



CAWCD BOARD POLICY
Approved by the CAWCD Board
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Supplemental Policy for Marketing of Excess Water for Non-Indian Agricultural Use 2004 through 2030

BACKGROUND

The CAWCD Policy for Marketing of Excess Water for Non-Indian Agricultural Use - 2004 through 2030 was adopted by the CAP Board on May 18, 2000. Item D of the Policy states: "A program for determining the allocation of the NIA Pool among eligible users and for determining the eligibility to participate as a groundwater savings facility will be established." This policy is intended to complete those actions identified in Item D of the existing Policy. The accompanying report entitled Program for Allocation of the Ag Pool and Associated Conditions for Participation as a Groundwater Savings Facility provides additional background concerning the issues and process leading the development of this Policy.

POLICY

Ag Pool

- One single ag pool of 400,000 acre-feet (declining to 225,000 acre-feet over time and ending in 2030)
 - Ag users that do not wish to participate will not be required to do so
 - In any year, water will be offered to pool participants in accordance with the allocation process discussed in the attached Program
 - Any water not scheduled by a pool participant will be re-offered in the following order:
 - To other pool participants in the same AMA
 - To all other pool participants

Groundwater Savings Facility Eligibility

- ADWR's initial review has determined that the CAP ag pool would be a reasonably available alternative source of water for GSF permit holders, therefore, no credit would be available for water stored at CAP GSFs unless and until the ag pool water offered to the GSF permit holder has been scheduled for delivery to that irrigation district (ag pool scheduled deliveries may consist of Colorado River water or water recovered by or for CAWCD pursuant to banking an exchange arrangement).

Incentive Recharge Water Availability

- The CAP Board will determine each year whether to offer incentive recharge water and, if so, how much water to offer in this category. If incentive recharge is made available and the purchaser intends to deliver such water to a GSF facility, priority for the water will first be offered to those purchasers who are using a GSF partner that is using the ag pool that was allocated to that ag entity.

Attachment: Program for Allocation of the Ag Pool and Associated Conditions for Participation as a Groundwater Savings Facility

Program for Allocation of the Ag Pool and Associated Conditions for Participation as a Groundwater Savings Facility

BACKGROUND/SUMMARY

After conducting several meetings in the summer and fall of 2002 with the interested Ag and M&I entities and conducting a Board work study session on September 19, 2002, the staff of CAWCD and ADWR believe we have developed a program that has consensus support. Several difficult issues were addressed. The primary issues were:

- 1) CAP and ADWR staff would like to see a reasonable amount of the Ag Pool used in the Phoenix and Tucson AMAs so that CAP water is used to replace groundwater pumping without any recharge credits earned.
- 2) Some Ag entities, primarily in the Phoenix and Tucson AMAs, would prefer not to use Ag Pool water and rely on Groundwater Savings Facility (GSF) partners as a lower cost supply of CAP water.
- 3) Some M&I entities, primarily in the Phoenix and Tucson AMAs, were concerned that their GSF partner would ask them to share in the cost of Ag Pool water thereby lowering the storage credits earned and raising the cost of each credit.
- 4) Some Ag entities, primarily in the Pinal AMA and the Harquahala INA, would like a larger allocation of Ag Pool water. Their current and historic use of CAP Ag Pool water is greater than the proposed allocation.

All of the interested parties support the general goals of 1) using CAP water to replace Ag groundwater pumping; 2) encouraging Ag use to support a significant component of interest free federal debt; 3) keeping Ag as a vital part of the central Arizona economy; and 4) using CAP water to help ensure full use of Arizona's entitlement of Colorado River water.

The financial analysis performed by most of the M&I entities to evaluate the impact of this program was based on the recent history of a plentiful supply of excess CAP water that CAP has made available at an "incentive" rate that is a partially subsidized incremental cost rate. CAP created this program to help ensure that all Colorado River water available to CAP that was not scheduled for direct use would be stored underground and available for future use. The Ag Pool Program, the incentive recharge pricing, the growth of the AWBA and growing needs for direct M&I use have increased CAP water use such that we are using all available water in these years of "normal" water supply. CAP staff believes that the justification for "incentive recharge" pricing for users other than those that are firming existing water allocations (the AWBA or CAGRDR replenishment reserve) will only continue for 1-3 years. In other words, we will not need a subsidized rate in order to have sufficient demand for all available Colorado River water. If the low cost "incentive" rate becomes unnecessary and unavailable due to competing demands for water, the anticipated financial conditions for earning recharge credits would not exist for the M&I entities in any case.

The Policy adopted in May 2000 included a proposed allocation of the Ag Pool. That proposal has been updated and modified. A draft table is included with this Program report. The Ag users in the Pinal AMA have a history of significant CAP water use and have a limited opportunity to participate as a GSF. The recommended initial allocation remains at 1.3 af/acre (reduced to 1.0 af/acre on October 28, 2010). The Ag users in the Phoenix AMA include those with a consistent history of CAP Ag pool use and some that have been occasional users of CAP Ag water and/or have used CAP water as a GSF partner. The Phoenix AMA Ag users have more opportunities to be a GSF than those in the Pinal AMA. Those users with consistent history Ag pool water use are given an initial allocation of

1.0 af/acre; the others are allocated .5af/acre. The Tucson AMA entities listed in the initial allocation are not currently eligible to receive Ag water due to the acreage limitation/ownership restriction of the Reclamation Reform Act (RRA). The GRIC Settlement Act is expected to exempt the CAP Ag users from RRA but that will not happen for 3 to 5 years. Consequently, the Tucson AMA allocation will be redistributed to others until conditions change.

As part of the formal process for relinquishment of their Ag subcontracts, some of the irrigation districts may allow individual landowners the option of retaining a portion of the subcontract water. We expect this percentage to be fairly small. However, if it does happen, that irrigation district would have the eligible acreage base used to determine their Ag Pool entitlement reduced by the amount of acres retaining an entitlement to the Ag subcontract water.

RECOMMENDATION

After carefully considering the input from interested M&I and Ag entities and from the Board work study session, staff from CAP and ADWR have developed a simplified proposal that 1) provides an initial allocation offer to all Ag users; 2) effectively assures all Ag Pool water will be used; and 3) recognizes ADWR's role in deciding if CAP Ag water is "reasonably available" to determine if GSF long-term storage credits should be granted.

Other documents supplemental to this Program report are the recommended policy and the suggested initial offer of an Ag Pool allocation to all Ag entities in the CAP service area who have used CAP Ag water and/or participated as a GSF (FICO, in the Tucson AMA, has not yet taken any CAP water). As you may note, the pool size shown is slightly over 400,000 af but we believe some of the estimates for eligible acres are too high. Staff would expect to fine-tune the allocation to match a total pool of 400,000 af.

See also Supplemental Policy for Marketing of Excess Water for NIA Use 2004 through 2030 Update 1 Approved October 28, 2010 and Supplemental Policy for Marketing of Excess Water for NIA Use 2004 through 2030 Update 1 Approved October 2, 2014