

CAP
CENTRAL ARIZONA PROJECT

13. Report on CAP System Use Agreement Activities

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CAWCD Board Meeting, August 3, 2023

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Transporting Non-Project Water

The CAP System Use Agreement identifies three ways that non-Project Water can be transported through the CAP System

- Reclamation Wheeling: based on existing capacity, on year-to-year, as-available basis
- CAWCD Wheeling: based on increased operational capability, developed over time
- Firming: non-Project water delivered to a CAP Long-Term Contractor to supplement shortage-reduced supply

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Queen Creek Wheeling

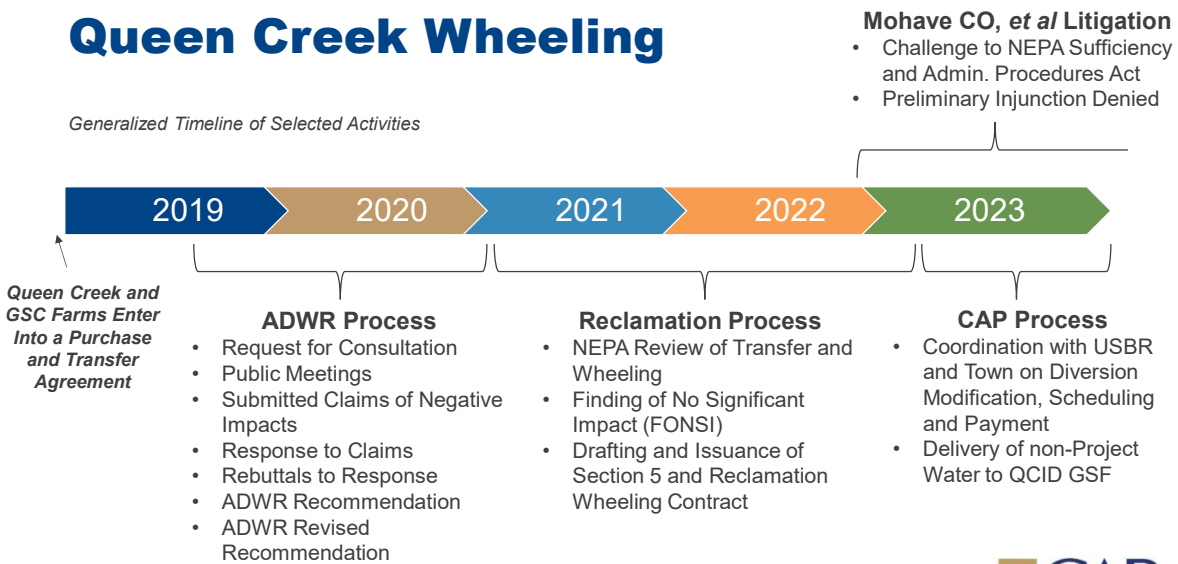
- In June, CAP began deliveries of the Town of Queen Creek’s 2,033 AF 4th Priority Colorado River supply, formerly held by GSC Farms
- This is the first ever non-Project water delivered in the CAP system, and is being transported pursuant to a Reclamation Wheeling Contract (8.17)
 - The Town’s contract explicitly contemplates transitioning to a CAWCD Wheeling Contract (8.18) once the remaining elements of our program are in place
 - CAWCD Wheeling Contracts require Board Approval



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Queen Creek Wheeling

Generalized Timeline of Selected Activities



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Queen Creek Wheeling

- Since the source is Colorado River water, the water quality standards for the introduction into the CAP System do not apply
- The Town pays CAP Fixed OM&R and Energy rates, and a Capital Equivalency Charge (\$53/AF in 2023)
- The Town must also make a 5% wet-water contribution to system losses
- Pursuant to the SUA, a portion of the Town's wheeled water is eligible to be characterized as Firming Water
 - 25% of the Town's 4,162 AF NIA entitlement is shorted in 2023
 - Losses and the Capital Equivalency Charge waived on 1,040 AF

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System Improvement Project

- Before CAWCD Wheeling Contracts can be issued, Reclamation must approve and quantify the “Projected Additional Operational Capability” of a “System Improvement Project (SIP)”
 - The concept was designed to resolve a decades-long impasse regarding the interpretation of Article 8.17 in the 1988 Master Repayment Contract
- A SIP must be a “material modification to the Transferred Works” that increases the “..ability of the CAP System to deliver water given the system’s physical and operational characteristics.”

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System Improvement Project

- CAP Staff have developed a SIP proposal based on upgrading the pump impellers at the Little Harquahala and Hassayampa pumping plants
 - The upgrades will allow greater flow during western maintenance outage three-month half-plant operations
 - Staff have updated and expanded previous analyses, including half-plant field tests
 - The proposal is being actively discussed with Reclamation
- CAP anticipates assessing a System Improvement Fee on CAWCD Wheeling Contracts, based on the cost and Operational Capability of this project

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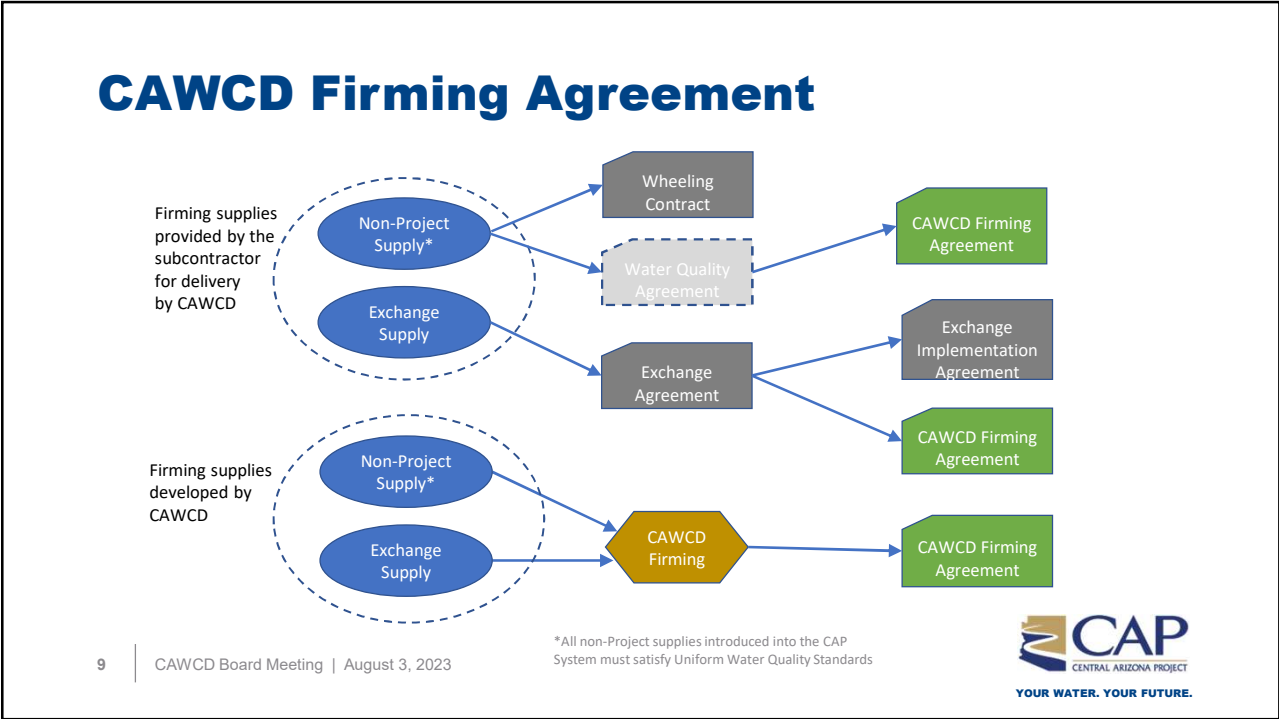
CAWCD Firming Agreement

- In some instances, Firming Water (non-Project or Exchange Water) may move through the CAP system without a wheeling contract
- Since all water deliveries require a contract, the SUA contemplates a Firming Agreement to specify the terms and conditions for a party to receive Firming Water
- An initial draft was shared with stakeholders and discussed at the May 18th CAGR & Underground Storage Committee
 - The initial draft has been revised for additional clarity and will be considered at the August Committee meeting
- For Firming Water developed and delivered by CAP (e.g., from the direct recovery of AWBA credits), a separate Firming Rate will need to be established by the Board

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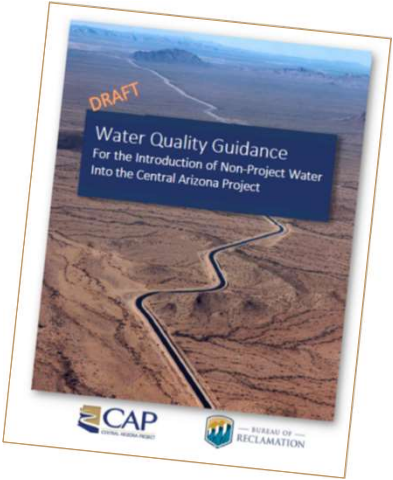
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Water Quality Standards

- Reclamation’s NEPA review for three importation projects in the Harquahala INA (Scottsdale, HVWP and Vidler) remains on hold
- Further extended delay of the standards could affect the regulatory review of other projects, including direct recovery at TDRP and the SRP-CAP Interconnection Facility (SCIF)




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