

**Stakeholder Discussion  
About Draft CAP  
System Use  
Agreement**

**PROTECT  
LAKE MEAD**

**CAP**  
CENTRAL ARIZONA PROJECT

November 22, 2016

YOUR WATER. YOUR FUTURE.

## Agenda

- **Welcome and Introduction**—*Cooke/Smith (USBR)*
- **Overview of Draft CAP System Use Agreement**—*Seasholes*
- **Review Process and Follow-on Steps**—*Ticknor*
- **Open Discussion**—*All*

## System Flexibility

- There has been long-standing interest in using the CAP system in “non-traditional” ways
  - Wheeling additional supplies
  - Firming existing supplies
  - Exchanges of existing supplies
- What has been missing is an overall legal/contractual framework
- The prospect of shortage, and the DCP, adds extra relevance and urgency

## CAP/Reclamation Issues

- The CAP is a federal project, so any new system flexibility requires consideration of both Arizona and Reclamation law, plus a number of key agreements
  - Basin Project Act (1968)
  - Master Repayment Contract (1988)
  - Operating Agreement (2000)
  - Arizona Water Settlements Act (2004)
  - Repayment Stipulation (2007)
  - Tribal contracts and M&I subcontracts (various)

## CAP System Use Agreement

- CAP and Reclamation staff have been developing a framework — the “CAP System Use Agreement” — that reconciles the various legal authorities
  - Looks at CAP system as a whole
  - Adopts priorities for CAP system use
  - Addresses firming, wheeling and exchanges

## Wheeling

- Two kinds of wheeling are proposed:
  - Reclamation wheeling is based on existing capacity, on year-to-year, as-available basis
    - Tribes and federal agencies have priority
  - CAWCD wheeling is based on increased operational capability, developed over time
    - Contracts can be issued based on planned improvement projects
    - High reliability, suitable for long-term purposes

## Firming

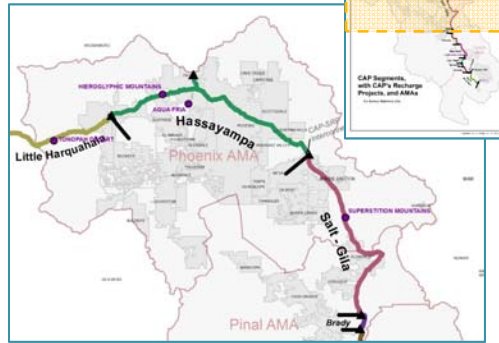
- “Firming Water” is available to satisfy reductions to contract orders due to shortage or unplanned outage
  - Includes tribal contracts and non-tribal subcontracts
- Sources of firming water are identified
  - Methods include both direct recovery into the canal, and exchanges
- CAP can deliver firming water without a separate wheeling agreement
- Firming Water carries same scheduling priority as the supply it replaces

## Exchanges

- The SUA contemplates new exchanges, including M&I subcontractors exchanging with a separate party
- Exchanges, between...
  - Long-Term Contractors and CAWCD
    - e.g., recovery & exchange for AWBA firming
  - Non-Federal Contractors and separate parties
    - e.g., Tucson/Metro recovery & exchange for Phoenix
  - Federal Contractors and separate parties
    - e.g., GRIC—APS recovery & exchange

## Priorities

- Conflicts over monthly delivery capacity, if any, are resolved through a priority system, implemented in the development of the Annual Operating Plan
- Eight priorities established, based on contract type, whether delivery is to a segment that is upstream or downstream of the service area/reservation, and whether system improvement projects have been completed



## Changes from February

- The SUA tracks very closely with what was presented at the February 1, 2016 workshop
- Modifications include:
  - References to system capacity are replaced with "Operational Capability" to address Reclamation concerns about construction authority
  - References to the System Improvement Fee have been removed. Financial terms will be defined in a follow-on process, and enacted via separate funding agreements
  - Establishes that there will be uniform water quality standards, but does not define them. CAWCD and Reclamation will jointly develop standards, with stakeholder involvement

## **Review Process and Follow-on Steps**—*Ticknor*



### **The CAP System Use Agreement**

- Protects** the rights of existing users
- Establishes** a framework for wheeling
- Facilitates** the expanded use of exchanges
- Clarifies** methods for recovery of stored water
- Defines** priorities for delivery capacity
- Leverages** existing infrastructure investments
- Benefits** all CAP customers