



CENTRAL ARIZONA PROJECT
Board of Directors
May 6, 2021 - 10:00 AM

Virtual Meeting
The public may view the meeting at
www.cap-az.com/board/meetings

New or updated materials added for agenda items 4bii, 5, 9, 11 and 13.

FINAL AGENDA

Times shown are approximate. Some items may take more or less time than scheduled, or the President may grant requests to hear items in an order other than shown.

1. Pledge of Allegiance, Moment of Silence and Safety Minute - Macre (10:00)
2. Consideration of Action to Approve Items on the Consent Agenda** (10:05)
 - a. Minutes of the April 1, 2021 Regular Meeting - Arboleda
 - b. Renewal of Water Storage Agreement for the Town of Gilbert (*Water Supply*^) - Adams
 - c. Construction Contract for Backup Power at Checks and Turnouts (*Project Reliability*^) - Francom
3. Consideration of Action to Approve Items Removed from the Consent Agenda
4. Reports of Committees and Possible Consideration of Committee Recommendations
 - a. Public Policy Committee - Brown (10:10)
 - i. Possible Consideration of Action on Policy Issues that Could Impact CAP
 - b. Finance, Audit and Power Committee - Taylor (10:20)
 - i. Discussion and Consideration of Action to Approve Purchasing Policy Thresholds (*Finance*^) - Hall
 - ii. Discussion and Consideration of Action Regarding Preliminary CAWCD Ad Valorem Taxes and Rates (*Finance*^) - Hall/Dunlap
 1. Fix the 2021/2022 General Ad Valorem Tax Rate Pursuant to A.R.S. §48-3715, Subsection A
 2. Fix the 2021/2022 Water Storage Tax Rate and Adopt a Resolution Regarding the Use of the 2021/2022 Water Storage Tax Pursuant to A.R.S. §48-3715.02, Subsections B and C.
 3. Adopt the Preliminary 2022-2026 Rate Schedule
 - c. CAGRD and Underground Storage Committee - Arboleda (11:05)
 - i. Discussion and Consideration of Action to Approve a Preliminary CAGRD Rate Schedule for 2021/2022 through 2025/2026, Including Collection of Annual Membership Dues (*Groundwater Replenishment*^) - Dunlap
 - ii. Discussion and Consideration of Action to Approve a Preliminary Underground Water Storage 2022 - 2026 Rate Schedule (*Groundwater Replenishment*^) - Dunlap
5. Report on Current CAP Coordination with Salt River Project (*Project Reliability*^) - Francom (11:20)
6. Recess (11:50)
7. Report on Preparedness for Interruption of CAP Water Supply (*Project Reliability*^) - Francom (12:10)
8. Discussion on NIA Subcontracting (*Water Supply*^) - Adams (12:40)
 - a. Background and Process for Issuing Subcontracts for Delivery of CAP NIA Priority Water

- b. Discussion of Template for CAP NIA Priority Water Subcontracts
- 9. Report on Colorado River Conditions (*Water Supply*^) - Cullom (1:00)
- 10. Discussion and Consideration of Action to Approve Agreement between CAWCD and the Bureau of Reclamation Regarding the 242 Well Field and Pipeline Conservation Project (*Water Supply*^) - Cullom (1:15)
- 11. Discussion on Joint Colorado River Augmentation Opportunity with the Arizona Department of Water Resources and the Metropolitan Water District of Southern California Regional Recycled Water Project (*Stewardship and Sustainability*^) - Cullom (1:30)
- 12. Recess (2:15)
- 13. Report on Preparation for Possibility of Tier 1 Shortage in 2022 (*Water Supply*^) - Dent (2:20)
- 14. Report on Legal Matters (*Public Trust, Partnerships and Leadership*^) - Johnson (2:35)
- 15. Directors' Report on Current Events (2:45)
- 16. Future Agenda Items (3:00)
- 17. President's Report on Current Events - Goddard (3:05)
- 18. General Manager's Report on Current Events - Cooke (3:15)
- 19. Public Comment (3:25)
- 20. Consideration of Action to go into Executive Session of the Board for the following purposes:
(*The discussions and minutes of the executive session shall be kept confidential. The executive session of the Board is not open to the public.*)***
 - a. Pursuant to A.R.S. §38-431.03.A.3, A.4, and A.6 to consult with the attorneys for the District regarding matters related to interstate storage of Intentionally Created Surplus (ICS)
 - b. Pursuant to A.R.S. §38-431.03.A.3 to obtain legal advice from the District's attorneys on any matter listed on the agenda
- 21. Reconvene in Open Session
- 22. Consideration of Action Regarding Items Discussed in Executive Session
- 23. Adjourn

** Items listed in the Consent Agenda may be acted on by the Board without discussion. Any item listed on the Consent Agenda may be removed from the Consent Agenda and acted on separately by the Board.

*** The Executive Session is expected to last approximately one hour and will not be open to the public.

^ *Linkage to CAWCD Board of Directors Strategic Plan.*

In accordance with the Americans with Disabilities Act (ADA), if you need reasonable accommodations due to a disability, please contact the CAP office at (623.869.2333) or TDD (623.869.2183) at least seventy-two (72) hours in advance of the meeting.



**Central Arizona Water Conservation District
Regular Meeting of the Board of Directors
April 1, 2021**

The regular meeting of the Central Arizona Project ("CAWCD" or "CAP") Board of Directors was called to order by President Terry Goddard on April 1, 2021, at 10:01 a.m. The meeting was held virtually and broadcast for the public via livestream.

Board Members present were: President Terry Goddard, Maricopa County; Vice President Mark Taylor, Pima County; Secretary Alexandra Arboleda, Maricopa County; Lisa A. Atkins, Maricopa County; Jennifer Brown, Maricopa County; Karen Cesare, Pima County; Benjamin W. Graff, Maricopa County; Jim Holway, Maricopa County; Pat Jacobs, Pima County; Mark Lewis, Maricopa County; Heather A. Macre, Maricopa County; Jennifer Martin, Maricopa County; Stephen Miller, Pinal County; Marie Pearthree, Pima County; and April Pinger-Tornquist, Maricopa County.

Staff members present were Ted Cooke, General Manager; Robert Moody, Assistant General Manager; Jay Johnson, General Counsel; Bridget Schwartz-Manock, Director of Public Affairs; Patrick Dent, Director of Water Policy; Darrin Francom, Director of Operations, Power and Engineering; Chris Hall, Director of Finance and Administration; Laura Grignano, Manager, CAGR; Doug Dunlap, Manager, Finance and Accounting; Ken Seasholes, Manager, Resource Planning and Analysis; Chuck Cullom, Manager, Colorado River Programs; Jeff Gray, Manager, Legislative Affairs; Greg Adams, Senior Attorney; Angie Lohse, Senior Policy Analyst; Philip Pagels, Water Transmission Supervisor; Megan Casey, Public Affairs Management Analyst; and Jennifer Miller, Board Support Specialist.

Bridget Schwartz-Manock, Director of Public Affairs, performed a roll call and confirmed a quorum was present. President Goddard reviewed the details of the virtual meeting.

1. PLEDGE OF ALLEGIANCE, MOMENT OF SILENCE AND SAFETY MINUTE - BROWN

Board Member Brown gave a safety minute on sleep health.

2. PRESENTATION ON THE PINAL GROUNDWATER STAKEHOLDER GROUP - MILLER/BILL GARFIELD/JAKE LENDERKING, CO-CHAIRS

Board Member Miller gave a brief introduction and shared a video about Pinal County. Guest speakers Bill Garfield and Jake Lenderking, co-Vice Chairs of the Pinal County Groundwater Stakeholder Group, gave an overview of Pinal County water issues, the Stakeholder Group process, potential solutions and proposed changes to the Assured Water Supply program. Vice President Taylor expressed appreciation to the guest speakers. Board Member Holway shared comments on the potential solutions.

3. CONSIDERATION OF ACTION TO APPROVE ITEMS ON THE CONSENT AGENDA**

On a motion (Secretary Arboleda) and a second (Board Member Jacobs), approved the minutes of the March 4, 2021 regular meeting. Motion passed.

Voting yes: Terry Goddard, Mark Taylor, Alexandra Arboleda, Lisa A. Atkins, Jennifer Brown, Karen Cesare, Benjamin W. Graff, Jim Holway, Pat Jacobs, Heather A. Macre, Jennifer Martin, Stephen Miller, Marie Pearthree, April Pinger-Tornquist

Not voting: Mark Lewis

4. CONSIDERATION OF ACTION TO APPROVE ITEMS REMOVED FROM THE CONSENT AGENDA

None.

5. REPORTS OF COMMITTEES AND POSSIBLE CONSIDERATION OF COMMITTEE RECOMMENDATIONS

5.a. PUBLIC POLICY COMMITTEE - BROWN

Board Member Brown gave an update on the April 1, 2021 Public Policy Committee meeting. She reported the Committee heard updates on federal confirmations and legislation and the state legislative session.

5.a.i. POSSIBLE CONSIDERATION OF ACTION ON POLICY ISSUES THAT COULD IMPACT CAP

None.

5.b. FINANCE, AUDIT AND POWER COMMITTEE - TAYLOR

Vice President Taylor gave an update on the March 18, 2021 FAP Committee meeting. He reported the Committee heard updates on power programs, capital improvement projects, purchasing policy thresholds and internal audits. He noted staff held a roundtable meeting with customers on the Supplemental Shortage Stabilization Program, and shared agenda topics planned for the next meeting.

5.c. CAGRD AND UNDERGROUND STORAGE COMMITTEE - ARBOLEDA

Secretary Arboleda gave an update on the March 18, 2021 CAGRD Committee meeting. She reported the Committee heard updates on NIA reallocation, recovery planning and CAGRD finances. She shared the topics planned for the next meeting.

6. REPORT ON MARCH 16, 2021 ARIZONA WATER PROTECTION FUND COMMISSION MEETING - JACOBS

Board Member Jacobs gave an update on the March 16 meeting, noting the topics covered. He reported on funding and shared the details of the next meeting.

7. REPORT ON MARCH 17, 2021 ARIZONA WATER BANKING AUTHORITY MEETING - ARBOLEDA

Secretary Arboleda gave an update on the March 17 meeting, noting the topics covered. She reported on recharge deliveries and long-term storage credit purchases, and shared the details of the next meeting.

8. REPORT ON PREPAREDNESS FOR INTERRUPTION OF ELECTRICAL SUPPLY (PROJECT RELIABILITY^) - FRANCOM

Darrin Francom, Director of Operations, Power and Engineering, shared details on the causes of the recent electrical supply issues in Texas. He reported CAP is well-positioned to respond to and minimize any impacts to the CAP electrical supply as a result of similar disasters, noting CAP's stored water, diverse sources of energy and the flexibility of energy use at Mark Wilmer Pumping Plant.

Mr. Francom answered questions from President Goddard, Vice President Taylor and Board Members Lewis and Cesare regarding electrical supply to pumping plants, risks for CAP, customer impacts, summer preparedness, day-ahead energy market purchases and CAP's energy transition. Mr. Francom and General Manager Ted Cooke answered questions from Board Member Lewis regarding system water storage and power portfolio diversification.

9. DISCUSSION OF WATER QUALITY GUIDANCE DOCUMENT - SEASHOLES/PAGELS

Ken Seasholes, Resource Planning and Analysis Manager, reported on the status of the Water Quality Guidance Document and noted staff feels the document is suitable for implementation. He noted stakeholder input was received on the document, and there will be further opportunities for input and evaluation as wheeling projects move forward. President Goddard commented on the comprehensive process that led to the document.

Catherine Munson, attorney with Kilpatrick Townsend on behalf of the Ak-Chin Indian Community, submitted an electronic blue card in opposition to the draft Water Quality Guidance Document.

Mr. Seasholes and Patrick Dent, Director of Water Policy, answered questions from President Goddard, Secretary Arboleda and Board Member Jacobs regarding salinity standards, figures included in the blue card and environmental review processes.

10. RECESS

The Board recessed at 12:14 p.m. and reconvened at 12:34 p.m. Ms. Schwartz-Manock performed a roll call and confirmed a quorum was present.

11. REPORT ON COLORADO RIVER CONDITIONS (WATER SUPPLY^) - CULLOM

Chuck Cullom, Colorado River Programs Manager, gave an update on the status of the reservoirs in the Colorado River System, snow accumulation forecasts and projected elevations for Lakes Powell and Mead. Mr. Cullom answered a question from Board Member Pearthree regarding Lake Powell releases.

12. DISCUSSION OF AGREEMENT BETWEEN CAWCD AND THE BUREAU OF RECLAMATION REGARDING THE 242 WELL FIELD AND PIPELINE CONSERVATION PROJECT - CULLOM

Mr. Cullom provided background on the 242 Well Field Conservation Project and CAP's interest in the area. He reported on the existing agreement, current status of the project and key terms of the new agreement. Mr. Cullom answered questions from Vice President Taylor and Board Members Jacobs and Pearthree regarding return flow, the origin of the water in the well field, and the effects on the Cienaga de Santa Clara.

13. REPORT ON RECLAMATION EFFORTS AND PLANS TO ACHIEVE DROUGHT CONTINGENCY PLAN CONTRIBUTIONS - CULLOM/DAN BUNK, BUREAU OF RECLAMATION

Mr. Cullom provided an introduction regarding CAWCD's support for Reclamation's commitments under the Drought Contingency Plan (DCP). Dan Bunk, Chief of Boulder Canyon Operations Office, Bureau of Reclamation, gave a presentation on the status of Reclamation's DCP efforts. Board Member Pinger-Tornquist requested copies of the maps in the presentation.

14. REPORT ON RECONSULTATION ACTIVITIES - DENT

Mr. Dent shared a recent update provided to the Arizona Reconsultation Committee (ARC) that included details on coordination activities among the Basin states and the creation of the ARC Strategy Team. He reported on recent meetings of the ARC Modeling and Analysis Workgroup and shared an update on the newly-created Colorado River Authority of Utah.

15. REPORT ON NIA REALLOCATION - DENT

Mr. Dent reported on a March 2 briefing for parties that have been allocated CAP non-Indian agricultural (NIA) priority water and noted that staff is preparing standard form templates for NIA subcontracts for the Board's consideration.

16. REPORT ON PREPARATION FOR POSSIBILITY OF TIER 1 SHORTAGE IN 2022 (WATER SUPPLY^) - DENT/SEASHOLES

Mr. Dent reported on an upcoming Shortage Preparation Briefing that will be jointly hosted by CAP and the Arizona Department of Water Resources on April 29. Mr. Seasholes gave a presentation on how mitigation resources will be used as shortage is implemented in 2022. He also provided status of CAWCD's intentionally-created surplus (ICS) utilization and additional factors affecting mitigation.

Mr. Seasholes answered questions from Vice President Taylor and Board Member Jacobs regarding transfers from underground storage facilities to groundwater savings facilities for agricultural mitigation, groundwater infrastructure in Pinal County, and ICS.

17. REPORT ON LEGAL MATTERS (PUBLIC TRUST, PARTNERSHIPS AND LEADERSHIP^) - JOHNSON

None.

18. DIRECTORS' REPORT ON CURRENT EVENTS

Vice President Taylor, Secretary Arboleda and Board Members Brown, Cesare, Graff, Holway, Lewis, Macre, Miller, Pearthree and Pinger-Tornquist shared updates on recent CAP activities.

19. FUTURE AGENDA ITEMS

Board Member Lewis requested multiple options for the upcoming process to establish water rates.

20. PRESIDENT'S REPORT ON CURRENT EVENTS - GODDARD

President Goddard shared maps of the CAP Trail and gave an overview of the two-step approach for action items coming before the Board. He reviewed the upcoming schedule.

21. GENERAL MANAGER'S REPORT ON CURRENT EVENTS - COOKE

Mr. Cooke reported on the items that will be on the consent agenda for the next meeting, including the renewal of a water storage agreement for the Town of Gilbert and a construction contract for backup power at checks and turnouts. He also gave an update on implementation of the Board Strategic Plan and Arizona Water Professionals Week.

22. PUBLIC COMMENT

None.

23. CONSIDERATION OF ACTION TO GO INTO EXECUTIVE SESSION OF THE BOARD FOR THE FOLLOWING PURPOSES: PURSUANT TO A.R.S. §38-431.03.A.4, DISCUSSION AND CONSULTATION WITH THE ATTORNEYS FOR DISTRICT IN ORDER TO CONSIDER ITS POSITION AND INSTRUCT IT ATTORNEYS REGARDING A PENDING ARBITRATION MATTER; AND PURSUANT TO A.R.S. §38-431.03.A.3 AND A.4 TO CONSULT WITH THE ATTORNEYS FOR THE DISTRICT AND CONSIDER THE DISTRICT'S POSITION AND INSTRUCT ITS ATTORNEYS REGARDING POTENTIAL COLORADO RIVER AUGMENTATION PROJECTS AMONG LOWER BASIN COLORADO RIVER WATER USERS; AND PURSUANT TO A.R.S. §38-431.03.A.1 TO DISCUSS MATTERS PERTAINING TO THE GOALS, PERFORMANCE AND CONTRACT OF THE GENERAL MANAGER; AND PURSUANT TO A.R.S. §38-431.03.A.3 TO OBTAIN LEGAL ADVICE FROM THE DISTRICT'S ATTORNEYS ON ANY MATTER LISTED ON THE AGENDA

On a motion (Vice President Taylor) and a second (Secretary Arboleda), the Board convened in Executive Session at 2:58 p.m. for the purposes listed on the agenda. Motion passed.

Voting yes: Terry Goddard, Mark Taylor, Alexandra Arboleda, Lisa A. Atkins, Jennifer Brown, Karen Cesare, Benjamin W. Graff, Jim Holway, Pat Jacobs, Mark Lewis, Heather A. Macre, Jennifer Martin, Stephen Miller, Marie Pearthree, April Pinger-Tornquist

24. RECONVENE IN OPEN SESSION

The Board reconvened in open session at 4:32 p.m. Ms. Schwartz-Manock performed a roll call and confirmed a quorum was present.

25. CONSIDERATION OF ACTION REGARDING ITEMS DISCUSSED IN EXECUTIVE SESSION

None.

26. ADJOURN

There being no further business to come before the Board, the meeting adjourned at 4:38 p.m.

Alexandra M. Arboleda
Board Secretary

ACTION BRIEF

BOARD OF DIRECTORS



Agenda Number 2.b

CONTACT: Greg Adams
623-869-2124
gadams@cap-az.com

MEETING DATE: Thursday, May 6, 2021

AGENDA ITEM: Renewal of Water Storage Agreement for the Town of Gilbert (*Water Supply*^) - Adams

RECOMMENDATION: Staff recommends that the Board approve the Agreement for Water Storage at the Superstition Mountains Recharge Project between CAWCD and the Town of Gilbert.

FISCAL IMPLICATIONS: No

Impact on Budget:

\$0

Additional spending authority requested: \$0

Impact on Reserves:

None

Impact on Rates:

None

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Water Supply: Providing a reliable CAP water supply for the short- and long-term

PREVIOUS BOARD ACTION/ACTIVITY:

August 4, 2011 Board approved the agreement between CAWCD and the Town of Gilbert to store water at the Superstition Mountains Recharge Project.

ISSUE SUMMARY/DESCRIPTION:

The Town of Gilbert's ("Gilbert") existing Water Storage Agreement with CAWCD to store water at the Superstition Mountains Recharge Project expires on August 4, 2021. Pursuant to the terms of the water storage agreement, Gilbert desires to renew the water storage agreement for an additional term of ten years.

Attached is the Agreement of Storage of Water at the Superstition Mountains Recharge Project. The water storage agreement includes CAWCD's standard requirements pertaining to scheduling storage capacity, water measurement and accounting, billing and payment. The water storage rate charged to Gilbert for recharge on any particular year is established in CAWCD's Water Rate Schedule.

SUGGESTED MOTION:

I move that the Board approve the Agreement for Water Storage at the Superstition Mountains Recharge Project between CAWCD and the Town of Gilbert.

ATTACHMENTS:

1. Gilbert Water Storage Agreement

**AGREEMENT FOR STORAGE OF WATER
AT THE
SUPERSTITION MOUNTAINS RECHARGE PROJECT**

1. PARTIES:

This Agreement is made and entered into the _____ day of _____, 2021, by and between the CENTRAL ARIZONA WATER CONSERVATION DISTRICT, hereinafter referred to as "CAWCD", and the TOWN OF GILBERT, hereinafter referred to as "GILBERT".

2. RECITALS:

2.1 CAWCD has constructed and is responsible for operating the Superstition Mountains Recharge Project (the "SMRP"), an underground storage facility that is located in the East Salt River Valley Sub-basin of the Phoenix Active Management Area in eastern Maricopa County.

2.2 ADWR has issued CAWCD a Constructed Underground Storage Facility Permit (Permit No. 73-207702.0003) for the SMRP. The permit authorizes the underground storage of a maximum of 25,000 acre-feet per annum for Phase 1, and 56,500 acre-feet per annum for Phase 2, at the SMRP. The SMRP is a State Demonstration Recharge Project pursuant to A.R.S. § 45-891.01, et seq.

2.3 GILBERT desires to store CAP water at the SMRP and CAWCD agrees to make available unused storage capacity at the SMRP for such storage, in accordance with the provisions of this Agreement.

NOW THEREFORE, in consideration of the foregoing, the payments to be paid by GILBERT, and the covenants and agreements contained in this Agreement, and other good and valuable consideration, CAWCD and GILBERT agree as follows:

3. DEFINITIONS:

As used in this Agreement, the following terms, when capitalized, have the following meanings:

3.1 ADWR: The Arizona Department of Water Resources

3.2 CENTRAL ARIZONA PROJECT (CAP): The water delivery works of the CAP including, but not limited to, the CAP canal, its turnout structures and associated measuring devices.

- 3.3 GILBERT WATER: CAP water scheduled by GILBERT under the terms of its CAP Water Service Subcontract and any other contractual entitlement to CAP Water held by Gilbert.
- 3.4 SMRP: The constructed underground storage facility constructed and operated by CAWCD pursuant to the Permit, which is located in portions of Sections SE ¼ of Sec. 23, SW ¼ of Sec. 24, NW ¼ of Sec. 25, NE ¼ of Sec. 26, T2S, R8E, GSRB&M, Maricopa County, Arizona.
- 3.5 SMRP TURNOUT STRUCTURE: The point at which GILBERT water is diverted from the CAP canal for delivery into the SMRP.
- 3.6 PARTY/PARTIES: Either one or both of the parties to this Agreement.
- 3.7 PERMIT: The Constructed Underground Storage Facility Permit issued by the ADWR for the SMRP, Permit No. 71-207702.0003.

4. SCOPE:

This Agreement is limited to the diversion of water at the SMRP Turnout Structure, and the storage of such water at the SMRP by CAWCD for the benefit of GILBERT. CAWCD shall deliver GILBERT Water, which is scheduled by GILBERT for storage at the SMRP in accordance with this Agreement, and CAWCD shall store such water underground at the SMRP for the benefit of GILBERT.

5. TERM OF AGREEMENT:

This Agreement shall become effective when executed by both Parties and shall remain in effect for ten (10) years unless the Parties agree in writing to extend the term or unless it is sooner terminated or canceled in accordance with the terms of this Agreement.

6. CONDITIONS RELATING TO STORAGE:

- 6.1 All storage of GILBERT Water at the SMRP shall be consistent with Arizona law.
- 6.2 GILBERT shall obtain a water storage permit from ADWR authorizing it to store GILBERT Water at the Constructed SMRP.
- 6.3 CAWCD's storage of GILBERT water at the SMRP shall, at all times, comply with the Permits. CAWCD shall be responsible for filing annual reports as required by the Permit. CAWCD shall promptly notify GILBERT of any changes or modifications to the Permit that would affect GILBERT's rights under this Agreement. If the Permit is canceled or expires for any reason, GILBERT may terminate this Agreement.

7. PROCEDURE FOR SCHEDULING STORAGE CAPACITY:

- 7.1 As soon as practicable after the date of execution of this Agreement, GILBERT shall submit to CAWCD a proposed schedule indicating the amount of SMRP storage capacity it desires to use during the year in which this Agreement is executed. Thereafter, on or before October 1 of each year during the term of this Agreement, GILBERT shall submit to CAWCD a proposed schedule indicating the amount of SMRP storage capacity GILBERT desires to use during the following year.
- 7.2 As soon as practicable after receipt of GILBERT's proposed schedule following the execution of this Agreement, CAWCD shall return to GILBERT the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of SMRP storage capacity that is available to GILBERT for the year in which this Agreement is executed. Thereafter, on or before November 15 of each year during the term of this Agreement, CAWCD shall return to GILBERT the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of SMRP storage capacity that is available to GILBERT for the following year, if any.

8. WATER STORAGE RATE:

Each year under the term of this Agreement, CAWCD shall establish a per acre-foot recharge rate ("Annual Recharge Rate") for the use of SMRP storage capacity for the following year, in accordance with CAWCD's adopted Recharge Rate Policy. GILBERT shall be obligated to pay CAWCD this Annual Recharge Rate for each acre-foot of storage capacity used by GILBERT during the year. Such payment shall be in accordance with the provisions of Section 13 below.

9. OPERATING AGENT:

- 9.1 CAWCD shall be responsible for operating the SMRP.
- 9.2 CAWCD shall retain sole responsibility and authority for decisions relating to the SMRP operating and maintenance practices, including maintenance scheduling and the selection of periods when maintenance will be done.
- 9.3 Whenever practicable, CAWCD shall inform GILBERT ninety (90) days in advance of any matter which may substantially affect the SMRP or the rights of GILBERT.

10. DESTRUCTION/RECONSTRUCTION OF THE SMRP:

In the event of destruction of all or part of the SMRP, CAWCD may repair or reconstruct the SMRP, but CAWCD shall not be obligated to do so.

11. WATER MEASUREMENT AND ACCOUNTING:

- 11.1 CAWCD shall base its accounting for water delivered to the SMRP on actual measurements, methods required by the Permit and/or generally accepted accounting and engineering practices.
- 11.2 CAWCD shall install and maintain a flow measurement system to measure the amount of water diverted from the CAP into the SMRP. CAWCD shall test and maintain the accuracy of this system within plus or minus 5 percent of actual flows.
- 11.3 CAWCD shall determine evaporation losses representative of the conditions at or near the SMRP using the method indicated in the Permits or using actual measurements, when available. Any other losses in the SMRP shall be calculated using generally accepted engineering practices.
- 11.4 All losses that occur at the SMRP, other than by evaporation, will be calculated using generally accepted engineering practices and water-level readings from the gages in the basins.
- 11.5 CAWCD shall prepare a monthly water accounting report of water stored at the SMRP for GILBERT. The report shall include the daily amount of water stored and the losses calculated as described in this Section.
- 11.6 CAWCD shall provide the ADWR with water accounting reports for the SMRP as required by the Permit.
- 11.7 The water accounting reports prepared pursuant to this Section shall be sent to GILBERT monthly and shall be retained by CAWCD for at least three years.
- 11.8 CAWCD shall provide GILBERT copies of SMRP annual reports submitted to ADWR.

12. WATER QUALITY:

GILBERT shall indemnify and hold harmless CAWCD against all losses to third parties resulting from water quality degradation or harm to property caused by GILBERT's use of the SMRP, due to the commingling of GILBERT's water with the groundwater. Further, GILBERT waives any claim on its own behalf against CAWCD for water quality degradation or harm to property arising from such commingling, unless such claim is intended to enforce the indemnification provision of this Section; provided, however, that GILBERT shall indemnify and hold harmless CAWCD only to the extent that indemnification is not provided to CAWCD by the State of Arizona pursuant to A.R.S. Section 45-898.01; and provided, further, however, that GILBERT's indemnification shall only extend to

the percentage of degradation attributable to the water stored on behalf of GILBERT at the SMRP under the terms of this Agreement. GILBERT retains the right to claims over and against any other entity, including CAWCD, storing water in the SMRP in the amount proportionate to such amount stored by those other entities. In no event shall CAWCD assume liability for water quality degradation resulting from the storage of water in the SMRP, solely due to its performance of obligations as the operating agent under this Agreement.

13. BILLING AND PAYMENTS:

13.1 On or before the 15th day of each month, CAWCD will bill GILBERT for each acre-foot of storage capacity used by GILBERT during the previous month. The amount billed to GILBERT shall be equal to the Annual Recharge Rate multiplied by the number of acre-feet of GILBERT Water delivered to the SMRP as measured at the SMRP Turnout Structure. GILBERT shall pay CAWCD within thirty (30) days of receipt of such bill. Payment is not contingent upon and is not related to GILBERT's accrual of long-term storage credits from water stored at the SMRP.

13.2 If payment due under this Agreement remains unpaid more than sixty (60) days after its due date, CAWCD may terminate this Agreement effective upon written notice to GILBERT. In the event CAWCD terminates this Agreement, GILBERT shall remain obligated to pay any outstanding balance.

14. AUTHORIZATIONS AND APPROVALS:

GILBERT shall be responsible for obtaining, at its own expense, any permits, authorizations and approvals required for the underground storage and recovery of water in the SMRP or for GILBERT's performance under this Agreement. GILBERT shall keep CAWCD informed of its applications for such permits and authorizations. CAWCD will share information with GILBERT to assist GILBERT in its permit application. GILBERT shall also be responsible for filing any annual reports or other documents necessary to maintain its right to store water at the SMRP.

15. LIABILITY:

15.1 Each Party shall assume liability for its own negligence and shall indemnify the other against any damages the non-negligent Party incurs as a result of the negligent Party's action or inaction.

- 15.2 CAWCD shall assume no liability to GILBERT for claims of damage resulting from CAWCD's decision to curtail or stop water flows to the SMRP site during storm or emergency conditions.
- 15.3 CAWCD shall assume no liability to GILBERT for quantities of recoverable or unrecoverable water stored underground or removed from underground storage; nor to replace water lost, unintentionally misdirected or otherwise failing to reach the underlying aquifer. CAWCD, GILBERT and any other entities storing water at the SMRP shall share in any deficiency resulting from such lost, misdirected or otherwise unstored water in proportion to the amount of the SMRP capacity it used at the time the deficiency accrued.
- 15.4 Liability, as described in Section 12 related to water stored in the SMRP by GILBERT prior to termination of this Agreement, shall remain with GILBERT after termination of this Agreement. This Section 15.4 shall survive expiration or termination of this Agreement, and remain in full force and effect.
- 15.5 In the event any third party institutes an action against CAWCD, GILBERT or other entities storing water at the SMRP for claims arising from the activities undertaken pursuant to this Agreement, the parties named in the action shall meet to determine the procurement of legal counsel and the steps to take to defend against the action.

16. INSURANCE

- 16.1 During the term of this Agreement, unless otherwise agreed in writing by CAWCD, GILBERT shall procure and maintain in force or cause to be procured and maintained in force the following types of insurance:
 - 16.1.1 Commercial General Liability Insurance naming CAWCD as an additional insured, including bodily injury, personal injury, property damage, wrongful death and contractual liability with a minimum limit of \$1,000,000 per occurrence.
 - 16.1.2 Business Automobile Liability Insurance with a minimum limit of \$1,000,000.
 - 16.1.3 Worker's Compensation required by Arizona State law, and Employer's Liability Insurance with limits of \$1,000,000 per accident, \$1,000,000 per employee per disease, and \$1,000,000 aggregate for disease.
 - 16.1.4 Commercial Umbrella – combined single limit of \$4,000,000.

- 16.2 Any insurance carried by CAWCD shall be excess and not contributory insurance to any insurance afforded hereunder. GILBERT shall submit satisfactory proof of insurance to CAWCD prior to use of the SMRP. Such proof of insurance shall be in the form of a certificate stating the coverage provided and that such insurance shall not be canceled until after thirty (30) days prior written notice thereof shall have been given to CAWCD.
- 16.3 With written approval of CAWCD, GILBERT may self-insure or combine the coverages required by this Agreement with coverages outside the scope of that required by this Agreement.
- 16.4 If GILBERT fails to acquire, provide or continue the insurance coverages required CAWCD may terminate this Agreement immediately upon written notice to GILBERT.

17. DEFAULT:

- 17.1 GILBERT and CAWCD shall pay all monies and carry out all other performances, duties and obligations agreed to be paid and/or performed by them pursuant to this Agreement. A failure by GILBERT or CAWCD to adhere to the covenants and obligations to be kept and performed by it shall be an act of default under this Agreement.
- 17.2 In the event of a default by GILBERT or CAWCD, then, within thirty (30) days following notice of such default either Party may cure the default either by advancing the necessary funds and/or rendering the necessary performance. Such notice shall specify the existence and nature of such default. If such default is not remedied within the time specified, the non-defaulting Party may terminate this Agreement upon 24 hours written notice.

18. UNCONTROLLABLE FORCES:

Neither Party to this Agreement shall be considered in default in the performance of any of its obligations under this Agreement (other than obligations of GILBERT to pay costs and expenses) when a failure of performance is due to Uncontrollable Forces. The term "uncontrollable forces"; shall mean any cause beyond the control of the Party unable to perform such obligation, including, but not limited to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning, and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority, and action or non-action by, or failure to obtain the necessary authorizations or

approvals from any governmental agency or authority not a Party to this Agreement, which by exercise of due diligence, it shall be unable to overcome.

19. RESOLUTION OF DISPUTES:

A Party having a dispute under this Agreement that cannot be resolved by the Parties, may submit the dispute to arbitration. Arbitration shall be subject to the following provisions:

- 19.1.1 Arbitration shall be binding only upon the consent of the Parties.
- 19.1.2 A Party wishing to submit a dispute to arbitration shall provide thirty (30) days written notice to the other Party of its intent to pursue arbitration and shall name one arbitrator at that time. Within fifteen (15) days of receiving this notice, the other Party to the dispute shall name one arbitrator and give written notice to the other Party of its selection. The two selected arbitrators shall, within five (5) days of selection of the second arbitrator, jointly select a third arbitrator.
- 19.1.3 Within thirty (30) days from the selection of the third arbitrator, the arbitrators shall hold a hearing. Within thirty (30) days from the conclusion of the hearing, the arbitrators shall render a decision on the dispute.
- 19.1.4 Arbitration shall be subject to the Arizona Arbitration Act, Arizona Revised Statutes, Title 12, Chapter 9, Article 1. In the event of a conflict between this Agreement and the Act, the provisions of this Agreement shall prevail.
- 19.1.5 A Party that is dissatisfied with the results of non-binding arbitration may pursue any other legal or equitable remedy not expressly provided for in this Section 19 and available to resolve the dispute.

20. ACTION PENDING RESOLUTION OF DISPUTES:

Pending the resolution of a dispute pursuant to Section 19, each Party shall proceed, to the extent legally permissible, in a manner consistent with this Agreement, and shall make payments required in accordance with the applicable provisions of this Agreement. Any amount paid by a Party pursuant to this Section 20 during the course of such dispute shall be subject to refund and adjustment upon a final resolution of any dispute involving an amount due.

21. GOVERNING LAW:

The laws of the State of Arizona shall govern this Agreement.

22. BINDING OBLIGATIONS:

All of the obligations set forth in this Agreement shall bind CAWCD and its successors and assigns. This Agreement shall not be assigned by GILBERT or accrue to GILBERT's successor, nor shall the SMRP capacity use rights hereunder of GILBERT be used by another party. CAWCD retains the right to sell, lease, assign or otherwise convey its ownership of the SMRP to a third party. In such event, CAWCD may cancel this Agreement upon written notice to GILBERT.

23. NOTICES:

23.1 Notice, demand or request provided for in this Agreement shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by registered or certified mail, postage prepaid, to the persons specified below:

Central Arizona Water Conservation District
c/o General Manager
P.O. Box 43020
Phoenix, Arizona 85080-3020

Town of Gilbert
c/o Water Resources Manager
50 East Civic Center Drive
Gilbert, Arizona 85296

23.2 A party may, at any time, by notice to the other Party, designate different or additional persons or different addresses for the giving of notices.

24. THIRD PARTY BENEFICIARIES:

This Agreement shall not be construed to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or of any duty, obligation or undertaking established herein.

25. WAIVER:

The waiver by either Party of a breach of any term, covenant or condition in this Agreement shall not be deemed a waiver of any other term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition of this Agreement.

26. HEADINGS:

Title and paragraph headings are for reference only and are not part of this Agreement.

27. ENTIRE AGREEMENT:

The terms, covenants and conditions of this Agreement constitute the entire Agreement between the Parties relative to the leasing of SMRP storage capacity, and no understandings or agreements not herein expressly set forth shall be binding upon them. This Agreement may not be modified or amended in any manner unless in writing and signed by the Parties.

28. CONFLICT OF INTEREST:

This contract is subject to cancellation pursuant to A.R.S. §38-511 relating to conflict of interest.

IN WITNESS WHEREOF, this Agreement is executed by the Parties hereto.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

By: _____
Terry Goddard, President

Attest: _____
Alexandra M. Arboleda, Secretary

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

THE TOWN OF GILBERT

By: _____

Its: _____
Title

ACTION BRIEF

BOARD OF DIRECTORS



Agenda Number 2.c

CONTACT: Darrin Francom Ryan Johnson, Greg Adams
623-869-2276 623-869-2223, 623-869-2124
dfrancom@cap-az.com rjohnson@cap-az.com, gadams@cap-az.com

MEETING DATE: Thursday, May 6, 2021

AGENDA ITEM: Construction Contract for Backup Power at Checks and Turnouts (*Project Reliability*[^]) - Francom

RECOMMENDATION: Staff recommends the Board of Directors award a construction contract to Corbins Electric for the Backup Power Systems Upgrades Project, at sixteen Check Structures, two Turnouts, and two Microwave Sites, and authorize the General Manager, or his designee, to execute an agreement up to \$2,518,632 plus an additional \$251,863 (10%) for contingencies (totaling \$2,770,495).

FISCAL IMPLICATIONS: No

Impact on Budget:

This contract for construction is part of the on-going Backup Power System Replacement Project at Checks, Turnouts and Microwave Sites. Construction for this contract will commence in the 2nd quarter of 2021 and complete in the 1st quarter of 2022 at Check Structures 9, 10, 13, 15, 16, 17, 19, 27, 28, 29, 30, 31, 32, 35, 36, 39, Glendale & Phoenix Turnouts, and Pan Quemado and Helmet Peak Microwave Sites.

The Project Steering Committee will continue to manage the project work and expenses within the current approved budget.

Additional spending authority requested: None required.

Impact on Reserves:

No impact on Strategic Reserves.

Impact on Rates:

No impact on water rates.

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Project Reliability: *Providing reliable and cost-effective operations, maintenance, and replacement of CAP's infrastructure and technology assets*

ARS Title 34-603 Procurement of professional services and construction-manager-at-risk, design-build, and job-order-contracting construction services

CAP Purchasing Policy

PREVIOUS BOARD ACTION/ACTIVITY:

June 2017	Board approved Construction Contract to Corbins Electric: Check Structures 33, 34, 37, 38 and Santa Rosa Turnout
September 2018	Board approved Construction Contract to Rosendin: Check Structures 1, 2, 3, 4, 5 and 14
December 2019	Board approved Construction Contract to Corbins Electric: Check Structures 6, 7, 8, 11, 12 and Waddell Overlook Microwave Site

ISSUE SUMMARY/DESCRIPTION:

The scope of this contract is for removal and replacement of the existing generators and automatic transfer switches at Check Structures 9, 10, 13, 15, 16, 17, 19, 27, 28, 29, 30, 31, 32, 35, 36, 39, Glendale and Phoenix Turnouts, and Pan Quemado and Helmet Peak Microwave Sites. The existing generators and automatic transfer switches were originally installed when the sites were constructed, approximately 35 years ago. The generators serve as a backup power source to control the check gate, turnout valve, or power the microwave communication system in the event of a power loss. The equipment will provide reliable backup power and reduce ongoing maintenance costs associated with the aging infrastructure.

Staff utilizes the lessons learned from past phases to implement a standard backup power configuration that will be utilized throughout the CAP System. The use of standardized equipment at each site will reduce the need for multiple spare parts from different manufactures, increasing the efficiency and effectiveness of our preventative maintenance program.

The contractor was selected pursuant to the competitive principles described in Title 34 of the Arizona Revised Statutes under the Job Order Contracting method and in accordance with CAP's Purchasing Policy. This allows CAP to engage a qualified contractor that meets the required criteria standards without needing to undertake a secondary bidding process. Accordingly, staff engaged Corbins Electric in scope clarification and price negotiations discussions for the required construction scope of work. Pricing for this contract is fair, reasonable, and consistent with previous contracts.

SUGGESTED MOTION:

I move that the Board of Directors approve the award for the construction contract to Corbins Electric in the amount of \$2,518,632 plus an additional \$251,863 (10%) for contingencies (totaling \$2,770,495), for the Construction of the Backup Power Systems Upgrades Project, at sixteen Check Structures, two Turnouts, and two Microwave Sites, and authorize the General Manager, or his designee, to execute the contract and administer the contingency.

ATTACHMENTS:

None

FINANCE, AUDIT AND POWER COMMITTEE REPORT



April 15, 2021 Meeting

Meeting called to order at 9:34 a.m. Committee Members present were: Chair Mark Taylor, Pima County; Karen Cesare, Pima County; Pat Jacobs, Pima County; Heather Macre, Maricopa County; April Pinger-Tornquist, Maricopa County.

Report on 2020 Independent Audit and Discussion and Consideration of Action to Authorize Publication of the Comprehensive Annual Financial Report

Tanya Luther, Senior Accountant, introduced Dennis Osuch and Lupita Martinez from CliftonLarsonAllen to give an overview of the 2020 Independent Audit. There were no significant findings.

The Committee voted unanimously to publish the Comprehensive Annual Financial Report.

Discussion and Consideration of Action to Recommend the Board Approve Purchasing Policy Thresholds

Chris Hall, Assistant General Manager of Finance and Administration, gave a “step two” presentation relating to the CAP Purchasing Policy and approval thresholds for purchase requests, competitive bids, contract awards, and change orders. Because the Committee expressed concerns with increasing the Board Approval threshold to \$400,000 in March, staff returned with a new recommendation to make the threshold \$300,000.

The committee voted unanimously to recommend the Board approve the new purchasing policy thresholds.

Discussion and Consideration of Action to Recommend the Board Take Action Regarding Preliminary CAWCD Ad Valorem Taxes and Rates

Chris Hall, Assistant General Manager of Finance and Administration and Doug Dunlap, Finance and Accounting Manager, presented the Preliminary 2022-2026 rate sheet, as well as the proposed uses of the tax levy for 2021/2022. The Committee received two blue cards and two letters from M&I stakeholders supporting setting the Capital Charge at \$51/AF.

The committee voted 4-1 to recommend the Board fix the 2021/2022 General Ad Valorem rate at 10-cents for every \$100 of assessed value.

The committee voted 5-0 to recommend the Board fix the 2021/2022 Water Storage Tax rate at 4-cents for every \$100 of assessed value.

FINANCE, AUDIT AND POWER COMMITTEE REPORT



The committee voted 5-0 to recommend the Board adopt a resolution stating that all Water Storage Tax revenues are reserved for CAP operations, maintenance, and replacement costs, except \$7 million, which will be transferred to the Water Banking Fund.

The committee voted 5-0 to recommend the Board approve the Preliminary 2022-2026 Rate sheet, including setting the 2023 Capital Charge at \$56/AF.

Report on 2020 Final Budget Performance and Status of Reserves

Doug Dunlap, Finance and Accounting Manager presented where 2020 expenditures came in compared to the budget, highlighting the impacts of COVID-19 on CAP Capital Projects and Operations. He also provided an overview of the impact on CAP reserves.

Contact for more information:

Chris Hall

Assistant General Manager, Finance and Administration

623-869-2632

chall@cap-az.com

ACTION BRIEF

BOARD OF DIRECTORS



Agenda Number 4.b.i

CONTACT: Christopher Hall Doug Nicholson
623-869-2632 623-869-2359
chall@cap-az.com dnicholson@cap-az.com

MEETING DATE: Thursday, May 6, 2021

AGENDA ITEM: Discussion and Consideration of Action to Approve Purchasing Policy Thresholds
(*Finance^*) - Hall

RECOMMENDATION: Staff proposes that the Board of Directors approve the proposed revisions to the Purchasing Policy.

FISCAL IMPLICATIONS: No

Impact on Budget:

N/A

Additional spending authority requested: N/A

Impact on Reserves:

N/A

Impact on Rates:

N/A

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Finance: Maintaining long-term financial strength to achieve CAP's goals and being prepared to address opportunities or challenges

PREVIOUS BOARD ACTION/ACTIVITY:

April 2021	FAP Voted to Recommend Proposed Revisions to the Board
March 2021	Finance, Audit, Power Committee Discussion
February 2000	Last Board Update to Purchasing Limits

ISSUE SUMMARY/DESCRIPTION:

CAP's Purchasing Policy defines the procurement requirements to acquire goods and services for the business of CAP. With the exception of minor administrative revisions the Purchasing Policy has not been updated since 2000.

In 2000, the purchasing department, with the involvement of several other departments, undertook a process improvement project, under the leadership of the internal audit department to identify recommended changes to the Purchasing Policy. Included in this project was evaluating the approval limits for requisitions, competitive process limits, and award and signature authority for contracts.

After reviewing approval limits for requisitions, competitive process limits, and award and signature authority for contracts staff is recommending the following revisions:

Approval Levels for Purchase Requests

Approval Level	Current Amount	Proposed Amount
Supervisor with Budgetary Responsibility	Up to \$5,000	Up to \$10,000
Manager	Up to \$25,000	Up to \$50,000
Director	Up to \$100,000	Up to \$150,000
General Manager/ Assistant General Manager	Over \$100,000	Over \$150,000

Approval Levels for Competitive Purchases

Method	Current Amount	Proposed Amount
Contract & Procurement Services Dept. Discretion	Less Than \$5,000	Less Than \$10,000
3 Verbal Quotes	More Than \$5,000 and Up To \$10,000	Incorporated in above
3 Written Quotes	More Than \$10,000 and Up To \$50,000	More Than \$10,000 and Up To \$100,000
Formal Solicitations, Posted, Advertised	More Than \$50,000	More Than \$100,000

Authority to Award And Sign Contracts

Approval Level	Current Amount	Proposed Amount
Sr. Buyer /Buyer/ Procurement Specialist	Up to \$50,000	Up to \$100,000
Contract & Procurement Services Supervisor	Up to \$250,000	Up to \$300,000 and add General Manager
Board of Directors	Over \$250,000	Over \$300,000

SUGGESTED MOTION:

I move that the Board of Directors approve the proposed revisions to the Purchasing Policy.

ATTACHMENTS:

1. Presentation
2. Purchasing Policy Proposal Redline



Authorization for Purchasing Limits

Chris Hall

Assistant General Manager, Finance & Administration

YOUR WATER. YOUR FUTURE.

Background

CAP's Purchasing Policy defines the procurement requirements to acquire goods and services for the business of CAP.

With the exception of minor administrative revisions, the Purchasing Policy has not been updated since 2000.

From 2002-2020, CAP averaged over 4,600 purchase orders, valued at nearly \$46 million annually. However, from 2017 – 2020, the number of purchase requests has increased to an average of more than 6,500 (\$56 million) annually.

After reviewing approval limits for requisitions, competitive process limits, and award/signature authority for contracts staff is recommending updated thresholds.

Purchase Requests

Approval Level	Current Amount	%	Proposed Amount	%
Supervisor	Up to \$5,000	90.09%	Up to \$10,000	93.46%
Manager	Up to \$25,000	6.41%	Up to \$50,000	4.47%
Director	Up to \$100,000	2.35%	Up to \$150,000	1.34%
General Manager/ Assistant General Manager	Over \$100,000	.78%	Over \$150,000	.73%

*Data represents requisitions 2017-2020. Director level was created in 2016.

Approval Levels for Competitive Purchases

Approval Level	Current Amount	%	\$ %	Proposed Amount	%	\$ %
Contract & Procurement Services Department Discretion	Up to \$5,000	88.51%	7.73%	Up to \$10,000	92.45%	10.53%
3 Verbal Quotes	\$5,000 < \$10,000	3.93%	2.8%	Discretionary Under \$10,000	N/A	N/A
3 Written Quotes	\$10,000 < \$50,000	5.22%	11.96%	\$10,000 < \$100,000	6.28%	19.23%
Formal Solicitations (Posted and Advertised)	\$50,000+	2.33%	77.51%	\$100,000+	1.28%	70.24%

*Data represents contracts 2002-2020. Over 90% of Requisitions are under \$10K, however, over 70% of funds expended are in the \$100K+ category.

Authority to Award and Sign Contracts

Approval Level	Current Amount	%	\$%	Proposed Amount	%	\$%
Procurement Staff	Up to \$50,000	97.67%	22.49%	Up to \$100,000	98.72%	29.76%
Contract & Procurement Services Supervisor (or General Manager)	\$50,000 < \$250,000	1.91%	20.75%	\$100,000 < \$300,000	.91%	14.79%
Board of Directors	\$250,000+	.42%	56.76%	\$300,000+	.37%	55.46%

There were no contracts \$250K > \$300K from 2018-2020.

Amendments and Change Orders

Approval Level	Current Amount	Proposed Amount
Contracts < \$300,000* (Staff)	2% or \$10,000 (whichever is less)	5% or \$15,000 (whichever is less)
Contracts > \$300,000* (Board)	2% or \$10,000 (whichever is less)	5% or \$15,000 (whichever is less)

* Current approval level is \$250,000, but it will be increased to \$300,000 to conform with other changes in this proposal.

FAP Committee Recommendation

The Board of Directors approve the recommended revisions to the Purchasing Policy.

7

| Authorization for Purchasing Limits





Title: ADMINISTRATION

Subject: Purchasing

Guidelines Issued 03/02/00
Guidelines Reissued 07/25/17

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Appendix A

Definitions

Note: If an item is not addressed in this policy, look to the state procurement code at A.R.S. 41- 2531 *et seq.* for guidance.

PURPOSE

CAP maintains and administers a procurement program to acquire goods and services for the business of CAP.

It is the function of the CAP Contract & Procurement Services Department to administer procurement for CAP in accordance with established policies, procedures, guidelines and legal requirements. The objective of the Contract & Procurement Services Department is to achieve the best possible balance between minimizing the cost of CAP's expenditures for goods and services and striving for reasonable response and flexibility.

SCOPE

This policy applies to all CAP employees.

RESPONSIBILITIES

Employees are responsible for requirements planning, developing requirement specifications, initiating and completing purchase requests, and understanding the Purchasing Policy.

Management is responsible for approving purchasing requests and communicating this policy to employees and administering it uniformly.

The Contract & Procurement Services Department is responsible for sourcing and competing requirements from approved purchasing requests, determining and negotiating proper terms and conditions and pricing with suppliers, and signing contracts on CAP's behalf as described in Section XI.

The General Manager is authorized to ~~perform the following functions for effective administration of the CAP Purchasing Policy and Purchasing Guidelines:~~

~~1. Sign contracts approved by the Board up to \$1.0 million.~~
amend the Purchasing Guidelines at his/her discretion for all expenditures valued at \$~~300,000~~ or less.

GUIDELINES

Purchasing Guidelines have been developed to assist employees in their procurement-related activities and to provide guidance for department personnel on the proper procedures to follow when making an acquisition. The Guidelines also provide uniform application of policies and procedures so that each activity in the purchasing cycle is assigned, including the setting of responsibilities and expectations of others.

I. General Objectives

The objectives of these Purchasing Guidelines are:

1. To assist employees in obtaining goods and services in the most efficient and effective manner.
2. To strive to see that purchasing and contracting functions are performed in compliance with existing laws, regulations and statutes.
3. To define purchasing and contracting authority levels and requirements.

The guidelines provide an overview of CAP's purchasing procedures. Please call any member of the Contract & Procurement Services Department if you have additional purchasing questions.

II. Purchasing Principles

Goods and services shall be acquired according to the following principles:

Planning

Goods and services should be acquired after considerations of needs, alternatives, timing and availability of funds.

Sourcing

The process by which suppliers compete for CAP business shall be open, fair, consistent and nondiscriminatory.

Purchasing

Goods and services shall be acquired competitively from qualified suppliers to meet specified needs and to achieve the greatest value for money expended.

Accountability

Approvals shall be obtained and documentation shall be retained for review and auditing. Records shall be maintained in accordance with CAP's Records and Information Management Policy.

III. Contract & Procurement Services Department's Vision

CAP's Contract & Procurement Services Department has an integrated partnership with both customers and suppliers. Goods and services will be procured in a manner that facilitates the business of CAP to achieve the sound use of public resources.

All purchases will be made in accordance with existing laws and should withstand public scrutiny.

IV. Conflict of Interest

CAP employees must comply with A.R.S. §38-501, et. seq., relating to conflict of interest and may not do business on behalf of CAP with any entity in which they have a financial interest. Additionally, no CAP Board member or employee of CAP shall supply to CAP any goods or services, unless pursuant to an award of contract after public competitive bidding. Generally it shall be the policy of CAP not to conduct business with employees unless there is a compelling business reason. If you have any questions regarding a potential conflict, please contact the Contract & Procurement Services Supervisor.

V. Definitions

A list of definitions for the Purchasing Policy is provided in Appendix A.

VI. Approval Levels for Purchase Requests

Approval levels for purchase requests are as follows:

Amount	Approval Level
Up to \$5,000 10,000	Supervisor with Budgetary Responsibility
Up to \$25,000 50,000	Manager
Up to \$100,000 150,000	Director
Over \$100,000 150,000	General Manager/ Deputy Assistant General Manager

All purchase requests up to ~~\$5,000~~10,000 must be approved by a Supervisor with Budgetary Responsibility or someone designated in writing by him/her to approve such requests for purchases.

Purchase requests over ~~\$5,000~~10,000 and up to ~~\$25,000~~50,000 must be approved by a Manager or someone designated in writing by him/her to approve such requests for purchases.

Purchase requests over \$~~25,000~~50,000 and up to \$~~100,000~~150,000 must be approved by a Director or designate.

All purchase requests over \$~~100,000~~150,000 must be approved by the General Manager/~~Deputy Assistant~~ General Manager or designate.

VII. Special Purchase Request Reviews

The following special reviews are required for all purchase requests unless a specific written statement by the General Manager or designate, waiving the requirement, is obtained:

A. Property

All requisitions are reviewed by the Property Management Specialist to ensure that they are properly coded to expense or capital and to determine if there are items that require asset number assignments (see the Property Policy).

B. Information Technologies

A request for computer programs, software, IT consultants, and/or equipment requires a special review by the Information Technologies Manager or designate. Items not maintained by the Information Technologies Department are excluded, including the Supervisory Control and Data Acquisition System (SCADA) and test equipment.

C. Facilities Services

A request for furniture and/or office equipment (copiers, fax machines, etc.) and space modification requires review by the Facilities Services Supervisor or designate.

D. Environment and Safety

A request for goods that are in liquid, powder or gas form, or that through use can cause a chemical exposure to the user shall require a Safety Data Sheet ("SDS") and a review by the Environmental Compliance Supervisor and the Environmental, Health & Safety Manager or designates.

Purchase requests for personal protective equipment (eye, ear and head protection, gloves, clothing, footwear, etc.) and products related to employee safety (first aid kits, fire extinguishers, eyewash stations, etc.) require the approval of the Environmental, Health & Safety Manager or designate.

E. Former Employees

A request for professional, technical, or supplemental services furnished by former employees shall be approved by the HR Department.

VIII. Competitive Purchases

All purchases estimated to cost ~~\$5,000~~10,000 or more must be made using a competitive process. Competition improves the quality and suitability and decreases the amount paid for the goods and services as well as providing suppliers with an equal opportunity to conduct business with CAP. Exceptions to the competitive process are described in Sections IX and X. The Contract & Procurement Services Department is responsible for ensuring that competition is used to the extent practicable and that proper justification is obtained when competition is not used.

The following methods shall be used to purchase goods and services.

Amount	Method
Less Than \$5,000 <u>10,000</u>	Contract & Procurement Services Dept. Discretion
More Than \$5,000 and Up To \$10,000	3 Verbal Quotes
More Than \$10,000 and Up To \$50,000 <u>100,000</u>	3 Written Quotes
More Than \$50,000 <u>100,000</u>	Formal Solicitations, Posted, Advertised

A. Purchases Estimated to Cost Under ~~\$5,000~~10,000

When a purchase is estimated to cost less than ~~\$5,000~~10,000, the Contract & Procurement Services Department may issue an order without competition if pricing is considered reasonable.

~~B. Purchases Estimated to Cost \$5,000 or more and less than \$10,000~~

~~When a purchase is estimated to cost \$5,000 or more and less than \$10,000, three verbal quotes must be obtained. If three verbal quotes cannot be obtained, alternate procedures may be carried out at the discretion of the Contract & Procurement Services Supervisor or designate.~~

~~C.~~ B. Purchases Estimated to Cost \$10,000 or more and less than ~~\$50,000~~100,000

When a purchase is estimated to cost \$10,000 or more and less than ~~\$50,000~~100,000, three written quotes must be obtained. If three written quotes cannot be obtained, alternate procedures may be performed at the discretion of the Contract & Procurement Services Supervisor or designate.

D. Purchases Estimated to Cost ~~\$50,000~~100,000 or More

When a purchase is estimated to cost ~~\$50,000~~100,000 or more, formal offers must be obtained by the Contract & Procurement Services Department. Additionally, a notice inviting offers shall be posted on the CAP website and shall be advertised in a newspaper of general circulation or other means designated by the Contract & Procurement Services Supervisor or designate.

E. Other Notices

A notice inviting pre-qualification information or a notice inviting technical proposals shall be posted and advertised in the manner specified above.

IX. Exceptions to Competitive Bidding

All purchases estimated to cost ~~\$5,000~~10,000 or more require competitive bidding, except:

A. Miscellaneous Regulated Services

Miscellaneous services include telephone, electricity, power, natural gas and water, or similar services where rates ~~or~~ prices or markets are fixed by legislation or by federal, state, county or municipal regulations.

B. Urgent Necessity

Upon declaration of an Urgent Necessity, the General Manager/Assistant General Manager may make or authorize others to make Urgent Necessity procurements if there is an immediate and serious threat to the essential functions of CAP, the preservation of property or employee or public health or safety or if a situation exists which makes compliance with Section VIII contrary to the public interest. Urgent Necessity procurements must still be made with the level of competition that is practicable under the circumstances. Procurement under Urgent Necessity is limited in time and quantity to those Goods, Services or Construction necessary to satisfy the

immediate and serious need. This exception should not be used in a manner so as to avoid the consequences of poor planning.

The General Manager/~~Deputy General Manager~~ Assistant General Manager, or designate may authorize Urgent Necessity procurements. All Urgent Necessity contracts in an amount exceeding \$~~250,000~~300,000 must be ratified by the Board of Directors. Directors may authorize Urgent Necessity procurements for less than \$~~100,000~~150,000.

The requesting department manager must prepare a memo summarizing the reasons for the urgency. The memo must state a brief history of the facts giving rise to the request, including why the request is sudden or accidental and unforeseeable. If a request cannot be justified as sudden or accidental and unforeseeable, but may still be considered Urgent Necessity, the memo must summarize the procedures that will be implemented to remedy poor planning or other causes.

~~C. Eminent Domain~~

~~Purchase requests executed in lieu of bringing an action in eminent domain, to reimburse a landowner for his/her costs to relocate or protect his/her facilities that will be adversely affected by CAP construction or maintenance projects. Authority for condemnation repealed August 25, 2004 by Laws 2004, Ch. 318, §14.~~

~~D.~~ Government Entity

Purchase is pursuant to a cooperative purchasing agreement, government contract or is the purchase of a designated item(s) through a governmental entity after receiving authorization to use that entity's existing governmental purchasing agreement.

~~E.~~ Insurance and Professional Services

Professional services include ~~insurance or services of a~~insurance, attorney, accountants or similar professional, or services of an artistic, scientific, or technical character other than those required for building design and construction.

A report shall be submitted quarterly to the General Manager for all consultant contracts or the extension of any such contracts entered into during the preceding calendar quarter, when the contractor is a former employee of CAP.

FE. Supplemental Services

Supplemental services are services provided by individual contractors (sole proprietors) that are not of a professional, artistic, scientific or technical character.

A report shall be submitted quarterly to the General Manager for supplemental services contracts, when the contractor is a former employee of CAP, and the extension of any such contract entered into during the preceding calendar quarter.

GE. Change Orders

The purchase is for changes to an existing contract. Term contracts may be renewed up to four years after which the contract must be competitively bid. The General Manager/~~Deputy Assistant~~ General Manager may grant an exception in circumstances where the contract is providing quality results at a reasonable cost to CAP.

HG. Maintenance Agreements

Purchase requests for the maintenance of computers, software, copiers, faxes and other related office equipment are exempt from competition when there is a reasonable basis to conclude that it is in CAP's best interest.

IH. Repairs

The work consists of repairs that require disassembly and/or shipment in order to obtain cost estimates.

JI. Other

Other specific exceptions can be added after written approval of the General Manager/~~Deputy Assistant~~ General Manager or designate.

X. Sole Source

- A. At the discretion of the Contract & Procurement Services Department a sole source procurement may be made for those situations when compatibility of equipment, accessories, systems, technology, or replacement parts is a paramount consideration or an item is required for trial use or testing purposes.

1. Patents and Copyrights

Goods that are patented or copyrighted and are not usually for sale by dealers and generally are only available at a fixed and uniform price from their owner or his/her agents or assigns. Prior to the award of a contract, the Contract & Procurement Services or designate shall document that the contract is exempt from competitive bidding and state the reasons for the determination.

2. Items of a Unique Nature

If competitive bidding could not produce an advantage, or it is impracticable to obtain what is required under competitive bidding provisions because of the unique, exploratory, or experimental nature of the work. Prior to the award of a contract, the Contract & Procurement Services Supervisor or designate shall document that the contract is exempt from competitive bidding and state the reasons for the determination.

3. Used Equipment

If the purchase is for used equipment and is satisfactory for the work to be performed, the Contract & Procurement Services Department will perform a market survey to determine if the acquisition is in CAP's best interest and will document the findings.

B. At the Requestor's Discretion:

1. Brand Name

When an item will best serve the purpose of CAP and cannot be substituted with a like brand or manufacturer, the Department Manager shall set forth reasons for this determination and obtain approval, in writing, from a Director.

XI. Award/Signature Authority

A. Authority Levels

After a Purchase Request has been approved in accordance with Section VI, authority to award and sign contracts is as follows:

Amount	Approval Level
--------	----------------

Up to \$ 50,000 <u>100,000</u>	Sr. Buyer/Buyer/Procurement Specialist
Up to \$ 250,000 <u>300,000</u>	Contract & Procurement Services Supervisor <u>and General Manager or designate</u>
Over \$ 250,000 <u>300,000</u>	Board of Directors

The authority to award and sign contracts costing up to \$~~50,000~~100,000 is delegated to the Sr. Buyer, Buyer, or Procurement Specialist, responsible for arranging the purchase.

The authority to award and sign contracts costing up to \$~~250,000~~300,000 is delegated to the Contract & Procurement Services Supervisor and the General Manager or designate.

The award of contracts exceeding \$~~250,000~~300,000 must be made by the CAP Board of Directors (Board). A brief justifying the purchase ~~shall~~ must be prepared for the Board by the requesting Department Manager. ~~After award,~~ I the authority to sign contracts may be delegated by the Board to the General Manager or designate.

All amendments or change orders that add costs to existing contracts may be subject to the authority levels outlined above. The authority level for an amendment or change order is determined by the sum of the original contract plus all amendments and/or change orders. The total price must be within the dollar limit for the authority level plus the lesser of 25% or \$~~40~~15,000. For contracts over \$~~250~~300,000, an amendment or change order that is more than 25% or \$~~40~~15,000 of the Board approved award, whichever is less, must be approved by the Board.

B. Rejection of Offers

The Contract & Procurement Services Supervisor may reject all offers received for a purchase request up to \$~~250,000~~300,000.

The rejection of all offers over \$~~250,000~~300,000 is subject to the approval of the General Manager.

C. Approval by General Counsel

The General Counsel or designate must approve, in writing, drafts of all contracts involving an expenditure of over \$~~250,000~~300,000, except any contract issued as prescribed by Section IX. C does not require General Counsel approval.

XII. Construction Services

Construction services, including architectural, engineering, geologists, landscape architects, land surveyors and assayers, must be procured as prescribed by §34-101 et. seq. of the Arizona Revised Statutes. Construction services contracts shall be solicited and administered by the Contract Administrators located in the Engineering Department.

Appendix A – Definitions

Advertising

For purchase requests estimated to cost ~~\$50,000~~ 100,000 or more, a notice inviting offers shall be advertised in a newspaper of general circulation and posted on the CAP website.

Award

The decision to enter into a contract with a particular vendor.

Change Order

A written order directing the contractor to make changes that are authorized in the contract and that modify the original terms of the contract. All Change Orders must be signed by an authorized representative of CAP.

Contract

All types of agreements, regardless of what they may be called for the procurement of goods, services and construction or disposal of materials.

Construction

The process of building, altering, repairing, improving, or demolishing any structure or building, or other improvements of any kind to any real property. It does not include the routine operation, routine repair, or routine maintenance of existing structures, buildings, or real property.

Goods

All property, including but not limited to equipment, materials, printing, insurance and leases of real property, excluding land or a permanent interest in land.

Offer

A response to a solicitation that, if accepted by CAP, would obligate the parties to perform.

Opening Offers

The time for opening offers shall be specified as local time in Phoenix Arizona on a given date. No offer shall be opened prior to the solicitation closing time.

Professional Services

~~Services of an architect, attorney, accountant, engineer, land surveyor, assayer, geologist, landscape architect and other professions.~~

Purchase Request

A purchase request fully describes the requirements of the supplies, services, or construction with an estimated cost, approved by a Supervisor with budgetary responsibility, the Department Manager, Director, Deputy Assistant General Manager or General Manager authorizing the Contract & Procurement Services

Department to solicit bids, quotes, qualifications and proposals and enter into a contract on behalf of CAP.

Purchasing

Purchasing includes buying, renting, leasing or otherwise acquiring any supplies, services or construction. It also includes all functions that pertain to the obtaining of any supply, service, or construction, including description of requirements, selection and solicitation of sources, preparation, award, and signing of contract, and all phases of contract administration.

Quote

A stated price from a supplier for the purchase of goods, services or construction.

Services

The furnishing of labor, time or effort, not involving the delivery of a specific end product other than reports which are merely incidental to the required performance. This term shall not include employment agreements.

Sole Source

A contract for the purchase of goods or services that is entered into by CAP after soliciting and negotiating with only one source.

Solicitation

A request for quotes, bids, qualifications or proposals to provide supplies, services, or construction items.

Space Modification

Includes building new offices or conference rooms in a department's existing area, altering existing offices or conference rooms, etc. by moving or adding walls, entrances or any other similar types of alterations.

Supplemental Services

The services of a secretary, clerk, mechanic or a member of the building or skilled trades or other services that if performed by a CAP employee would be compensated at an hourly wage rate and would be considered non-professional. Supplemental services do not include commercial services such as janitorial, security, or maintenance.

Urgent Necessity Contracts

Urgent Necessity conditions may arise from, but are not limited to, floods, epidemics, riots or equipment failures that are sudden or accidental and unforeseeable such as what is commonly referred to as acts of God. An Urgent Necessity condition creates an immediate and serious need for Goods, Services or Construction that cannot be practicably met through normal procurement methods and that seriously threatens the essential functions of CAP, the preservation of property or employee or public health or safety. This exception

should not be used in a manner so as to avoid the consequences of poor planning.



Preliminary Ad Valorem Taxes, Capital Charges, and Rates

Chris Hall

Assistant General Manager, Finance & Administration

YOUR WATER. YOUR FUTURE.

Background

Staff published the preliminary rate sheet in April, accounting for the movement into Tier 1 Shortage in 2022 and beyond. The overall delivery charges for customers were unchanged from what had been published in the 2022 advisory rate last year under a Tier 1 scenario.

As a result of moving to Tier 1, the Ag Pool will shrink from 300,000 AF in 2021 to 105,000 AF in 2022. Of this, only 42,000 AF qualifies for the “Ag Consideration”. This equates to approximately a \$5.7 million contractual obligation.

Staff outlined several potential upcoming expenditures that may necessitate replenishment of the Extraordinary Cost Reserve.

DCP Tier Fixed OM&R Rate Sensitivity

Units = \$/acre-foot	Firm 2022	Advisory			
		2023	2024	2025	2026
DCP Tier					
Normal	\$102	\$107	\$113	\$119	\$120
Tier 0	\$109	\$114	\$121	\$127	\$128
Tier 1	\$136	\$143	\$153	\$161	\$162
Tier 2a	\$146	\$155	\$165	\$173	\$174
Tier 2b	\$152	\$162	\$172	\$181	\$182
Tier 3	\$164	\$176	\$186	\$196	\$197
Rates are net of rate stabilization					

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2022-2026 Preliminary Rates and 2021/2022 Ad Valorem Taxes



Potential Upcoming Extraordinary Costs

• Spook Hill Substation Decommissioning	\$500,000 - \$1,000,000
• Salinity Control Act, Title II Funding (recurring)	\$4,000,000
• Regional Water Recycling Program	\$4,000,000 - \$5,000,000
• Critical Spare Program	\$5,000,000 - \$10,000,000
• BOR Infrastructure Partnerships	\$0 - \$50,000,000
• Potential 9(d) Debt Repayment	\$0 - \$88,000,000
• Upfront Improvements for System Use Agreement	\$25,000,000 - \$75,000,000
• Significant Infrastructure Replacement	\$150,000,000 - \$200,000,000
• CAP Recovery Infrastructure	TBD
• Colorado River Resiliency	TBD
• CAP Visitor Center	TBD

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2022-2026 Preliminary Rates and 2021/2022 Ad Valorem Taxes



General Tax Assumptions

1¢ of Tax...

...generates approximately \$6.0 million in revenue

...applied to federal repayment reduces Municipal & Industrial (M&I) Capital Charges by approximately \$9.00/acre-foot (AF)

...costs the owner of a \$200,000 LPV property home \$2.00 per year

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2022-2026 Preliminary Rates and 2021/2022 Ad Valorem Taxes



FAP Recommendation

General Ad Valorem Tax:

- Ag Consideration (1.0¢)
- 2023 Federal Repayment (1.5¢)
- Extraordinary Cost Reserve Replenishment (7.5¢)

Water Storage Tax:

- Water Bank LTSC Purchases (4.0¢)

Result:

*\$6 million going to Ag Consideration
\$9 million to repayment (\$56/acre-foot capital charge)
\$45.0 million going into Extraordinary Cost Reserve Replenishment*

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2022-2026 Preliminary Rates and 2021/2022 Ad Valorem Taxes



Federal Repayment & Capital Charges

(\$K) Capital Charge Sensitivity Analysis – Levels	2022	2023	2024	2025	2026
Federal Repayment	\$58,145	\$56,813	\$57,833	\$56,417	\$55,002
Total Basin Development Fund Credit	(8,285)	(8,352)	(8,369)	(8,386)	(8,404)
Net Cash Payment	\$49,860	\$48,461	\$49,464	\$48,031	\$46,598
Taxes Applied:					
2020/2021 – General Ad Valorem @ 2.5¢	(14,500)				
2021/2022 FAP Recommendation		TBD (9,000)	TBD	TBD	TBD
Cash Needed from Capital Charges	\$35,360	\$39,461	\$49,464	\$48,031	\$46,598
Allocation (acre feet) (Includes CAGR Credits & Wheeled Water)	697,267	701,317	703,420	704,577	705,793
Capital Charge (\$ acre foot)	\$50	\$69 \$56	\$70	\$68	\$66

7 | 2022-2026 Preliminary Rates and 2021/2022 Ad Valorem Taxes



Preliminary 2022 – 2026 Rate Components

Units = \$/acre-foot	Historic 2020	Firm 2021	Firm 2022	Advisory			
				2023	2024	2025	2026
DCP Tier	Zero	Zero	T1	T1	T1	T1	T1
Capital Charges							
(A) M&I – Long Term Subcontract	\$56	\$53	\$50	\$69 \$56	\$70	\$68	\$66
Delivery Charges							
Fixed O&M	\$75	\$78	\$103	\$105	\$112	\$120	\$121
“Big R”	\$24	\$26	\$33	\$38	\$41	\$41	\$41
(B) Fixed OM&R	\$99	\$104	\$136	\$143	\$153	\$161	\$162
(C) Pumping Energy Rate	\$56	\$56	\$56	\$57	\$61	\$61	\$63
(D) Property Tax Equivalency	TBD	TBD	TBD	TBD	TBD	TBD	TBD

8 | 2022-2026 Preliminary Rates and 2021/2022 Ad Valorem Taxes



Preliminary 2022 – 2026 Rate Schedule

Units = \$/acre-foot The Letter Designations in the Formulas Refer to the Rate Components above	Historic 2020	Firm 2021	Firm 2022	Advisory			
				2023	2024	2025	2026
DCP Tier	Zero	Zero	T1	T1	T1	T1	T1
M&I Subcontract (B + C)	\$155	\$160	\$192	\$200	\$214	\$222	\$225
Federal Contract (B + C)	\$155	\$160	\$192	\$200	\$214	\$222	\$225
Ag Settlement Pool (C)	\$56	\$56	\$56	\$57	\$61	\$61	\$63
Excess (A + B + C)	\$211	\$213	\$242	\$269	\$256	\$284	\$290

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2022-2026 Preliminary Rates and 2021/2022 Ad Valorem Taxes



FAP Recommended Motions

- Move that the Board of Directors fix the CAWCD General Ad Valorem Tax Rate at ten cents (\$0.10) per one hundred dollars (\$100) of assessed valuation
- Move that the Board of Directors fix the CAWCD Water Storage Tax Rate at four cents (\$0.04) per one hundred dollars (\$100) of assessed valuation for the 2021/2022 tax year and adopt a resolution determining that all of the Water Storage tax levied in tax year 2021/2022, except for \$7 million requested by the AWBA for the purchase of long term storage credits in 2022, is required for CAP repayment or annual operations, maintenance and replacement costs, including CAWCD costs for AWBA M&I firming.
- Move that the Board of Directors approve the attached CAP 2022-2026 preliminary rate schedule.

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2022-2026 Preliminary Rates and 2021/2022 Ad Valorem Taxes





THANK YOU

YOUR WATER. YOUR FUTURE.

ACTION BRIEF

BOARD OF DIRECTORS



Agenda Number 4.b.ii.1

CONTACT: Christopher Hall Doug Dunlap
623-869-2632 623-869-2360
chall@cap-az.com ddunlap@cap-az.com

MEETING DATE: Thursday, May 6, 2021

AGENDA ITEM: Fix the 2021/2022 General Ad Valorem Tax Rate Pursuant to A.R.S. §48-3715, Subsection A

RECOMMENDATION: The Finance, Audit and Power Committee recommends that the Board of Directors fix the CAWCD General Ad Valorem Tax Rate at ten cents (\$0.10) per one hundred dollars (\$100) of assessed valuation for the 2021/2022 tax year.

FISCAL IMPLICATIONS: Yes

Impact on Budget:

Each cent of ad valorem tax is worth approximately \$6.0 million for the 2021/2022 tax year.

The 10-cent recommendation will generate approximately \$60 million.

Additional spending authority requested: None

Impact on Reserves:

Extraordinary Cost Reserve will increase by \$42 million under the FAP recommendation.

Impact on Rates:

The FAP recommendation allocates \$9 million (1.5 cents) toward 2023 federal repayment, which has the effect of reducing the capital charge rate from \$69/AF to \$56/AF.

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Finance: *Maintaining long-term financial strength to achieve CAP's goals and being prepared to address opportunities or challenges*

A.R.S. §48-3715(A) authorizes CAP to levy a General Ad Valorem tax up to 10 cents per \$100 of assessed valuation. The rate must be fixed by the third Monday in August each year.

The Board establishes property tax rates each year in June.

PREVIOUS BOARD ACTION/ACTIVITY:

June 2020	Board Approved 2020/2021 tax rates
March 2021	Staff held customer roundtable on stabilization funds
April 2021	FAP Approved Preliminary Tax Rate Recommendation

ISSUE SUMMARY/DESCRIPTION:

By statute, the counties must inform property owners of the assessed value of their properties by March of each year prior to the year the assessment takes effect (e.g., March 2021 for the tax year that begins July 1, 2022). The assessments are based on valuations from the middle of the previous calendar year (e.g., the valuation for the tax year beginning July 1, 2022, would be based on valuations from mid-2020). Valuations are approximately two years behind the pertinent tax year.

Taxes are based on Limited Property Value (LPV) and LPV is constrained to rise no more than 5% per year, although newly built property will be recorded at its actual Full Cash Value (FCV) for the initial year.

During this planning cycle, Elliot D. Pollack Co. was retained to assist in developing property tax valuation estimates for the next few years. Valuation estimates were slightly higher than last year's forecast in the near term. According to the Maricopa County Assessor's website, the median home LPV in the CAP service area is approximately \$200,000. Therefore, each penny of tax is equivalent to \$2.00 for homeowners annually..

Staff will present options that include various use of tax for the Ag Consideration, 2023 Repayment Obligations, and deposits into the Extraordinary Cost Reserve.

STAKEHOLDER PERSPECTIVES:

Staff have had brief conversations with AMWUA, in which these stakeholders wanted to express that the Federal Repayment was a top priority for CAP and that the application of tax toward this obligation was an appropriate use of tax revenues. They continue to support the practice of applying taxes to repayment two years into the future in order to allow their members to adequately plan their budgets.

SUGGESTED MOTION:

I move that the Board of Directors fix the CAWCD General Ad Valorem Tax Rate at ten cents (\$0.10) per one hundred dollars (\$100) of assessed valuation for the 2021/2022 tax year.

ATTACHMENTS:

None

Agenda Number 4.b.ii.2

CONTACT: Christopher Hall Doug Dunlap
623-869-2632 623-869-2360
chall@cap-az.com ddunlap@cap-az.com

MEETING DATE: Thursday, May 6, 2021

AGENDA ITEM: Fix the 2021/2022 Water Storage Tax Rate and Adopt a Resolution Regarding the Use of the 2021/2022 Water Storage Tax Pursuant to A.R.S. §48-3715.02, Subsections B and C.

RECOMMENDATION: The Finance, Audit and Power Committee recommends that the Board of Directors fix the CAWCD Water Storage Tax Rate at 4 cents (\$0.04) per one hundred dollars (\$100) of net assessed valuation (NAV) for the 2021/2022 tax year.

Furthermore, the FAP Committee recommends the Board adopt a resolution determining that all of the Water Storage tax levied in tax year 2021/2022, except for \$7 million requested by the AWBA for the purchase of long term storage credits in 2022, is required for CAP repayment or annual operations, maintenance and replacement costs, including CAWCD costs for AWBA M&I firming.

FISCAL IMPLICATIONS: Yes

Impact on Budget:

Each cent of ad valorem tax is estimated to generate approximately \$6 million in revenue in 2021/2022. If the Water Storage tax is assessed at the maximum level, this translates into \$24.0 million.

Additional spending authority requested: None.

Impact on Reserves:

Collections less planned expenditures will increase Water Storage Tax Reserve by approximately \$17 million (\$24 million in revenues less \$7 million in expenditure).

Impact on Rates:

None

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Finance: *Maintaining long-term financial strength to achieve CAP's goals and being prepared to address opportunities or challenges*

§A.R.S. 48-3715.02(B) authorizes CAP to levy a Water Storage tax up to four cents per \$100 of assessed valuation. The rate must be fixed by the third Monday in August each year.

§A.R.S. 48-3715.03(A) provides that the Board shall determine whether all or any portion of such tax is to be

applied to the repayment of CAP construction or annual operations, maintenance and replacement costs. Any taxes levied for Water Storage that are not applied to the repayment of CAP construction or annual operations, maintenance and replacement are to be deposited with the State Treasurer in the Arizona Water Banking Fund.

The Board establishes property tax rates each year in June.

PREVIOUS BOARD ACTION/ACTIVITY:

June 2020	The Board approved 2020/2021 tax rates
March 2021	Staff hosted roundtable on stabilization funds
April 2021	FAP approved preliminary water storage tax rate and resolution

ISSUE SUMMARY/DESCRIPTION:

By statute, the counties must inform property owners of the assessed value of their properties by March of each year prior to the year the assessment takes effect (e.g., March 2020 for the tax year that begins July 1, 2021). The assessments are based on valuations from the middle of the previous calendar year (e.g., the valuation for the tax year beginning July 1, 2021, would be based on valuations from mid-2019). Valuations are approximately two years behind the pertinent tax year.

During this planning cycle, the Elliot D. Pollack Co. was retained to assist in developing property tax valuation estimates for the next few years. Taxes are based on Limited Property Value (LPV) and LPV is constrained to rise no more than 5% per year, although newly built property will be recorded at its actual Full Cash Value (FCV) for the initial year.

Historically, the Board has levied the Water Storage Tax at the statutory maximum of 4 cents per \$100 of assessed valuation. At the maximum rate, the amounts collected in Pima and Pinal counties either just meet or cannot satisfy all of the M&I firming needs for those counties and are completely consumed. However, since CAWCD is only allowed to assess a single rate for all three counties, more is collected in Maricopa County than is needed for M&I firming in that county.

In November 2018, the Board approved the renewal of the intergovernmental agreement (IGA) among CAWCD, the Arizona Water Banking Authority and the Arizona Department of Water Resources. The agreement commenced on January 1, 2019 and will remain in effect until December 31, 2028.

Section 6(b) of the IGA states that CAWCD and AWBA agree to meet and confer periodically throughout the year regarding disbursement of tax revenues collected by CAWCD pursuant to A.R.S. §48-3715.02 for AWBA activities.

Section 6.2(b) requires the AWBA to include in its draft annual report, the estimated amount of revenues it will seek from the water storage tax for purchase of the projected target volume of long term storage credits (LTSCs) for CAP M&I firming, accounted for by the County, during the following calendar year. For 2021, the AWBA estimates the LTSCs purchases to be:

- Maricopa County –\$4 million
- Pima County –\$3 million

The amount is subject to approval by the CAWCD Board at its June meeting of the CAWCD Board of Directors and will set forth in its annual resolution delivered to ADWR.

In addition, the Board may utilize these funds for operations and maintenance or repayment as there are many

uncertainties in the near future.

The FAP Committee recommends that the Water Storage tax rate be kept at the statutory maximum of 4 cents for the 2021/2022 tax year, and the proceeds designated for OM&R and Repayment. The funds deposited in the CAP Water Storage Reserve are available for use by the AWBA for M&I Firming and available for the purchase of long-term storage credits.

SUGGESTED MOTION:

I move that the Board of Directors fix the CAWCD Water Storage Tax Rate at four cents (\$0.04) per one hundred dollars (\$100) of assessed valuation for the 2021/2022 tax year and adopt a resolution determining that all of the Water Storage tax levied in tax year 2021/2022, except for \$7 million requested by the AWBA for the purchase of long term storage credits in 2022, is required for CAP repayment or annual operations, maintenance and replacement costs, including CAWCD costs for AWBA M&I firming.

ATTACHMENTS:

1. 4 Cent Tax Resolution 2021

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
CENTRAL ARIZONA WATER CONSERVATION DISTRICT
REGARDING AD VALOREM TAX FOR WATER STORAGE

(June 10, 2021)

WHEREAS, House Bill 2494 adopted by the Arizona Legislature in 1996 (Chapter 308, Laws of Arizona 1996, Forty-second Legislature, Second Regular Session) established the Arizona Water Bank and amended A.R.S. § 48-3715.02 relating to the tax levy for water storage; and

WHEREAS, A.R.S. § 48-3715.02, subsection B, provides that the Central Arizona Water Conservation District ("CAWCD" or "the District") acting through its Board of Directors (the "Board"), shall fix the amount to be raised by direct taxation pursuant to its provisions, which amount shall not exceed four cents per one hundred dollars of assessed valuation (the "Water Storage Tax"); and

WHEREAS, the Board by separate action has fixed the tax rate pursuant to A.R.S. §48-3715.02, subsection B, for the 2021/2022 tax year at four cents per one hundred dollars of assessed valuation; and

WHEREAS, A.R.S. § 48-3715.03 further provides that the Board shall annually determine by resolution whether any or all of the Water Storage Tax shall be applied to the repayment of the construction costs of the Central Arizona Project (the "Project") or to the annual operation, maintenance, and replacement costs of the Project; and

WHEREAS, A.R.S. § 48-3715.03 further provides that those monies specified in the resolution for repayment of the construction costs or payment of the annual operation, maintenance, and replacement costs of the Project shall be deposited, pursuant to A.R.S. §§35-146 and 35-147, in the District fund established pursuant to A.R.S. § 48-3712, subsection A, paragraph

5; and

WHEREAS, A.R.S. § 48-3715.03 further provides that any Water Storage Tax receipts that are not deposited in the District fund shall be deposited, pursuant to A.R.S. §§ 35-146 and 35-147, in the Arizona Water Banking Fund established pursuant to A.R.S. § 45-2425; and

WHEREAS, in accordance with the Intergovernmental Agreement Among Arizona Department of Water Resources, Arizona Water Banking Authority (“AWBA”) and CAWCD dated January 3, 2019, the AWBA notified the District on March 24, 2021 that the estimated revenues it is seeking from the Water Storage Tax for the purchase of LTSCs for CAP M&I firming, accounted for by County, during calendar year 2022 are \$4,000,000 for a target amount of 18,341 AF in the Phoenix AMA and \$3,000,000 for a target amount of 13,623 AF in the Tucson AMA for a total amount of \$7,000,000; and

WHEREAS, the AWBA requests that the Water Storage Tax revenues be made available by the Board for AWBA's use to purchase these LTSCs at such time when the AWBA enters into an agreement for the purchase of LTSCs utilizing Water Storage Tax revenues and the agreements have been approved by the AWBA Commission; and

WHEREAS, the Board desires to authorize \$4,000,000 of the Water Storage Tax revenues collected in Maricopa County for the 2021/2022 tax year and \$3,000,000 of the Water Storage Tax revenues collected in Pima County for the 2021/2022 tax year be available to the Arizona Water Banking Fund at such time when the AWBA enters into an agreement for the purchase of LTSCs utilizing Water Storage Tax revenues and the agreements have been approved by the AWBA Commission; and

WHEREAS, in accordance with the IGA, the Board may authorize and set forth the amount available for transfer to the AWBA in the annual resolution it adopts at its June meeting of the

CAWCD Board of Directors and to direct the transfer of Water Storage Tax revenues to the Arizona Water Banking Fund; and

WHEREAS, in accordance with the IGA, the AWBA will provide notice to CAWCD specifying the total price paid for the LTSCs along with a copy of the signed purchase agreement; and

WHEREAS, A.R.S. § 48-3715.03 further provides that a certified copy of such resolution shall be delivered to the Arizona Department of Water Resources.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Central Arizona Water Conservation, as follows:

1. That all of the taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, herein referred to as the Water Storage Tax, in the 2021/2022 tax year, except as provided in paragraph 3 below, shall be applied to repayment of the construction costs or payment of the annual operation, maintenance, and replacement costs of the Project, including underground storage for the purpose of M&I firming by the Arizona Water Banking Authority; and
2. That all taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, in the 2021/2022 tax year be deposited in a designated District account in the District fund established pursuant to A.R.S. § 48-3712, subsection A, paragraph 5; and
3. That up to \$4,000,000 of the Water Storage Tax, collected in Maricopa County, in the 2021/2022 tax year and up to \$3,000,000 of the Water Storage Tax, collected in Pima County, is authorized and shall be available to the AWBA for the purchase of LTSCs at such time there are transactions requiring funding; and
4. That the specific amount of the total purchase price paid for the LTSCs, up to the authorized amount of the Water Storage Tax stated in paragraph 3 above, be transferred and deposited in the Arizona Water Banking Fund established

- pursuant to A.R.S. §45-2425 upon receipt by CAWCD of any such agreement that is approved by the AWBA Commission for the purchase of LTSCs; and
5. That any remaining authorized amounts made available to the AWBA that are not transferred and deposited in the Arizona Water Banking Fund will carry over to be credited against future requests by the AWBA and remain available to be used for the purchase of LTSCs in subsequent years; and
 6. That a certified copy of this resolution be delivered to the Arizona Department of Water Resources.

I, the undersigned, as Secretary of the Central Arizona Water Conservation District, hereby certify that the foregoing is a true and correct copy of the resolutions duly adopted by the Board of Directors of the Central Arizona Water Conservation District at a meeting thereof, duly called and held on June 10, 2021, at which a quorum was present and acting throughout. I further certify that said resolutions have not been modified or revoked since their adoption and are still in full force and effect.

SIGNED THIS 10th DAY OF JUNE 2021.

By: _____
Alexandra Arboleda
Secretary

ACTION BRIEF

BOARD OF DIRECTORS



Agenda Number 4.b.ii.3

CONTACT: Doug Dunlap
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ddunlap@cap-az.com

Christopher Hall
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chall@cap-az.com

MEETING DATE: Thursday, May 6, 2021

AGENDA ITEM: Adopt the Preliminary 2022-2026 Rate Schedule

RECOMMENDATION: The FAP Committee recommends that the Board approves the attached Preliminary Water Rate Schedule for 2022-2026.

FISCAL IMPLICATIONS: Yes

Impact on Budget:

CAWCD delivery and capital charge rates are included in the 2021 budget.

Additional spending authority requested: None

Impact on Reserves:

This recommendation will reduce Working Capital Reserves as previously forecasted in the budget as all unapplied taxes were assumed to go into Working Capital. Working Capital Reserves will remain above target. The Extraordinary Cost Reserve will increase by approximately \$45 million.

Impact on Rates:

N/A

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Finance: *Maintaining long-term financial strength to achieve CAP's goals and being prepared to address opportunities or challenges*

PREVIOUS BOARD ACTION/ACTIVITY:

June 4, 2020 The Board approved the Final 2021 – 2026 CAWCD Rate Schedule including Provisional rates for 2022 and Advisory rates for 2023 through 2026

March 29, 2021 Staff held a Customer Workshop on utilization of rate stabilization reserves.

April 15, 2021 The FAP Committee recommended the Board approve the attached rate schedule.

ISSUE SUMMARY/DESCRIPTION:

As provided in the District's rate setting policy, rates are set in even-numbered years with a firm rate for the next year, a provisional rate for the second year and advisory rates for the next 4 years. In odd-numbered years, the provisional rates are reviewed to determine if updates are needed for the provisional and advisory rates. If a change is not required, the provisional rates can become firm for the next year without Board action.

The CAWCD policy provides for a stakeholder briefing in mid-April, review and development of a recommendation at the April Finance, Audit and Power Committee meeting, adoption of preliminary rates at the May Board meeting and approval of a final water rate schedule in June.

In the odd-year, rates are reviewed for any key changes to determine if the rates need to be revised. Due to the probable Tier 1 shortage in 2022, it is necessary to revise the 2022 Provisional and 2023-2026 advisory rates. Advisory Tier 1 rates were provided in the previous rate schedule.

Water Volumes: Water volumes have been revised to a Tier 1 level for 2022-2026. Additional information has been provided for additional DCP Tier levels for planning purposes. Water volumes decreased slightly due to operational impacts from 2020.

Power: Purchase power costs for 2022 forward are based on approximately 25 percent long-term contracts and approximately 75 percent market purchases.

Wheeling: Starts in 2023 at 3,000 acre-feet/year and increases to 4,000 acre-feet in 2024 and remains at that level.

Non-Indian Ag (NIA) Reallocation: The reserve forecast anticipates the influx of approximately \$19.5 million per year for 5 year in back capital charges and interest, resulting from the allocation of the 46,629 AF of Non-Indian Agricultural (NIA) water, in 2021 for delivery in 2022. Also, water volumes and customer deliveries as well as capital charges are impacted by this reallocation.

Ag Programs: Fixed OM&R is covered through general ad valorem taxes for the Ag Settlement pool. No additional incentives or discounts are proposed. Rates are exclusive of any Ag Forbearance program benefits.

DCP Mitigation: Additional costs and water volumes Arizona's Implementation plan have not been included in the forecast. As these specifics will be defined in the coming months, the goal is to have balancing amounts of compensated mitigation and additional volumes so as to not impact the Fixed OM&R rate.

Water Delivery Rates: Overall, the water delivery rates remain the same as the Tier 1 rates provided in 2020. Due to the change in water volumes, Fixed O& M increased slightly in 2022 and 2023. "Big R" was decreased by an equivalent amount in the same years as a result of the delay of capital projects due to COVID-19 and some reevaluation of some Extraordinary Maintenance projects. All other rates remain the same as the provisional rates.

Full Rate Stabilization Rate: This rate is a reduction in the Fixed OM&R rate as a result of previous rate payer contributions into the Full Rate Stabilization Program. All deliveries are eligible for this reduction. The proposal is a result of feedback from the Customer Roundtable.

2020 Voluntary Rate Stabilization: This rate is a reduction in the Energy rate as a result of previous rate payer contributions into the Voluntary Supplemental Shortage Stabilization Program. CAWCD made some partial matching contributions into this program. Only those entities that opted-in to the program are eligible for this reduction. The proposal is a result of feedback from the Customer Roundtable.

Capital Charges: Capital charges provide a funding source for the make-up payment to the federal government for the annual repayment. The current Board direction is to collect enough in capital charges to cover the estimated make-up payment with annual discussions of how much, if any, taxes will be utilized for

repayment to subsequently reduce capital charges. Currently, 2.5¢ of 2020/21 General ad valorem taxes have previously been applied to 2022 repayment which results the current capital charge rate of \$50/acre-foot. The FAP Committee took up the discussion of utilizing 10-cent taxes for 2023 repayment and recommended to apply 1.5-cents. The result is a decrease in the capital charge from \$69/acre-foot to \$56/acre-foot.

STAKEHOLDER PERSPECTIVES:

Staff held a Shortage Rate Stabilization Roundtable on March 25, 2021. There were several alternatives presented for discussion of usage of both the Full Rate Stabilization Program and the Voluntary 2020 Program. There was pretty solid consensus on the Full Rate Stabilization program - split the total estimate of \$25/acre-foot into \$13/acre-foot in 2022 and \$12/acre-foot in 2023. The voluntary 2020 program had a few differing thoughts on the usage of the approximately \$11/acre-foot available. The majority view was to utilize \$11/acre-foot in 2024 though potentially revisit the topic next year when there is more visibility of 2023 and 2024 conditions. It was clarified that the last year of the funds are an estimate and will be adjusted to utilize the remaining funds in each of the programs.

SUGGESTED MOTION:

I move that the Board approve the CAP Preliminary 2022-2026 Water Rate Schedule as attached to this brief.

ATTACHMENTS:

1. Preliminary 2022-2026 Rate Schedule Revision 1

**CENTRAL ARIZONA PROJECT
PRELIMINARY 2022-2026 RATE SCHEDULE
REVISION 1**

April 15, 2021

DELIVERY RATES FOR VARIOUS CLASSES OF WATER SERVICE

Units = \$/ acre-foot

(The Letter Designations in the Formulas Refer to the Rate Components Shown Below)

DCP Tier		T0 Firm 2021	T1 Firm 2022	T1 2023	T1 2024	T1 Advisory 2025	T1 2026
	2020						
Municipal and Industrial Subcontract (B+C) ^{6,7}	\$ 155	\$ 160	\$ 192	\$ 200	\$ 214	\$ 222	\$ 225
Federal Contract (B+C) ^{6,7}	\$ 155	\$ 160	\$ 192	\$ 200	\$ 214	\$ 222	\$ 225
Agricultural Settlement Pool (C) ¹	\$ 56	\$ 56	\$ 56	\$ 57	\$ 61	\$ 61	\$ 63
Excess (A+B+C) ^{2,6}	\$ 211	\$ 213	\$ 242	\$ 256	\$ 284	\$ 290	\$ 291
Interstate (A+B+C+D)	TBD	TBD	TBD	TBD	TBD	TBD	TBD

RATE COMPONENTS

Units = \$/acre-foot

	2020	Firm 2021	Firm 2022	2023	2024	Advisory 2025	2026
<u>Capital Charges</u>							
(A) Municipal and Industrial - Long Term Subcontract ³	\$ 56	\$ 53	\$ 50	\$ 56	\$ 70	\$ 68	\$ 66
<u>Delivery Charges</u>							
Fixed O&M ⁴	75	78	103	105	112	120	121
"Big R" ⁴	24	26	33	38	41	41	41
(B) Fixed OM&R ⁴	\$ 99	\$ 104	\$ 136	\$ 143	\$ 153	\$ 161	\$ 162
(C) Pumping Energy Rate ⁵	\$ 56	\$ 56	\$ 56	\$ 57	\$ 61	\$ 61	\$ 63
(D) Property Tax Equivalency	TBD	TBD	TBD	TBD	TBD	TBD	TBD
(E) Full Rate Stabilization ⁶	\$ -	\$ -	\$ (13)	\$ (12)	\$ -	\$ -	\$ -
(F) 2020 Voluntary Rate Stabilization ⁷	\$ -	\$ -	\$ -	\$ -	\$ (11)	\$ -	\$ -

DIRECT UNDERGROUND WATER STORAGE

Units = \$/acre-foot

	2020	Firm 2021	Firm 2022	2023	2024	Advisory 2025	2026
<u>Underground Water Storage O&M⁸</u>							
Phoenix AMA	\$ 13	\$ 13	\$ 13	\$ 13	\$ 14	\$ 14	\$ 15
Tucson AMA	15	15	15	15	15	15	15
<u>Underground Water Storage Capital Charge⁹</u>							
Phoenix AMA	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15
Tucson AMA	9	9	9	9	9	9	9

**CENTRAL ARIZONA PROJECT
PRELIMINARY 2022-2026 RATE SCHEDULE
REVISION 1**

April 15, 2021

NOTES:

- 1) Rate is the Pumping Energy Rate component.
- 2) Excess water is administered via Board Policy "Procedure For Distributing CAP Excess Water and Turn-Back Water for the Period of 2020 Through 2024".
- 3) For M&I use water, the Capital Charge is paid on full allocation regardless of amount delivered and is not included in delivery rates. The Capital Charge rate is impacted by the following:
 - 2021 - 1-cent of 2019/20 property taxes were approved to be applied to the federal repayment by the CAWCD Board in 2019. An additional 2- cents of property taxes are being applied to the federal repayment from the 2020/21 property taxes, resulting in a reduction of \$26/AF.
 - 2022 - 2 1/2 cents of 2020/21 property taxes are being applied to the federal repayment, resulting in a reduction of \$21/AF.
- 4) Fixed OM&R charge consists of Fixed O&M and "Big R" (Water delivery capital, large extraordinary maintenance projects and bond debt service). Debt service on CAP's Water Delivery O&M Revenue Bonds, Series 2016 is about \$3.6 million annually and is included in "Big R". This rate is collected on all ordered water whether delivered or not.
- 5) The pumping energy rate applies to all actual water volumes delivered as opposed to scheduled.
- 6) If Tier 1 or higher occurs, the Full Rate Stabilization takes effect, resulting in a reduction in the Fixed OM&R rate. Posted rates do not include this reduction. This is a customer funded program.
- 7) If Tier 1 or higher occurs, the 2020 Voluntary Rate Stabilization program takes effect for those entities participating, resulting in a reduction in the Energy rate. Posted rates do not include this reduction. This is a customer funded program.
- 8) Underground Water Storage O&M is paid by all direct recharge customers using CAP recharge sites.
- 9) Underground Water Storage Capital Charge is paid by all direct recharge customers except AWBA for M&I firming, the CAGR, municipal providers within the CAP service area and co-owners of CAWCD recharge facilities using no more than their share of capacity.

Key Assumptions

- Non-Indian Ag reallocation occurs in 2021 for 2022 deliveries
- Wheeling starts in 2023 at 3,000 acre-foot/year and increases to 4,000 acre-foot/year in 2024 and remains at that level
- Rates are in accordance with Arizona Implementation Plan for Drought Contingency Plan

FIXED OM&R RATE AT DCP TIERS (For Planning Purposes Only)

Units = \$/ acre-foot

	Firm	Advisory			
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Normal	\$ 102	\$ 107	\$ 113	\$ 119	\$ 120
Tier 0	\$ 109	\$ 114	\$ 121	\$ 127	\$ 128
Tier 1	\$ 136	\$ 143	\$ 153	\$ 161	\$ 162
Tier 2a	\$ 146	\$ 155	\$ 165	\$ 173	\$ 174
Tier 2b	\$ 152	\$ 162	\$ 172	\$ 181	\$ 182
Tier 3	\$ 164	\$ 176	\$ 186	\$ 196	\$ 197

Rates are net of rate stabilization

CAGRD & UNDERGROUND STORAGE COMMITTEE REPORT



April 15, 2021 Meeting

Meeting was held remotely due to social distancing guidelines in place during COVID-19 pandemic. Board Members present were Chair Alexandra Arboleda, Jim Holway, Pat Jacobs, Mark Lewis, Jennifer Martin and Stephen Miller.

Discussion and Stakeholder Perspectives on the GWAICC Post-2025 AMA Committee Issue: Hydrologic Disconnect

Christopher Brooks, CAGRD Senior Policy Analyst, first provided an overview on the topic of Hydrologic Disconnect and shared selected results from recent technical work by CAP staff showing the location of CAGRD activity and relative comparisons to other sources of groundwater pumping. Following Mr. Brooks' presentation, speakers from multiple stakeholder groups shared their perspectives on this issue.

Cheryl Lombard, Valley Partnership, captured a theme from the development community by stating “the issue of how we collectively use and manage our water resources is fundamental to Arizona’s economic trajectory and whether we continue to prosper as a state.” Ms. Lombard continued later, “We, as a group, have collectively engaged in the Post-2025 Committee process...to achieve a balanced, pragmatic and fact-based approach to all issues prior to moving to the solution phase.” David Godlewski, Southern Arizona Home Builders, added, “Our general concerns, early on were that the paper focused too much on the CAGRD and lacked the depth of analysis to fully identify the underlying problem.” He continued, “The document as a whole and certainly the subsequent dialog by the Committee would be greatly enhanced if the issues were analyzed in more depth allowing for the issue and possible solutions to be addressed with more precision and accuracy.”

Eric Braun, Town of Gilbert, expressed the perspective of stakeholders without reliance of the CAGRD on the interrelated nature of all Post-2025 issue briefs by saying, “the problems that one water provider or municipality face doesn’t stop at the border because the aquifer doesn’t.” Mr. Braun identified the recovery of water from near the area of recharge as being, “important, both from a real world perspective and a legal perspective... a real world perspective is what is really happening in the aquifer...if it’s not recharged or replenished nearby, it does nothing to truly replace that water that was removed from the aquifer. So then actual groundwater loss, subsidence and water quality issues follow.” Mr. Braun also reminded the committee of the 2012 efforts on Enhanced Aquifer Management to improve hydrologic disconnect.

Water providers with reliance on the CAGRD, including Arizona Water Company’s Terri Sue Rossi observed “the purpose of underground water storage, savings and replenishment statutes...is to protect the general economy and welfare of the state...and to allow for the efficient and cost-effective management of water supplies.” Ms. Rossi encouraged efforts on the issue to be reframed as “operational connect”

CAGRD

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CAGRD & UNDERGROUND STORAGE COMMITTEE REPORT



where all aspects of a water system's infrastructure must "work together in a cost-effective manner ... and want our world of solutions to expand, not contract." Melodee Loyer, Farmers Water Company, after describing its own efforts to address hydrologic disconnect echoed earlier points raised by stating "hydrologic disconnect is different everywhere, it's different in every AMA, and is not just a CAGRD thing." Ms. Loyer elaborated on technical challenges associated with solving hydrologic disconnect noting, "Local conditions may not allow for recharge or recovery" and any solutions, "need to be comprehensive for all water users, not just CAGRD."

Representing environmental non-governmental organizations, Sandy Bahr, Sierra Club, recalled previous opposition to the CAP and stated the CAGRD, "has not and will not serve the long term interests of our communities...it is imperative that you work to change it, to make it operate more sustainably." Ms. Bahr elaborated "we must stop these programs that allow for ignoring localized impacts of our broader policies." Haley Paul, Audubon Society and Water for Arizona Coalition, added, "Climate change is driving water scarcity throughout the west and...we must reckon with the fact we have built much of our water management system in Central Arizona on the assumption we would have ample Colorado River water coming into the AMAs." Ms. Paul added, "it will be vital to understand the interactions that the hydrologic disconnect...may have on local groundwater conditions throughout the AMAs. Localized groundwater declines can cause subsidence...aquifer compaction, storage loss and water quality issues."

A full video of the CAGRD and Underground Storage Committee Meeting – including the full commentary of the invited speakers is available at <https://cap-az.granicus.com/player/clip/513>.

Discussion and Consideration of Action to Recommend that the Board Approve a Preliminary CAGRD Rate Schedule for 2021/2022 through 2025/2026, Including Collection of Annual Membership Dues

Doug Dunlap, CAP Finance and Accounting Manager, presented on CAGRD's revenue streams, a forecast of replenishment obligations, a staff proposal for rates to be set by the CAWCD board and a comparison with the current proposed rates versus previously projected rates. Mr. Dunlap stated there was a revised CAGRD Preliminary Rate sheet titled "REVISION1" for the Committee's consideration that had been sent out to replace the Preliminary Rate sheet in the packet to align with the revised CAWCD rates that the Finance, Audit and Power Committee recommended to the Board.

The Committee recommended that the Board of Directors approve the revised CAGRD Preliminary Rate Schedule for 2021/22 through 2025/26, including the collection of annual membership dues.

CAGRD & UNDERGROUND STORAGE COMMITTEE REPORT



Discussion and Consideration of Action to Recommend that the Board Approve a Preliminary Underground Water Storage 2022 – 2026 Rate Schedule

Mr. Dunlap presented a staff proposal for Underground Water Storage O&M and Underground Water Storage Capital Charges. Proposed rates are consistent with previous advisory rates and there is no change in Capital Charges following the 2020 Board approval.

The Committee recommended that the Board of Directors adopt the Preliminary Underground Water Storage O&M and Underground Water Storage Capital Charge Rate Schedule for 2022 through 2026.

Future Agenda Items

Scheduled items for the May 20, 2021 CAGRD and Underground Storage Committee Meeting include the second discussion of stakeholder perspectives, focused on the issue brief “Groundwater in the Assured Water Supply Program,” a report on the CAGRD conservation program and the quarterly Report on Member Land and Member Service Area Enrollment and Activation. If necessary, the Committee will also address revisions to the CAGRD Rate Schedule for 2021/2022 through 2025/2026 and collection of Annual Membership Dues or Underground Water Storage rates for 2022 – 2026.

Contact for more information:

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ACTION BRIEF

BOARD OF DIRECTORS



Agenda Number 4.c.i

CONTACT: Doug Dunlap
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ddunlap@cap-az.com

MEETING DATE: Thursday, May 6, 2021

AGENDA ITEM: Discussion and Consideration of Action to Approve a Preliminary CAGRDRate Schedule for 2021/2022 through 2025/2026, Including Collection of Annual Membership Dues (*Groundwater Replenishment*^*) - Dunlap

RECOMMENDATION: The CAGRDRate and Underground Storage Committee recommend that the Board approve the Preliminary CAGRDRate Schedule for 2021/2022 through 2025/26, including the collection of annual membership dues.

FISCAL IMPLICATIONS: Yes

Impact on Budget:

Collection of rates, fees and dues in 2021/22 are currently in the CAGRDRate 2020/2021 budget and will impact the 2022/2023 budget.

Additional spending authority requested:

Impact on Reserves:

Collection of rates, fees and dues in 2021/22 are currently in the CAGRDRate 2020/2021 budget and will impact the 2022/2023 budget.

Impact on Rates:

N/A

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Finance: *Maintaining long-term financial strength to achieve CAP's goals and being prepared to address opportunities or challenges*

Groundwater Replenishment: *Fulfilling CAP's groundwater replenishment responsibilities in accordance with statutory requirements*

PREVIOUS BOARD ACTION/ACTIVITY:

June 4, 2020	The Board approved the Final 2020/21 – 2025/26 CAGRDRate Schedule including Provisional rates for 2021/2022 and Advisory rates for 2023/24 through 2025/26
April 15, 2021	The CAGRDRate and Underground Storage Committee recommended that the Board approve Preliminary CAGRDRate Schedule for 2021/2022 through 2025/2026, Including Collection of Annual Membership Dues

ISSUE SUMMARY/DESCRIPTION:

This is the second year in the rate cycle. The probable Tier 1 shortage for CAWCD have necessitated revising the 2021/2022 provisional rates and the advisory rates for 2022/23 through 2025/26. The Policy calls for Board adoption of a preliminary CAGR rate schedule in May and approval of a final CAGR rate schedule in June. The attached rate schedule was prepared based on existing policies, a consistent methodology from 2020/21, updated obligation projections (lower than 2015 Plan of Operation projections and lower than the 2020/21 rate case) and the CAWCD Preliminary Rate Schedule recommended by the FAP Committee on April 15, 2021. Any change in the CAWCD Preliminary Rates will impact the CAGR rates.

The preliminary Tier 1 2021/22 Phoenix AMA Total Assessment Rate (composite rate) is lower than the previous Tier 1 provisional rates and the same for both the Pinal and Tucson AMA Tier 1 Composite Rates.

The Water & Replenishment rate component decreased in the Phoenix AMA and was unchanged in the Pinal and Tucson AMAs. This rate component increases through time with standard CAWCD price projections.

The Replenishment Reserve rate component is consistent with the previous Provisional Tier 1 rate for all AMAs and also increases through time based on standard CAWCD price projections. At these rates, the Replenishment Reserve will continue to contribute to the replenishment reserve at 2.5%-3.0% per year of the target to stay at or above cumulative goal to demonstrate progress to the target.

The Infrastructure & Water Rights rate component is consistent with the previous provisional rate and currently meets projected infrastructure and water right costs.

The Administrative rate component is based on the cost of administrative support to operate the CAGR exclusive of any direct I&WR administrative costs and spread across the forecasted obligation. For 2021/22 through 2023/24, the Administrative rate component is consistent with the provisional rates, but increases in the 2024/25 and 2025/26 advisory rates due to decrease obligation projections.

Enrollment and Activation fees are in alignment with the 2019 agreement in which Activation Fees increase at 9%/yr & Enrollment Fees and minimum Activation Fees increase at 7%/yr through 2023/2024 pursuant to prior discussions with stakeholders and the Committee. There are no changes to these fees.

Annual Membership Dues (AMDs) are set at the maximum allowed by state statute for all years. AMDs are lower than the provisional and advisory rates based on lower obligation projections. Lower projections decrease the total Infrastructure & Water Right collections and AMDs can be no more than 25% of total I&WR projected collection.

SUGGESTED MOTION:

I move that the Board of Directors approve the CAGR Preliminary Rate Schedule for 2021/22 through 2025/26, including the collection of annual membership dues.

ATTACHMENTS:

1. CAGR Preliminary 2021/2022 - 2025/2026 Rate Schedule Revision 1

**CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT
PRELIMINARY 2021/2022 - 2025/2026 RATE SCHEDULE
REVISION 1**

April 15,2021

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ASSESSMENT RATES

Units = \$/acre-foot

	Tier Zero	Tier Zero	Tier 1	Tier 1	Tier 1	Tier 1	Tier 1
	2019/20	Firm 2020/21	Proposed 2021/22	2022/23	2023/24	Advisory 2024/25	2025/26
<u>Phoenix Active Management Area</u>							
Water & Replenishment Component ¹	\$ 238	\$ 239	\$ 251	\$ 266	\$ 294	\$ 300	\$ 299
Administrative Component ²	41	47	50	49	48	48	48
Infrastructure & Water Rights Component ³	353	353	353	353	353	353	353
Replenishment Reserve Charge ⁴	95	103	114	120	133	135	136
Total Assessment Rate (\$/AF)	\$ 727	\$ 742	\$ 768	\$ 788	\$ 828	\$ 836	\$ 836
<u>Pinal Active Management Area</u>							
Water & Replenishment Component ¹	\$ 211	\$ 243	\$ 272	\$ 287	\$ 316	\$ 322	\$ 323
Administrative Component ²	41	47	50	49	48	48	48
Infrastructure & Water Rights Component ³	353	353	353	353	353	353	353
Replenishment Reserve Charge ⁴	103	103	114	120	133	135	136
Total Assessment Rate (\$/AF)	\$ 708	\$ 746	\$ 789	\$ 809	\$ 850	\$ 858	\$ 860
<u>Tucson Active Management Area</u>							
Water & Replenishment Component ¹	\$ 242	\$ 243	\$ 272	\$ 287	\$ 316	\$ 322	\$ 323
Administrative Component ²	41	47	50	49	48	48	48
Infrastructure & Water Rights Component ³	353	353	353	353	353	353	353
Replenishment Reserve Charge ⁴	102	103	114	120	133	135	136
Total Assessment Rate (\$/AF)	\$ 738	\$ 746	\$ 789	\$ 809	\$ 850	\$ 858	\$ 860
<u>Contract Replenishment Tax - Scottsdale</u> ⁵							
Cost of Water	\$ 199	\$ 211	\$ 213	\$ 242	\$ 256	\$ 284	\$ 290
Cost of Transportation	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cost of Replenishment	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Administrative Component ²	41	47	50	49	48	48	48
Total Tax Rate (\$/AF)	\$ 240	\$ 258	\$ 263	\$ 291	\$ 304	\$ 332	\$ 338

ENROLLMENT & ACTIVATION FEES

Units = \$/Unit

<u>Enrollment Fee - Commercial Subdivisions</u> ⁶	\$ 1,094	\$ 1,184	\$ 1,205	\$ 1,307	\$ 1,422	TBD	TBD
<u>Enrollment Fee</u> ⁷	\$ 284	\$ 304	\$ 325	\$ 347	\$ 372	TBD	TBD
<u>Activation Fee - Minimum</u> ⁸	\$ 282	\$ 302	\$ 323	\$ 345	\$ 369	TBD	TBD
<u>Activation Fee - Phoenix AMA</u> ⁸	\$ 1,080	\$ 1,180	\$ 1,290	\$ 1,400	\$ 1,520	TBD	TBD
<u>Activation Fee - Pinal Post-2007</u> ⁸	\$ 1,080	\$ 1,180	\$ 1,290	\$ 1,400	\$ 1,520	TBD	TBD
<u>Activation Fee - Tucson AMA</u> ⁸	\$ 810	\$ 880	\$ 880	\$ 960	\$ 1,050	TBD	TBD
<u>Member Land Annual Membership Dues (\$/Lot)</u> ⁹							
Phoenix Active Management Area	\$ 28.59	\$ 25.78	\$ 25.46	\$ 27.09	\$ 28.84	\$ 29.76	\$ 30.38
Pinal Active Management Area	\$ 19.36	\$ 18.65	\$ 18.90	\$ 20.63	\$ 22.55	\$ 23.89	\$ 25.04
Tucson Active Management Area	\$ 31.04	\$ 29.24	\$ 29.07	\$ 31.13	\$ 33.35	\$ 34.64	\$ 35.58
<u>Member Service Area Annual Membership Dues (\$/AF)</u> ⁹	\$ 97.22	\$ 93.73	\$ 95.51	\$ 104.91	\$ 115.40	\$ 123.05	\$ 129.84

**CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT
PRELIMINARY 2021/2022 - 2025/2026 RATE SCHEDULE
REVISION 1**

April 15, 2021

NOTES:

- 1) The Water & Replenishment Component covers the projected annual costs of satisfying replenishment obligations, including the purchase of long-term storage credits (LTSC) from the Infrastructure & Water Rights reserve and from CAWCD. The purchase of LTSC are at the market value, which is based on the CAWCD delivery rates, recharge rates and aquifer losses.
- 2) The Administrative Component covers CAGRDR administrative costs except labor related costs associated with the acquisition of infrastructure and water rights. \$2/AF has been added to this component to fund the Board's CAGRDR conservation program.
- 3) The Infrastructure & Water Rights Component covers the cost to develop additional water supplies and the cost to construct additional infrastructure as the need arises.
- 4) The Replenishment Reserve Charge covers costs associated with progress toward the replenishment reserve target as provided in ARS Sections 48-3774.01 and 48-3780.01.
- 5) The components of the Contract Replenishment Tax - Scottsdale reflect the provisions in the Water Availability Status Contract to Replenish Groundwater between CAWCD and Scottsdale. only available if CAGRDR has access to excess CAWCD water which is currently not forecasted.
- 6) Enrollment Fees for Commercial Subdivisions are established per the November 5, 2015 CAP Board Amended Enrollment Fee and Activation Fee Policy. Enrollment Fees for Commercial Subdivisions are phased in over a two year period and starting in the 2018/2019 fiscal year forward are equal to the Member Land Enrollment Fee plus the Tucson AMA Activation Fee. If a Commercial Subdivision enrolls with more than 50 parcels, then the Commercial Subdivision Enrollment Fee applies on the first 50 parcels, and only the Member Land Enrollment Fee applies to the number of parcels over 50.
- 7) The Enrollment Fee is collected pursuant to the CAGRDR Enrollment Fee and Activation Fee Policy adopted by the Board on May 1, 2008. A \$2 per housing unit fee is included in the Enrollment Fee to help fund CAGRDR's conservation program.
- 8) The Activation Fees are in accordance with the Preliminary 2014/15 - 2019/20 CAGRDR Activation fee schedule adopted by the Board on November 7, 2013 and updated in 2019 as identified in March 21, 2019 CAGRDR and Underground Storage Committee meeting and rate established June 6, 2019.
- 9) The Annual Membership Dues for Member Lands and Member Service Areas are pursuant to ARS Sections 48-3772.A.8. and 48-3779 as well as the Policy on Collection of CAGRDR Annual Membership Dues adopted by the Board on April 7, 2011.

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT
PRELIMINARY 2021/2022 - 2025/2026 RATE SCHEDULE
REVISION 1

April 15,2021

Shortage Rates - for planning purposes

All other rates remain the same

Excludes any rate stabilization

		Provisional	Advisory			
		<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>
Water & Replenishment Component						
Phoenix AMA	Normal	\$ 217	\$ 230	\$ 254	\$ 258	\$ 257
Phoenix AMA	Tier Zero	224	237	262	266	265
Phoenix AMA	Tier 1	251	266	294	300	299
Phoenix AMA	Tier 2a	261	275	306	312	310
Phoenix AMA	Tier 2b	267	282	313	320	319
Phoenix AMA	Tier 3	279	295	327	335	334

Replenishment Reserve Charge

Phoenix AMA	Normal	\$ 98	\$ 103	\$ 114	\$ 115	\$ 116
Phoenix AMA	Tier Zero	103	108	120	121	122
Phoenix AMA	Tier 1	114	120	133	135	136
Phoenix AMA	Tier 2a	119	124	139	141	141
Phoenix AMA	Tier 2b	122	127	142	144	145
Phoenix AMA	Tier 3	127	134	149	151	152

Water & Replenishment Component

		<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>
Pinal AMA	Normal	\$ 238	\$ 251	\$ 276	\$ 280	\$ 281
Pinal AMA	Tier Zero	245	258	284	288	289
Pinal AMA	Tier 1	272	287	316	322	323
Pinal AMA	Tier 2a	282	296	328	334	334
Pinal AMA	Tier 2b	288	303	335	342	343
Pinal AMA	Tier 3	300	316	349	357	358

Replenishment Reserve Charge

Pinal AMA	Normal	\$ 98	\$ 103	\$ 114	\$ 115	\$ 116
Pinal AMA	Tier Zero	101	106	118	119	120
Pinal AMA	Tier 1	114	120	133	135	136
Pinal AMA	Tier 2a	119	124	139	141	141
Pinal AMA	Tier 2b	121	127	142	144	145
Pinal AMA	Tier 3	127	134	149	151	152

Water & Replenishment Component

		<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>
Tucson AMA	Normal	\$ 238	\$ 251	\$ 276	\$ 280	\$ 281
Tucson AMA	Tier Zero	245	258	284	288	289
Tucson AMA	Tier 1	272	287	316	322	323
Tucson AMA	Tier 2a	282	296	328	334	334
Tucson AMA	Tier 2b	288	303	335	342	343
Tucson AMA	Tier 3	300	316	349	357	358

Replenishment Reserve Charge

Tucson AMA	Normal	\$ 98	\$ 103	\$ 114	\$ 115	\$ 116
Tucson AMA	Tier Zero	101	106	118	119	120
Tucson AMA	Tier 1	114	120	133	135	136
Tucson AMA	Tier 2a	119	124	139	141	141
Tucson AMA	Tier 2b	121	127	142	144	145
Tucson AMA	Tier 3	127	134	149	151	152

ACTION BRIEF

BOARD OF DIRECTORS



Agenda Number 4.c.ii

CONTACT: Doug Dunlap
623-869-2360
ddunlap@cap-az.com

MEETING DATE: Thursday, May 6, 2021

AGENDA ITEM: Discussion and Consideration of Action to Approve a Preliminary Underground Water Storage 2022 - 2026 Rate Schedule (*Groundwater Replenishment*^) - Dunlap

RECOMMENDATION: The CAGR D & Underground Storage Committee proposes that the CAGR D and Underground Storage Committee recommend that the Board take action to approve the attached Preliminary 2022 through 2026 Underground Water Storage O&M and Underground Water Storage Capital Charge rates.

FISCAL IMPLICATIONS: Yes

Impact on Budget:

Collection of Underground Water Storage revenue is currently in the CAWCD budget.

Additional spending authority requested: None

Impact on Reserves:

Collection of Underground Water Storage revenue is currently in the CAWCD budget.

Impact on Rates:

N/A

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Finance: *Maintaining long-term financial strength to achieve CAP's goals and being prepared to address opportunities or challenges*

PREVIOUS BOARD ACTION/ACTIVITY:

June 4, 2020	The Board approved the Final 2021 – 2026 CAWCD Rate Schedule including Provisional rates for 2022 and Advisory rates for 2023 through 2026
April 15, 2021	The CAGR D & Underground Storage Committee recommended that the Board approve the Preliminary Underground Water Storage O&M and Underground Water Storage Capital Charge Rate Schedule for 2022 through 2026

ISSUE SUMMARY/DESCRIPTION:

The Underground Water Storage O&M and Underground Water Storage Capital Charge rates are included as part of the General Fund Water Rate Schedule. CAGR D and Underground Storage Committee has purview over these rates, reviews these rates and makes a recommendation on approval of these rates to the Board.

Underground Water Storage O&M

The Underground Water Storage rates are set based on a multi-year look ahead at costs and water volumes. Currently, the Phoenix AMA Underground Water Storage O&M rates slowly trend up over time from \$13/af in 2022 to \$15/af by 2026. The Tucson AMA Underground Water Storage O&M rate remains flat at \$15/af as storage volumes and expenses remain steady. These rates are consistent with the previous advisory rates.

Underground Water Storage Capital Charges

An Underground Water Storage capital charge is paid by all direct recharge customers except AWBA for M&I firming, the CAGRD, municipal providers within the CAP service area and co-owners of CAWCD Underground Water Storage facilities using no more than their share of capacity. The proposed Underground Water Storage Capital Charge is \$15 per acre-foot for the Phoenix AMA and \$9 per acre-foot for the Tucson AMA for the entire rate-setting period. There is no change in the proposed Underground Water Storage Capital Charge schedule from the Board approved rates in 2020.

The Underground Water Storage rates will remain a section of the CAP Water Rate Schedule, which is attached. The CAGRD & Underground Storage Committee is only recommending the Underground Water Storage rate portion of the attached Water Rate Schedule.

SUGGESTED MOTION:

I move that the Board of Directors adopt the Preliminary Underground Water Storage O&M and Underground Water Storage Capital Charge Rate Schedule for 2022 through 2026.

ATTACHMENTS:

1. Preliminary 2022-2026 Rate Schedule - Revision 1

**CENTRAL ARIZONA PROJECT
PRELIMINARY 2022-2026 RATE SCHEDULE
REVISION 1**

April 15, 2021

DELIVERY RATES FOR VARIOUS CLASSES OF WATER SERVICE

Units = \$/ acre-foot

(The Letter Designations in the Formulas Refer to the Rate Components Shown Below)

DCP Tier		T0 Firm 2021	T1 Firm 2022	T1 2023	T1 2024	T1 Advisory 2025	T1 2026
		2020					
Municipal and Industrial Subcontract (B+C) ^{6,7}	\$ 155	\$ 160	\$ 192	\$ 200	\$ 214	\$ 222	\$ 225
Federal Contract (B+C) ^{6,7}	\$ 155	\$ 160	\$ 192	\$ 200	\$ 214	\$ 222	\$ 225
Agricultural Settlement Pool (C) ¹	\$ 56	\$ 56	\$ 56	\$ 57	\$ 61	\$ 61	\$ 63
Excess (A+B+C) ^{2,6}	\$ 211	\$ 213	\$ 242	\$ 256	\$ 284	\$ 290	\$ 291
Interstate (A+B+C+D)	TBD	TBD	TBD	TBD	TBD	TBD	TBD

RATE COMPONENTS

Units = \$/acre-foot

	2020	Firm 2021	Firm 2022	2023	2024	Advisory 2025	2026
<u>Capital Charges</u>							
(A) Municipal and Industrial - Long Term Subcontract ³	\$ 56	\$ 53	\$ 50	\$ 56	\$ 70	\$ 68	\$ 66
<u>Delivery Charges</u>							
Fixed O&M ⁴	75	78	103	105	112	120	121
"Big R" ⁴	24	26	33	38	41	41	41
(B) Fixed OM&R ⁴	\$ 99	\$ 104	\$ 136	\$ 143	\$ 153	\$ 161	\$ 162
(C) Pumping Energy Rate ⁵	\$ 56	\$ 56	\$ 56	\$ 57	\$ 61	\$ 61	\$ 63
(D) Property Tax Equivalency	TBD	TBD	TBD	TBD	TBD	TBD	TBD
(E) Full Rate Stabilization ⁶	\$ -	\$ -	\$ (13)	\$ (12)	\$ -	\$ -	\$ -
(F) 2020 Voluntary Rate Stabilization ⁷	\$ -	\$ -	\$ -	\$ -	\$ (11)	\$ -	\$ -

DIRECT UNDERGROUND WATER STORAGE

Units = \$/acre-foot

	2020	Firm 2021	Firm 2022	2023	2024	Advisory 2025	2026
<u>Underground Water Storage O&M⁸</u>							
Phoenix AMA	\$ 13	\$ 13	\$ 13	\$ 13	\$ 14	\$ 14	\$ 15
Tucson AMA	15	15	15	15	15	15	15
<u>Underground Water Storage Capital Charge⁹</u>							
Phoenix AMA	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15
Tucson AMA	9	9	9	9	9	9	9

**CENTRAL ARIZONA PROJECT
PRELIMINARY 2022-2026 RATE SCHEDULE
REVISION 1**

April 15, 2021

NOTES:

- 1) Rate is the Pumping Energy Rate component.
- 2) Excess water is administered via Board Policy "Procedure For Distributing CAP Excess Water and Turn-Back Water for the Period of 2020 Through 2024".
- 3) For M&I use water, the Capital Charge is paid on full allocation regardless of amount delivered and is not included in delivery rates. The Capital Charge rate is impacted by the following:
 - 2021 - 1-cent of 2019/20 property taxes were approved to be applied to the federal repayment by the CAWCD Board in 2019. An additional 2- cents of property taxes are being applied to the federal repayment from the 2020/21 property taxes, resulting in a reduction of \$26/AF.
 - 2022 - 2 1/2 cents of 2020/21 property taxes are being applied to the federal repayment, resulting in a reduction of \$21/AF.
- 4) Fixed OM&R charge consists of Fixed O&M and "Big R" (Water delivery capital, large extraordinary maintenance projects and bond debt service). Debt service on CAP's Water Delivery O&M Revenue Bonds, Series 2016 is about \$3.6 million annually and is included in "Big R". This rate is collected on all ordered water whether delivered or not.
- 5) The pumping energy rate applies to all actual water volumes delivered as opposed to scheduled.
- 6) If Tier 1 or higher occurs, the Full Rate Stabilization takes effect, resulting in a reduction in the Fixed OM&R rate. Posted rates do not include this reduction. This is a customer funded program.
- 7) If Tier 1 or higher occurs, the 2020 Voluntary Rate Stabilization program takes effect for those entities participating, resulting in a reduction in the Energy rate. Posted rates do not include this reduction. This is a customer funded program.
- 8) Underground Water Storage O&M is paid by all direct recharge customers using CAP recharge sites.
- 9) Underground Water Storage Capital Charge is paid by all direct recharge customers except AWBA for M&I firming, the CAGR, municipal providers within the CAP service area and co-owners of CAWCD recharge facilities using no more than their share of capacity.

Key Assumptions

- Non-Indian Ag reallocation occurs in 2021 for 2022 deliveries
- Wheeling starts in 2023 at 3,000 acre-foot/year and increases to 4,000 acre-foot/year in 2024 and remains at that level
- Rates are in accordance with Arizona Implementation Plan for Drought Contingency Plan

FIXED OM&R RATE AT DCP TIERS (For Planning Purposes Only)

Units = \$/ acre-foot

	Firm	Advisory			
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Normal	\$ 102	\$ 107	\$ 113	\$ 119	\$ 120
Tier 0	\$ 109	\$ 114	\$ 121	\$ 127	\$ 128
Tier 1	\$ 136	\$ 143	\$ 153	\$ 161	\$ 162
Tier 2a	\$ 146	\$ 155	\$ 165	\$ 173	\$ 174
Tier 2b	\$ 152	\$ 162	\$ 172	\$ 181	\$ 182
Tier 3	\$ 164	\$ 176	\$ 186	\$ 196	\$ 197

Rates are net of rate stabilization

INFORMATION BRIEF

BOARD OF DIRECTORS



Agenda Number 5

CONTACT: Darrin Francom
623-869-2276
dfrancom@cap-az.com

MEETING DATE: Thursday, May 6, 2021

AGENDA ITEM: Report on Current CAP Coordination with Salt River Project (*Project Reliability*^) - Francom

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Power: *Building a reliable, diversified, and sustainable energy portfolio*

Water Supply: *Providing a reliable CAP water supply for the short- and long-term*

Project Reliability: Providing reliable and cost-effective operations, maintenance, and replacement of CAP's infrastructure and technology assets

PREVIOUS BOARD ACTION/ACTIVITY:

None

ISSUE SUMMARY/DESCRIPTION:

The Central Arizona Project and SRP have a long history of collaboration and coordination. Today, water deliveries, flood control operations, power / energy acquisition, and electrical transmission encompass the main areas of our continued relationship.

Water from the CAP system is delivered into the SRP system at the CAP to SRP Interconnection Facility (CSIF), which is commonly called the SRP Turnout by CAP. The water delivered into the SRP system serves a number of municipal water providers, Tribes, irrigation districts, underground savings facilities, the Arizona Water Banking Authority, and some indirect deliveries that are facilitated by exchange agreements that SRP has with others external to CAP. CAP and SRP also have an exchange agreement that was first put in place in January of 1999. This agreement allows either party to deliver to the other, water that is in excess of the common customer's subcontract for water, storing this water within the counterparty's system for later use. The purpose of this exchange agreement, as stated in the 1999 formulating document, is to "enhance the reliability of water deliveries to SRP and CAWCD customers," a purpose that is still being fulfilled today.

The SRP and CAP systems are also interconnected by our cooperation during flood events that could occur at the New Waddell Dam and Reach 11 Dikes, by using the second physical interconnection that we have, the Salt River Siphon Evacuation Structure. This structure is a large pipe and valve that allow water from the Salt River Siphon to be evacuated into the Salt River. Both the Waddell Dam and the Reach 11 Dikes have the capability to release impounded water into the CAP canal and then to be evacuated into the Salt River, following significant coordination with SRP. The most recent event to utilize this feature was a significant storm event in February of 2005 in the Agua Fria River watershed, which brought more water into Lake Pleasant than we could safely contain. In total, we evacuated over 18,000 AF of water into the Salt River.

SRP and CAP have recently agreed to explore the feasibility of a SRP to CAP Interconnection Facility (SCIF), a pumped connection that could deliver water from the SRP system into the CAP canal near the Salt Gila Pumping Plant. The jointly funded feasibility study is focused on providing an analysis of the alternatives to this connection and a cost estimate for construction. We have also added into this engineering effort an analysis to see how the SCIF, or a parallel siphon, would best facilitate the long outages needed to adequately maintain the interior coating of the Salt River Siphon pipeline.

As we transitioned from reliance on the Navajo Generating Station as our primary source for pumping energy, we executed an RFP for a five year contract for 35 MW of energy and selected SRP as the provider. This power purchase agreement allows CAP to schedule up to 35 MW from the SRP fleet of generation resources and the price of the energy is established based upon the SoCal Boarder Natural Gas Index each day, which has equated to an energy cost of \$20-30/MWhr in recent months.

Following up on discussions between CAWCD General Manager Ted Cooke and SRP's General Manager Mike Hummel, we began discussions with SRP in early March 2020 to explore synergies that we might have across power and transmission. We explored partnering on renewables, utilization of transmission assets, ongoing RFPs that SRP had for new generation resources, and use of CAP's ability to shift our large electric load to help with regional imbalances. In addition to forming some good partnerships with SRP, we were able to come away with a Transmission Capacity Swap for access into and out of the Palo Verde substation. The no cost capacity swap provides SRP with 100 MW of capacity in July and August and SRP provides CAP 125 MW in March-May, 125 MW Oct-Nov, and 75 MW February and December. This win-win swap provides SRP needed summer capacity, which aligns with our lower summer pumping, and provides CAP needed capacity in our higher pumping months, periods when SRP is not fully using their capacity.

We continue to see SRP as a collaborative partner and have many areas that we work together on. As water, power, and electrical transmission evolve in our state, SRP and CAP will inevitably find additional areas of collaboration.

ATTACHMENTS:

1. Presentation



CAP and Salt River Project Current Coordination

Darrin Francom
AGM Operations, Engineering, and Maintenance

CAWCD Board Meeting
May 6, 2021

YOUR WATER. YOUR FUTURE.

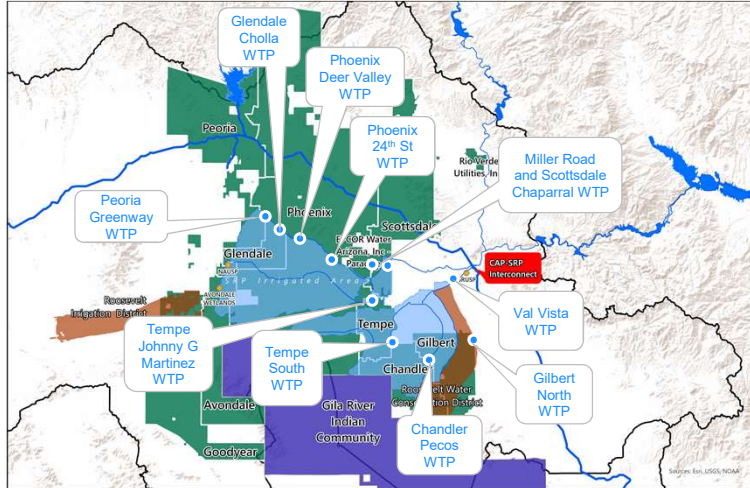
Major Coordination Areas

- **Water Delivery**
- **Flood Control**
- **Electrical Power**
- **Electrical Transmission**



Water Deliveries – SRP Turnout (CSIF)

Illustrative / Summarized Data



3

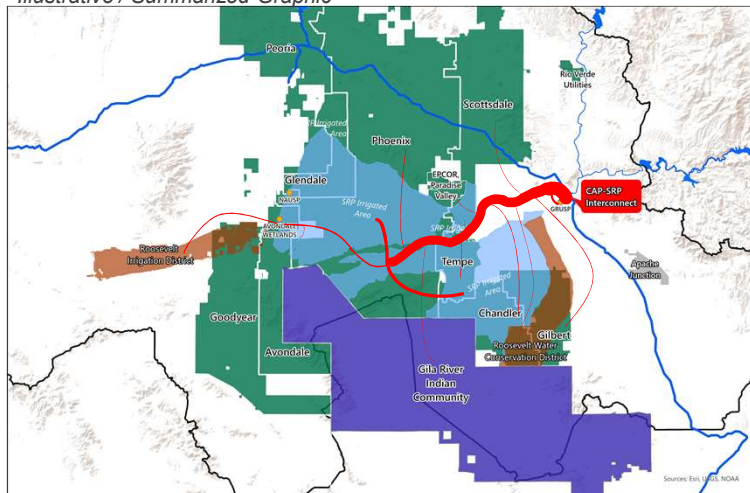
CAP-SRP Current Coordination

- Municipal Water Providers
- Tribes
- Irrigation Districts
- Underground Savings Facilities
- Indirect Deliveries (exchanges)
- AWBA



Water Deliveries – SRP Turnout (CSIF)

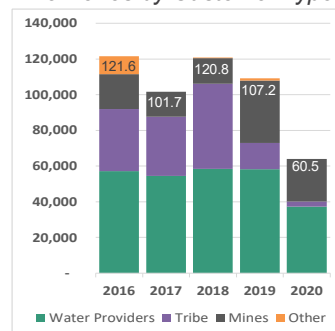
Illustrative / Summarized Graphic



4

CAP-SRP Current Coordination

Deliveries by Customer Type



Note: Use of the Exchange in 2016-2107 Reduced amount of Wet Water Delivered Through Turnout



Water Deliveries – Exchange Agreement

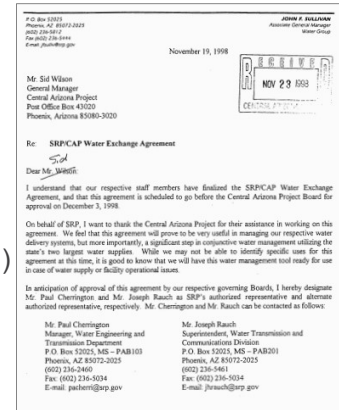
Established January 1999, Modified & Updated

Up to 150,000 AF Between Systems Annually

Exchanges Can Exceed 12-months, With Agreement

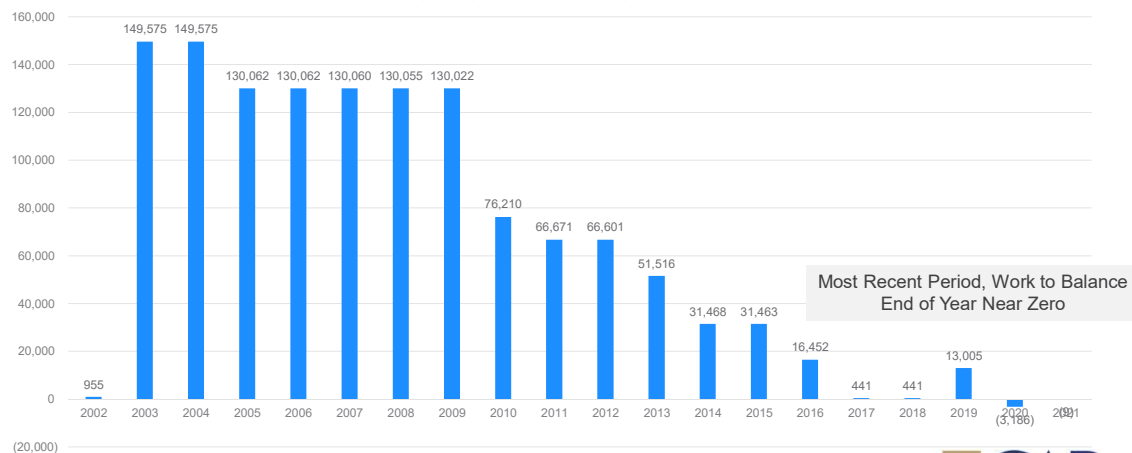
Uses:

- Real Time Supply-Demand Balance (outages, water quality, etc.)
- Operational Scheduling (Intra-Year)
- Inter-Year Carry Over – Storage Between Systems



Water Deliveries – Exchange Agreement

Beginning of Year Balance (Acre Feet)



Water Deliveries – Exchange Agreement

Highlighting
Intra-Year

Pre-Delivery to SRP
SRP Releases Mid-Year
Agricultural Peak

CAWCD-SRP Exchange Contract Accounting Summary													
(Acre-Feet)													
	Beginning of Year Balance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018	441						(2,984)	(8,893)	6,441	4,836	2,905	10,265	(6)
2019	13,005			(2,608)	2,028	3,526	80	(3,173)	(8,011)	(1,070)	2,064	(6,509)	(2,518)
2020	(3,186)			454	2,393	12,158	(5,139)	(5,110)	(1,575)	401	(4)	(402)	1
2009	130,022	(837)	(1,677)	(1,246)	(5,393)	(2,494)	(6,596)	(5,100)	(9,040)	(7,990)	(6,356)	(2,699)	(4,384)
2010	76,210			(302)	(47)	(1,169)	(1,176)	(1,372)	(1,426)	(1,639)	(962)	(1,446)	
2011	66,671												(70)
2012	66,601	(267)	(578)	(1,487)	(2,176)	(1,120)	(4,972)	(3,294)			(344)	(654)	(193)
2013	51,516						(11,007)	(6,524)			(2,500)		(17)
2014	31,468												(5)
2015	31,463			3,886			(7,000)	(8,000)	(1,166)	(2,000)	(720)		(11)
2016	16,452					(4,000)	(6,000)	(4,000)	(2,000)				(11)
2017	441												
2018	441						(2,984)	(8,893)	6,441	4,836	2,905	10,265	(6)
2019	13,005			(2,608)	2,028	3,526	80	(3,173)	(8,011)	(1,070)	2,064	(6,509)	(2,518)
2020	(3,186)			454	2,393	12,158	(5,139)	(5,110)	(1,575)	401	(4)	(402)	1
2021	(9)												

7 | CAP-SRP Current Coordination



Flood Control – Water Routing

New Waddell Dam and Reach 11 Dikes

- Flood Releases Routed into CAP Canal
- Salt River Siphon – Evacuate into Salt River

144-inch Diameter Vertical Pipe

78-inch Clam Shell Valve (3,000 CFS)

Used February 2005

Full Lake Pleasant and Storm Events on the Agua Fria Watershed



9 | CAP-SRP Current Coordination



SRP to CAP Interconnection Facility (SCIF)

Joint Feasibility Study and Engineering Analysis with SRP

Pumped Connection



Salt River Siphon Bypass

11 | CAP-SRP Current Coordination



Power Purchase Agreement

Part of CAP Diversified Power Portfolio

35 MW Option – Any Daily Hours, Through Dec 31, 2024

Utilize When Cost Effective / Favorable to Rate

Cost Tied to SoCal Border Natural Gas Index

SoCal Gas Price (\$/MM BTU)	SRP Energy Cost (\$/MWhr)
\$ 1.50	\$ 15.66
\$ 2.50	\$ 26.35
\$ 3.50	\$ 31.46
\$ 4.50	\$ 39.63
\$ 5.50	\$ 47.61

12 | CAP-SRP Current Coordination

WSPPP AGREEMENT HEAT RATE OPTION CONFIRMATION BETWEEN CENTRAL ARIZONA WATER CONSERVATION DISTRICT AND SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT	
This confirmation ("Confirmation") confirms the transaction ("Transaction") between Salt River Project Agricultural Improvement and Power District ("SRP") and Central Arizona Water Conservation District ("Buyer" or "CAWCD"), each individually a "Party" and together the "Parties", effective as of June 2018 (the "Confirmation Effective Date"). This Transaction is governed by the WSPPP Agreement effective as of June 20, 2017 as such may be amended from time to time (the "WSPPP Agreement"). Capitalized terms used but not otherwise defined in this Confirmation have the meanings ascribed to them in the WSPPP Agreement.	
COMMERCIAL TERMS	
Buyer:	CAWCD
Seller:	SRP
Product:	WSPPP Schedule C Firm Capacity/Energy
Quantity:	35 MW
Delivery Period:	Any contiguous hours 16:14-18:24 PPT
Delivery Point:	Willingdon 220KV
Term:	January 1, 2020 to December 31, 2024 (only (60) calendar months)
Option Exercise Period:	Daily by 6:30am PPT in accordance with the pre-schedule day(s) as set forth in the WECC Scheduling Calendar. Once Buyer notifies Seller in accordance with the previous sentence, the Option shall be considered exercised (the "Exercised Option"). For avoidance of doubt, in the event Buyer does not notify Seller by such time, the Option is deemed unexercised for such day or day (s), as the case may be.
Scheduling:	In accordance with the pre-schedule day(s) set forth in the WECC Scheduling Calendar, Buyer shall provide Seller a day-ahead schedule to the Exercised Option (the "Exercised Option Schedule"). Exercised Option Schedule must be for contiguous hours and be for the full Quantity for hours scheduled.
Demand Payment:	Notwithstanding whether Buyer exercises the Option, Buyer shall pay Seller \$9.80/kwh-month in study (60) monthly payments.
Energy Price:	With respect to each MWh of Energy delivered in accordance with the Exercised Option Schedule, Buyer shall pay Seller in accordance with the below formula: The sum of (i) the product of the (a) Fuel Cost and (b) Heat Rate and (c) Tax Factor and (d) Incremental O&M for every MWh delivered and (e) a



Power/Transmission Synergies Exploration

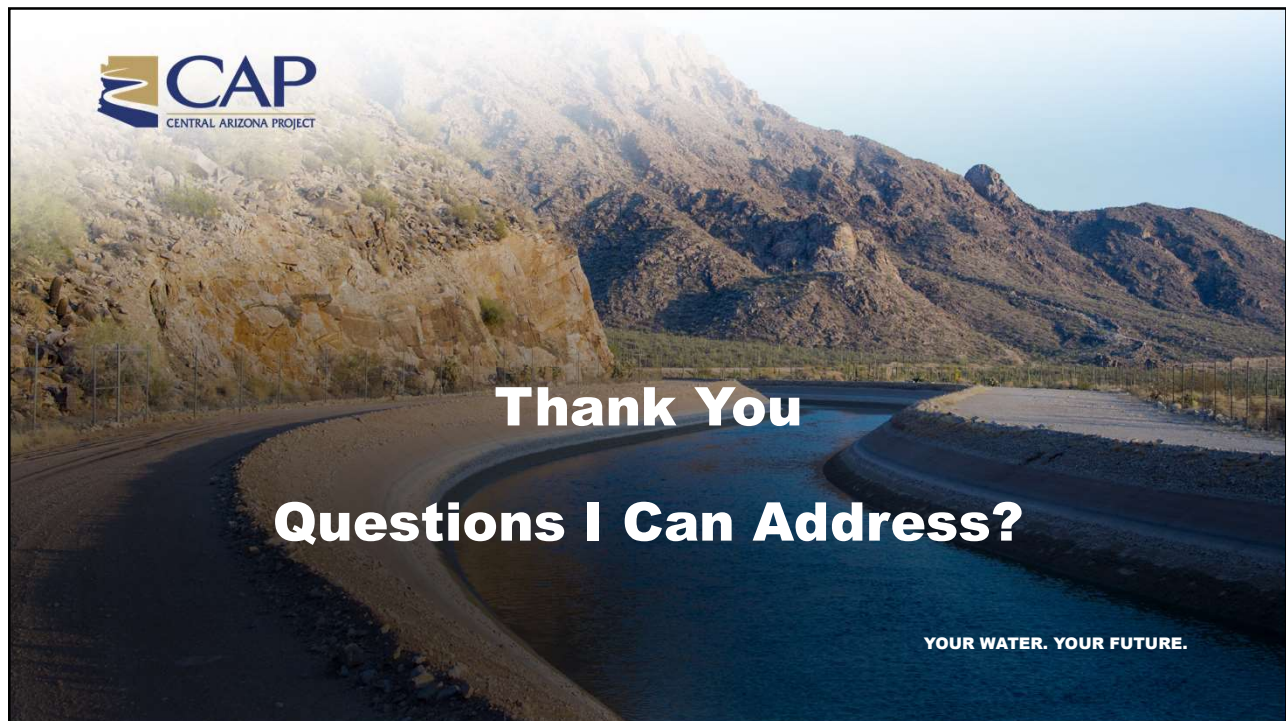
Multiple Meetings with SRP



Explored Cooperation: Renewables, Transmission, and CAP Assets for Power Shaping

- Finalized - Palo Verde Transmission Capacity Exchange, 3-year Agreement
 - CAP Provides: 100 MW Capacity in Jul & Aug, Peak Hours (PV to Morgan, CAP Low Pumping Hours, Summer Outage)
 - SRP Provides: 125 MW Mar–May & Oct–Nov and 75 MW Dec & Feb, Off Peak-Wrap Hours (PV to Westwing, CAP High Pumping Times)

13 | CAP-SRP Current Coordination



INFORMATION BRIEF

BOARD OF DIRECTORS



Agenda Number 7

CONTACT: Darrin Francom
623-869-2276
dfrancom@cap-az.com

MEETING DATE: Thursday, May 6, 2021

AGENDA ITEM: Report on Preparedness for Interruption of CAP Water Supply (*Project Reliability*^) - Francom

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Project Reliability: *Providing reliable and cost-effective operations, maintenance, and replacement of CAP's infrastructure and technology assets*

PREVIOUS BOARD ACTION/ACTIVITY:

None

ISSUE SUMMARY/DESCRIPTION:

It is important to review our preparedness for an interruption to our water supply system, which is a complementary discussion to the presentation that was given at the April 2021 CAWCD Board Meeting on preparedness for an interruption to our power supply.

In September 2012, we experienced a failure in the canal system in pool 1 and were forced to take immediate action to address the issues and restore the canal to operation. The damaged and inoperable section of the canal was at the 27th mile of the canal system, between Mark Wilmer and Bouse pumping plants. We were able to continue to supply water to our customers with canal storage and the water we have stored in Lake Pleasant. Through very effective internal management of the situation and use of many external contractors, we were able to make all repairs and have the canal back into service in 19 days. Only minor disruptions in normal water deliveries was experienced.

We took time following the event to look at the root causes and deploy effective mitigation actions. Some of these included:

- Increasing the frequency of canal inspections and utilizing newly purchased Remote Operated Vehicle and Aerial Drones.
- Adding staff to more fully focus on our civil infrastructure to support this increased focus, within both Reliability and Maintenance Engineering.
- Use of our Geographic Information System (GIS) as a data warehouse and data visualizer to allow us to more readily determine the sections of the canal that are at higher risk. By overlaying a number of risk factors within the GIS, we are able to more readily identify those sections of the canal that have a higher risk and apply increased or specific monitoring techniques to these sections.
- Continue our partnerships with the County Flood control districts to review the hydrology of areas upstream of our canal and the drainage structures that we have to move this water across our canal

(under and over-chutes). We want to know if any studies show that we are at some level of increased risk as new storm events and the new urbanized water sheds are evaluated.

- Continue active monitoring of ground subsidence and fissures that can be greatly impactful to our canal system.

The 2012 canal breach also led us to develop a set of set of internal repair methods, techniques, and utilized materials. These included:

- Specification for concrete grout used to fill any voids behind the canal lining.
- Proper use of grout pumps and pressure regulation / pressure relief systems to prevent additional damage to the concrete liner as the voids behind the concrete liner are filled with grout.
- Methods and material to seal the joints between sections of canal lining.
- Standardized design for piezometer well installation and techniques and equipment to route piezometer well data into our SCADA system for easy remote monitoring and trending of ground water levels in very remote areas.

In October of 2015, we had an opportunity to put all of these items into practice. A canal inspection revealed that we had areas along the canal that were showing signs of vegetative growth that were out of alignment with the surrounding native landscape, in the area downstream of the Picacho Pumping Plant. We found that we could see leaking of clean water at the toe of the elevated fill section and that the concrete canal liner was cracked in two separate locations. After careful consideration of all facts, we determined that the canal was not at risk for failure and were able to continue relatively normal canal operations, while we investigated and repaired. Utilizing what we learned from 2012, we deployed divers to map the cracks and voids behind the canal liner, we utilized a pre-designed grout mixture and grout pumping strategy to fill the voids, and installed piezometer wells to monitor the underground water levels while repairs were being made. The site was fully repaired by Mid-November, with no significant disruption to customers, and the area has performed perfectly since.

Assessing the condition of our Canal and Siphons will continue to be a focal point for us. We have opportunities for continued improvement and development in these assets. While we more commonly speak of the condition of the pumping plants, pumps, and motors and it is good to realize that the canal and siphons that connect the pumping plants are of equal criticality and cost exposure.

While a breach in our canal is something that we take great care to mitigate, we were able to show that we can rapidly respond and restore the canal from a significant event, taking just 19 days to repair breach in 2012. The lessons learned from both the 2012 breach and the leaking canal in 2015 are being applied to the methods we use to monitor the condition of the canal system and be prepared to effectively administer repair efforts. We have demonstrated that with canal storage and Lake Pleasant, in most cases we have adequate water storage to continue deliveries while we make repairs and in some cases can make repairs while the canal is still running. This may not keep all customers in all events with water, but certainly mitigates the impacts.

ATTACHMENTS:

1. Presentation



Preparedness for Interruption of CAP Water Supply

Darrin Francom

AGM Operations, Engineering, Maintenance

CAWCD Board Meeting

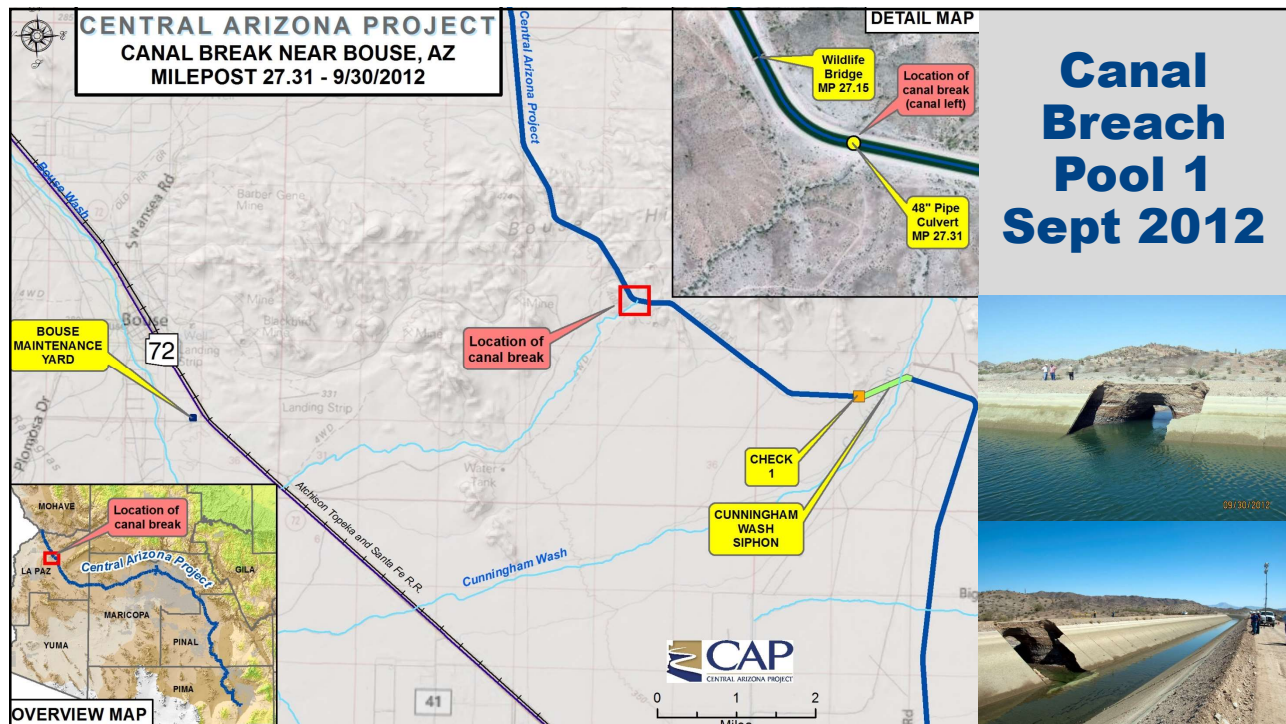
May 6, 2021

YOUR WATER. YOUR FUTURE.



- 1. Review Experience: Sep 2012 Pool 1 Breach**
- 2. Future Event Mitigation Measures**
- 3. Application of Lessons Learned**

YOUR WATER. YOUR FUTURE.



Sept 2012 – Canal Breach Pool 1

Response:

- Joint Sealant Potentially Failed at Transverse Joints
- No Keyway, Waterstop, Dowel or other Mechanical Connection Between Reinforced and Unreinforced Canal Repair.
- Unrepaired Cracks in Concrete Lining.
- Inconsistent Concrete Lining Thickness.
- Lack of Proper Foundation Preparation.
- Previous Crack Repair in Canal Invert.
- Voids Found in Embankment and Foundation.
- Reactive Soils in the Embankment Foundation.
- Stratification of the Embankment Material.
- Improperly Compacted, Unclassified Material at the Base of the Embankment.
- Documentation During the Original Repair Contract of Improper Foundation Preparation.
- Repairs Made After First Fill.

From April 2013 Board Presentation, Randy Randolph and Greg Ramon



YOUR WATER. YOUR FUTURE.

Mitigation Actions

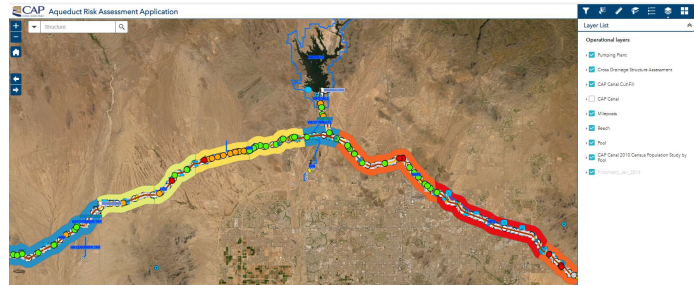
Increased Physical Canal Inspection

- More Civil Focused Staff (RE and ME)
- Purchased and Utilized ROV and Drones



GIS System Analysis:

- Cut and Fill Sections
- Cross Drainage Structures
- Hydrology Reports
- Downstream Population Density



5

Preparedness for Interruption of CAP Water Supply

Mitigation Actions

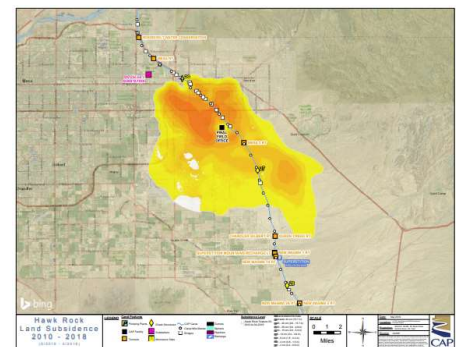
Continued Partnership – Flood Control Districts

- Review of Upstream Hydrology
- Urbanization Affect
- Flood Routing and Cross Drainage Structures



Continued Subsidence, Fissure Monitoring

- InSAR and Land Surveying



6

Preparedness for Interruption of CAP Water Supply

Mitigation Actions

Standardized Repair Methods and Materials:

- Concrete Grout and Admixtures
- Grout Pumping and Pressure Control
- Water Stop / Joint Sealant
- Piezometer Well Installation and Data Acquisition



7

Preparedness for Interruption of CAP Water Supply

Application, Lessons Learned

Pool 33 Leak, October 2015 – Two Locations

- Downstream of Picacho Pumping Plant

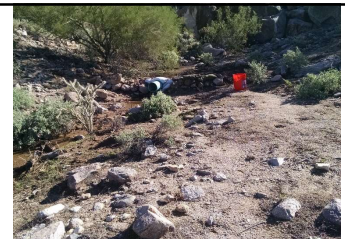
Detection by Inspection

Cracked Canal Concrete Liner – Leaking

Not Urgent - Repaired by Mid-November

Water Deliveries Not Impeded

Utilized Established Procedures, Products, and Contract Services from 2012 Event



8

Preparedness for Interruption of CAP Water Supply

Summary

Rapid Event Recovery Demonstrated

Standardized Procedures, Materials and Consultants

Canal Storage and Lake Pleasant Continued Deliveries

Continued Focus and Improvement

Civil Infrastructure Significance

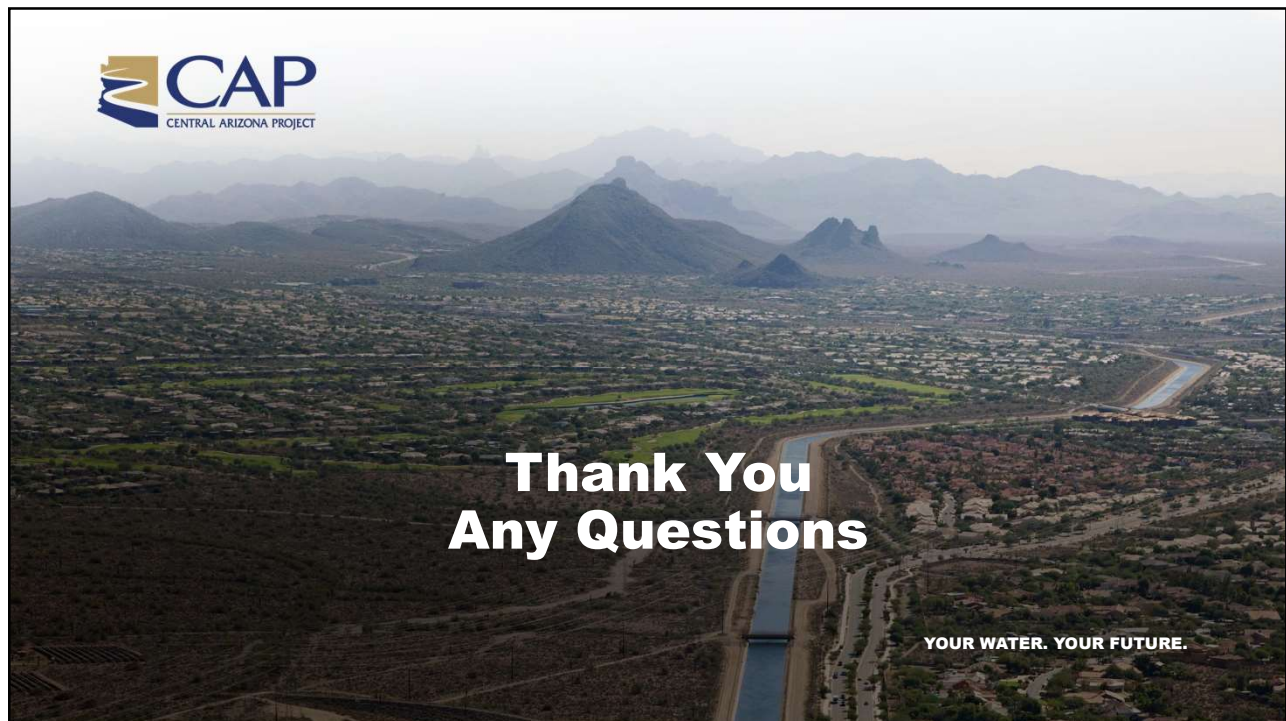
- Canal and Siphons, Criticality and Expense



#WEHAVEAPLAN

9

Preparedness for Interruption of CAP Water Supply



INFORMATION BRIEF

BOARD OF DIRECTORS



Agenda Number 8

CONTACT: Greg Adams Ken Seasholes
623-869-2124 623-869-2476
gadams@cap-az.com kseasholes@cap-az.com

MEETING DATE: Thursday, May 6, 2021

AGENDA ITEM: Discussion on NIA Subcontracting (*Water Supply*^) - Adams

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Water Supply: *Providing a reliable CAP water supply for the short- and long-term*

PREVIOUS BOARD ACTION/ACTIVITY:

April 1, 2021 Report on NIA Reallocation

October 1, 2020 Report on NIA Reallocation

August 6, 2020 Report on NIA Reallocation

ISSUE SUMMARY/DESCRIPTION:

The Arizona Water Settlements Act of 2004 ("Settlements Act") was enacted on December 10, 2004. The Settlements Act ratified the Arizona Water Settlement Agreement ("Agreement") between CAWCD, the United States, and the Arizona Department of Water Resources ("ADWR"), which made available CAP Non-Indian agricultural priority water ("NIA Priority Water") for reallocation by the Secretary of the Interior ("Secretary"). Among other things, the Settlements Act and the Agreement required the Secretary to reallocate 96,295 acre-feet ("AF") of NIA Priority Water to ADWR to be held in trust for further reallocation to non-Indian municipal and industrial users in Arizona,* which the Secretary did on August 25, 2006.

The Settlements Act and the Agreement further required ADWR to submit to the Secretary a recommendation for reallocation of the 96,295 AF of NIA Priority Water. The Agreement also required ADWR to develop eligibility criteria and make such NIA Priority Water available for reallocation to non-Indian M&I users in Arizona "at periodic intervals, starting in 2010."** ADWR began this process in 2012 and 2013 with stakeholder meetings that established a reallocation process that was intended to proceed in three phases, with the first phase beginning in 2013, the second phase was intended to begin in 2021, and, if necessary, a third phase would occur in 2030.

In its January 16, 2014 recommendation to the Secretary, ADWR recommended the reallocation of 46,629 AF of NIA Priority Water. Of that amount 34,629 AF was recommended for municipal and industrial water providers within the CAP service area and the Central Arizona Groundwater Replenishment District and 12,000 AF was recommended for industrial water users within the CAP service area.

On January 15, 2021, the Department of Interior issued notice in the Federal Register of its final decision to reallocate 46,629 AF of CAP NIA Priority Water consistent with ADWR's recommendation, as shown in the table below. See 86 Fed. Reg. 4119 (Jan. 15, 2021).

Municipal Recipients	Volume	Industrial Recipients	Volume
Apache Junction WUCFD	817 AF	Viewpoint RV and Golf Resort	400 AF
CAGRD	18,185 AF	New Harquahala Generating Company	400 AF
Carefree Water Company	112 AF	Rosemont Copper Company	1,124 AF
City of El Mirage	1,318 AF	Salt River Project	2,160 AF
EPCOR - Sun City West	1,000 AF	Resolution Copper Mining	2,238 AF
Johnson Utilities	3,217 AF	Freeport-McMoRan-Sierrita Inc.	5,678 AF
Metro Water - Diablo	299AF		
Town of Buckeye	2,786 AF		
Town of Cave Creek	386 AF		
Town of Gilbert	1,832 AF		
Town of Marana	515 AF		
Town of Queen Creek	3,162 AF		
Town of Queen Creek (H2O Water Company)	1,000 AF		
Total Municipal	34,629 AF	Total Industrial	12,000 AF

Staff from the United States and CAWCD developed a standard form subcontract to be offered to the reallocation entities. The standard form subcontract is substantially similar to existing CAP subcontracts, however the United States and CAWCD agreed that some modernization to the subcontracts was appropriate. This "modernization" consisted primarily of updates to subcontract language to conform to existing practices and procedures, such as rate reconciliation processes, and adding additional clarity to the process for water delivery schedules during times of reductions to the NIA Priority Pool. The standard form subcontract is attached to this brief.

The United States and CAWCD have sent drafts of the subcontract to the reallocation entities. Staff will bring the subcontract template and seek approval for execution of the subcontracts at the June Board Meeting. The United States anticipates that it will be ready to execute the subcontracts in August or September, upon completion of any further required environmental review. Subcontractors will then proceed to have subcontracts judicially confirmed, pursuant to A.R.S. §§ 48-3731, et. seq., prior to water deliveries in 2022.

* Settlements Act § 104(a)(2)(A) and Paragraph 9.3 of the Agreement.

** Paragraph 9.3.4 of the Agreement.

ATTACHMENTS:

1. Presentation
2. Final Draft NIA Reallocation Subcontract Template



NIA Priority CAP Water Subcontracting

Greg Adams
Senior Attorney
CAWCD Board Meeting
May 6, 2021

YOUR WATER. YOUR FUTURE.

NIA Reallocation - Background

- Arizona Water Settlements Act of 2004 (“AWSA”)
 - Ratified the Arizona Water Settlement Agreement
 - Required the Secretary of the Interior to reallocate 96,295 AF of CAP Non-Indian Agriculture (“NIA”) Priority Water to ADWR for further reallocation to non-Indian municipal and industrial water users in Arizona.
 - Required ADWR to establish eligibility criteria and submit a recommendation to the Secretary for relocation “at periodic intervals.”



NIA Reallocation - Background

- ADWR NIA Reallocation Process
 - Began in 2012/2013; designed to proceed in phases with future phases in 2021 and 2030
 - Selection criteria developed to evaluate applications
 - January 16, 2014 ADWR issued its Phase 1 recommendation for reallocation of 46,629 AF of CAP NIA Priority Water

NIA Reallocation - Background

- United States issued a Final Environmental Assessment on ADWR's recommendation on November 8, 2019.
- United States issued its final decision to reallocate 46,629 AF of CAP NIA Priority Water consistent with ADWR's Recommendation on January 15, 2021 (86 Fed. Reg. 4119).

NIA Reallocation – United States Decision

Municipal Recipients		Industrial Recipients	Volume
Apache Junction WUCFD	817 AF	Viewpoint RV and Golf Resort	400 AF
CAGR D	18,185 AF	New Harguahala Generating Company	400 AF
Carefree Water Company	112 AF	Rosemont Copper Company	1,124 AF
City of El Mirage	1,318 AF	Salt River Project	2,160 AF
EPCOR - Sun City West	1,000 AF	Resolution Copper Mining	2,238 AF
Johnson Utilities	3,217 AF	Freeport-McMoRan-Sierrita Inc.	5,678 AF
Metro Water - Diablo	299 AF		
City of Buckeye	2,786 AF		
Town of Cave Creek	386 AF		
Town of Gilbert	1,832 AF		
Town of Marana	515 AF		
Town of Queen Creek	4,162 AF		
Total Municipal	34,629 AF	Total Industrial	12,000 AF
Combined Total 46,629 AF			

NIA Subcontracting

- Staff from the United States and CAWCD have worked to develop a standard form subcontract template to be offered to the NIA reallocation entities.
- The standard form is substantially similar to existing CAP Subcontracts, with modernization of certain provisions:
 - Conform timing of contract actions to align with actual determinations of the available water supply
 - Conform water scheduling and billing procedures to current practices
 - Provide clarity on process of determining the volume available to subcontractor when the NIA Priority Pool is reduced
 - Integrate relevant provisions of System Use Agreement

Key Provisions

- *Term of Subcontract*
 - Effective upon: 1) judicial validation and 2) provision for payment of back capital charges and “9(d)” debt charges
 - 9(d) Debt Charge - \$665/AF
 - Back Capital Charge - \$1,335/AF
 - Permanent service with an initial 100-year term
- *Conditions Relating to Delivery and Use*
 - General prohibition on lease, sale, transfer or exchange of Project Water entitlements
 - Exchanges permissible with appropriate agreements approved by United States and CAWCD
 - Provisions for “turn-back” water (scheduled water that subcontractor ultimately cannot use)
- *Water Ordering/Scheduling Procedures*
 - Water orders and proposed schedules due October 1 of each year

Key Provisions

- *Priority in Case of Shortage*
 - NIA Priority water is Project Water remaining after all requests for CAP Indian Priority and CAP M&I Priority water have been satisfied.
 - If there is insufficient Project Water to meet all contracts and subcontracts for NIA Priority Water, then the water in the NIA Priority Pool is distributed pro-rata based on the quantity of CAP NIA Priority Water used by each Contractor or Subcontractor in the last year in which the available CAP supply was sufficient to fill all orders for NIA Priority Water.
- *Water Quality*
 - Neither the United States nor CAWCD warrant the quality of water delivered pursuant to the subcontract

Key Provisions

- *Water Service Charges*
 - Capital charges due on full entitlement regardless of amount scheduled or available (semi-annual payments)
 - OM&R charge due on monthly scheduled volume, even if the subcontractor takes delivery of a lesser amount, unless the extra is remarketed
 - Water service charges are paid prior to water deliveries

Next Steps

- CAWCD & Reclamation have distributed the draft subcontract template to the new NIA Subcontractors for their consideration
- May 2021 – Meetings with new NIA Subcontractors to address questions about subcontract
- June 2021 – Consideration of action by CAWCD Board for approval of subcontracts
- June-August 2021 –
 - New Subcontractors seek approval of subcontract by governing bodies, as necessary
 - United States completes final policy review, legal sufficiency review, and any further required environmental review
- September 2021
 - Reclamation distributes final subcontracts for signature by CAWCD and Subcontractors
 - Regional Director of Reclamation signs final Subcontracts and distributes fully executed copies
- September 2021-December 2021
 - Subcontractors seek judicial confirmation of subcontracts prior to 2022 water deliveries

Questions?

1
2
3 UNITED STATES
4 DEPARTMENT OF THE INTERIOR
5 BUREAU OF RECLAMATION

6 SUBCONTRACT AMONG THE UNITED STATES,
7 THE CENTRAL ARIZONA WATER CONSERVATION DISTRICT,
8 AND THE _____
9 PROVIDING FOR WATER SERVICE

10 CENTRAL ARIZONA PROJECT

11 1. PREAMBLE:

12 THIS SUBCONTRACT, made this ____ day of _____, 20____,
13 in pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory
14 thereof or supplementary thereto, including but not limited to the Boulder Canyon Project
15 Act of December 21, 1928 (45 Stat. 1057), as amended, the Reclamation Project Act of
16 August 4, 1939 (53 Stat. 1187), as amended, the Reclamation Reform Act of October 12,
17 1982 (96 Stat. 1263), and particularly the Colorado River Basin Project Act of September
18 30, 1968 (82 Stat. 885), as amended, and the Arizona Water Settlements Act (118 Stat.
19 3478) ("AWSA"), all collectively hereinafter referred to as the "Federal Reclamation Laws,"
20 among the UNITED STATES OF AMERICA, hereinafter referred to as the "United States"
21 or "Contracting Officer" acting through the Secretary of the Interior, the CENTRAL
22 ARIZONA WATER CONSERVATION DISTRICT, hereinafter referred to as the
23 "Contractor," a water conservation district organized under the laws of Arizona, with its
24 principal place of business in Phoenix, Arizona, and
25 the _____ hereinafter referred to as the "Subcontractor,"
26 with its principal place of business in _____, Arizona;

WITNESSETH, THAT:

2. EXPLANATORY RECITALS:

WHEREAS, the Colorado River Basin Project Act provides, among other things, that for the purposes of furnishing irrigation and municipal and industrial water supplies to water deficient areas of Arizona and western New Mexico through direct diversion or exchange of water, control of floods, conservation and development of fish and wildlife resources, enhancement of recreation opportunities, and for other purposes, the Secretary of the Interior shall construct, operate, and maintain the Central Arizona Project; and

WHEREAS, pursuant to the provisions of Arizona Revised Statutes §§ 48-3701, *et seq.*, the Contractor has been organized with the power to enter into a contract or contracts with the Secretary of the Interior to accomplish the purposes of Arizona Revised Statutes, §§ 48-3701, *et seq.*; and

WHEREAS, pursuant to Section 304(b)(1) of the Colorado River Basin Project Act, the Secretary of the Interior has determined that it is necessary to effect repayment of the cost of constructing the Central Arizona Project pursuant to a master contract and that the United States, together with the Contractor, shall be a party to contracts that are in conformity with and subsidiary to the master contract; and

WHEREAS, the United States and the Contractor entered into Contract No. 14-06-W-245, Amendment No. 1, dated December 1, 1988, hereinafter referred to as the "Repayment Contract," and by this reference made a part hereof, whereby the Contractor agrees to repay to the United States the reimbursable costs of the Central Arizona Project allocated to the Contractor;

WHEREAS, as of the date of execution of this Subcontract, and pursuant to the provisions of the Contract between the United States of America and the Central Arizona Water Conservation District for the Transfer of Operation and Maintenance of Facilities dated August 5, 1987, Contract No. 7-07-30-W0167, as amended ("O&M Transfer Agreement") CAWCD is the Operating Agency.

1 **WHEREAS**, the United States and CAWCD have entered into the Stipulated
2 Judgment and the Stipulation for Judgment (including any exhibits to those documents)
3 entered on November 21, 2007, in the United States District Court for the District of Arizona
4 in the consolidated civil action styled Central Arizona Water Conservation District v. United
5 States, et al., and numbered CIV 95-625-TUC-WDB (EHC) and CIV 95-1720-PHX-EHC
6 (“Stipulation”), which modifies the Repayment Contract in certain respects;

7 **WHEREAS**, section 104(a)(2) of the AWSA authorizes the reallocation of up
8 to 96,295 acre-feet of CAP NIA Priority Water to the Arizona Department of Water
9 Resources (“ADWR”) for further allocation;

10 **WHEREAS**, on January 16, 2014, the ADWR recommended to the
11 Secretary of the Interior the reallocation of 46,629 acre-feet of CAP NIA Priority Water for
12 municipal and industrial uses.

13 **WHEREAS**, On January 15, 2021, the Department of the Interior issued
14 notice in the Federal Register of its final decision to reallocate 46,629 of CAP NIA Priority
15 Water consistent with ADWR’s recommendation. 86 Fed. Reg. 4119 (Jan. 15, 2021).

16 **WHEREAS**, the Subcontractor is in need of a water supply and desires to
17 subcontract with the United States and the Contractor for water service from CAP NIA
18 Priority Water supplies available under the Central Arizona Project; and

19 **WHEREAS**, in accordance with the terms of this Subcontract, water shall
20 be available for delivery to the Subcontractor;

21 **NOW THEREFORE**, in consideration of the mutual and dependent
22 covenants herein contained, it is agreed as follows:

23 **3. DEFINITIONS:**

24 Definitions included in the Repayment Contract and the Stipulation are
25 applicable to this subcontract. The first letters of terms so defined are capitalized herein.
26 In addition, the following definitions shall apply to this subcontract

1 (a) "Available CAP Supply" shall mean for any given Year all Fourth
2 Priority Water available for delivery through the Central Arizona Project, water available
3 from CAP dams and reservoirs other than Modified Roosevelt Dam, and return flows
4 captured by the Secretary for CAP use.

5 (b) "CAP Indian Priority Water" shall mean that water within the Available
6 CAP Supply having an Indian delivery priority.

7 (c) "CAP M&I Priority Water" shall mean that water within the Available
8 CAP Supply having a municipal and industrial delivery priority.

9 (d) "CAP NIA Priority Water" shall mean that water within the available
10 CAP Supply having a non-Indian agricultural delivery priority.

11 (e) "Operating Agreement" shall mean the Operating Agreement
12 between the United States of America and the Central Arizona Water Conservation District
13 for Operation and Maintenance of the Central Arizona Project, dated June 15, 2000.

14 (f) "System Use Agreement" shall mean the Central Arizona Project
15 System Use Agreement between the United States and the Central Arizona Water
16 Conservation District, Agreement No. 17-XX-30-W0622, dated February 2, 2017,
17 including any amendments thereto.

18 **4. DELIVERY OF WATER:**

19 4.1 Obligations of the United States. Subject to the terms, conditions,
20 and provisions set forth herein and in the Repayment Contract, during such periods as it
21 operates and maintains the Project Works, the United States shall deliver Project Water
22 for M&I use by the Subcontractor. The United States shall use all reasonable diligence to
23 make available to the Subcontractor the quantity of Project Water specified in the schedule
24 submitted by the Subcontractor in accordance with Article 4.4. After transfer of OM&R to
25 the Operating Agency, the United States shall make deliveries of Project Water to the
26

1 Operating Agency which shall make subsequent delivery to the Subcontractor as provided
2 herein.

3 4.2 Term of Subcontract. This subcontract shall become effective upon
4 the later of: (i) the date on which it is confirmed as provided for in Article 6.12; and (ii) the
5 date on which the Subcontractor has paid or provided for payment of past CAP NIA Priority
6 water service capital charges and 9(d) debt charges as required by the Contractor. This
7 subcontract shall be for permanent service as that term is used in Section 5 of the Boulder
8 Canyon Project Act of 1928, 43 U.S.C. §617d. Project Water shall be delivered under the
9 terms of this subcontract for a period of 100 years beginning January 1 of the Year
10 following that in which the subcontract becomes effective; provided, that this subcontract
11 may be renewed upon written request by the Subcontractor upon terms and conditions of
12 renewal to be agreed upon not later than 1 year prior to the expiration of this subcontract;
13 and provided, further, that such terms and conditions shall be consistent with Article 9.9
14 of the Repayment Contract.

15 4.3 Conditions Relating to Delivery and Use. Delivery and use of water
16 under this subcontract is conditioned on the following, and the Subcontractor hereby
17 agrees that:

18 (a) All uses of Project Water and Return Flow shall be consistent
19 with Arizona water law unless such law is inconsistent with the Congressional directives
20 applicable to the Central Arizona Project.

21 (b) The system or systems through which water for Agricultural,
22 M&I (including underground storage), and Miscellaneous purposes is conveyed after
23 delivery to the Subcontractor shall consist of pipelines, canals, distribution systems, or
24 other conduits provided and maintained with linings adequate in the Contracting Officer's
25 judgment to prevent excessive conveyance losses.
26

1 (c) The Subcontractor shall not pump, or within its legal authority,
2 permit others to pump ground water from within the exterior boundaries of the
3 Subcontractor's service area, which has been delineated on a map filed with the Con-
4 tractor and approved by the Contractor and the Contracting Officer, for use outside of said
5 service area unless such pumping is permitted under Title 45, Chapter 2, Arizona Revised
6 Statutes, as it may be amended from time to time, and the Contracting Officer, the
7 Contractor, and the Subcontractor shall agree, or shall have previously agreed, that a
8 surplus of ground water exists and drainage is or was required; provided, however, that
9 such pumping may be approved by the Contracting Officer and the Contractor, and
10 approval shall not be unreasonably withheld, if such pumping is in accord with the Basin
11 Project Act and upon submittal by the Subcontractor of a written certification from the
12 Arizona Department of Water Resources or its successor agency that the pumping and
13 transportation of ground water is in accord with Title 45, Chapter 2, Arizona Revised
14 Statutes, as it may be amended from time to time.

15 (d) The Subcontractor shall not sell, lease, exchange, forbear or
16 otherwise transfer Project Water; provided, however, that this does not prohibit exchanges
17 of Project Water within the State of Arizona covered by separate agreements approved by
18 the Contracting Officer and Contractor; and provided, further, that this does not prohibit
19 effluent exchanges with Indian tribes pursuant to Article 6.2; and provided, further, that
20 this does not prohibit the resale or exchange of Project Water within the State of Arizona
21 pursuant to Subarticle 4.3(e).

22 (e) (i) Project Water scheduled for delivery in any Year under
23 this subcontract may be used by the Subcontractor or resold, or exchanged by the
24 Subcontractor pursuant to appropriate agreements approved by the Contracting Officer
25 and the Contractor. If said water is resold or exchanged by the Subcontractor for an
26 amount in excess of that which the Subcontractor is obligated to pay under this

1 subcontract, the excess amount shall be paid forthwith by the Subcontractor to the
2 Contractor for application against the Contractor's Repayment Obligation to the United
3 States; provided, however, that the Subcontractor shall be entitled to recover actual costs
4 of transportation, treatment, and distribution, including but not limited to capital costs and
5 OM&R costs.

6 (ii) Project Water scheduled for delivery in any Year under
7 this subcontract that cannot be used, resold, or exchanged by the Subcontractor may be
8 made available by the Contracting Officer and Contractor to other users. If such Project
9 Water is sold to or exchanged with other users, the Subcontractor shall be relieved of its
10 payments hereunder only to the extent of the amount paid to the Contractor by such other
11 users, but not to exceed the amount the Subcontractor is obligated to pay under this
12 subcontract for said water.

13 (iii) In the event the Subcontractor or the Contracting Officer
14 and the Contractor are unable to sell any portion of the Subcontractor's Project Water
15 scheduled for delivery and not required by the Subcontractor, the Subcontractor shall be
16 relieved of the pumping energy portion of the OM&R charges associated with the
17 undelivered water as determined by the Contractor.

18 (f) Notwithstanding any other provision of this subcontract,
19 Project Water shall not be delivered to the Subcontractor unless and until the
20 Subcontractor has obtained final environmental clearance from the United States for the
21 system or systems through which Project Water is to be conveyed after delivery to the
22 Subcontractor at project turnout(s). Such system(s) shall include all pipelines, canals,
23 distribution systems, treatment, storage, and other facilities through or in which Project
24 Water is conveyed, stored, or treated after delivery to the Subcontractor at the
25 Subcontractor's Project turnout(s). In each instance, final environmental clearance will be
26 based upon a review by the United States of the Subcontractor's plans for taking and using

1 Project Water and will be given or withheld by the United States in accordance with the
2 Final Environmental Assessment - Arizona Department of Water Resources
3 Recommendation for the Reallocation of Non-Indian Agricultural Priority Central Arizona
4 Project Water in Accordance with the Arizona Water Settlements Act of 2004 (November
5 8, 2019) and the National Environmental Policy Act of 1969 (83 Stat. 852). Any additional
6 action(s) required on behalf of the Subcontractor in order to obtain final environmental
7 clearance from the United States will be identified to the Subcontractor by the United
8 States, and no Project Water shall be delivered to the Subcontractor unless and until the
9 Subcontractor has completed all such action(s) to the satisfaction of the United States.

10 4.4 Procedure for Ordering Water.

11 (a) The amounts, times, and rates of delivery of Project Water to
12 the Subcontractor shall be in accordance with a water delivery schedule for that Year.
13 Such schedule shall be determined in the following manner:

14
15 (i) On or before October 1 of each Year, the Subcontractor
16 shall submit in writing to the Contractor a water delivery schedule indicating the amounts
17 of Project Water desired by the Subcontractor during each month of the following Year
18 along with a preliminary estimate of Project Water desired for the succeeding 2 years.

19 (ii) Upon receipt of the schedule, the Contractor shall
20 review it and, after consultation with the Subcontractor, and except as provided in
21 Subarticle 4.4(a)(iii), shall make only such modifications to the schedule as are necessary
22 to ensure that the amounts, times, and rates of delivery to the Subcontractor are consistent
23 with the delivery capability of the Project, considering, among other things, the availability
24 of water, the delivery schedules of all subcontractors and Section 11 of the System Use
25 Agreement; provided, that this provision shall not be construed to reduce annual deliveries
26 to the Subcontractor.

1 (iii) If the Contracting Officer determines, in consultation
2 with the Operating Agency, that the amount of Project Water that will be available for
3 delivery as CAP NIA Priority Water is insufficient to meet all the requests for delivery of
4 CAP NIA Priority Water for the following Year as set forth in Article 4.7, the Contractor
5 shall notify the Subcontractor of the quantity of CAP NIA Priority Water available to the
6 Subcontractor for that following Year. Within five (5) business days of such notice, the
7 Subcontractor shall submit an amended water delivery schedule to the Contractor
8 reflecting the amount of CAP NIA Priority Water requested by the Subcontractor for the
9 following Year up to the reduced quantity available. Upon receipt of the amended
10 schedule, the Contractor shall review it and, after consultation with the Subcontractor,
11 shall make only such modifications to the schedule as are necessary to ensure that the
12 amounts, times, and rates of delivery to the Subcontractor are consistent with the delivery
13 capability of the Project, considering, among other things, the availability of water, the
14 delivery schedules of all subcontractors and Section 11 of the System Use Agreement;
15 provided, that this provision shall not be construed to reduce annual deliveries to the
16 Subcontractor, except as required by Article 4.7.

17 (iv) On or before November 15 of each Year, the Contractor
18 shall determine and furnish to the Subcontractor the water delivery schedule for the
19 following Year which shall show the amount of water to be delivered to the Subcontractor
20 during each month of that Year, contingent upon the Subcontractor remaining eligible to
21 receive water under all terms contained herein.

22 (b) The monthly water delivery schedules may be amended upon
23 the Subcontractor's written request to the Contractor. Proposed amendments shall be
24 submitted by the Subcontractor to the Contractor no later than 15 days before the desired
25 change is to become effective, and shall be subject to review and modification in like
26 manner as the schedule. The Contractor shall notify the Subcontractor of its action on the

1 Subcontractor's requested schedule modification within 10 days of the Contractor's receipt
2 of such request.

3 (c) The Contractor and the Subcontractor shall hold the United
4 States, its officers, agents, and employees, harmless on account of damage or claim of
5 damage of any nature whatsoever arising out of or connected with the actions of the
6 Contractor regarding water delivery schedules furnished to the Subcontractor.

7 (d) In no event shall the Contracting Officer or the Contractor be
8 required to deliver to the Subcontractor from the Water Supply System in any one month
9 a total amount of Project Water greater than eleven percent (11%) of the Subcontractor's
10 maximum entitlement; provided, however, that the Contractor may deliver a greater
11 percentage in any month if such increased delivery is compatible with the overall delivery
12 of Project Water as determined by the Contracting Officer and the Contractor and if the
13 Subcontractor agrees to accept such increased deliveries.

14 4.5 Points of Delivery--Measurement and Responsibility for Distribution
15 of Water.

16 (a) The water to be furnished to the Subcontractor pursuant to this
17 subcontract shall be delivered at existing turnouts, or new turnouts at such points on the
18 Water Supply System as may be agreed upon in writing by the Contracting Officer and the
19 Contractor pursuant to Article 6(d) of the O&M Transfer Contract and Section 12.1 of the
20 Operating Agreement.

21 (b) Unless the United States and the Subcontractor agree by
22 contract to the contrary, the Subcontractor shall construct and install, at its sole cost and
23 expense, connection facilities required to take and convey the water from the turnouts to
24 the Subcontractor's service area. The Subcontractor shall furnish, for approval of the
25 Contracting Officer, drawings showing the construction to be performed by the
26 Subcontractor within the Water Supply System right-of-way 6 months before starting said

1 construction. The facilities may be installed, operated, and maintained on the Water
2 Supply System right-of-way subject to such reasonable restrictions and regulations as to
3 type, location, method of installation, operation, and maintenance as may be prescribed
4 by the Contracting Officer in consultation with the Contractor.

5 (c) All water delivered from the Water Supply System shall be
6 measured with equipment furnished, installed, operated and maintained by the United
7 States or the Operating Agency. Upon the request of the Subcontractor or the Contractor,
8 the accuracy of such measurements shall be investigated by the Contracting Officer or the
9 Operating Agency, Contractor, and Subcontractor, and any errors which may be mutually
10 determined to have occurred therein shall be adjusted; provided, that in the event the
11 parties cannot agree on the required adjustment, the Contracting Officer's determination
12 shall be conclusive.

13 (d) Neither the United States, the Contractor, nor the Operating
14 Agency shall be responsible for the control, carriage, handling, use, disposal, or
15 distribution of Project Water beyond the turnouts agreed to pursuant to Subarticle 4.5(a).
16 The Subcontractor shall hold the United States, the Contractor, and the Operating Agency
17 harmless on account of damage or claim of damage of any nature whatsoever for which
18 there is legal responsibility, including property damage, personal injury, or death arising
19 out of or connected with the Subcontractor's control, carriage, handling, use, disposal, or
20 distribution of such water beyond said delivery point(s).

21 4.6 Temporary Reductions. In addition to the right of the United States
22 under Subarticle 8.3(a)(iv) of the Repayment Contract temporarily to discontinue or reduce
23 the amount of water to be delivered, the United States or the Operating Agency may, after
24 consultation with the Contractor and Contracting Officer, temporarily discontinue or reduce
25 the quantity of water to be furnished to the Subcontractor as herein provided for the
26 purposes of investigation, inspection, maintenance, repair, or replacement of any of the

1 Project facilities or any part thereof necessary for the furnishing of water to the
2 Subcontractor, but so far as feasible the United States or the Operating Agency shall
3 coordinate any such discontinuance or reduction with the Subcontractor and shall give the
4 Subcontractor due notice in advance of such temporary discontinuance or reduction,
5 except in case of emergency, in which case no notice need be given. Neither the United
6 States, its officers, agents, and employees, nor the Operating Agency, its officers, agents,
7 and employees, shall be liable for damages when, for any reason whatsoever, any such
8 temporary discontinuance or reduction in delivery of water occurs. If any such
9 discontinuance or temporary reduction results in deliveries to the Subcontractor of less
10 water than what has been paid for in advance, the Contractor shall reconcile any such
11 advance payments as provided in subarticle 5.1(c).
12

13 4.7 Priority in Case of Shortage. As soon as is practicable after
14 October 1, the Contracting Officer shall determine, in consultation with the Operating
15 Agency, the availability of CAP NIA Priority Water consistent with the Available CAP
16 Supply and delivery schedules submitted by CAP contractors and subcontractors. The
17 determination of such supply shall be consistent with the AWSA and Paragraph 4 of
18 Amendment 2 to the Repayment Contract dated November 30, 2007, as set forth in
19 Exhibit A.
20

21 (a) Any Available CAP Supply remaining after all requests for
22 delivery of CAP Indian Priority Water and CAP M&I Priority Water have been satisfied
23 shall become available for delivery as CAP NIA Priority Water.

24 (b) If the Available CAP Supply is insufficient to meet the requests
25 for delivery of CAP NIA Priority Water by CAP NIA Priority Contractors and CAP NIA
26 Priority Subcontractors, then the Secretary and the Operating Agency shall pro-rate the

1 CAP NIA Priority Water to the CAP Contractors and CAP Subcontractors holding such
2 entitlements on the basis of the quantity of CAP NIA Priority Water used by each such
3 CAP NIA Priority Contractor or CAP NIA Priority Subcontractor in the last Year in which
4 the Available CAP Supply was sufficient to fill all orders for CAP NIA Priority Water,
5 consistent with the settlements authorized, ratified and confirmed in the AWSA.
6

7 (c) Any CAP NIA Priority Water remaining after the pro-rata
8 distribution set forth in Subarticle 4.7(b), will be made available to CAP NIA Priority Water
9 Contractors and Subcontractors on a pro-rata on the basis of the difference between water
10 requested for delivery and the volume not otherwise available under Subarticle 4.7(b).
11

12 (d) Nothing in this Article 4.7 shall be construed to allow or
13 authorize any CAP Contractor or CAP Subcontractor to receive, pursuant to such
14 contracts, CAP water in amounts greater than such contractor's entitlement.
15

16 4.8 Secretarial Control of Return Flow.

17 (a) The Secretary reserves the right to capture all Return Flow
18 flowing from the exterior boundaries of the Contractor's Service Area as a source of supply
19 and for distribution to and use of the Central Arizona Project to the fullest extent
20 practicable. The Secretary also reserves the right to capture for Project use Return Flow
21 which originates or results from water contracted for from the Central Arizona Project
22 within the boundaries of the Contractor's Service Area if, in his judgment, such Return
23 Flow is not being put to a beneficial use. The Subcontractor may recapture and reuse or
24 sell its Return Flow; provided, however, that such Return Flow may not be sold for use
25 outside Maricopa, Pinal, and Pima Counties; and provided, further, that this does not
26 prohibit effluent exchanges with Indian tribes pursuant to Article 6.2. The Subcontractor

1 shall, at least 60 days in advance of any proposed sale of such water, furnish the following
2 information in writing to the Contracting Officer and the Contractor:

- 3 (i) The name and address of the prospective buyer.
- 4 (ii) The location and proposed use of the Return Flow.
- 5 (iii) The price to be charged for the Return Flow.

6 (b) The price charged for the Return Flow may cover the cost
7 incurred by the Subcontractor for Project Water plus the cost required to make the Return
8 Flow usable. If the price received for the Return Flow is greater than the costs incurred
9 by the Subcontractor, as described above, the excess amount shall be forthwith returned
10 by the Subcontractor to the Contractor for application against the Contractor's Repayment
11 Obligation to the United States. Costs required to make Return Flow usable shall include
12 but not be limited to capital costs and OM&R costs including transportation, treatment, and
13 distribution, and the portion thereof that may be retained by the Subcontractor shall be
14 subject to the advance approval of the Contractor and the Contracting Officer.

15 (c) Any Return Flow captured by the United States and
16 determined by the Contracting Officer and the Contractor to be suitable and available for
17 use by the Subcontractor may be delivered by the United States or Operating Agency to
18 the Subcontractor as a part of the water supply for which the Subcontractor subcontracts
19 hereunder and such water shall be accounted and paid for pursuant to the provisions
20 hereof.

21 (d) All capture, recapture, use, reuse, and sale of Return Flow
22 under this article shall be in accord with Arizona water law unless such law is inconsistent
23 with the Congressional directives applicable to the Central Arizona Project.

1 4.9 Water and Air Pollution Control. The Subcontractor, in carrying out
2 this subcontract, shall comply with all applicable water and air pollution laws and
3 regulations of the United States and the State of Arizona and shall obtain all required
4 permits or licenses from the appropriate Federal, State, or local authorities.
5

6 4.10 Quality of Water. The operation and maintenance of Project facilities
7 shall be performed in such manner as is practicable to maintain the quality of water made
8 available through such facilities at the highest level reasonably attainable as determined
9 by the Contracting Officer. Neither the United States, the Contractor, nor the Operating
10 Agency warrants the quality of water and is under no obligation to construct or furnish
11 water treatment facilities to maintain or better the quality of water. The Subcontractor
12 waives its right to make a claim against the United States, the Operating Agency, and the
13 Contractor, because of changes in water quality caused by the commingling of Project
14 Water with other water.
15

16 4.11 Exchange Water.

17 (a) Where the Contracting Officer determines the Subcontractor is
18 physically able to receive Colorado River mainstream water through the Project Works in
19 exchange for or in replacement of existing supplies of water from surface sources other
20 than the Colorado River, the Contracting Officer may require that the Subcontractor accept
21 said mainstream water in exchange for or in replacement of said existing supplies pursuant
22 to the provisions of Section 304(d) of the Basin Project Act; provided, however, that a
23 subcontractor on the Project aqueduct shall not be required to enter into exchanges in
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1 which existing supplies of water from surface sources are diverted for use by other
2 subcontractors downstream on the Project aqueduct.

3 (b) If, in the event of reductions to the Available CAP Supply, the
4 Subcontractor has yielded water from other surface water sources in exchange for
5 Colorado River mainstream water supplied by the Contractor or the Operating Agency,
6 the Subcontractor shall have first priority against other users supplied with Project Water
7 that have not yielded water from other surface water sources but only in quantities
8 adequate to replace the water so yielded.
9

10 4.12 Entitlement to CAP NIA Priority Water.

11 (a) The Subcontractor is entitled to delivery of an annual
12 maximum of _____ acre-feet of CAP NIA Priority Water for M&I uses including but not
13 limited to underground storage.
14

15 (b) The Subcontractor's entitlement to CAP NIA Priority Water
16 under this subcontract shall be separate from any other entitlement to Project Water
17 available to the Subcontractor. This Subcontract neither modifies nor supersedes the
18 Subcontractor's existing entitlements or subcontracts, if any.

19 4.13 Retention of Priority. In accordance with section 104(a)(3) of the
20 AWSA, all Project Water delivered for M&I use under this Subcontract shall remain CAP
21 NIA Priority Water.
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1 5. PAYMENTS:

2 5.1 Water Service Charges for Payment of Operation, Maintenance, and
3 Replacement Costs.

4 (a) Prior to October 1 of each Year, the Contractor shall notify the
5 Subcontractor of the published OM&R rate per acre foot of water based on the estimated
6 OM&R costs and water deliveries for the following Year. All estimates of OM&R costs
7 shall be accompanied by data and computations relied on by the Contractor in determining
8 the amounts of the estimated OM&R costs and shall be subject to joint review by the
9 Subcontractor and the Contractor. Provided, however, if during the Year, in the opinion of
10 the Contractor the amount of any annual OM&R estimated costs is likely to be insufficient
11 to cover the above-mentioned costs during such period, the Contractor may, at the
12 Contractor's discretion, increase the annual estimate of the Subcontractor's OM&R costs
13 by written notice thereof to the Subcontractor, and the revised OM&R rate shall apply to
14 all remaining monthly invoices.
15
16

17 (b) Subject to the provisions of Article 5.4 hereof, the Subcontractor
18 shall pay in advance for its share of Project OM&R costs estimated to be incurred by the
19 United States or the Operating Agency. The Contractor will submit monthly invoices for
20 the monthly volumes of water scheduled by the Subcontractor, due in the month prior to
21 delivery. All invoices have net 30-day terms. The Contractor may, at the Contractor's
22 discretion, offer equalized or alternative payment schedules.
23

24 (c) By March 1 of each Year, the Contractor shall reconcile amounts
25 paid in the prior Year by the Subcontractor to the volume of water delivered and any
26 applicable provisions of subarticle 4.3(e).

1 (d) By May 1 of each Year, the Contractor shall determine the actual
2 OM&R rate for the prior Year based on actual OM&R costs and water volumes and shall
3 calculate the difference between the actual OM&R rate and the published OM&R rate.
4 Based on the Subcontractor's actual deliveries and any applicable provisions of subarticle
5 4.3(e), the Contractor shall issue an invoice or credit to the Subcontractor for any
6 difference.
7

8 5.2 M&I Water Service Charges.

9 (a) Subject to the provisions of Article 5.4 hereof and in addition
10 to the OM&R payments required in Article 5.1 hereof, the Subcontractor shall, in advance
11 of the delivery of CAP NIA Priority Water by the United States or the Operating Agency,
12 make payment to the Contractor in equal semiannual installments of an M&I Water service
13 capital charge based on a maximum entitlement of ____ acre-feet per year multiplied by
14 the rate established by the Contractor for that year.
15

16 (b) The M&I Water service capital charge may be adjusted
17 periodically by the Contractor as a result of repayment determinations provided for in the
18 Repayment Contract and Stipulation and to reflect all sources of revenue, but said charge
19 per acre-foot shall not be greater than the amount required to amortize Project capital
20 costs allocated to the M&I function and determined by the Contracting Officer to be a part
21 of the Contractor's Repayment Obligation. Such amortization shall include interest at
22 3.342 percent per annum. If any adjustment is made in the M&I Water service capital
23 charge, notice thereof shall be given by the Contractor to the United States and to the
24 Subcontractor on or before June 30 of the Year preceding the Year the adjusted charge
25 becomes effective. The M&I Water service capital charge payment for the initial Year shall
26

1 be advanced to the Contractor in equal semiannual installments on or before December 1
2 preceding the initial Year and June 1 of said initial Year. Thereafter, for each subsequent
3 Year, payments by the Subcontractor in accordance with the foregoing provisions shall be
4 made in equal semiannual installments on or before the December 1 preceding said
5 subsequent Year and the June 1 of said subsequent Year as may be specified by the
6 Contractor in written notices to the Subcontractor.
7

8 (c) Payment of all M&I Water service capital and corresponding
9 OM&R charges becoming due hereunder prior to or on the dates stipulated in Articles 5.1
10 and 5.2 is a condition precedent to receiving Project Water under this subcontract.

11 (d) All payments to be made to the Contractor or the United States
12 under Articles 5.1 and 5.2 hereof shall be made by the Subcontractor as such payments
13 fall due from revenues legally available to the Subcontractor for such payment from the
14 sale of water to its water users and from any and all other sources which might be legally
15 available; Provided, That no portion of the general taxing authority of the Subcontractor,
16 nor its general funds, nor funds from ad valorem taxes are obligated by the provisions of
17 this subcontract, nor shall such sources be liable for the payments, contributions, and
18 other costs pursuant to this subcontract, or to satisfy any obligation hereunder unless duly
19 and lawfully allocated and budgeted for such purpose by the Subcontractor for the
20 applicable budget year; and Provided, further, That no portion of this agreement shall ever
21 be construed to create an obligation superior in lien to or on a parity with the
22 Subcontractor's revenue bonds now or hereafter issued. The Subcontractor shall levy and
23 impose such necessary water service charges and rates and use all the authority and
24 resources available to it to collect all such necessary water service charges and rates in
25
26

1 order that the Subcontractor may meet its obligations hereunder and make in full all
2 payments required under this subcontract on or before the date such payments become
3 due.

4 5.3 Loss of Entitlement. The Subcontractor shall have no right to delivery
5 of water from Project facilities during any period in which the Subcontractor may be in
6 arrears in the payment of any charges due the Contractor. The Contractor may sell to
7 another entity any water determined to be available under the Subcontractor's entitlement
8 for which payment is in arrears; provided, however, that the Subcontractor may regain the
9 right to use any unsold portion of the water determined to be available under the original
10 entitlement upon payment of all delinquent charges plus any difference between the
11 subcontractual obligation and the price received in the sale of the water by the Contractor
12 and payment of charges for the current period.
13

14 5.4 Refusal to Accept Delivery. In the event the Subcontractor fails or
15 refuses in any Year to accept delivery of the quantity of water available for delivery to and
16 scheduled for delivery by the Subcontractor pursuant to this subcontract, said failure or
17 refusal shall not relieve the Subcontractor of its obligation to make the payments required
18 in this subcontract under Article 5.1, except as provided in Article 4.3(e). The
19 Subcontractor's obligation to make the payments required under Article 5.2(a) shall apply
20 regardless of the quantity of water scheduled or available for delivery in any Year.
21

22 5.5 Charge for Late Payments. The Subcontractor shall pay a late
23 payment charge on installments or charges that are received after the due date. The late
24 payment charge percentage rate calculated by the Department of the Treasury and
25 published quarterly in the Federal Register shall be used; provided, that the late payment
26

1 charge percentage rate shall not be less than 0.5 percent per month. The late payment
2 charge percentage rate applied on an overdue payment shall remain in effect until
3 payment is received. The late payment rate for a 30-day period shall be determined on
4 the day immediately following the due date and shall be applied to the overdue payment
5 for any portion of the 30-day period of delinquency. In the case of partial late payments,
6 the amount received shall first be applied to the late charge on the overdue payment and
7 then to the overdue payment.
8

9 6. GENERAL PROVISIONS:

10 6.1 Repayment Contract and the Stipulation Controlling. Pursuant to the
11 Repayment Contract, the United States has agreed to construct and, in the absence of an
12 approved Operating Agency, to operate and maintain the works of the Central Arizona
13 Project and to deliver Project Water to the various subcontractors within the Project
14 Service Area; and the Contractor has obligated itself for the payment of various costs,
15 expenses, and other amounts allocated to the Contractor pursuant to Article 9 of the
16 Repayment Contract and the Stipulation. The Subcontractor expressly approves and
17 agrees to all the terms presently set out in the Repayment Contract including Subarticle
18 8.8(b)(viii) thereof and the Stipulation, or as such terms may be hereafter amended, and
19 agrees to be bound by the actions to be taken and the determinations to be made under
20 that Repayment Contract and the Stipulation, except as otherwise provided herein.

21 6.2 Effluent Exchanges. The Subcontractor may enter into direct effluent
22 exchanges with Indian entities that have received an allocation of Project Water and
23 receive all benefits from the exchange.

24 6.3 Notices. Any notice, demand or request authorized or required by
25 this subcontract shall be deemed to have been given when mailed, postage prepaid, or
26 delivered to the Regional Director, Lower Colorado Basin Region, Bureau of Reclamation,

1 P.O. Box 61470, Boulder City, Nevada 89006-1470, on behalf of the Contractor or
2 Subcontractor; to the Central Arizona Water Conservation District, P. O. Box 43020,
3 Phoenix, Arizona 85080, on behalf of the United States or Subcontractor; and to the
4 _____, on behalf of the United States or Contractor. The
5 designation of the addressee or the address may be changed by notice given in the same
6 manner as provided in this Article for other notices.
7

8 6.4 Change in Operating Agency. If at any time during the term of this
9 Subcontract the Contractor and the Operating Agency are not the same entity, the
10 Contractor agrees to coordinate and cooperate with the Operating Agency on any
11 obligations of the Contractor under this Subcontract that pertain to the operation of the
12 Central Arizona Project and delivery of Project Water hereunder.
13

14 6.5 Rules, Regulations, and Determinations.

15 (a) The Contracting Officer shall have the right to make, after an
16 opportunity has been offered to the Contractor and Subcontractor for consultation, rules
17 and regulations consistent with the provisions of this subcontract, the laws of the United
18 States and the State of Arizona, to add to or to modify them as may be deemed proper
19 and necessary to carry out this subcontract, and to supply necessary details of its
20 administration which are not covered by express provisions of this subcontract. The
21 Contractor and Subcontractor shall observe such rules and regulations.
22

23 (b) Where the terms of this subcontract provide for action to be
24 based upon the opinion or determination of any party to this subcontract, whether or not
25 stated to be conclusive, said terms shall not be construed as permitting such action to be
26 predicated upon arbitrary, capricious, or unreasonable opinions or determinations. In the

1 event that the Contractor or Subcontractor questions any factual determination made by
2 the Contracting Officer, the findings as to the facts shall be made by the Secretary only
3 after consultation with the Contractor or Subcontractor and shall be conclusive upon the
4 parties.

5 6.6 Officials Not to Benefit.

6 (a) No Member of or Delegate to Congress or Resident
7 Commissioner shall be admitted to any share or part of this subcontract or to any benefit
8 that may arise herefrom. This restriction shall not be construed to extend to this
9 subcontract if made with a corporation or company for its general benefit.
10

11 (b) No official of the Subcontractor shall receive any benefit that
12 may arise by reason of this subcontract other than as a water user within the Project and
13 in the same manner as other water users within the Project.
14

15 6.7 Assignment Limited--Successors and Assigns Obligated. The
16 provisions of this subcontract shall apply to and bind the successors and assigns of the
17 parties hereto, but no assignment or transfer of this subcontract or any part or interest
18 therein shall be valid until approved by the Contracting Officer.

19 6.8 Judicial Remedies Not Foreclosed. Nothing herein shall be construed
20 (a) as depriving any party from pursuing and prosecuting any remedy in any appropriate
21 court of the United States or the State of Arizona which would otherwise be available to
22 such parties even though provisions herein may declare that determinations or decisions
23 of the Secretary or other persons are conclusive or (b) as depriving any party of any
24 defense thereto which would otherwise be available.
25
26

1 6.9 Books, Records, and Reports. The Subcontractor shall establish and
2 maintain accounts and other books and records pertaining to its financial transactions,
3 land use and crop census, water supply, water use, changes of Project works, and to other
4 matters as the Contracting Officer may require. Reports thereon shall be furnished to the
5 Contracting Officer in such form and on such date or dates as he may require. Subject to
6 applicable Federal laws and regulations, each party shall have the right during office hours
7 to examine and make copies of each other's books and records relating to matters covered
8 by this subcontract.
9

10 6.10 Equal Employment Opportunity.

11 During the performance of this subcontract, the Subcontractor agrees as
12 follows:
13

14 (a) The Subcontractor will not discriminate against any employee or
15 applicant for employment because of race, color, religion, sex, sexual orientation, gender
16 identity, or national origin. The Subcontractor will take affirmative action to ensure that
17 applicants are employed, and that employees are treated during employment, without
18 regard to their race, color, religion, sex, sexual orientation, gender identity, or national
19 origin. Such action shall include, but not be limited to the following: employment,
20 upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or
21 termination; rates of pay or other forms of compensation; and selection for training,
22 including apprenticeship. The Subcontractor agrees to post in conspicuous places,
23 available to employees and applicants for employment, notices to be provided by the
24 Contracting Officer setting forth the provisions of this nondiscrimination clause.
25
26

1 (b) The Subcontractor will, in all solicitations or advancements for
2 employees placed by or on behalf of the Subcontractor, state that all qualified applicants
3 will receive consideration for employment without regard to race, color, religion, sex,
4 sexual orientation, gender identity, or national origin.

5 (c) The Subcontractor will not discharge or in any other manner
6 discriminate against any employee or applicant for employment because such employee
7 or applicant has inquired about, discussed, or disclosed the compensation of the
8 employee or applicant or another employee or applicant. This provision shall not apply to
9 instances in which an employee who has access to the compensation information of other
10 employees or applicants as a part of such employee's essential job functions discloses
11 the compensation of such other employees or applicants to individuals who do not
12 otherwise have access to such information, unless such disclosure is in response to a
13 formal complaint or charge, in furtherance of an investigation, proceeding, hearing, or
14 action, including an investigation conducted by the employer, or is consistent with the
15 contractor's legal duty to furnish information.
16

17 (d) The Subcontractor will send to each labor union or representative
18 of workers with which he has a collective bargaining agreement or other contract or
19 understanding, a notice, to be provided by the agency Contracting Officer, advising the
20 labor union or workers' representative of the Subcontractor's commitments under section
21 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the
22 notice in conspicuous places available to employees and applicants for employment.
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1 (e) The Subcontractor will comply with all provisions of Executive
2 Order No. 11246 of Sept. 24, 1965, and of the rules, regulations, and relevant orders of
3 the Secretary of Labor.

4 (f) The Subcontractor will furnish all information and reports required
5 by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and
6 orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books,
7 records, and accounts by the Contracting Agency and the Secretary of Labor for purposes
8 of investigation to ascertain compliance with such rules, regulations, and orders.
9

10 (g) In the event of the Subcontractor's noncompliance with the
11 nondiscrimination clauses of this contract or with any of such rules, regulations, or orders,
12 this subcontract may be canceled, terminated or suspended in whole or in part and the
13 Subcontractor may be declared ineligible for further Government contracts in accordance
14 with procedures authorized in Executive Order No. 11246 of Sept. 24, 1965, and such
15 other sanctions may be imposed and remedies invoked as provided in Executive Order
16 No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor,
17 or as otherwise provided by law.
18

19 (h) The Subcontractor will include the provisions of paragraphs (a)
20 through (h) in every subcontract or purchase order unless exempted by the rules,
21 regulations, or orders of the Secretary of Labor issued pursuant to section 204 of
22 Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding
23 upon each subcontractor or vendor. The Subcontractor will take such action with respect
24 to any subcontract or purchase order as may be directed by the Secretary of Labor as a
25 means of enforcing such provisions, including sanctions for noncompliance: Provided,
26

1 however, that in the event the Subcontractor becomes involved in, or is threatened with,
2 litigation with a subcontractor or vendor as a result of such direction, the Subcontractor
3 may request the United States to enter into such litigation to protect the interests of the
4 United States.

5
6 6.11 Compliance With Civil Rights Laws and Regulations

7 (a) The Subcontractor shall comply with Title VI of the Civil Rights
8 Act of 1964 (Pub. L. 88-352; 42 U.S.C. § 2000d), the Rehabilitation Act of 1973 (Pub. L.
9 93-112, Title V, as amended; 29 U.S.C. § 791, et seq.), the Age Discrimination Act of 1975
10 (Pub. L. 94-135, Title III; 42 U.S.C. § 6101, et seq.), [Title II of the Americans with
11 Disabilities Act of 1990 (Pub. L. 101-336; 42 U.S.C. § 12131, et seq.)] [Title III of the
12 Americans with Disabilities Act of 1990 (Pub. L. 101-336; 42 U.S.C. § 12181, et seq.)],
13 and any other applicable civil rights laws, and with the applicable implementing regulations
14 and any guidelines imposed by the U.S. Department of the Interior and/or Bureau of
15 Reclamation.
16

17 (b) These statutes prohibit any person in the United States from being
18 excluded from participation in, being denied the benefits of, or being otherwise subjected
19 to discrimination under any program or activity receiving financial assistance from the
20 Bureau of Reclamation on the grounds of race, color, national origin, disability, or age. By
21 executing this subcontract, the Subcontractor agrees to immediately take any measures
22 necessary to implement this obligation, including permitting officials of the United States
23 to inspect premises, programs, and documents.
24

25 (c) The Subcontractor makes this agreement in consideration of and
26 for the purpose of obtaining any and all Federal grants, loans, contracts, property

1 discounts, or other Federal financial assistance extended after the date hereof to the
2 subcontractor by the Bureau of Reclamation, including installment payments after such
3 date on account of arrangements for Federal financial assistance which were approved
4 before such date. The Subcontractor recognizes and agrees that such Federal assistance
5 will be extended in reliance on the representations and agreements made in this article
6 and that the United States reserves the right to seek judicial enforcement thereof.
7

8 (d) Complaints of discrimination against the Subcontractor shall be
9 investigated by the Contracting Officer's Office of Civil Rights.

10 6.12 Confirmation of Subcontract. The Subcontractor shall promptly seek
11 a final decree of the proper court of the State of Arizona approving and confirming the
12 subcontract and decreeing and adjudging it to be lawful, valid, and binding on the
13 Subcontractor. The Subcontractor shall furnish to the United States a certified copy of
14 such decree and of all pertinent supporting records. This subcontract shall not be binding
15 on the United States, the Contractor, or the Subcontractor until such final decree has been
16 entered.
17

18 6.13 Contingent on Appropriation or Allotment of Funds. The expenditure
19 or advance of any money or the performance of any work by the United States hereunder
20 which may require appropriation of money by the Congress or the allotment of funds shall
21 be contingent upon such appropriation or allotment being made. The failure of the
22 Congress to appropriate funds or the absence of any allotment of funds shall not relieve
23 the Subcontractor from any obligation under this subcontract. No liability shall accrue to
24 the United States in case such funds are not appropriated or allotted.
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IN WITNESS WHEREOF, the parties hereto have executed this subcontract

No. _____ the day and year first above-written.

THE UNITED STATES OF AMERICA

By: _____
Regional Director
Lower Colorado Basin Region
Bureau of Reclamation

CENTRAL ARIZONA WATER
CONSERVATION DISTRICT

Attest: _____
Secretary

By: _____
President

[SUBCONTRACTOR]

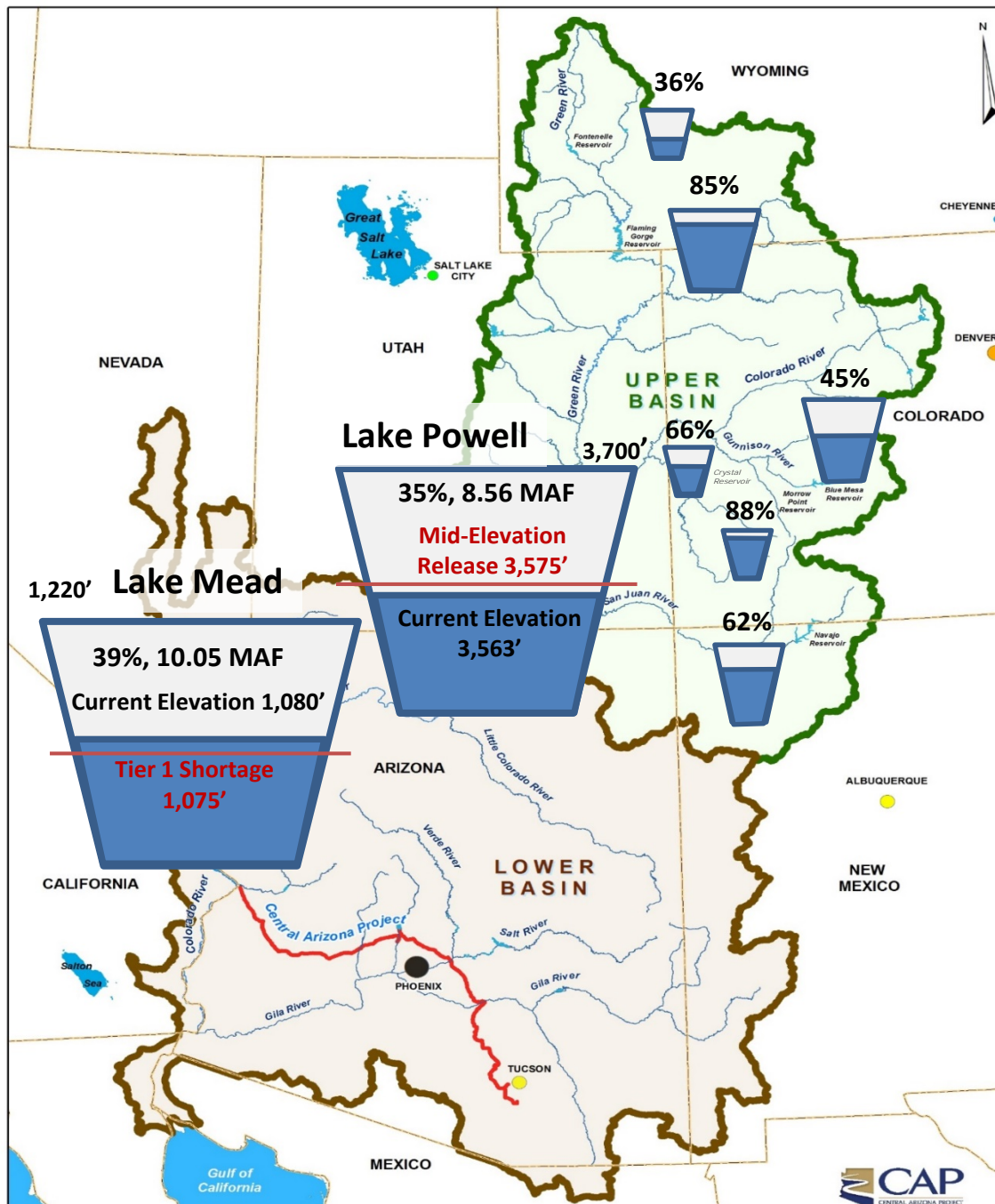
Attest: _____
Title: _____

By: _____
Title: _____

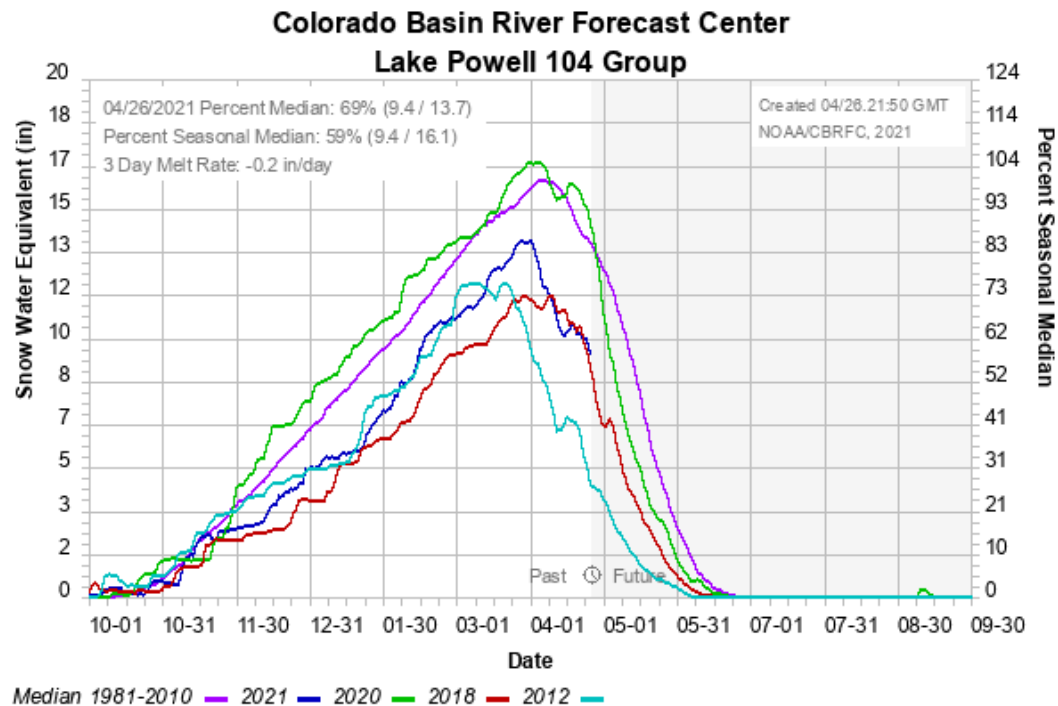
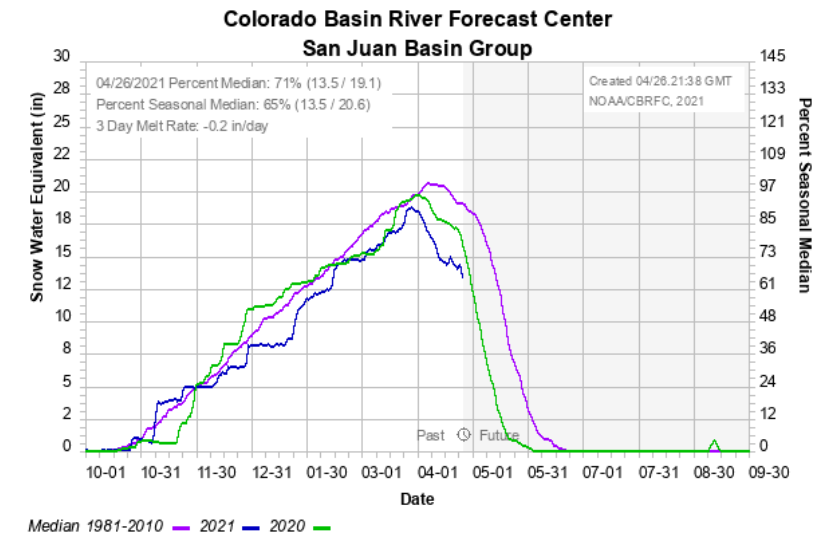
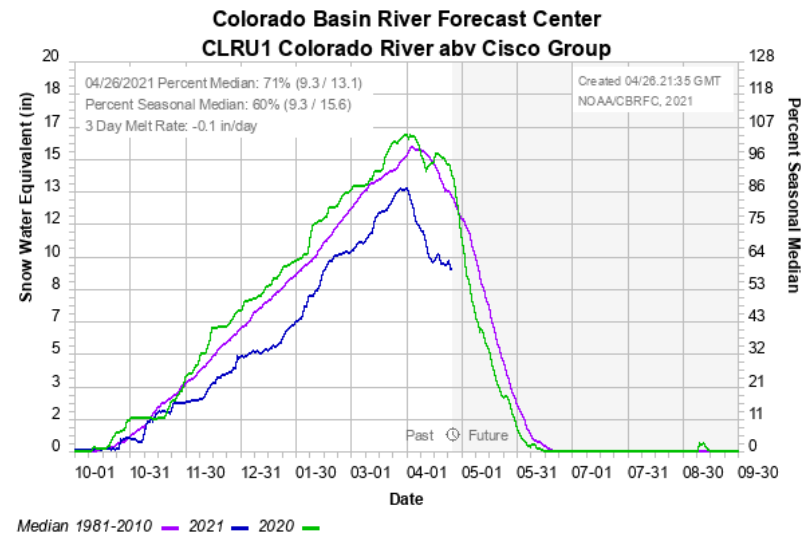
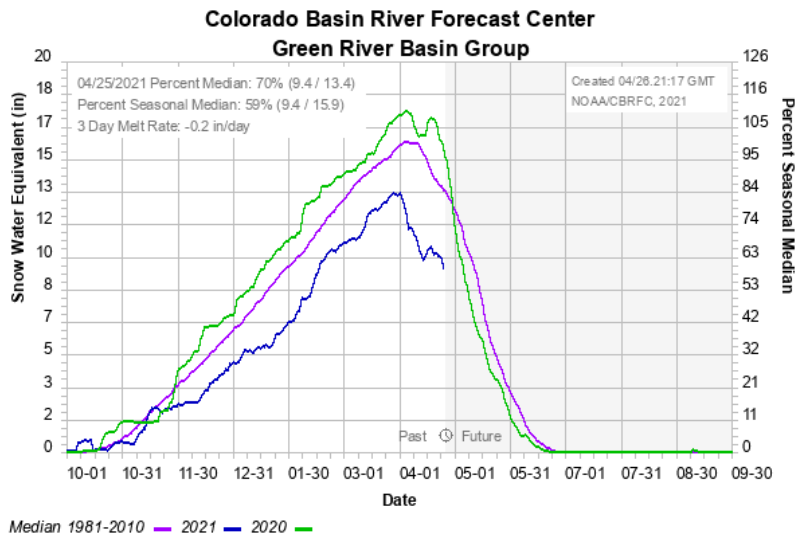
Colorado River Water Supply Report

System Contents: 23.46 MAF

As of April 26, 2021



* With respect to previous month's report



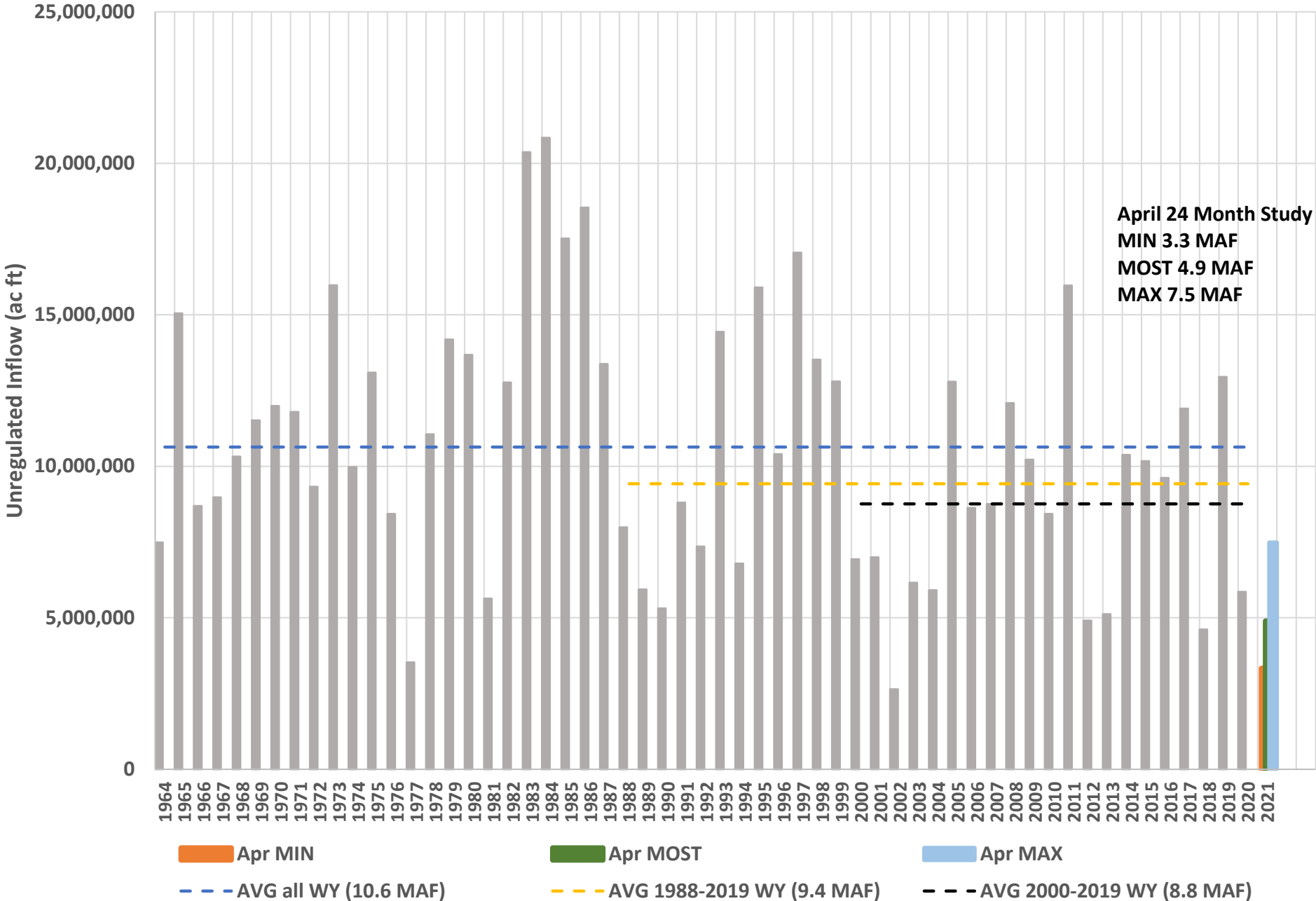
As of 4/25/2021, snow accumulation in the Green River Basin (which contributes ~33% of the flows into Lake Powell) is at 9.4 in. (blue line), which is 70% of the 30-year median for this date of 13.4 in. (purple line) and is approximately 63% of last year's SWE for this date (green line).

Snow accumulation in the Upper Colorado River Basin (contributes ~42%) to date is at 9.3 in., which is 71% of the 30-year median for this date of 13.1 in.

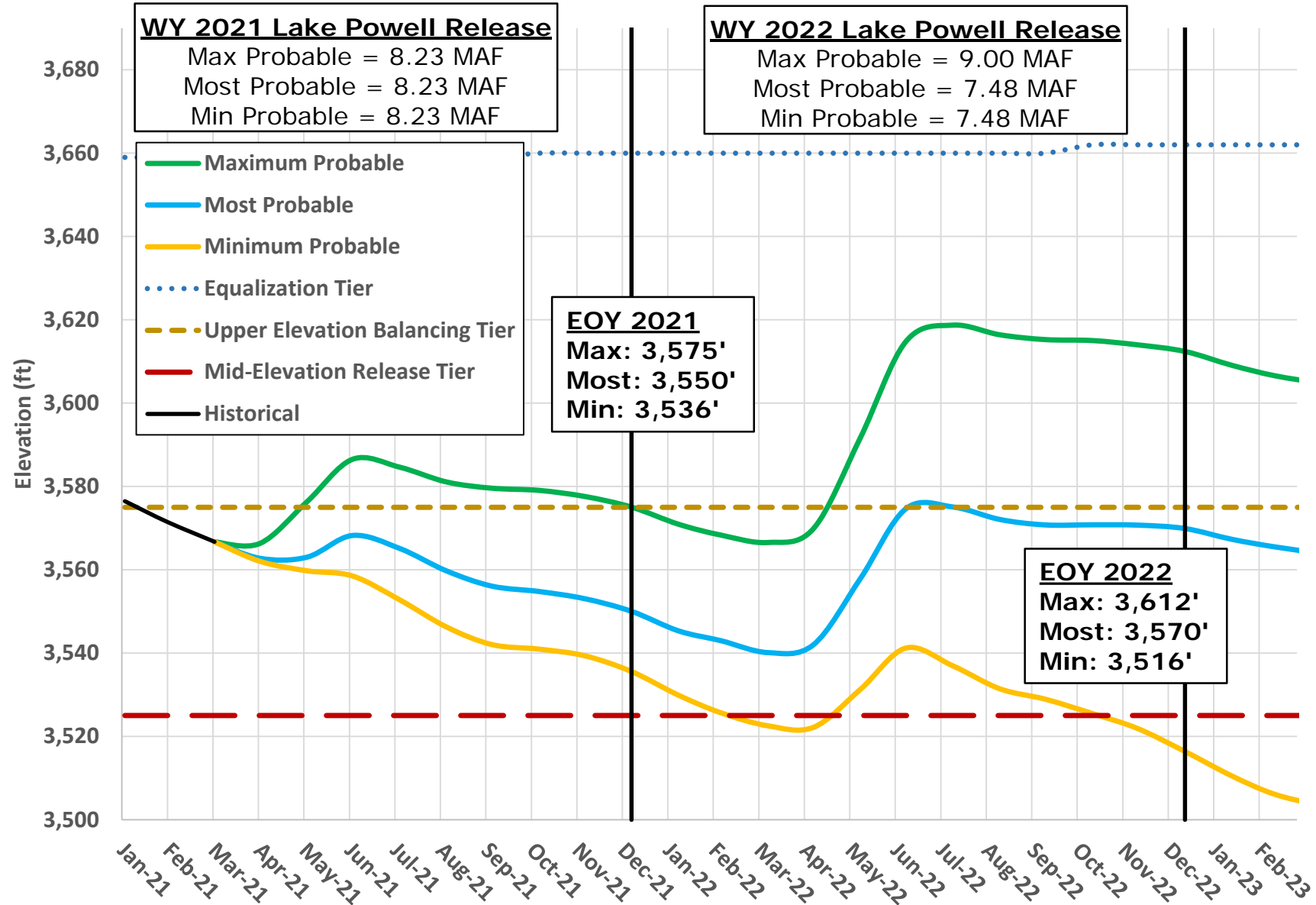
Snow accumulation in the San Juan River Basin (contributes ~13%) to date is at 13.5 in., which is 71% of the 30-year median for this date of 19.1 in.

For the overall Colorado River Basin above Lake Powell, the snow accumulation to date is at 9.4 in., which is 69% of the 30-year median for this date of 13.7 in. The April – July inflow to Lake Powell in 2012 was 2.06 MAF, and in 2018, it was 2.60 MAF. The 2021 April forecast (made on 4/1/2021) was 3.20 MAF.

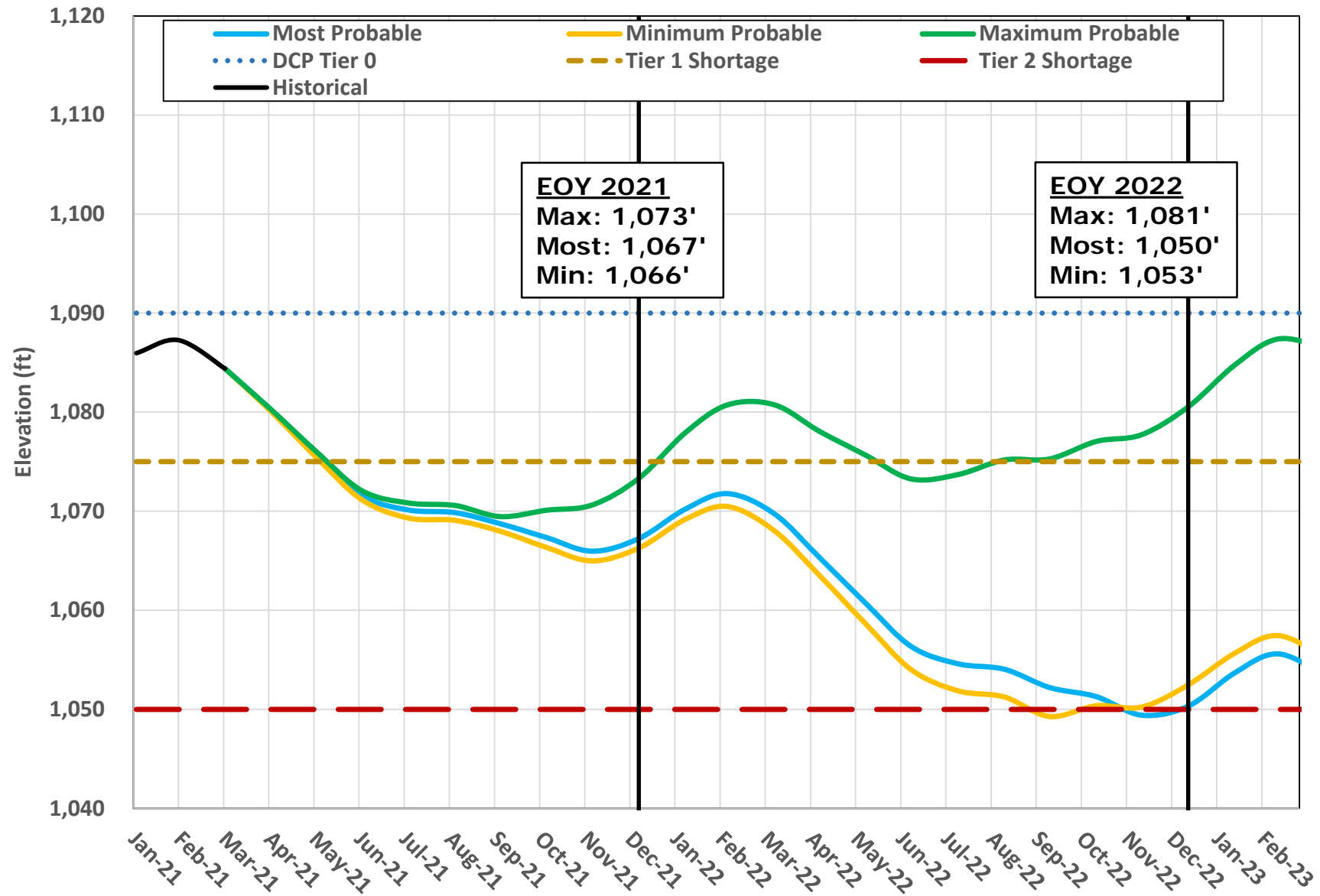
Unregulated Inflow to Lake Powell (1964-2020) - Water Year



Lake Powell End of Month Elevations (April 2021 24-Month Study)



Lake Mead End of Month Elevations (April 2021 24-Month Study)



Probability of System Conditions - May 2021 (Observed, **Stress Test)**

	2021		2022		2023		2024		2025	
Lake Powell Release > 8.23 MAF	0	3	2	2	41	30	57	42	61	43
Equalization > 8.23 MAF	0	0	0	0	6	0	12	3	17	7
Upper Elevation > 8.23 MAF	0	0	2	2	35	30	45	39	44	36
Lake Powell Release = 8.23 MAF	100	100	0	0	1	0	4	2	7	8
Equalization = 8.23 MAF	0	0	0	0	0	0	0	0	0	0
Upper Elevation = 8.23 MAF	100	100	<1	<1	1	<1	4	2	5	3
Mid-Elevation = 8.23 MAF	0	0	0	0	0	0	<1	0	2	5
Lake Powell Release < 8.23 MAF	0	0	91	91	51	65	30	45	21	30
Upper Elevation < 8.23 MAF	0	0	0	0	<1	0	<1	<1	<1	0
Mid-Elevation = 7.48 MAF	0	0	91	91	51	65	30	45	21	30
Lake Mead Elevation Reduction Tiers	100	100	100	100	99	99	93	100	87	97
DCP Tier 0 (1090'-1075')	100	100	3	3	5	7	11	9	10	3
Tier 1 Shortage (1075'-1050')	0	0	97	97	81	71	37	31	34	33
Tier 2 Shortage (1050'-1025')	0	0	0	0	13	21	44	60	32	36
Tier 3 Shortage (< 1025')	0	0	0	0	0	0	1	<1	11	25

Source: U.S. Bureau of Reclamation

Observed Record: 1906-2018

ACTION BRIEF

BOARD OF DIRECTORS



Agenda Number 10

CONTACT: Chuck Cullom Greg Adams
623-869-2665 623-869-2124
ccullom@cap-az.com gadams@cap-az.com

MEETING DATE: Thursday, May 6, 2021

AGENDA ITEM: Discussion and Consideration of Action to Approve Agreement between CAWCD and the Bureau of Reclamation Regarding the 242 Well Field and Pipeline Conservation Project (*Water Supply^*) - Cullom

RECOMMENDATION: Staff recommend the CAWCD Board approve the letter agreement between CAWCD and Reclamation to conserve additional Colorado River due to increased pumping of the Yuma area 242 Well Field in support of Reclamation's commitment to contribute 100,000 acre-feet or more per year of Colorado River water per the Lower Basin Drought Contingency Plan.

FISCAL IMPLICATIONS: No

Impact on Budget:

None

Additional spending authority requested: None

Impact on Reserves:

None

Impact on Rates:

None

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Water Supply: *Providing a reliable CAP water supply for the short- and long-term*

Stewardship and Sustainability: *Serving as proactive leaders in sustainability and responsible, collaborative stewards of CAP's Colorado River supply*

PREVIOUS BOARD ACTION/ACTIVITY:

April 7, 2016	Discussion of Possible Conservation Agreement Between Reclamation and CAWCD Regarding Possible Expansion of 242 Well Field
May 5, 2016	Approval of Conservation Agreement Between Reclamation and CAWCD Regarding Expansion of 242 Well Field
November 5, 2020	Report on Yuma Area Salinity Management and Discussion of 242 Well Field Conservation Project
April 1, 2021	Discussion of Agreement Between CAWCD and Bureau of Reclamation Regarding the 242 Well Field and Pipeline Conservation Project

ISSUE SUMMARY/DESCRIPTION:

Background

The Secretary of the Interior, through the Bureau of Reclamation, committed to contribute 100,000 acre-feet or more per year to the Colorado River system pursuant to the Lower Basin Drought Contingency Plan agreements. Reclamation in 2020 completed additional pumping and delivery in its Protective and Regulatory Pumping Unit (PRPU) in the Yuma area as a means to make additional progress towards increasing its contribution to the Colorado River system.

The new infrastructure, with additional pumping of up to 32,000 acre-feet per year (AFY) from the PRPU, is intended to replace Colorado River water that would otherwise be released from system storage, thereby conserving water in Lake Mead. The infrastructure consists of a new pipeline to convey water northward from the PRPU through the Yuma Mesa Conduit to the Colorado River above the Northerly International Boundary (NIB).

Consistent with Reclamation's applicable water accounting practices, the additional water pumped from the PRPU would generate increased return flows to the Colorado River. Accordingly, Reclamation and CAWCD have worked closely to develop an approach for the operation and accounting of the additional water pumped from the PRPU that will conserve Colorado River water and help to reduce risk to the Colorado River System.

On July 6, 2016, Reclamation and CAWCD entered into Letter Agreement No. 16-XX-30-W0603 (2016 Letter Agreement) to: (1) document our mutual understanding of Reclamation's plans to pump additional water at the PRPU, (2) account for the resulting return flows to the Colorado River, and (3) document CAWCD's agreement that it will not divert (i.e., forbear) the additional water made available to the state of Arizona by Reclamation's actions. The 2016 Letter Agreement was entered into for a five-year term, with automatic renewals for additional five-year periods.

Reclamation and CAWCD desire to revise that agreement in 2021 to outline a process for continued coordination and monitoring of operations related to the PRPU. The revised letter agreement will supersede and replace the 2016 Letter Agreement.

Key Terms for Revised Reclamation/CAWCD Letter Agreement

1. The term of the agreement would be through the Guidelines period, December 31, 2026 (new provision), with commitment to explore opportunities for extension through mutual consent post-2026.
2. Each entity will fund its own participation costs (unchanged from current agreement).
3. Reclamation and CAWCD agree to meet and confer when requested by one of the Parties to discuss any potential changes for the next five-year term (new provision).
4. If requested by one of the Parties during the term of the agreement, Reclamation and CAWCD will meet and confer to determine if the additional pumping of the PRPU adversely impacted return flows credited historically to Arizona (new provision).
 - If an adverse impact is discovered, the Parties will discuss to consider adjustments to the Historical Average Baseline and the Additional Pumping Amount (see definitions below) based on actual operating experience to ensure that the operation of the PRPU does not adversely impact CAWCD (new provision).
 - Unresolved disputes regarding adverse impacts addressed through Title 43, Code of Federal Regulations

Part 417.3 process (new provision).

5. The “Historical Average Baseline” is the average pumping from the Protective and Regulatory Pumping Unit – 242 Well Field (PRPU) during the period from 2010 through 2019.

- Based on the 2010 through 2019 period, the Historical Average Baseline is 31,129 acre-feet per year (AFY) (updated provision).

6. The “Additional Pumping Amount” will be up to 32,000 AFY based on additional pumped water from the PRPU (i.e., volumes pumped above the “Historical Average Baseline”).

- The parties will meet and confer each year regarding Reclamation’s pumping plan for the next operating year.
- Only water that is accounted for as deliveries of Colorado River water to Mexico in accordance with the 1944 Mexican Water Treaty will be considered, subject to verification by Reclamation water accounting (new provision).

7. A modification to the Additional Pumping Amount will be considered by CAWCD and Reclamation if Reclamation constructs and operates additional PRPU wells which provide additional pumping capacity (new provision).

8. Reclamation will apply the Additional Pumping Amount toward the United States’ efforts to conserve or create Colorado River System water consistent with the Lower Basin Contingency Plan Agreement (DCP) and any potential future agreements that may stem from the DCP operating agreements (new provision).

9. The revised letter agreement will supersede and replace the 2016 Letter Agreement (new provision).

The draft letter agreement is attached.

SUGGESTED MOTION:

I move the CAWCD Board authorize the General Manager to execute a letter agreement with the United States Bureau of Reclamation in substantially the same form as the attached agreement, whereby CAWCD forgoes diversion of Colorado River water made available to CAWCD due to additional pumping by Reclamation of the 242 well field pursuant to the Reclamation commitments under the DCP.

ATTACHMENTS:

1. Presentation
2. DRAFT - Well Field Letter Agreement



Report on 242 Well Field & Pipeline Conservation Project

Chuck Cullom
Colorado River Manager

Board Meeting
May 6th, 2021

YOUR WATER. YOUR FUTURE.

Reclamation's DCP Commitment

Lower Basin Drought Contingency Plan Agreement

- Section 3. **Agreements of the Secretary:**

- B. Development of Colorado River System Water:** The Secretary will take affirmative actions to implement Lower Basin programs designed to ***create or conserve 100,000 acre-feet annum or more of Colorado River System water*** to contribute to conservation of water supplies in Lake Mead and other Colorado River reservoirs in the Lower Basin.....

Agreement Regarding Lower Basin Drought Contingency Plan Obligations (Reclamation – CAWCD Agreement)

- II. 3. c:

Secretary agrees to follow and implement those Secretarial provisions of the LBDPCA.....

Project Initiatives (Completed or Nearly Completed)

Project	Project Type	Yearly Water Conserved (Volumes in 1,000 AF)						
		2020	2021	2022	2023	2024	2025	2026
Fort McDowell-Yavapai Nation	System Conservation	10	14	14				
Mohave Valley IDD	System Conservation	6	7	7				
242 Well Field Expansion Project	Infrastructure Improvement	--	Up to 32	Up to 32	Up to 32	Up to 32	Up to 32	Up to 32
Minute 323 System Water Left in Lake Mead	System Conservation → 50,000 AF in total by 2026	--	--	--	--	--	25 Timing approx.	25 Timing approx.
Minute 323 Sanchez Mejorada Canal Project	Infrastructure Improvement	--	--	10	10	10	10	10
CA Wasteway Spillway Gate Improvement	Infrastructure Improvement	12	12	12	12	12	12	12
Total Conservation Volume by Year		Up to 28	Up to 65	Up to 75	Up to 54	Up to 54	Up to 79	Up to 79



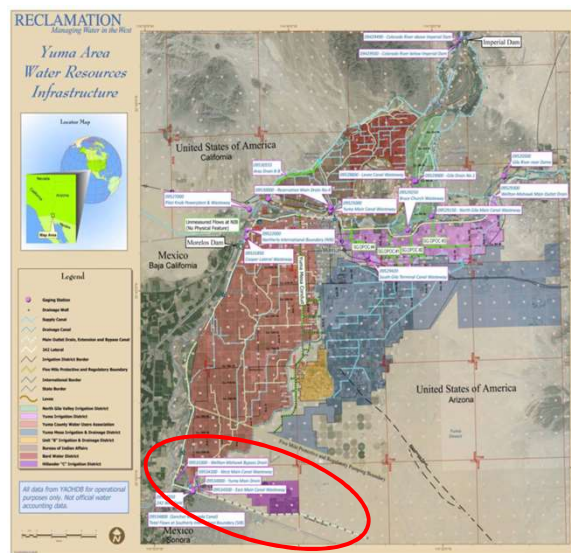
242 Well Field Conservation Project Summary

BOR Conservation Project

- New conservation of up to 32,000 af/yr
- Component of BOR's 100,000 af/yr DCP Commitment

Amended CAWCD-BOR Agreement Summary of Key Terms

- Extend through 2026 with commitment to explore extension post-2026
- Additional pumping by BOR for delivery to Mexico per Treaty
- Up to 32,000 af/yr with CAWCD forgoing return flows to create Lake Mead benefit
- Revise baseline 242 well pumping to reflect current history
- Coordination and consultation to ensure conservation and avoid potential adverse impacts



242 Well Field Background

21 Wells (recent 10 yr average 31,129 af/yr)

Referenced in Minute 242 (up to 160 kaf/yr w/in 5 mile)

Referenced in Salinity Control Act

Protective and Regulatory Pumping Unit (authorized infrastructure)

Pumping counts as return flows to:

YMIDD

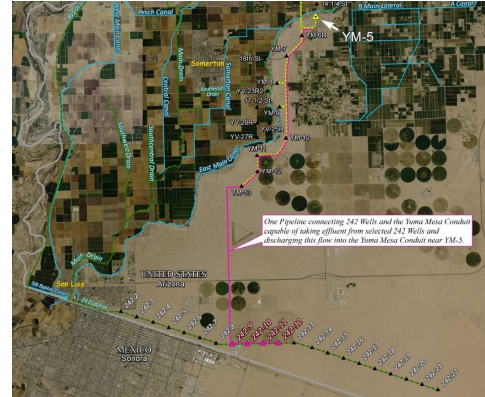
Unit B

Return flows decrease YMIDD and Unit B CU, creating diversion opportunity for CAWCD

Delivered to SIB

New project to increase pumping and deliver to Mexico

Reduces releases from Lake Mead creating conservation



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242 Well Field Conservation Project



242 Well Field Project Current Status

242 Well Field and Pipeline upgrades completed in 2020

Conservation project is operational

Reclamation plans to increase pumping up to 32,000 af/yr above Baseline

Resulting conservation a component of BOR's DCP commitments contribute 100,000 af/yr to Lake Mead

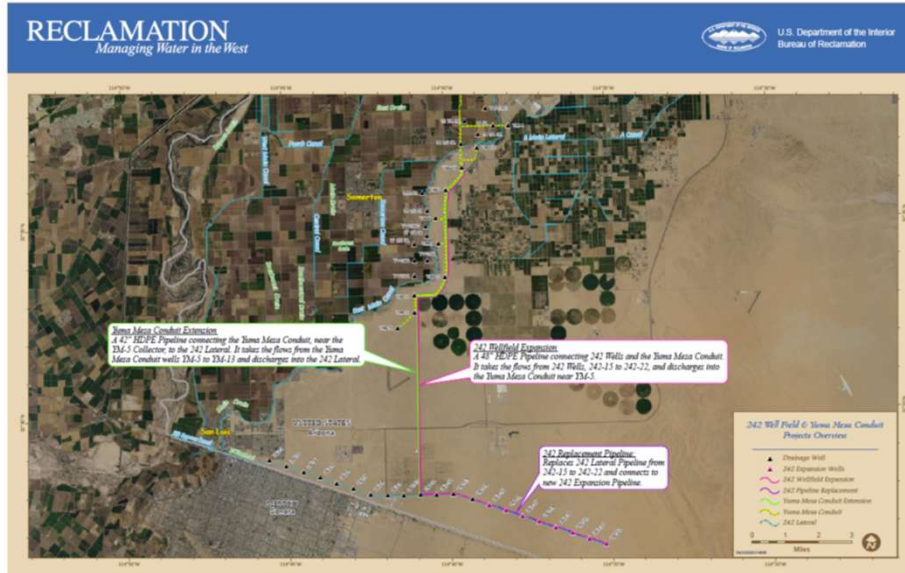
Existing CAWCD-Reclamation Agreement requires updating to reflect current conditions and address potential for unintended impacts

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242 Well Field Conservation Project



242 Well Field and Pipeline Project



CAP
CENTRAL ARIZONA PROJECT
YOUR WATER. YOUR FUTURE.

DRAFT DATED - APRIL 9, 2021

LCB-4405
2.2.4.23

VIA OVERNIGHT MAIL

Letter Agreement No. 16-XX-30-W0603
Revision No. 1

Mr. Theodore C. Cooke
General Manager
Central Arizona Water Conservation District
23636 North 7th Street
Phoenix, AZ 85024

Subject: Colorado River Water Conservation Letter Agreement 16-XX-30-W0603, Revision No. 1
(Revised Letter Agreement) Between the Bureau of Reclamation and the Central Arizona
Water Conservation District (CAWCD) Regarding Additional Pumping From the Protective
and Regulatory Pumping Unit – 242 Well Field (PRPU)

Dear Mr. Cooke:

Due to the ongoing, historic drought in the Colorado River Basin, Reclamation, CAWCD, and other water users and stakeholders have been working together to identify additional strategies to mitigate the drought and help protect critical elevations in Lake Mead. We appreciate your organization's participation in the development and implementation of the 2019 Lower Basin Drought Contingency Plan (DCP) Agreement and the Arizona DCP Implementation Agreement. We recognize your organization's partnerships with Reclamation are an essential element of these efforts as memorialized in the Agreement Regarding Lower Basin Drought Contingency Plan Obligations, dated May 20, 2019, between the United States and CAWCD (U.S.-CAWCD Agreement).

As part of a suite of drought mitigation measures, and in furtherance of Reclamation's implementation of the DCP, Reclamation has constructed new infrastructure, with additional pumping of up to 32,000 acre-feet per year (AFY) from the PRPU, that could replace Colorado River water that would otherwise be released from system storage, thereby conserving water in Lake Mead. The infrastructure consists of a new pipeline to convey water northward from the PRPU through the Yuma Mesa Conduit to the Colorado River above the Northerly International Boundary (NIB). Reclamation also intends to pursue construction of additional PRPU pumping capacity that would provide up to 50,000 AFY in total from the PRPU to the Colorado River.

The PRPU, authorized under the Colorado River Basin Salinity Control Act of 1974, consists of a well field and delivery system located on the Yuma Mesa in the state of Arizona within approximately 5 miles of the Arizona - Mexico border. Historically, the water recovered by the PRPU is collected in a conveyance system (the 242 Lateral) and is delivered to Mexico at the Southerly International Boundary (SIB) in satisfaction of the Treaty between the United States of America and Mexico, Utilization of Waters of the Colorado and Tijuana Rivers and of the Rio Grande, signed February 3, 1944, 59 Stat. 1219 (Mexican Water Treaty).

Consistent with Reclamation's applicable water accounting practices, the additional water pumped from the PRPU would generate increased return flows to the Colorado River. Those return flows would be credited to the Yuma Mesa Irrigation and Drainage District and the Unit B Irrigation and Drainage District thereby decreasing those districts' consumptive use of Colorado River water. Assuming these districts do not increase their historical use of Colorado River water, under prior practices, the additional Colorado River return flows would ordinarily result in additional Colorado River water that could be diverted within Arizona's 2.8 million acre-foot apportionment by CAWCD, pursuant to the Contract Between the United States and the Central Arizona Water Conservation District for Delivery of Water and Repayment of Costs of the Central Arizona Project, Contract No. 14-06-W245, as amended. Accordingly, through the DCP, the U.S.-CAWCD Agreement, and this Revised Letter Agreement, Reclamation and CAWCD have worked closely to develop an approach for the operation and accounting of additional water pumped from the PRPU that will conserve Colorado River water and help to reduce risk to the Colorado River System.

Prior to adoption of the DCP, Reclamation and CAWCD entered into Letter Agreement No. 16-XX-30-W0603, dated July 6, 2016, that became effective on July 11, 2016 (2016 Letter Agreement) to: (1) document our mutual understanding of Reclamation's plans to pump additional water at the PRPU, (2) account for the resulting return flows to the Colorado River, and (3) document CAWCD's agreement that it will not divert (i.e., forbear) the additional water made available to the state of Arizona by Reclamation's actions. The 2016 Letter Agreement was entered into for a five-year term, with automatic renewals for additional five-year periods.

In light of the continued drought, adoption of the DCP and the U.S.-CAWCD Agreement, along with construction and operation of additional infrastructure described above, and additional operational experience gained since the execution of the 2016 Letter Agreement, Reclamation and CAWCD desire to revise the 2016 Letter Agreement in 2021 to outline a process for continued coordination and monitoring of operations and accounting related to the PRPU.

In accordance with the provisions of this Revised Letter Agreement, Reclamation and CAWCD agree to the following:

1. Reclamation:
 - 1.1 Will operate and maintain with Federal funds the works necessary to convey additional water pumped from the PRPU northward to the Colorado River above the NIB.
 - 1.2 Will notify CAWCD in writing when the works constructed under Section 1.1 herein are complete and capable of transporting water from the PRPU to the Colorado River above the NIB.
 - 1.3 Will notify CAWCD prior to the beginning of each year of operation of the estimated amount of water to be pumped from the PRPU for the upcoming year. During the first year of operation, which is anticipated to be calendar year 2021, the estimated amount of water to be pumped from the PRPU will be provided to CAWCD as soon as practicable.
 - 1.4 Will increase, at no cost to CAWCD, the amount of water pumping from the PRPU to levels greater than the historical average baseline for the period 2010 through 2019, which Reclamation's records demonstrate to be 31,129 acre-feet per year. The "Historical Average Baseline" is defined herein as the average pumping from the PRPU

during the period from 2010 through 2019 which is 31,129 acre-feet per year. The Historical Average Baseline may be adjusted pursuant to Section 3.4 herein.

- 1.5 Will deliver the additional water pumped from the PRPU to the Colorado River above NIB via the 242 Well Field Extension Conduit and the Yuma Mesa Conduit or at the SIB through the 242 Lateral.
 - 1.6 Will account for the water pumped from the PRPU in excess of the Historical Average Baseline, up to an additional 32,000 acre-feet per year defined herein as the “Additional Pumping Amount”, as the additional Colorado River water that is conserved under this Revised Letter Agreement. The Additional Pumping Amount may be adjusted pursuant to Section 3.4 herein.
 - 1.7 Will notify, after December 31 of each year of operation, CAWCD of the actual amount of the Additional Pumping Amount for the preceding year.
 - 1.8 Will consider the Additional Pumping Amount to consist only of additional pumped water from the PRPU that is delivered to Mexico in accordance with the Mexican Water Treaty, subject to verification by the Reclamation water accounting process.
 - 1.9 Will report the Additional Pumping Amount in the table titled “Bureau of Reclamation – Water Made Available by Conservation” in the annual *Colorado River Accounting and Water Use Report: Arizona, California, and Nevada*.
 - 1.10 Will meet and confer with CAWCD each year regarding Reclamation’s pumping plan for the next operating year.
 - 1.11 Will account for the Additional Pumping Amount as Colorado River System water. “Colorado River System” shall have the meaning ascribed to such term in the Colorado River Compact signed on November 24, 1922, at Santa Fe, New Mexico, pursuant to an act of Congress approved August 19, 1921 (42 Stat. 171), and approved in Section 13(a) of the Boulder Canyon Project Act of 1928.
 - 1.12 Will assert no ownership of or storage credit for the Additional Pumping Amount.
 - 1.13 Will apply the Additional Pumping Amount toward the United States’ efforts to conserve or create Colorado River System water consistent with the Lower Basin DCP Agreement and any potential future agreements that may stem from the DCP and/or post-2026 operating agreements.
 - 1.14 Will fund all costs of Reclamation’s participation in this Revised Letter Agreement.
2. CAWCD:
- 2.1 Agrees that the Additional Pumping Amount is the additional water covered by the terms of this Revised Letter Agreement.
 - 2.2 Will not divert through the Central Arizona Project the increased Colorado River return flows credited to the state of Arizona from the Additional Pumping Amount and provide such acknowledgement in CAWCD’s annual water orders to Reclamation.

- 2.3 Agrees that Reclamation's ability to pump additional water in any year is not guaranteed, being dependent upon many factors, including but not limited to United States compliance with Minute 242 of the Mexican Water Treaty, operational outages, facility maintenance, and factors beyond Reclamation's control.
 - 2.4 Agrees that in the event CAWCD diverts some or all of the Additional Pumping Amount, as determined by Reclamation, CAWCD will address and repay such amount through the relevant and applicable provisions of the 2007 Interim Guidelines, the DCP, and/or the Inadvertent Overrun and Payback Policy.
 - 2.5 Agrees to fund any costs of its participation in this Revised Letter Agreement.
3. Reclamation and CAWCD agree that:
- 3.1 This Revised Letter Agreement is effective upon date of its signature by CAWCD and will remain in effect through December 31, 2026.
 - 3.2 The Parties will meet and confer beginning in the first quarter of 2025 to discuss and consider approaches and provisions that could be adopted by mutual consent regarding post-2026 operations.
 - 3.3 If requested by one of the Parties during the term of this Revised Letter Agreement, Reclamation and CAWCD will meet and confer to determine if the additional pumping of the PRPU has adversely impacted return flows credited historically to Arizona.
 - 3.4 If an adverse impact to return flows credited historically to Arizona is identified, the Parties will meet and confer to discuss and consider potential adjustments to the Historical Average Baseline, as defined in Section 1.4 herein, and the Additional Pumping Amount, as defined in Section 1.6 herein, based on actual operating experience.
 - 3.5 If either Party believes an adverse impact is identified and the Parties cannot agree on adjustments to the Historical Average Baseline and/or the Additional Pumping Amount contained in this Revised Letter Agreement, either Party may follow the procedures for recommendations and determinations set forth in Title 43, Code of Federal Regulations Part 417.3.
 - 3.6 If, during the term of this Revised Letter Agreement, Reclamation constructs and operates additional PRPU wells which provide additional pumping capacity, Reclamation and CAWCD will meet and confer to appropriately modify the maximum Additional Pumping Amount in light of such infrastructure investment.
 - 3.7 If, during the term of this Revised Letter Agreement, Reclamation's August 24-month study projects Lake Mead to be at or above elevation 1,145 feet mean sea level on January 1 in the subsequent year, Reclamation and CAWCD will confer regarding future operations under this Revised Letter Agreement.
 - 3.8 During the term of this Revised Letter Agreement, Reclamation and CAWCD will confer annually, during the first quarter of the calendar year, with the Arizona Department of Water Resources regarding implementation of this Revised Letter Agreement.

- 3.9 The expenditure or advance of any money or the performance of any obligation of the United States under this Revised Letter Agreement shall be contingent upon the appropriation or allotment of funds. No liability shall accrue to the United States in case funds are not appropriated or allotted.
- 3.10 No member of or Delegate to the Congress, Resident Commissioner, or official of CAWCD shall benefit from this Letter Agreement other than as a water user or landowner in the same manner as other water users or landowners.
- 3.11 Nothing in this Revised Letter Agreement is intended to affect or limit the rights of others who are not a party to this Revised Letter Agreement.
- 3.12 This Revised Letter Agreement supersedes and replaces the 2016 Letter Agreement in its entirety.

If CAWCD agrees to the terms of this Revised Letter Agreement, please sign below as indicated and return an original Revised Letter Agreement to Reclamation. The duplicate original of the Revised Letter Agreement is for CAWCD's files.

We appreciate CAWCD's cooperation in this matter. If you have questions, please contact Mr. Daniel A. Bunk, Chief, Boulder Canyon Operations Office, at (702) 293-8013 or dbunk@usbr.gov.

Sincerely,

Acting Regional Director
Interior Region 8: Lower Colorado Basin
Bureau of Reclamation

In Duplicate

Accepted and agreed to by CAWCD this _____ day of _____, 2021.

By: _____

Its: _____

cc: Mr. Thomas Buschatzke
Director
Arizona Department of Water Resources
1110 W. Washington Street, Suite 310
Phoenix, AZ 85007

INFORMATION BRIEF

BOARD OF DIRECTORS



Agenda Number 11

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MEETING DATE: Thursday, May 6, 2021

AGENDA ITEM: Discussion on Joint Colorado River Augmentation Opportunity with the Arizona Department of Water Resources and the Metropolitan Water District of Southern California Regional Recycled Water Project (*Stewardship and Sustainability*^) - Cullom

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Water Supply: *Providing a reliable CAP water supply for the short- and long-term*

Stewardship and Sustainability: *Serving as proactive leaders in sustainability and responsible, collaborative stewards of CAP's Colorado River supply*

Public Trust, Partnerships and Leadership: *Earning and preserving public trust, building and maintaining partnerships, and providing informed water management leadership*

PREVIOUS BOARD ACTION/ACTIVITY:

None

ISSUE SUMMARY/DESCRIPTION:

Background – Strategic Interests

The Central Arizona Water Conservation District (CAWCD) has long understood the risks and vulnerabilities of its Colorado River supply due to prolonged drought, changing climatic conditions and overallocation in the Colorado River system. In response to these risks, CAWCD has worked collaboratively to explore and develop opportunities to improve the long-term reliability of the CAWCD's Colorado River supply to benefit CAP long-term customers. These efforts fall under the general categories of firming and augmentation.

The CAWCD Board, in its 2022 Strategic Plan, recognized the importance of sustaining the CAP water supply not only in the vision and mission statements, but also 3 key result areas (KRAs). The KRAs related to firming and augmentation are:

- **Water Supply KRA:** Provide a reliable CAP water supply in the short- and long-term
- **Stewardship and Sustainability KRA:** Serving as proactive leaders in sustainability and responsible, collaborative stewards of CAP's Colorado River water supply
- **Public Trust, Partnerships and Leadership KRA:** Earning and preserving public trust, building and maintaining partnerships and providing informed water management leadership.

Background – Risks and Vulnerabilities

CAP's Colorado River water supply is vulnerable to shortage reductions under the 2007 Guidelines and the Drought Contingency Plans (DCP). The risks of shortage reductions are driven largely by hydrology and uses. Based on Reclamation's most recent Colorado River Simulation System (CRSS) modeling, the risk of deeper reductions increases over time. In the short-term, through 2026, the risks appear to be increasing for Tier 3 conditions (Mead<1025'). By the mid-2030s and beyond, the risks of Tier 3 conditions continue to increase. Of note, both the '07 Guidelines and DCP call for additional, unspecified actions, likely in the form of new reductions, to address the risks of Mead <1025'. While it is uncertain how future shortage reductions will be allocated, the risk and vulnerability to CAP's water supply is expected to increase in the future.

CAWCD's Firming and Augmentation Strategy

Given the Board's guidance in earlier Strategic Plans and amplified in its 2022 Strategic Plan, as well as in response to the increasing risks and vulnerabilities, CAP staff embarked on a multi-pronged strategy to develop firming and augmentation opportunities. The strategy is designed to develop opportunities for short-term and long-term investment in projects, programs and policies to improve the sustainability and reliability of CAP supplies. The strategy looks to develop an array of options and strategies, recognizing there is no single project, technology or opportunity to address all risks. The following is a summary of the three phases of firming and augmentation development:

Phase 1 - Exploration and identification of firming and augmentation opportunities through intrastate, interstate and binational partnerships. Phase 1 may include investment in studies, investigations and preliminary permitting and design components.

Phase 2 - The preparation of detailed cost and delivery analyses, comparison among alternatives, and preparation of necessary long-term agreements. Additional investments may be required to refine yield and delivery components.

Phase 3 - The third phase is the execution of necessary agreements, including investment/payments as necessary, including implementation of projects and delivery of firming and augmentation supplies.

The following is a summary of current and recent CAWCD firming and augmentation projects and exploration:

Project Name	Status	CAWCD Partners	Yield and Timing
Pilot Run – YDP	Completed	BOR, MWD, SNWA	3,004 af as System Efficiency ICS completed in 2011
Brock Reservoir	Completed	BOR, MWD, SNWA	100,000 af as System Efficiency ICS + continued conservation of est. 60,000 af/yr completed in 2014
Pilot System Conservation Program	Completed	BOR, EDF, MWD, SNWA, Denver Water	Est. 200,000 af of conservation savings in the Lower Basin and the Upper Basin completed in 2018
Drought Response MOU	Completed	BOR, ADWR, MWD, CRBC, SNWA, CRCN	Est. 1,000,000 af of voluntary contributions to Lake Mead including CAP Excess water and

			CAWCD EC-ICS programs
Binational Conservation and Exchange - Minute 319	Completed	BOR, MWD, SNWA, IID, IBWC/US/Mexico	24,000 af as Binational Intentionally Created Surplus (BICS) completed in 2017
Binational Conservation and Exchange – Minute 323	Phase III	BOR, MWD, SNWA, IID, IBWC/US/Mexico	46,000 af (option to increase yield with additional projects) as BICS to be completed by 2026
Compensated Conservation – Metro Water	Phase III	Metro Water	3,500 af/yr through 2025 as EC-ICS or DCP mitigation, total 21,000 af
N-Drip Pilot Study	Phase I	N-Drip, U of A, CRIT	Initial investigation of irrigation efficiency technology, target up to 50% water savings while maintaining agricultural production, potentially available in mid-2020s
Binational Desalination Opportunities in the Sea of Cortez	Phase I	ADWR, SRP, FMI, SNWA, CRBC, BOR, IBWC/US/Mexico	Up to 200,000 af/yr desalination opportunity, potentially available for international exchange in mid-2030s
MWD Regional Recycled Water Project	Phase I	ADWR, MWD, SNWA	Some portion of total project yield (est. 170 kaf/yr), potentially available for interstate exchange in early-2030s

Currently staff are working to develop three Phase 1 opportunities: N-Drip Pilot Study, Binational Desalination Opportunities in the Sea of Cortez, and MWD’s Regional Recycled Water Project. In addition, staff continue to seek additional opportunities through intrastate, interstate and international partnerships to address near-term and post-2026 conditions. We are working to refine our understanding of technical feasibility, legal and policy challenges and develop partnerships for the current range of Phase 1 options, understanding other alternatives will continue to emerge. While the timing of individual project development may not provide for complete comparisons among alternatives, staff will compare and contrast available opportunities, using the best information available, prior to seeking significant investments.

MWD’s Regional Recycled Water Project (RRWP) Opportunity

The Metropolitan Water District of Southern California (MWD) is exploring an augmentation opportunity by recycling effluent from the Joint Water Pollution Control Plant (JWPCP), currently discharged to the Pacific Ocean. MWD, in cooperation with the Los Angeles County Sanitation District (LACSD), will apply additional advanced water treatment to the effluent stream from the JWPCP. The resulting recycled water supply will be delivered into the MWD system for delivery. MWD estimates approximately 170,000 af/yr of recycled water will be available at full buildout. The recycled water will offset MWD’s imported supplies from the State Water Project and the Colorado River. The replacement of Colorado River water with the RRWP supply creates an opportunity to augment the Colorado River through interstate exchange.

MWD is initiating the first phase of the project through environmental permitting and initial design. MWD

estimates its costs for the permitting and initial design phase is approximately \$25M. The goal is to complete this first phase by 2025. MWD estimates that project will be fully developed in the early 2030s.

In 2020, MWD sought partners for the project. In August 2020, ADWR and CAWCD submitted a joint letter of interest to MWD regarding the potential for an augmentation partnership. In December 2020, the Southern Nevada Water Authority executed an agreement with MWD. The MWD-SNWA agreement includes a commitment for SNWA to invest up to \$6M in the initial development of the RRWP concept. The agreement provides that if either party elects to forgo development of the water supply opportunity, for any reason, MWD will refund SNWA's investment. Through participation in the permitting and initial design, SNWA intends to work cooperatively with MWD to jointly explore an augmentation and exchange agreement termed a "development agreement".

Potential MWD-ADWR-CAWCD Firming and Augmentation Opportunity Summary

CAWCD and ADWR are proposing a similar arrangement to the MWD-SNWA partnership to develop a potential water supply opportunity. The proposal includes a commitment from ADWR and CAWCD to provide up to \$6M to contribute to MWD's cost for environmental permitting services for the RRWP. Under the proposal, CAWCD would contribute up to \$5M while ADWR would provide up to \$1M. By implementing the agreement, MWD-ADWR-CAWCD would work cooperatively to develop appropriate interstate exchange and delivery framework to create the water supply opportunity. Within Arizona, CAWCD and ADWR would implement a contributed funding agreement and work cooperatively with the Arizona Water Banking Authority (AWBA) to benefit CAP long-term customers if the supply is developed.

Staff recognize that the cost framework for RRWP, even at this early stage, is significantly higher than previously completed firming and augmentation opportunities. This is consistent with the general expectation of developing lower cost alternatives prior to the implementation of more expensive options; however, as we approach 2030 and beyond, the pool of lower cost alternatives is likely to dwindle. Therefore, it is consistent with our objective to explore the opportunities that are currently available for development, understanding some of those options will be likely be more expensive alternatives. Additionally, staff recognize that significant details regarding the potential for RRWP interstate exchange and CAP water delivery parameters remain to be developed. CAWCD's goal for participating at this early stage, is to guide the development of key interstate and CAP delivery details to the benefit of CAP long-term customers. The development of interstate exchange and CAP delivery parameters are an important component for a larger array of future firming and augmentation opportunities since those opportunities will likely include similar exchange and delivery elements.

The parties (MWD, ADWR and CAWCD) will have multiple decisions points along the way, whether to proceed with the next phase or not. At each step, additional information about scope, schedule and cost will be available to support decision-making. The costs for ADWR and CAWCD associated with this preliminary phase (up to \$6 million) are refundable if either party chooses not to proceed with a development agreement. Likewise, the parties can choose not to proceed at some future date to acquire, exchange and deliver any supplies that may ultimately be produced by this project. In the meantime, participating in this initial phase will establish and preserve Arizona's opportunity to participate in future phases. As the RRWP program moves forward, CAWCD and ADWR will be able to simultaneously explore and develop other augmentation and firming opportunities, and explore and develop any appropriate policy and statutory changes associated with this project or any other opportunities that may arise.

To summarize, the RRWP represents a unique, low risk opportunity to explore the early phase of a significant augmentation opportunity, as well as frame exchange and delivery parameters necessary for future projects.

The RRWP concept is consistent with three of the Board's 2022 Strategic Plan Key Result Areas: Water Supply, Steward and Sustainability, and Public Trust, Partnership and Leadership. CAWCD is working in partnership with ADWR to explore and refine the opportunity. CAWCD's investment is fully refundable in the event that CAWCD or MWD opt to forgo completion of the water supply or the exchange, for any reason. ADWR is a partner in the concept and indicates that the concept is consistent with the goals set forth by Governor Ducey and the Governor's Water Augmentation, Innovation, and Conservation Council. Staff recognize that significant exchange and delivery details must be developed prior to long-term commitments and additional investments. Staff believe that the RRWP opportunity warrants further exploration due to:

- Very low risk refund framework,
- Potential to develop and deliver a higher priority supply to benefit CAP long-term customers,
- Opportunity to deepen and expand intrastate and interstate partnerships, and
- Working cooperatively, MWD, SNWA, ADWR and CAWCD can frame the initial approaches and policies for future exchange and delivery options.

Draft Key Terms

To implement the MWD-ADWR-CAWCD augmentation opportunity, three agreements are necessary. The key terms for the agreements are outlined below.

The draft key terms for the *MWD-ADWR-CAWCD Agreement to Contribute Funds to Environmental Planning Phase Services Related to the Regional Recycled Water Project* include:

- Contribution from ADWR and CAWCD up to \$6M for MWD expenditures related to environmental planning phase services for permitting and preliminary design of the RRWP
- Expenditures are fully refundable in the event that MWD or the Arizona parties elect to forgo execution of a Development Agreement (the agreement providing for development and exchange of water)
- MWD will provide invoices for environmental planning phase services for the RRWP quarterly with ADWR-CAWCD paying approximately 24% of the costs, up to \$6M
- CAWCD will pay the invoices
- Appropriate review and discussion provisions regarding the invoice submittals
- ADWR-CAWCD participate in the development of the project, exchange and delivery discussions

The draft key terms for the *ADWR-CAWCD Contributed Funds Agreement* include:

- CAWCD will contribute up to \$5M to pay the invoices per the MWD-ADWR-CAWCD Agreement
- ADWR will contribute up to \$1M to pay invoices per the MWD-ADWR-CAWCD Agreement
- CAWCD will invoice ADWR for its share of the MWD invoices until ADWR funds are expended
- If ADWR or CAWCD elect to forgo participation in the MWD Development Agreement, the funds contributed per the MWD-ADWR-CAWCD will be refunded from MWD and distributed consistent with ADWR and CAWCD contributions

The draft key terms for the *ADWR-AWBA-CAWCD Cooperation Agreement* include:

- CAWCD-ADWR-AWBA will work cooperatively to explore and develop as appropriate an exchange and delivery framework to benefit Arizona and CAP long-term contractors consistent with existing authorities and policy

- The exploration is not a commitment by any party for executing a Development Agreement with MWD

CAWCD intends to utilize 4-cent property tax funds to pay for environmental planning services fees related to the RRWP since the current goal is to provide the future water supply for CAP M&I firming through the AWBA, consistent with existing authorities and policies.

Next Steps

Staff intend to provide final key terms or draft agreements for consideration at the June Board Meeting. MWD may consider the draft agreement in June. The AWBA intends to consider the ADWR-AWBA-CAWCD agreement at their next meeting. Finally, staff will provide updates on the development of the RRWP as well as other emerging firming and augmentation opportunities as they emerge. Once sufficient details are prepared, staff will provide a detailed description of costs, exchange and delivery details, project timing and comparison among alternatives prior to consideration of executing a development agreement with MWD for the RRWP. The timing for a decision regarding moving forward with a long-term commitments through the execution of a development agreement is likely toward the end of the Guidelines period.

ATTACHMENTS:

1. Presentation



Report on the Metropolitan Water District of Southern California (MWD) Regional Recycled Water Project (RRWP) Firming and Augmentation Opportunity

Chuck Cullom

Colorado River Programs Manager

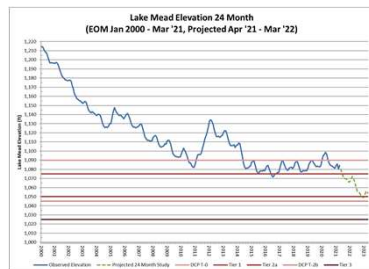
CAWCD Board Meeting

May 6, 2021

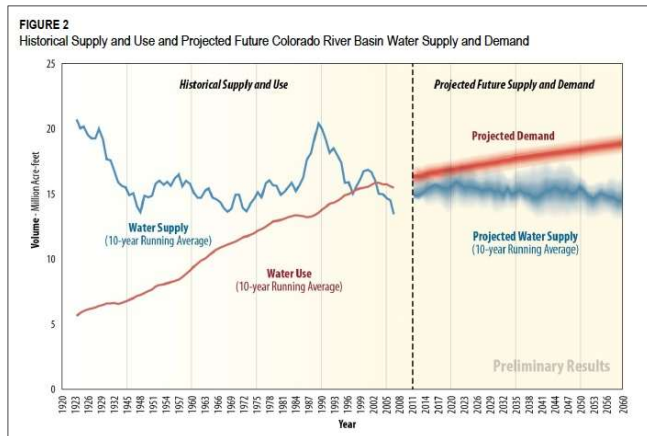
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Near-term and Long-term Risks and Vulnerabilities in the Colorado River System:

- **Colorado River Water Supply Imbalance:**
 - Risks to the CAP water supply in the short and long-term
- **Supply/Demand Imbalance:**
 - Structural Deficit



2 | MWD RRWP Augmentation and Firming Opportunity



CAWCD Board 2022 Strategic Plan: Key Result Areas - Firming & Augmentation

- **Water Supply:**
 - Provide a reliable CAP water supply in the short and long-term
- **Stewardship and Sustainability:**
 - Serving as proactive leaders in sustainability and responsible, collaborative stewards of CAP's Colorado River water supply
- **Public Trust, Partnerships and Leadership:**
 - Earning and preserving public trust, building and maintaining partnerships and providing informed water management leadership

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MWD RRWP Augmentation and Firming Opportunity



CAWCD Firming & Augmentation Strategy

Goal: Improve reliability of CAWCD's Colorado River supply to directly benefit CAP long-term customers

- **Phase 1:**
 - Exploration and identification of firming and augmentation opportunities through partnerships. May include investment to define the opportunity.
- **Phase 2:**
 - Preparation of detailed cost and delivery analyses, comparison among alternatives, and preparation of necessary long-term agreements.
- **Phase 3:**
 - Execution of necessary agreements, including investment/payments as necessary, including implementation of projects and delivery of firming and augmentation supplies

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MWD RRWP Augmentation and Firming Opportunity



MWD Regional Recycled Water Project Firming & Augmentation Opportunity Summary

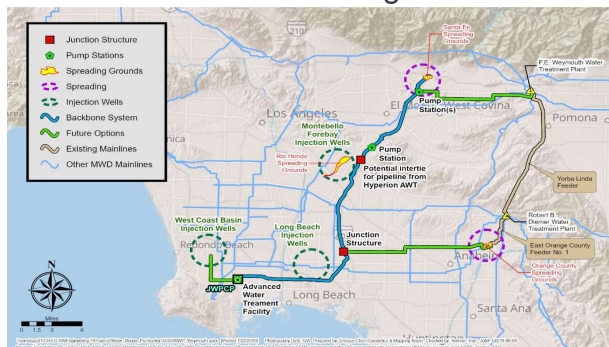
- **Concept:**
 - Recycle water currently discharged to the Pacific Ocean for delivery in the MWD system to replace imported supplies
 - Opportunity to augment Colorado River supplies through interstate exchange
- **Yield:**
 - Approximately 170,000 af/yr
- **Timeline:**
 - Full buildout – mid 2030's
- **Initial Cost for Environmental Permitting**
 - MWD's costs ~ \$25M

5 | MWD RRWP Augmentation and Firming Opportunity



MWD Regional Recycled Water Project Firming & Augmentation Opportunity Summary

- Advanced treatment of effluent from Joint Water Pollution Control Plant
- Delivered in MWD System
- Colorado River Exchange



Potential for ADWR-CAWCD Firming & Augmentation Participation

- **ADWR – CAWCD Letter of Interest (Aug 2020) Yield:**
 - Approximately 170,000 af/yr
- **MWD – SNWA Environmental Planning Funding Agreement:**
 - SNWA commits to contribute up to \$6M
 - Fully refundable if either party elects to forgo development of the water resource and exchange

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MWD RRWP Augmentation and Firming Opportunity



3 Agreements for Potential for ADWR-CAWCD Firming & Augmentation Participation

- **MWD – ADWR – CAWCD Environmental Planning Funding Agreement:**
 - CAWCD & ADWR commits to contribute up to \$6M
 - Fully refundable if either party elects to forgo development of the water resource and exchange
- **ADWR – CAWCD Contributed Funding Agreement:**
 - CAWCD & ADWR commit to contribute up to \$6M, with up to \$5M from CAWCD and up to \$1M from ADWR
 - Fully refundable consistent with the MWD-ADWR-CAWCD Agreement
- **ADWR-AWBA-CAWCD Cooperation Agreement:**
 - Agreement to work cooperatively to develop exchange and delivery to provide direct benefits CAP long-term contractors
- **Use of CAWCD 4 cent funds for initial investments**

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MWD RRWP Augmentation and Firming Opportunity



Summary

- MWD RRWP is an opportunity to participate in a Colorado River firming and augmentation project
- Initial funding commitment ~\$5M fully refundable
- Partnerships with MWD, ADWR and AWBA to potentially provide direct benefits to CAP long-term customers
- Cooperatively define mechanism to guide development of interstate exchange and delivery components for future augmentation and firming projects
- Long-term commitment to be evaluated once cost, delivery and exchange details are developed, likely toward the end of the Guidelines period



9 | Preparedness for Interruption of Electrical Supply

MWD RRWP Phase 1 Next Steps Summary

- June CAWCD Board Meeting - Consider 3 Agreements to participate in the MWD RRWP opportunity
 - MWD-ADWR-CAWCD Agreement
 - ADWR-CAWCD Contributing Funding Agreement
 - ADWR-AWBA-CAWCD Cooperating Agreement
- MWD may consider MWD-ADWR-CAWCD funding agreement in June
- AWBA to consider ADWR-AWBA-CAWCD Cooperating Agreement at their next meeting

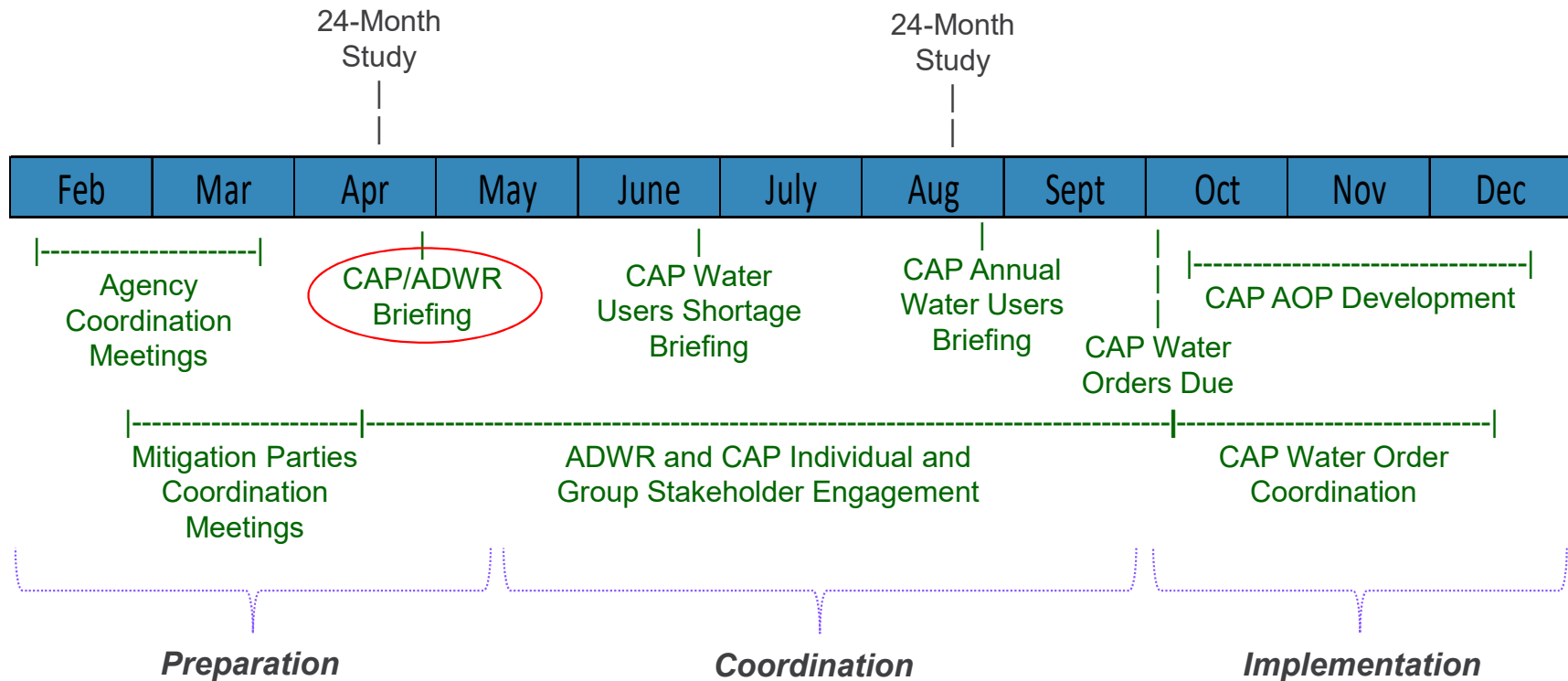
10 | Preparedness for Interruption of Electrical Supply



**Thank You
Any Questions**

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Preparation for Potential 2022 Shortage: Arizona's 2021 Activities



The items scheduled to be on the consent agenda at the June 10, 2021 meeting are:

NEW ITEMS:

Construction Contract for West Plants Exciter Replacement at Hassayampa Pumping Plant – Francom

There are a total of 40 pump units at Bouse Hills, Little Harquahala, Hassayampa, and Salt Gila Pumping Plants (West Plants) and each unit is operated and protected with a static (brush-type) excitation system. The existing motor exciter control systems at the West Plants are obsolete and are prone to failure, and frequently cause pump unit trips. Excitation is the process of using an electric current to create the magnetic fields that a synchronous pump motor needs to spin. This project will provide a system that controls the excitation process, protects from over voltage, and allows Staff to diagnose issues. This contract will be for construction of Hassayampa Pumping Plant – the 3rd plant out of 4 plants within this project. Negotiations are currently underway and are anticipated for board approval within the next 1-3 months.

Construction Contract of Installation of Bus Equipment at Waddell Pumping Plant - Francom

CAWCD is soliciting proposals for the installation of Medium Voltage Non-Segregated Bus Equipment, for the switch yard at Waddell Pumping Plant. The Board previously approved the purchase of the bus equipment at the March 2021 board meeting.

The Waddell High Voltage Non Segregated Phase Bus is in a deteriorating state and creates risk to the continued reliable operation of the plant. It is important to provide a solution by replacing the existing unsealed Non Segregated Bus system with a new weather-sealed system.

Contract for Janitorial Services - Hall

This contract is for janitorial services at Headquarters, Waddell Pumping Plant, Salt Gila Pumping Plant and the Pinal Field Office. Janitorial services for the Tucson Field Office and Mark Wilmer Pumping Plant are performed under separate contracts due to their locations.

Janitorial services include all the labor, equipment and supplies necessary to provide a clean, healthy and safe working environment for CAP employees and visitors. Services at Headquarters includes cleaning of all general office space, corridors, break areas and restrooms in Building 1, Building 2, Helicopter Hangar, and Waste Accumulation Area. The services at the Pumping Plants and Field Office includes cleaning of all general office space, visitor areas, break areas, and restrooms.

The current janitorial services contract began on July 1, 2018. The contract contains a provision for up to four one-year extensions and this is the third extension.

REMINDERS FROM PREVIOUS REPORTS:

None