

What is Project Water?

- Project Water is “all Colorado River water to which Arizona is entitled under the U.S. Supreme Court decree in *Arizona v. California* that the CAP Water Supply System is capable of delivering” after satisfying:
 - Pre-1968 Arizona Colorado River rights
 - Post-1968 Arizona rights that share CAP’s priority
- CAWCD is “entitled to divert all Project Water for the benefit of Project Water users”

CAP Repayment Stipulation, ¶15(a), (c)

What is Excess Water?

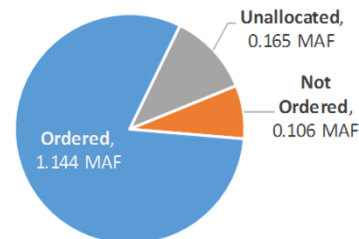
- Excess Water is “all Project Water that is in excess of the amounts used, resold, or exchanged pursuant to long-term contracts or subcontracts for Project Water service”

CAP Repayment Stipulation, ¶15(d)(1)

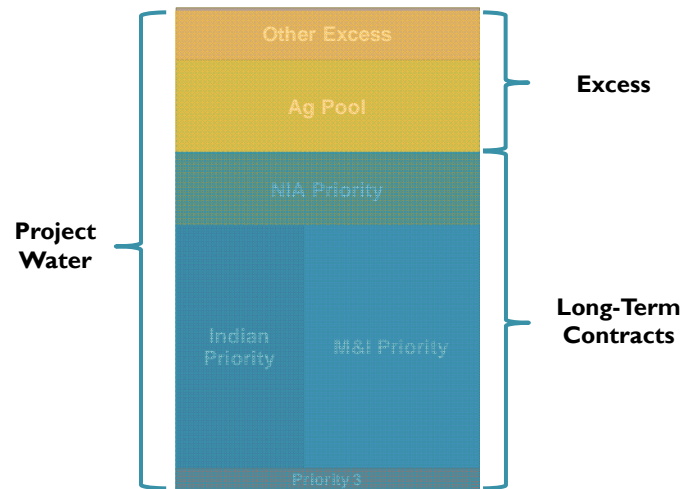
CAP Long-Term Contracts

- Long-term CAP contracts include federal contracts with tribes and M&I subcontracts
 - Includes P3, Indian, M&I and NIA priority CAP water
 - Right is for delivery and use of water; not control of unordered water
- Long-term CAP contracts are capped at 1.415 MAF under AWSA

2017 Long-Term Contract Orders prior to conservation/forbearance



Excess Water



CAWCD Role in Excess Water

- CAWCD insisted on the right to manage Excess Water when negotiating the amended master repayment contract in 1988
 - “During any year when the subcontractors cannot use any portion of their entitlement to project water, and such water cannot be resold or exchanged in accordance with the terms and conditions of the water service subcontracts, **the Contractor shall have the right in its discretion to resell any or all of such water or to use any or all of such water for ground water recharge purposes, including the subsequent recovery and resale of such water**”

1988 Master Repayment Contract, Art. 8.7(e)

CAWCD Role in Excess Water

- In the CAP Repayment Stipulation, CAWCD's role in managing Excess Water was made even more clear:

“CAWCD shall have the exclusive right in its discretion to sell or use all Excess Water for any authorized purpose of the CAP.”

CAP Repayment Stipulation, ¶15(d)(2)

Uses of Excess Water

1987

- Arizona Legislature granted CAWCD authority to acquire, develop, construct, operate and maintain underground storage and recovery projects (“State Demonstration Projects”)
 - Projects were to benefit CAP subcontractors
 - Limited to storage of Excess Water (“water which would otherwise not be delivered to CAP subcontractors for direct use”)

Laws 1987, Ch. 353, §5

Uses of Excess Water

1993 - 2003

- To avert a financial crisis as CAP repayment began, CAWCD adopted a Target Pricing Program based on recommendations of Governor's CAP Advisory Committee
 - Letter Agreements between CAWCD and agricultural subcontractors under which subcontractors waived their long-term entitlements to CAP water and CAWCD waived its right to receive certain payments
 - CAWCD made available three pools of lower-cost Excess Water totaling at least 400,000 AF per year
 - Challenged by U.S. in repayment litigation

Uses of Excess Water

1993

- Arizona Legislature created the CAGR as a tool to meet ADWR's assured water supply rules
 - Economic analysis that supported AWS rules presumed availability of Excess Water

Laws 1993, Ch. 200, §29

Uses of Excess Water

1994

- Arizona Legislature expanded CAWCD authorities regarding State Demonstration Projects
 - Expressly authorized CAWCD to store Excess Water in State Demonstration Projects to meet CAGRDR replenishment obligations

Laws 1994, Ch. 291

Uses of Excess Water

1996

- Arizona Legislature created the Arizona Water Banking Authority to store Excess Water to protect against Colorado River shortages and meet future state needs

Laws 1996, Ch. 308, §16

Uses of Excess Water

1999

- CAWCD Board adopts Incentive Recharge pricing for AWBA and other users that are engaging in long-term storage
 - “Lowest reasonable price without imposing a cost burden on other CAP water users.”

CAWCD Policy Regarding the Incentive Based Pricing of Excess Water to the Arizona Water Banking Authority and Other Arizona Entities for Water Used for Long-Term Underground Storage, February 4, 1999.

Uses of Excess Water

2003

- Arizona Legislature established the CAGRDR Replenishment Reserve to help maximize use of short-term supplies—e.g., Excess Water—that could not otherwise be used to satisfy assured water supply requirements
 - One purpose was to reduce competition with municipal water providers over long-term supplies
 - CAGRDR Replenishment Reserve has same access to Excess Water as AWBA for M&I firming

Laws 2003, Ch. 155, §15; ARS 48-3772(E)(8)

Uses of Excess Water

2004 - 2030

- CAWCD makes Excess Water available through the Agricultural Settlement Pool to implement the Arizona Water Settlements Act and interconnected agreements
 - Ag Pool is currently 300,000 AF, declining to 225,000 AF in 2024
 - By contract, Ag Pool has first priority to any available Excess Water

Uses of Excess Water

2015 - ??

- Over the last 3 years, CAWCD voluntarily left more than 250,000 AF of Excess Water in Lake Mead to help avoid a Colorado River shortage
 - Excess Water otherwise could have been delivered pursuant to CAP's Access to Excess Policy after satisfying the Ag Settlement Pool
 - Leaving water in Lake Mead increased CAP fixed OM&R rates and reduced the Excess Water available to AWBA, CAGR and USBR

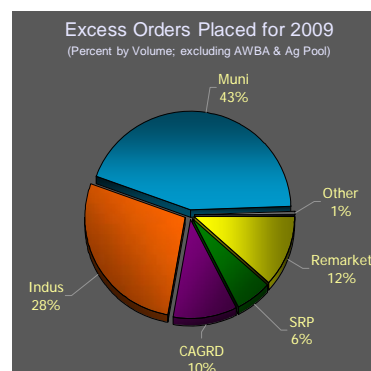
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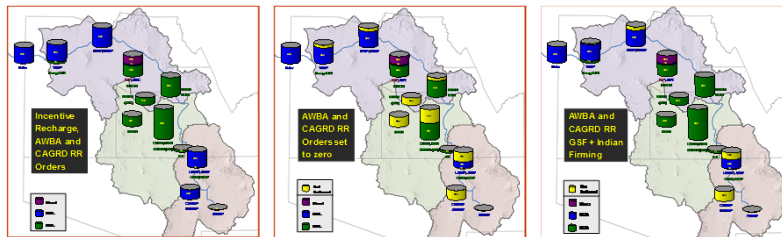
2009 Excess Orders

- 1,001,800 AF of Orders
- 832,000 AF of Supply
- 400,000 AF to Ag Pool
- 432,000 AF of Other Excess
- **Orders exceed supply by 169,800 AF**
- Final delivery schedule was due to Reclamation by early December
- The Board directed Staff to work with stakeholders on a procedure for 2009 orders



Process for 2009 Orders

- Public Workshop held October 22nd
- Included participation by AWBA
- CAP Staff presented analysis of orders, initial list of issues and considerations, and some of the potential strategies for reducing orders



Process for 2009 Orders

- CAP Staff proposed giving AWBA and CAGRD some initial preference, and satisfying small orders
 - Statutory obligations and broad benefit for AWBA & CAGRD
 - Many small users, with modest net impact
- For the remaining supply, four primary considerations were identified
 - Size of Order
 - Type of Storage Facility
 - Previous History
 - Purpose of Credit Accrual

Process for 2009 Orders

- At the November 2008 Board meeting, Staff presented alternatives for managing the Incentive Recharge customers
- After extensive public comment, the Board approved the 'Order History' option, and directed Staff to work with stakeholders on a longer-term policy

Summary of Alternatives

- Alternatives differ in their primary distribution criteria
 - Where customers store by preferring GSFs, etc.
 - How customers use the water by excluding credit rechargers, etc.
 - What customers used in the past by going to 3-year recharging, etc.
- Alternatives differ in the number of affected customers, the depth of outbacks, and the impact on GSF partners

Alternative	Number of Customers	Depth of Outbacks	Impact on GSF Partners
Alternative 1	100	10%	Low
Alternative 2	200	20%	Medium
Alternative 3	300	30%	High

Process for 2010 through 2014

- By March, after two stakeholder workshops and two Board briefings, Staff had developed a multi-step proposal that allocated supply based on weighted factors

“Everyone found something to hate about the Staff proposal”

• April 9, 2009 presentation to CAWCD Board

- Ag Settlement
- Five to ten years
- 2017 as a key
- Excess supply generally distributed to long-term GSF owners
- Normal supply conditions or shortage priority allocations for different generation supply
- The ability to transfer and sell recharge credits requires the determination of intended use and "speculation"
- SRP's use of excess adds more complexity
- Staff does not recommend differentiating based on customer types
 - Address speculation concerns with other means
 - Monitor activity, and reconsider if necessary

Small revenue	Medium revenue	Large revenue
100	200	300
100	200	300
100	200	300
100	200	300
100	200	300

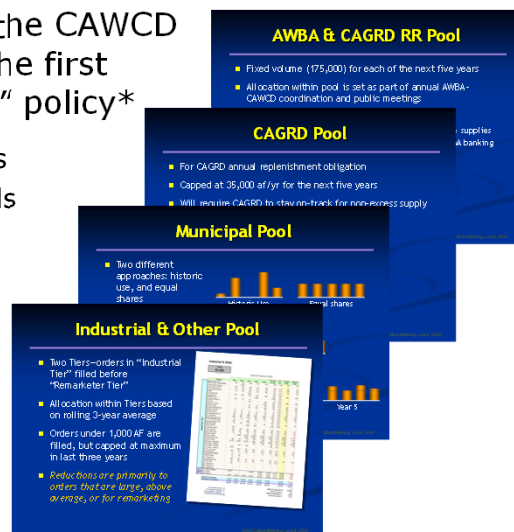
Process for 2010 through 2014

- Issues of concern included the overall complexity, the role of small users, interstate water banking, credit remarketers, USF vs. GSF, proposed industrial uses, etc.
- After two additional stakeholder workshops and numerous other meetings, Staff developed a revised proposal that incorporated many stakeholder recommendations, including significant portions of a proposal developed by AMWUA and Tucson

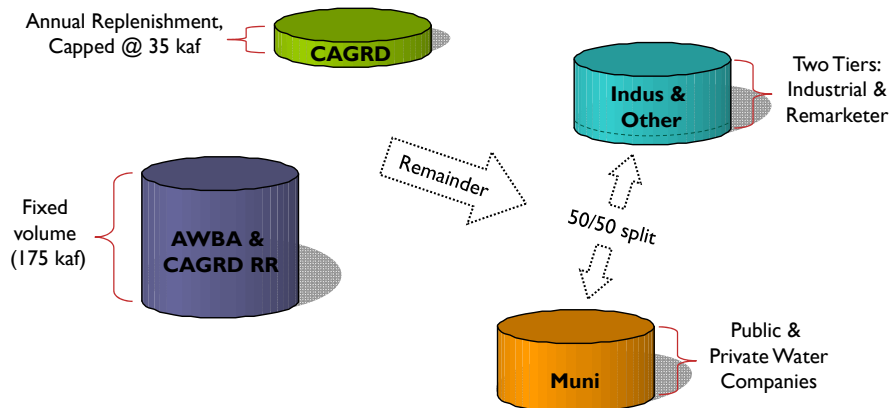
Access to Excess Policy

- In June of 2009, the CAWCD Board approved the first "Access to Excess" policy*
 - Applied for 5 years
 - Four separate pools
 - Defined allocation formulas/methods within and among pools

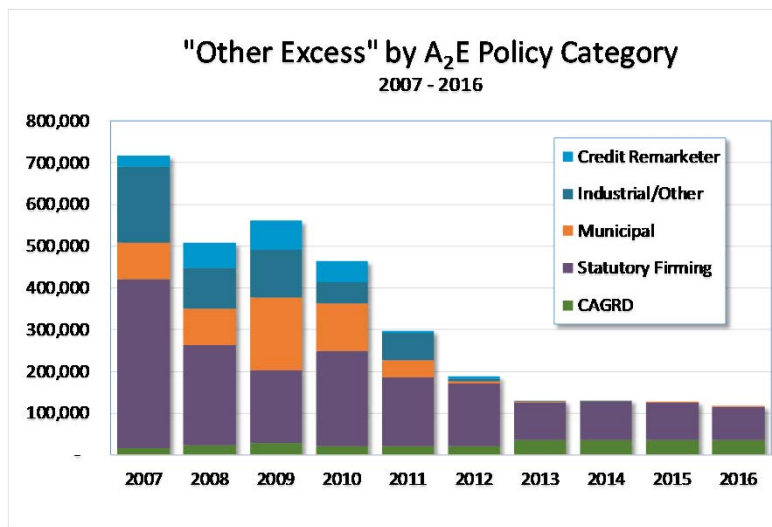
* CAWCD Procedure to Distribute Excess Water In 2010 Through 2014 June 4, 2009



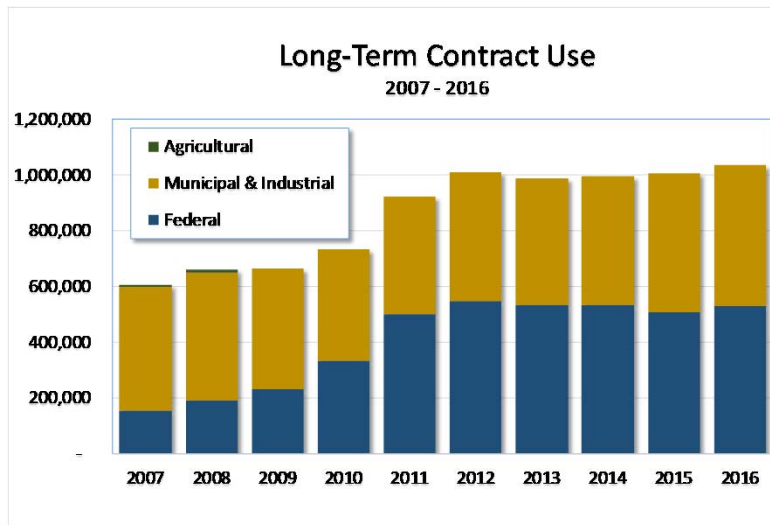
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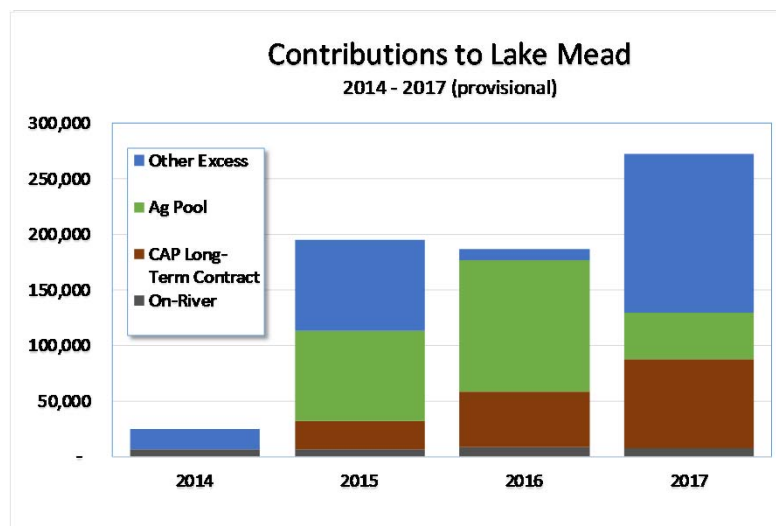
Excess Water



Long-Term Contracts



Forbearance Activity



Excess Policy Updates

- November 2011: 7,000 AF exemption for Small Users
 - Phase-out of small users; requirement of plan for alternative supply
- March 2014: 2015 through 2019 extension of existing policy for first two pools—Statutory Firming and CAGR D Replenishment

Future Excess Supply

- There are several factors that could affect the size of the Other Excess supply
 - Changes in recharge credit accrual rates by CAP Long-Term Contractors
 - Conservation/forbearance activities
 - Finalizing the NIA reallocation
 - Changes in State policy
 - Colorado River Shortage

Timing & Volume of Excess

BEFORE				DURING										LATE		AFTER			
Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Annual Operating Plan; Access to Excess Policy				Schedule Changes Subject to Turnback & Remarketing Provisions of Delivery Contracts; Monthly Coordination with USBR										Operational Decisions		Decree Accounting; Inadvertent Overrun and Payback Policy			



Estimated



Scheduled



Delivered



Accounted