

ACTION BRIEF

BOARD OF DIRECTORS



Agenda Number 9

CONTACT: Landon Loveland
623-869-2885
lloveland@cap-az.com

MEETING DATE: Thursday, October 5, 2023

AGENDA ITEM: Discussion and Consideration of Action to Approve an Agreement for Compensated Conservation Between CAWCD, the United States and Spanish Trail Water Company (*Water Supply*[^]) - Loveland

RECOMMENDATION: Staff recommends that the Board approve the Compensated Conservation Agreement Between CAWCD, the United States and Spanish Trail Water Company.

FISCAL IMPLICATIONS: No

Impact on Budget:

None.

Additional spending authority requested: None.

Impact on Reserves:

None.

Impact on Rates:

2024 rates were developed using estimated reduced delivery supplies similar to Tier 3 conditions. The actual amounts of reduced deliveries will not be known until after 2024 water deliveries are submitted and finalized. In general, 2,400 AF of conservation would have approximately a \$0.40/af impact on the rate.

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:

May 4, 2023 Discussion and Consideration of Action to Approve United States System Conservation Agreements between the United States, CAWCD and each of the following entities: City of Glendale, City of Peoria, City of Phoenix, City of Scottsdale, Town of Gilbert, Metropolitan Domestic Water Improvement District, ASARCO LLC, and City of Tucson

September 7, 2023 Discussion on Agreement for Compensated Conservation Between CAWCD, the United States and Spanish Trail Water Company.

ISSUE SUMMARY/DESCRIPTION:

On September 22, 2022, the Department of the Interior announced that it was taking steps to address drought in the Colorado River Basin and developed the Lower Colorado Basin System Conservation and Efficiency Program (LC Conservation Program) in increase system conservation and efficiency opportunities in the Lower Basin. On October 12, 2022, the United States solicited proposals for system conservation and efficiency projects for a set fixed price. Pricing for one-year system conservation projects were set at \$330 per acre-foot, two-year agreements at \$365 per acre-foot, and three-year agreements were set at \$400 per acre-foot. The LC Conservation Program is funded in part by the Inflation Reduction Act of 2022 and the Bipartisan Infrastructure Law.

Earlier this year, this Board approved system conservation agreements with eight CAP Subcontractors totaling approximately 140,000 acre-feet per year for 2023-2025. Spanish Trail Water Company submitted to Reclamation a LC Conservation Program proposal on June 2, 2023, for a three-year term system conservation agreement. With the exception of the term, which, for this agreement begins in 2024 and continues through 2026, this agreement is substantially the same as the system conservation agreements approved by this Board in May with other CAP Subcontractors.

CAWCD, as a party to the individual Subcontract, is a party to system conservation agreements involving CAP water.

The key terms of the agreement are as follows:

1. Three-year term, for system conservation water in 2024, 2025 and 2026.
2. Spanish Trail Water Company is required to submit water orders by October 1 of each year prior to the year of conservation, ordering the full amount of its entitlement along with a reduction reflecting the planned conservation volumes.
3. Water conserved accrues to the benefit of the Colorado River System and does not accrue to the benefit of the Subcontractor or any other entity.
4. Conservation volumes depend upon water available to Subcontractor, and Subcontractor has the right to reduce the amount of intended conservation (prior to the submission of its water order) without reduction in the per-acre-foot payment. Payments are made only for water conserved.
5. If Reclamation imposes mid-year reductions in the amount of water available to the Subcontractor in 2024, 2025 or 2026, pursuant to the pending Supplemental Environmental Impact Statement to the 2007 Guidelines, the system water conserved under the agreement will count toward any additional mid-year reductions required for Arizona.

The System Conservation volumes proposed under the agreement for Spanish Trail Water Company are as follows:

2024 – 2,400 AF
2025 – 2,400 AF
2026 – 2,400 AF

SUGGESTED MOTION:

I move that the Board approve the Compensated Conservation Agreement Between CAWCD, the United States and Spanish Trail Water Company in substantially the same form as that attached to this Brief.

ATTACHMENTS:

1. SCIA - 2023 - SPANISH TRAIL - Execution Copy