

Update on Wheeling of Non-Project Water Supplies

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October 18, 2012



YOUR WATER. YOUR FUTURE.

Goal

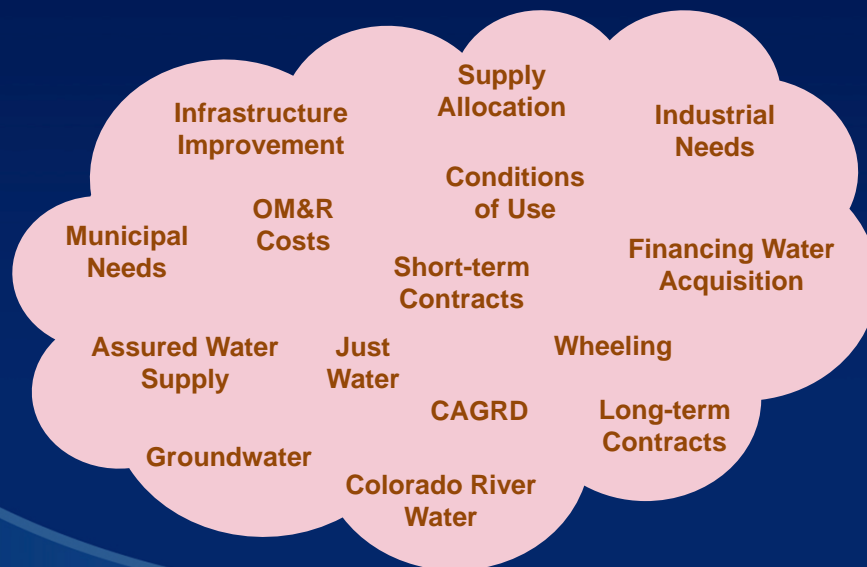
■ Desired State:

CAP is able to offer contracts for the long-term reliable delivery of Non-Project Water without interfering with Project Water deliveries.

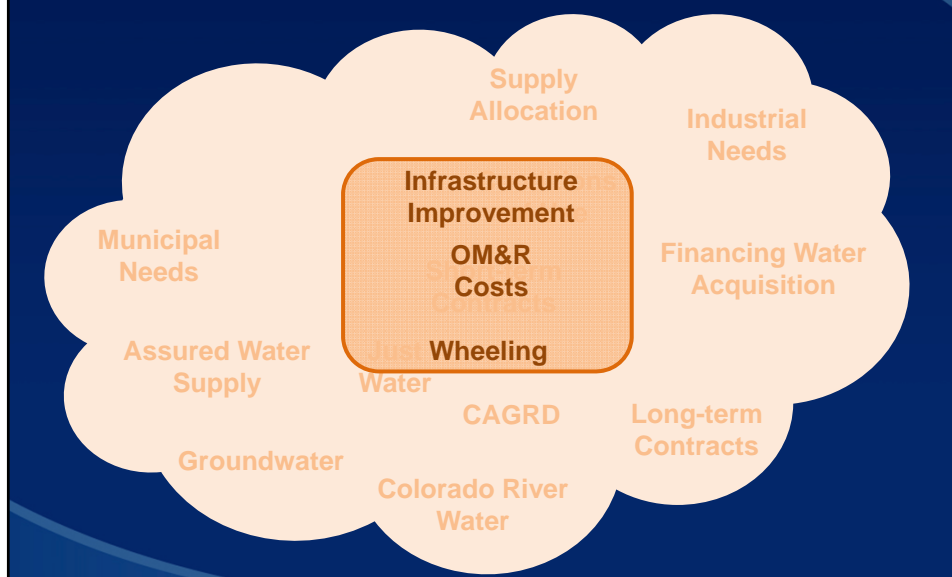
- **"Project Water"** – Colorado River water available to CAP, along with certain Agua Fria inflows captured in Lake Pleasant. Includes Contract, Subcontract and Excess CAP Water.
- **"Non-Project Water"** – Any water other than Project Water, including Colorado River water, imported groundwater or other supplies

Process

ADD Water

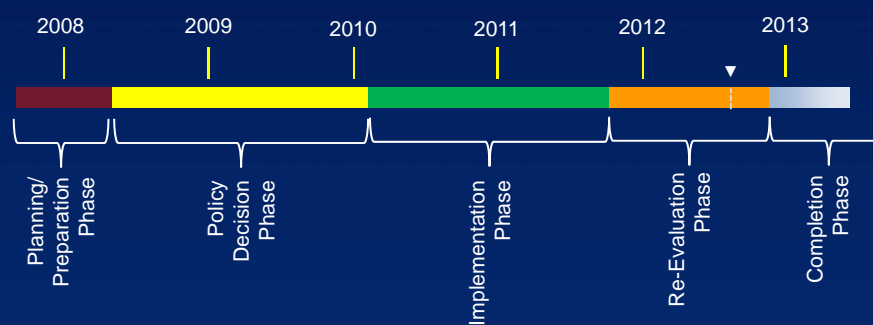


Focus on Wheeling

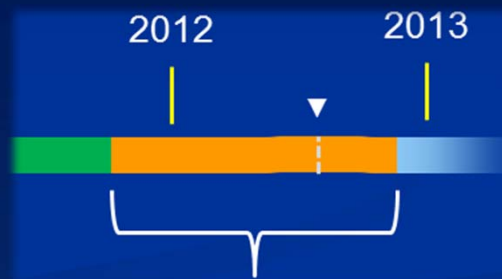


ADD Water Phases

■ Timeline



Re-Evaluation Phase

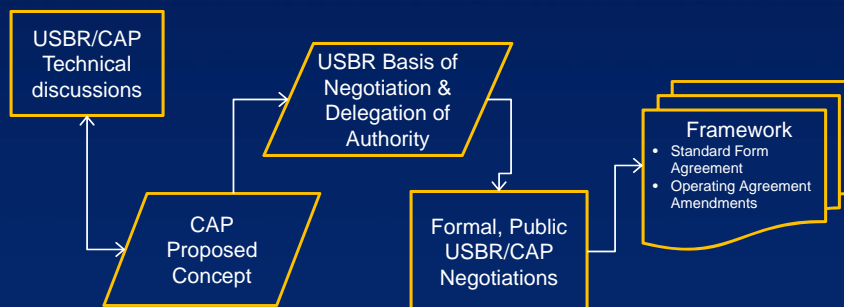


■ *Wheeling*

- Seek solutions that are legally, operationally and institutionally appropriate
- Begin with foundational agreements between CAP and Reclamation

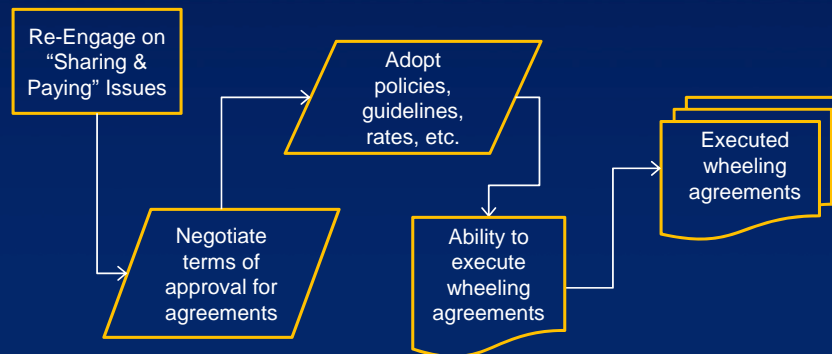
Wheeling Step 1

- “How will wheeling work within the owner/operator contractual framework?”



Wheeling Step 2

- “How will wheeling work from a policy, equity and cost basis?”



Wheeling Step 1a

Master Repayment Contract

- Contract between Reclamation and CAP
 - Executed in 1988 (superseded the 1972 Contract)
- Eleven articles covering wide range of issues, including construction, operation, delivery and payment
- Includes specific provisions related to wheeling
 - 8.17 — “Rights Reserved to the United States to Have Water Carried by Project Facilities”
 - 8.18 — “Wheeling Non-Project Water”
 - 8.19 — “Use of Project Power to Wheel Non-Project Water”

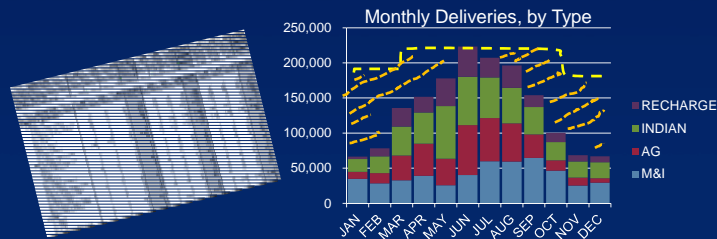
Initial Issues

- Definition of “availability of Project capacity” under 8.18
 - How can it be quantified?
 - What affects its magnitude?
- Federal rights to have water transported under 8.17
 - What is the nature and extent of those rights, and what is the relationship between 8.17 and 8.18?
- Additional capacity associated with system improvements
 - How can it be identified and quantified?
 - How does it relate to provisions of 8.17 and 8.18?

Concepts

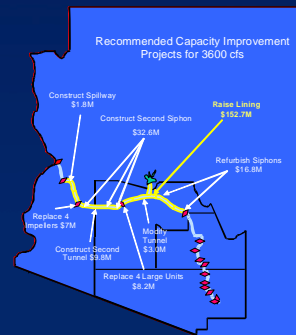
Annual Quantification

- The availability of existing capacity will be quantified on an annual basis
 - Technical process that will take into consideration Project Water supplies, customer orders and maintenance schedules
 - Could still be subject to intra-annual changes



System Improvements

- Infrastructure improvements will be made to the CAP system to increase delivery capacity
- Wheeling parties will pay for the improvements
- Reclamation will quantify the additional delivery capacity
- The quantified volume establishes the basis for non-Project supplies to be reliably delivered
 - e.g., 100 kAF of additional capacity would allow up to 100 kAF of non-interruptible contracts to be issued



Standard Form Agreement

- A water delivery contract template
 - Likely elements
 - Environmental Clearances
 - Points of Delivery and Measurement
 - Interruptions and Reductions
 - Water Quality
 - Losses
 - Scheduling
 - Administrative charges
 - OM&R charges
 - System Improvement fee
- Tied to a specific use, user and supply
- No reservation of capacity for individual contracts

Benefits

- New long-term water supplies can be brought into the service area
- Project Water is fully protected, as are long-term contract and subcontract holders
- Increased water deliveries lower the OM&R rates for all users
- System improvements offer greater operational flexibility

Challenges

Federal Rights Under 8.17

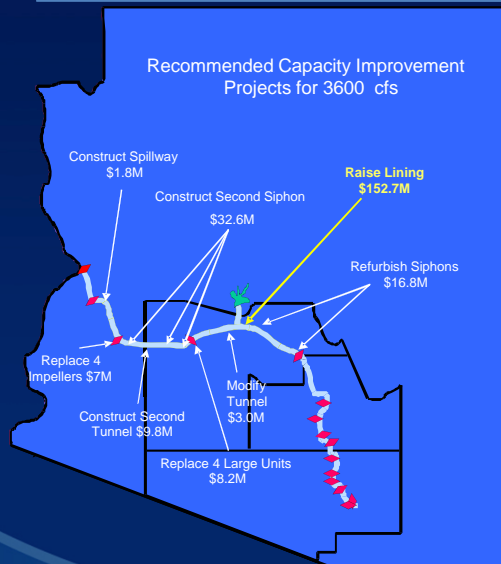
- **8.17 – “Rights Reserved to the United States to Have Water Carried by Project Facilities”**

- “As a condition to the construction of project facilities and the delivery of water hereunder, [CAP] agrees that all project facilities will be available for the diversion, transportation, and carriage of water for Indian and non-Indian uses pursuant to arrangements or contracts therefore entered into on their behalf with the Secretary.”
- The transfer of operating responsibilities to CAP was “...subject to the condition that [CAP] shall divert, transport, and carry such water for such uses pursuant to the provisions of the aforesaid arrangements or contracts.”

Addressing Federal Issues

- The Annual Quantification concept provides a method for determining available annual capacity for 8.17 wheeling
- The System Improvement Fee ensures that costs are borne exclusively by beneficiaries
- The System Improvement Quantification concept attempts to avoid interference with 8.17 by the creation of new capacity

System Improvements



- Capacity improvements can be made by completing smaller individual projects
- Not all projects need to be completed to begin realizing system capacity benefits
- Projects that increase seasonal peak capacity or maintenance capacity will add to the total annual capacity

Comments