

Summary of Draft CAP System Use Agreement

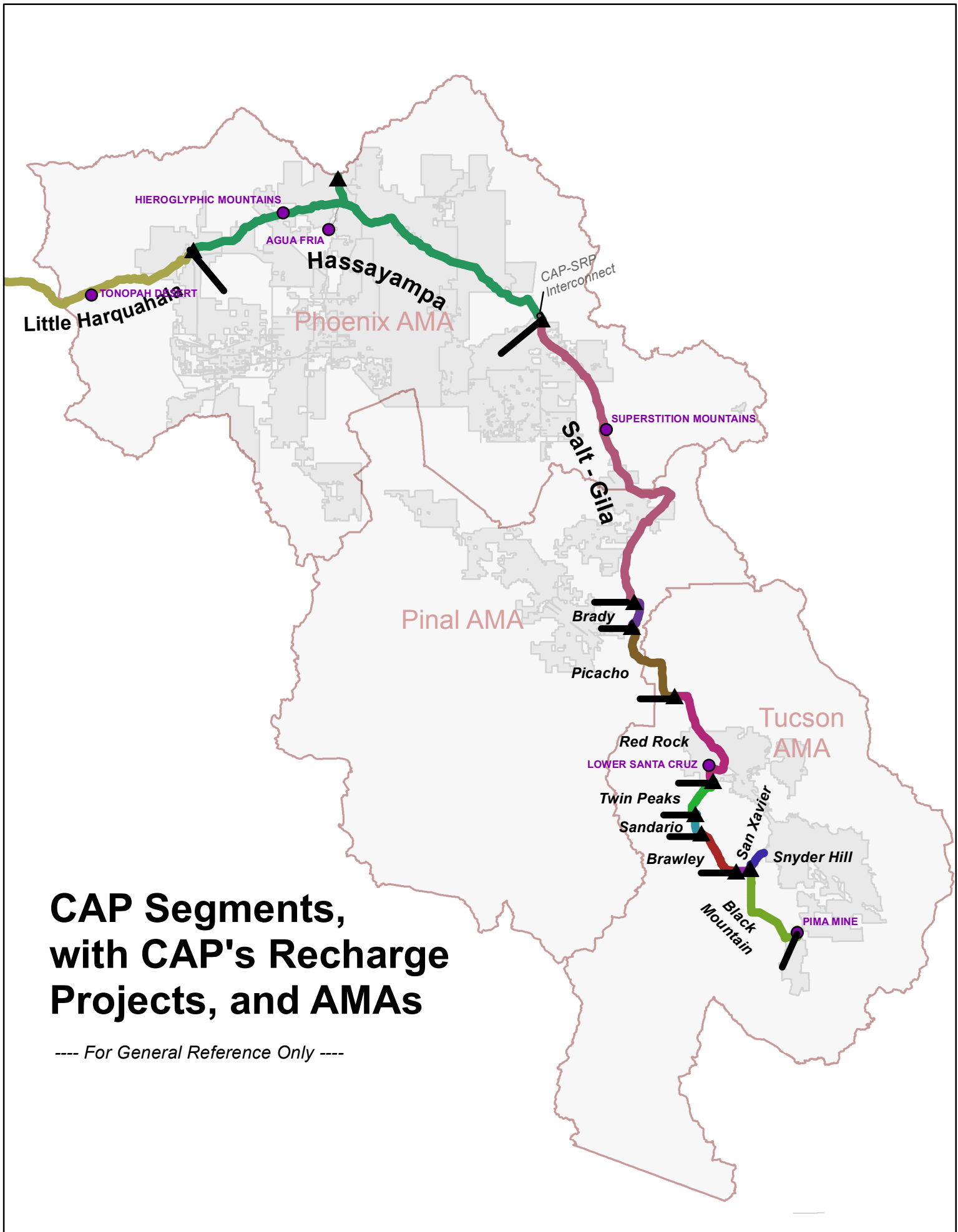
1. **PREAMBLE:** *Agreement is entered into by CAWCD and the United States.*
2. **EXPLANATORY RECITALS:** *Extensive "whereas" statements describing the need for a comprehensive operational framework that includes firming, wheeling and exchanges, with citations to the relevant legal authorities.*
3. **DEFINITIONS:** *Key terms are defined, including:*
 - a. **CAWCD Wheeling Contract** *(a Standard Form 8.18 contract)*
 - b. **Federal Arrangement** *(non-contractual 8.17 wheeling)*
 - c. **Firming** *(satisfying the reduced portion of a CAP (sub)contract during shortage or unplanned outage)*
 - d. **Firming Agreement** *(agreement between CAWCD and a (sub)contractor to receive, and pay for, Firming Water)*
 - e. **Firming Water** *(water that can be used for Firming)*
 - f. **Projected Additional CAP System Capacity** *(estimated capacity from a proposed system improvement project)*
 - g. **Reclamation Wheeling Contract** *(an 8.17 wheeling contract)*
 - h. **Recovery Exchange Agreement** *(an agreement to exchange Project Water for recovered water, either between CAWCD and a (sub)contractor, OR, between a (sub)contractor and a 3rd party, with CAWCD and Reclamation approval)*
 - i. **Recovery Exchange Water** *(the water CAWCD delivers pursuant to a Recovery Exchange Agreement)*
 - j. **Replenishment Exchange Water** *(the water CAWCD delivers when CAGR's subcontract is exchanged for LTSCs used for replenishment)*
 - k. **Segment** *(a section of the CAP system between pumping plants)*
 - l. **Underground Storage** *(includes USFs and GSFs)*
 - m. **Verified Additional CAP System Capacity** *(capacity from a completed system improvement project, verified by Reclamation)*
4. **TERM OF AGREEMENT:** *Same term as the Master Repayment Contract.*
5. **USE OF CAP SYSTEM:** *In addition to Project Water, authorizes CAWCD to deliver Recovery Exchange Water, Replenishment Exchange Water, and non-Project water for Firming, On-River Firming, and Interstate agreements. Other non-Project Water deliveries require a federal or CAWCD wheeling agreement. Approves a standard form of CAWCD Wheeling Agreement, which is to be attached as an exhibit to the CAP System Use Agreement.*

6. **ANNUAL OPERATING PLAN FOR CAP SYSTEM USE:** *Establishes CAWCD's existing AOP process as the implementation mechanism for scheduling priorities. Recognizes and accommodates the range of operational considerations that affect monthly capacity by location. Sets a uniform 5% loss factor for non-Project Water that is introduced into the CAP System, but exempts Firming Water.*
7. **CAP SYSTEM USE SCHEDULING PRIORITIES:** *If necessary, defines how competition for monthly delivery capacity is resolved. During shortage, Firming Water carries the scheduling priority of the supply it replaces.*

[The following priorities are under development]

- **First**, Long Term Contracts, delivered directly or by exchange for use within the Long-Term Contractor's service area or reservation, OR for leases, exchanges, and underground storage delivered within the same Segment as the Long-Term Contractor's service area or reservation, or an upstream Segment
 - **Second**, through 2030, the Agricultural Settlement Pool
 - **Third**, CAWCD Wheeling Contracts (8.18) after project completion & verification.
 - **Fourth**, Long-Term Contracts delivered for leases, exchanges and underground storage in downstream Segments
 - **Fifth**, other excess water
 - **Sixth**, federal wheeling (8.17) for Indian and federal agency purposes.
 - **Seventh**, federal wheeling (8.17) for other purposes.
 - **Eighth**, CAWCD Wheeling Contracts (8.18) before system improvement project completion
8. **FIRMING WATER:** *Authorizes all sources of firming water, and by extension, all methods of recovery. Recipients may be required to enter into a Firming Agreement.*
 9. **EXCHANGE AGREEMENTS ENTERED INTO BY LONG-TERM CONTRACTORS:** *Contemplates new exchanges, including M&I subcontractors exchanging with a 3rd party, for firming and non-firming purposes. For subcontractors, anticipates an exchange agreement approved by CAWCD, Reclamation and ADWR, and a separate implementation agreement between the subcontractor, 3rd party and CAWCD.*
 10. **WATER QUALITY:** *Any water put into the CAP system has to meet standards set by CAWCD and Reclamation. Implemented through policy and wheeling contract approval.*

11. **CAP SYSTEM IMPROVEMENT PROJECTS:** *Defines the process for projects that will add delivery capacity. CAWCD Wheeling Contracts can be issued based on "Projected" capacity, but do not receive full reliability (i.e., scheduling priority 3) until projects are completed and "Verified" by Reclamation.*
12. **FEES, CHARGES, AND REVENUES:** *Allows CAWCD to recoup its costs for developing firming water from the recipients of the water. CAWCD can also retain system improvement fees (for capacity projects), with Reclamation oversight.*
13. **[Boilerplate]**



CAP Segments, with CAP's Recharge Projects, and AMAs

---- For General Reference Only ----