/ac. Because drip irrigation systems may require more maintenance than furrow/flood irrigation systems, an additional \$100/ac has been included to cover O&M, which results in a net conversion cost of \$1,500/ac. The \$40 water cost was estimated based on the current CVWD canal water rates with a representative mark-up to account for gate charges.

CVWD is aware of at least two larger date farming operations that are currently evaluating the cost to convert from furrow/flood to drip, and CVWD requests that rebate eligibility extend to any projects completed after July 1, 2015.

### **Verification**

CVWD is committed to implementing a measuring, monitoring and reporting program that verifies the actual water savings obtained by the Farm Conversion Rebate Program. CVWD will share the rebate applications with Reclamation and will provide mapping and field survey results to verify the actual turf acreage removed. CVWD will provide general specifications to applicants for any installed drip system equipment, inspect the installation, and verify and document its quality. For each applicant, CVWD will establish baseline consumption based on the 5 most recent years of reported water use before modifications made as a result of this project. CVWD will then compare the post-project water use to the baseline water use to ensure that a total average water savings of 3 af/ac is achieved. Deliverables for this verification step will include site map and survey results, materials approval reports, Final inspection reports, and baseline and post-project water use reporting. CVWD and Reclamation will establish a regular schedule to review the program's progress, at a frequency of at least one consultation meeting during each year of the program. CVWD will grant access to Reclamation to

perform periodic on-site inspections of the Pilot Program project to verify implementation of conservation measures outlined in this proposal.

**EXHIBIT B**

1. A copy of Project Funding Agreement No. 15-XX-30-W0592 is attached.



# United States Department of the Interior

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

IN REPLY REFER TO:

LC-4405  
WTR-4.00

**DEC 31 2015**

VIA OVERNIGHT MAIL

Project Funding Agreement No. 15-XX-30-W0592

Mr. Jeffrey Kightlinger  
General Manager  
Metropolitan Water District of  
Southern California  
700 North Alameda Street  
Los Angeles, CA 90012

Mr. Jim Lochhead  
CEO/Manager  
Denver Water  
1600 West 12<sup>th</sup> Avenue  
Denver, CO 80204

Mr. Theodore C. Cooke  
Interim General Manager  
Central Arizona Water Conservation District  
23636 North 7<sup>th</sup> Street  
Phoenix, AZ 85024

Mr. John Entsminger  
General Manager  
Southern Nevada Water Authority  
1001 South Valley View Blvd., MS 480  
Las Vegas, NV 89153

Subject: Project Specific Funding Agreement Required by Agreement No. 14-XX-30-W0574, Dated July 30, 2014, as Amended (2014 Funding Agreement), Among the United States, the Central Arizona Water Conservation District (CAWCD), The Metropolitan Water District of Southern California (MWD), the City and County of Denver, Acting by and Through its Board of Water Commissioners (DW), and the Southern Nevada Water Authority (SNWA) (Collectively, the Funding Agreement Parties)

Dear Gentlemen:

The Coachella Valley Water District (CVWD) provided a proposal to implement a pilot system water conservation program created by the 2014 Funding Agreement (Pilot Program). CVWD's proposal was approved by the Funding Agreement Parties to be part of the Pilot Program, subject to successful negotiation and execution of a System Conservation Implementation Agreement (SCIA). CVWD proposes to establish a Furrow/Flood to Drip Conversion Rebate Program to convert approximately 667 acres of farmland within CVWD from furrow/flood irrigation to drip irrigation. CVWD proposes to dedicate half of the annual amount of reduced water use to create System Conservation Water (estimated to be 1,000 acre-feet per year) beginning in 2016 through 2020, thus creating an estimated 5,000 acre-feet of System Conservation Water for the Pilot Program at a cost of not to exceed \$1,000,500 or \$200.10 per acre-foot.

The Bureau of Reclamation (Reclamation) and CVWD, pursuant to Sections 4.11 and 5.3 of the 2014 Funding Agreement, will enter into a SCIA relating to CVWD's proposal upon approval by

the Funding Agreement Parties of a project specific funding agreement providing for, among other things, the timing of the Funding Agreement Parties' contributions, and project specific performance metrics. This letter serves as the project specific funding agreement (Project Funding Agreement).

The Funding Agreement Parties agree as follows:

1. Project Costs: The total cost for water conserved during this Pilot Project is not to exceed \$1,000,500.
2. Contributions – For Water Conserved During This Pilot Project: The contributions to be made by the Funding Agreement Parties under this Project Funding Agreement for water conserved by CVWD during this Pilot Project will be as follows:

<u>Water Conservation</u>					
Invoice	Reclamation's Contributions	CAWCD, MWD, DW, and SNWA Contributions			
		CAWCD	MWD	DW	SNWA
Invoice – Total by Entity	\$0	\$328,499	\$328,501	\$15,000	\$328,500
<i>Total Amount: \$1,000,500</i>					

3. Invoicing:
  - 3.1 Reclamation will invoice CAWCD, MWD, DW, and SNWA for their contributions at least 45 days after the SCIA is entered into between Reclamation and CVWD.
  - 3.2 Reclamation will retain the funds provided until a payment is due to CVWD in accordance with the SCIA entered into between Reclamation and CVWD. Reclamation will notify CAWCD, MWD, DW, and SNWA when a payment is made by Reclamation to CVWD.
  - 3.3 Invoices must be paid within 30 days of the date of the invoice.
4. Payments to Reclamation: CAWCD, MWD, DW, and SNWA will submit their contributed shares to Reclamation using the payment options listed on the invoice.
5. Payments to CVWD: Payments from Reclamation to CVWD will be made in accordance with the SCIA entered into between Reclamation and CVWD.
6. Performance Metrics: Project Specific Performance Metrics are set forth in Sections 3, 4, 5, and 6 of the SCIA entered into between Reclamation and CVWD.
7. Approval of Form of SCIA: Consistent with the goal set forth in Section 5.6 of the 2014 Funding Agreement, the Funding Agreement Parties' execution of this Project Funding

Agreement also provides their approval of the form of the SCIA entered into between Reclamation and CVWD.

8. Effective Date: This Project Funding Agreement will be effective upon the date of execution of the SCIA entered into between Reclamation and CVWD.

CAWCD, MWD, DW, SNWA agree to the provisions of this Project Funding Agreement and their formal concurrence with this Project Funding Agreement is evidenced by their signatures below, as provided herein. Reclamation's signature on this Project Funding Agreement provides its formal concurrence, subject to the execution of this Project Funding Agreement by CAWCD, MWD, DW, and SNWA. This Project Funding Agreement may be signed in counterparts, each of which shall be an original and all of which, together, shall constitute only one Project Funding Agreement.

If you agree with the terms of this Project Funding Agreement, please sign as indicated below and return it to Reclamation. Reclamation will then forward to each party a fully executed original of the Project Funding Agreement.


If you have questions, please contact Mr. Steven C. Hvinden, Chief, Boulder Canyon Operations Office, at 702-293-8414.

Sincerely,



Terrance J. Fulp, Ph.D.  
Regional Director

Approved as to legal sufficiency:


By:   
Robert Snow, Esq.  
Its: Attorney-Advisor

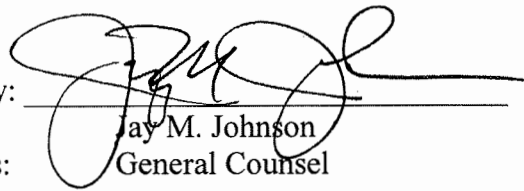
In Quintuple

*Signatures continued on next page.*

CAWCD:

Approved as to form:

By:   
Theodore C. Cooke  
Its: Interim General Manager

By:   
Jay M. Johnson  
Its: General Counsel

MWD:

Approved as to form:

By: \_\_\_\_\_  
Jeffrey Kightlinger  
Its: General Manager

By: \_\_\_\_\_  
Marcia L. Scully  
Its: General Counsel

CITY AND COUNTY OF DENVER,  
acting by and through its BOARD OF  
WATER COMMISSIONERS:

Approved as to form:

By: \_\_\_\_\_  
James S. Lochhead  
Its: CEO/Manager

By: \_\_\_\_\_  
Its: Legal Division

SNWA:

Approved as to form:

By: \_\_\_\_\_  
John Entsminger  
Its: General Manager

By: \_\_\_\_\_  
Gregory J. Walch, Esq.  
Its: General Counsel

CAWCD:


Approved as to form:

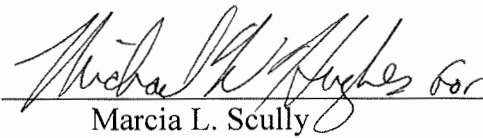
By: \_\_\_\_\_  
Theodore C. Cooke  
Its: Interim General Manager

By: \_\_\_\_\_  
Jay M. Johnson  
Its: General Counsel

MWD:

Approved as to form:

By:  \_\_\_\_\_  
Jeffrey Rightlinger  
Its: General Manager

By:  \_\_\_\_\_  
Marcia L. Scully  
Its: General Counsel

CITY AND COUNTY OF DENVER,  
acting by and through its BOARD OF  
WATER COMMISSIONERS:

Approved as to form:

By: \_\_\_\_\_  
James S. Lochhead  
Its: CEO/Manager

By: \_\_\_\_\_  
Its: Legal Division

SNWA:

Approved as to form:

By: \_\_\_\_\_  
John Entsminger  
Its: General Manager

By: \_\_\_\_\_  
Gregory J. Walch, Esq.  
Its: General Counsel

CAWCD:

Approved as to form:

By: \_\_\_\_\_  
Theodore C. Cooke  
Its: Interim General Manager

By: \_\_\_\_\_  
Jay M. Johnson  
Its: General Counsel

MWD:


Approved as to form:

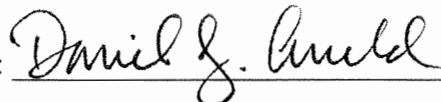
By: \_\_\_\_\_  
Jeffrey Kightlinger  
Its: General Manager

By: \_\_\_\_\_  
Marcia L. Scully  
Its: General Counsel

CITY AND COUNTY OF DENVER,  
acting by and through its BOARD OF  
WATER COMMISSIONERS:

Approved as to form:

By:  \_\_\_\_\_  
James S. Lochhead  
Its: CEO/Manager

By:  \_\_\_\_\_  
Its: Legal Division

SNWA:

Approved as to form:

By: \_\_\_\_\_  
John Entsminger  
Its: General Manager

By: \_\_\_\_\_  
Gregory J. Walch, Esq.  
Its: General Counsel

CAWCD:

Approved as to form:

By: \_\_\_\_\_  
Theodore C. Cooke  
Its: Interim General Manager

By: \_\_\_\_\_  
Jay M. Johnson  
Its: General Counsel

MWD:

Approved as to form:

By: \_\_\_\_\_  
Jeffrey Kightlinger  
Its: General Manager

By: \_\_\_\_\_  
Marcia L. Scully  
Its: General Counsel

CITY AND COUNTY OF DENVER,  
acting by and through its BOARD OF  
WATER COMMISSIONERS:


Approved as to form:


By: \_\_\_\_\_  
James S. Lochhead  
Its: CEO/Manager

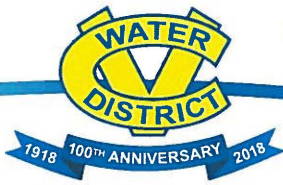
By: \_\_\_\_\_  
Its: Legal Division

SNWA:

Approved as to form:

By:   
John Entsminger  
Its: General Manager

By:   
Gregory J. Walch, Esq.  
Its: General Counsel



# COACHELLA VALLEY WATER DISTRICT

*Established in 1918 as a public agency*

GENERAL MANAGER  
Jim Barrett

ASSISTANT GENERAL MANAGER  
Robert Cheng

June 7, 2018

Steven C. Hvinden  
Chief, Boulder Canyon Operations Office  
U.S. Bureau of Reclamation  
Lower Colorado Regional Office  
P.O. Box 61470  
Boulder City, NV 89006-1470

Dear Mr. Hvinden:

Subject: System Conservation Implementation Agreement No. 15-XX-30-W0593, dated January 11, 2016 (SCIA)

This letter summarizes the Coachella Valley Water District's (CVWD) Flood to Drip Agricultural Pilot Rebate Program (Rebate Program). The SCIA provided not to exceed \$1,000,500 in funding to assist CVWD with creation of system conservation efforts in Lake Mead.

In September 2016, CVWD began the implementation of the Rebate Program. Eligible participants could receive rebates up to \$1,500 per acre with a maximum of 667 acres of agricultural lands converted from flood to drip irrigation. According to the CVWD Pilot System Conservation Program Proposal dated June 5, 2015, CVWD anticipated that the annual conservation yield for each conversion would be 3 acre-feet per acre (af/a). In the SCIA, CVWD and the Bureau of Reclamation (Reclamation) agreed that 1.5 af/a of the 3 af/a would be stored in Lake Mead for a period of 5 years, with the allowance that CVWD may, at its option, contribute more than 1.5 af/a of water in Lake Mead each year.

Originally, CVWD received five applications. Three of the original applicants decided not to participate in the Rebate Program due to the additional implementation costs not covered by the Rebate Program. Implementation barriers mentioned in our quarterly reports include reservoir costs, additional equipment, connection costs, land use, and power. Through additional community outreach, we received one additional interested applicant that wanted to participate but needed additional time. In January of 2018, CVWD and Reclamation agreed to terminate this Rebate Program once our last applicant completed their conversion. CVWD submitted an invoice to Reclamation for the last applicant's conversion on Friday, May 18, 2018.



Steven C. Hvinden  
Chief, Boulder Canyon Operations Office  
U.S. Bureau of Reclamation  
June 7, 2018  
Page 2

Since the Rebate Program's inception (as part of its annual Colorado River water orders), CVWD has exercised its option to contribute 100 percent of the Flood to Drip Agricultural Pilot Rebate Program's water savings to Lake Mead rather than the required 1.5 af/a. As agreed to with Reclamation on April 24, 2018, the final contribution of water savings is to be completed in CVWD's 2019 Colorado River water order, therefore fulfilling CVWD's obligation prior to the stipulated 5-year timeline, and completing the Rebate Program under the terms of the SCIA.

In 2016, CVWD's Colorado River water order included a 21 af reduction for the first completed conversion. In 2017, CVWD's water order included a reduction of 152 af for the second completed conversion. To reflect savings for the third and final conversion, CVWD's 2018 water orders will be adjusted to include a 196 af reduction. The remaining 163 af obligation will be left in Lake Mead through an equivalent reduction in CVWD's 2019 Colorado River water order.

Sincerely,



J. M. Barrett  
General Manager

KE/Comm&Constrv/2018/060718USBRLtr-SCIA

Letter to Steven C. Hvinden, Chief, Boulder Canyon Operations Office, U.S. Bureau of Reclamation dated June 7, 2018, regarding System Conservation Implementation Agreement No. 15-XX-30-W0593, dated January 11, 2016 (SCIA).

ec: Robert Cheng  
Katie Evans  
Ty Mull  
Ivory Reyburn  
Jenna Shimmin

KE/Comm&Constrv/2018/060718USBRLtr-SCIA