1. Pledge of Allegiance, Moment of Silence and Safety Minute - Atkins (10:00)

2. Consideration of Action to Approve Items on the Consent Agenda** (10:05)
   a. Minutes of the November 4, 2021 Regular Meeting - Arboleda
   b. Contract for Design and Pre-Construction Services for the Electromechanical Relay Replacement Project Phase 2 at Mark Wilmer Pumping Plant (Project Reliability) - Francom
   c. Enterprise Storage System Replacement (Project Reliability) - Hall
   d. Water Storage Agreements for the Town of Cave Creek at Tonopah Desert Recharge Project, Hieroglyphic Mountains Recharge Project, Agua Fria Recharge Project, Managed and Agua Fria Recharge Project, Constructed (Water Supply) - Adams
   e. Cost Share Agreement for the Feasibility Study of Bartlett Dam Modification Alternatives (Groundwater Replenishment) - Brooks

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. Discussion and Consideration of Action to Approve the Proposed 2022 State Legislative Agenda (Public Trust, Partnerships and Leadership) - Gray
      ii. Discussion and Consideration of Action to Approve the Proposed 2022 Federal Legislative Agenda (Public Trust, Partnerships and Leadership) - Gray
      iii. Possible Consideration of Action on Policy Issues that Could Impact CAP
   b. Finance, Audit and Power Committee - Taylor (10:25)
   c. CAGRD and Underground Storage Committee - Arboleda (10:50)
      i. Discussion and Consideration of Action to Approve Revised CAGRD Water Supply Program Principles (Groundwater Replenishment) - Arboleda
      ii. Discussion and Consideration of Action to Approve Guiding Principles Regarding the Post-2025 AMA Committee Issues Related to CAGRD and Underground Storage (Groundwater Replenishment) - Arboleda


6. Report on December 1, 2021 Arizona Water Banking Authority Meeting - Arboleda (11:15)

7. Report on Activities Related to 1030 Consultation and 500+ Plan Components (Water Supply) - Dent/Buchanan Davis, Governor’s Office (11:20)
a. Discussion and Consideration of Action to Approve Interstate Memorandum of Understanding Regarding 500+ Plan and Authorize $5 Million in Additional Spending Authority in each 2022 and 2023 to be Funded from the Extraordinary Cost Reserve - Johnson/Adams

b. Discussion and Consideration of Action to Approve Letters of Intent to Enter into Compensated Conservation Agreements - Cullom/Adams

c. Discussion and Consideration of Action to Authorize the Use of Reserves to Offset the Impacts of CAP Compensated Conservation - Dunlap

8. Recess (12:20)

9. Report on Recovery Planning and Implementation (Water Supply) - Seasholes/Lohse (12:50)
   
   a. Discussion of Amended Recovery Capacity Agreements with the New Magma Irrigation and Drainage District and the Queen Creek Irrigation District


11. Report on Colorado River Conditions (Water Supply) - Cullom (1:40)

12. Report on Legal Matters (Public Trust, Partnerships and Leadership) - Johnson (1:55)

13. Board Members' Report on Current Events (2:05)

14. Future Agenda Items (2:20)


17. Public Comment (2:45)

18. 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 to obtain legal advice from the District's attorneys on any matter listed on the agenda

19. Reconvene in Open Session

20. Consideration of Action Regarding Items Discussed in Executive Session

21. 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
November 4, 2021

The regular meeting of the Central Arizona Project ("CAWCD" or "CAP") Board of Directors was called to order by President Terry Goddard on November 4, 2021, at 10:17 a.m. The meeting was held at Central Arizona Project Headquarters, located at 23636 North Seventh Street, Phoenix, Arizona, in the Board Room.

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 Peartree, Pima County; and April Pinger-Tornquist, Maricopa County.

Staff members present were Ted Cooke, General Manager; Patrick Dent, Assistant General Manager of Water Policy; Christopher Hall, Assistant General Manager of Finance & Administration; Darrin Francom, Assistant General Manager of Operations, Maintenance and Engineering; Jay Johnson, General Counsel; Bridget Schwartz-Manock, Director of Public Affairs; Brian Buzard, Director of Operations, Power and Engineering; Brenda Burman, Executive Strategy Advisor; Rich Weissinger, Director of Field Maintenance; Laura Grignano, Manager, CAGRD; Doug Dunlap, Manager, Finance and Accounting; Chuck Cullom, Manager, Colorado River Programs; Jeff Gray, Manager, Legislative Affairs; Greg Adams, Senior Attorney; Megan Casey, Senior Board Relations Management Analyst; Chris Brooks, Senior Policy Analyst; and Austin Carey, Planning Analyst.

1. PLEDGE OF ALLEGIANCE, MOMENT OF SILENCE AND SAFETY MINUTE - MARTIN
   Board Member Martin gave a safety minute on blood donation.

2. RECOGNITION OF EMPLOYEES CELEBRATING SERVICE ANNIVERSARIES: 20 YEARS - ELVONNA BRINKER AND MARYANN MORAGA; 25 YEARS - CRYSTAL THOMPSON
   General Manager Cooke shared details about each employee.

3. CONSIDERATION OF ACTION TO APPROVE ITEMS ON THE CONSENT AGENDA**
   On a motion (Secretary Arboleda) and a second (Board Member Macre), approved the items on the consent agenda:
   3a. approved the minutes of the October 7 meeting;
   3b. approved the use of additional contract authority on the purchasing contract to ABB Inc. for refurbishment of 14 Mark Wilmer Motor Rotor Poles and authorized the General Manager, or his designee, to modify the existing contract up $1,074,800;
   3c. authorized the President to execute the following modified subcontracts in substantially similar form; (1) 'Agreement Among the United States, the Central Arizona Water Conservation District, and City of Peoria - Amendment No. 1 to Subcontract No. 07-XX-30-W0480' and (2) 'Exhibit A - Amendment No. 3' to CAWCD Subcontract No. 14-06-W-245;' and
   3d. approved the Agreement for Water Storage at the Lower Santa Cruz Recharge Project between CAWCD and Rosemont Copper Company.

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

Recused: Karen Cesare (item 3d only)

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 November 4 Public Policy meeting, reporting on state and federal issues.

5.a.i. DISCUSSION AND CONSIDERATION OF ACTION TO AUTHORIZE STAFF TO SEEK LEGISLATION TO MAINTAIN THE AUTHORITY TO LEVY THE FOUR-CENT TAX AT THE CURRENT RATE THROUGH JANUARY 2045
Board Member Brown gave an overview and shared the Committee's recommendation. Board Member Graff asked for information on stakeholder outreach. Board Member Lewis expressed concern with timing and audits of funds. Board Member Jacobs expressed support.

One individual submitted public testimony:
Warren Tenney, Arizona Municipal Water Users Association, discussed the areas that AMWUA hopes to engage with the Board on.

Board Member Taylor commented on the extraordinary cost reserve. Board Members Miller and Pinger-Tornquist commented on cost to taxpayers. Board Member Brown expressed appreciation to Mr. Tenney for collaboration. Board Member Holway expressed concern with tax expenditures.

On a motion (Board Member Brown) and a second (Board Member Graff), authorized staff to seek legislation to maintain the authority to levy the four-cent tax at the current rate of four-cents through January 2045. Motion passed.

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

Voting no: Jim Holway, Mark Lewis, April Pinger-Tornquist

5.a.ii. 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 October 21 FAP Committee meeting, reporting on the topics discussed. He also shared the topics planned for the next meeting.

5.b.i. DISCUSSION AND CONSIDERATION OF ACTION TO APPROVE THE INSURANCE PROGRAM AND CAPTIVE FUNDING FOR CALENDAR YEAR 2022 - DUNLAP
Vice President Taylor gave an overview and shared the Committee's recommendation.
On a motion (Vice President Taylor) and a second (Board Member Cesare), approved funding for the 2022 calendar year insurance program of $13,171,301, including $11,692,730 in funding for the Captive. 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 Peartthree, April Pinger-Tornquist

5.c. CAGRD AND UNDERGROUND STORAGE COMMITTEE - ARBOLEDA
Secretary Arboleda shared the items planned for the next Committee meeting.

6. DISCUSSION AND CONSIDERATION OF ACTION TO APPROVE THE PROPOSED CAP BIENNIAL BUDGET FOR CALENDAR YEARS 2022 AND 2023 – HALL/FRANCOM
Chris Hall, Assistant General Manager for Finance and Administration, presented an overview of the budget, challenges facing CAP, key assumptions and key budget messages. Mr. Hall answered a question from Board Member Peartthree on the Supplemental Water Account.

Darrin Francom, Assistant General Manager for Operations, Engineering and Maintenance, presented an overview of the Project Steering Committee and the capital projects included in the budget. Board Member Brown complimented the work done on budget book document.

On a motion (Vice President Taylor) and a second (Board Member Cesare):
   a. Approved the recommended 2022 / 2023 Biennial Budget.
   b. Delegated to the General Manager the authority to execute the approved operating budget and to approve expense variances per budgetary controls as set forth in the budget.
   c. Delegated to the General Manager the authority to execute the approved capital budget and to approve variances per budgetary controls as set forth in the budget.

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 Peartthree, April Pinger-Tornquist

8. DISCUSSION ON COST SHARE AGREEMENT FOR THE FEASIBILITY STUDY OF BARTLETT DAM MODIFICATION ALTERNATIVES - BROOKS
Chris Brooks, Senior Policy Analyst, reviewed the study area, project history and next steps. He also reviewed the key terms of the cost share agreement. Mr. Brooks answered questions from President Goddard, Vice President Taylor, Secretary Arboleda, and Board Members Miller, Holway, Peartthree and Lewis regarding costs, criteria to participate, water supply availability, allocation of water supply, conservation, and water delivery. Board Member Lewis expressed a conflict of interest on this item.

7. RECESS
The Board recessed at 11:46 a.m. and reconvened at 12:24 p.m. Ms. Casey performed a roll call and confirmed a quorum was present.

9. REPORT ON COLORADO RIVER CONDITIONS - CULLOM
Chuck Cullom, Colorado River Programs Manager, gave an update on the status of the reservoirs in the Colorado River System, Lake Powell historical volumes, elevations for Lakes Powell and Mead, and weather outlooks.
10. REPORT ON ARIZONA RECONSULTATION COMMITTEE MODELING AND ANALYSIS WORKGROUP - CULLOM/CAREY
   Mr. Cullom gave an overview of the MAWG purpose, goals and next steps. Austin Carey, Planning Analyst, presented on the modeling exercises done by the MAWG, the results for various scenarios, major takeaways and next steps. Mr. Carey and Mr. Cullom answered questions from Board Member Jacobs regarding the modeling information presented. Mr. Cullom addressed comments from Board Member Holway regarding the tier occurrence scenarios.

11. REPORT ON ACTIVITIES RELATED TO 1030 CONSULTATION - DENT
   Patrick Dent, Assistant General Manager for Water Policy, reported on discussions with the other Basin states and planned outreach from Reclamation on November 5 and CAP on November 9 regarding efforts to protect Lake Mead from falling below 1,020’. Mr. Dent answered a question from Board Member Brown regarding public access to those meetings.

12. REPORT ON LEGAL MATTERS - JOHNSON
   None.

13. BOARD MEMBERS' REPORT ON CURRENT EVENTS
   Vice President Taylor, Secretary Arboleda and Board Members Atkins, Brown, Cesare, Graff, Holway, Jacobs, Macre, Miller and Pearthree shared updates on recent CAP activities.

14. FUTURE AGENDA ITEMS
   Board Member Jacobs requested future agenda items on a conservation policy, Indian water rights settlements, non-disclosure agreements, ADOT I-11 crossing, and presentation takeaways. Board Member Brown requested information on Hoover Dam power.

15. PRESIDENT'S REPORT ON CURRENT EVENTS - GODDARD
   President Goddard reported on the new Marana section of the CAP Trail and encouraged Board Members to attend the Colorado River Water Users Association Annual Conference.

16. GENERAL MANAGER'S REPORT ON CURRENT EVENTS - COOKE
   Mr. Cooke reported on items planned for the December consent agenda, delisting of an endangered species, recognition of Dennis Rule, and CAWCD's bond rating.

17. PUBLIC COMMENT
   No additional public comment.

18. 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, FOR DISCUSSION OR CONSULTATION WITH THE ATTORNEYS OF THE DISTRICT IN ORDER TO CONSIDER ITS POSITION AND INSTRUCT ITS ATTORNEYS REGARDING NEGOTIATIONS FOR RECONSULTATION OF THE 2007 COLORADO RIVER INTERIM GUIDELINES AND IMPLEMENTATION OF THE LOWER BASIN DROUGHT CONTINGENCY PLAN; AND PURSUANT TO A.R.S. §38-431.03.A.3, A.4 AND A.6, FOR DISCUSSION OR CONSULTATION FOR LEGAL ADVISE WITH THE ATTORNEYS OF THE DISTRICT, AND TO CONSIDER ITS POSITION, REGARDING PENDING INDIAN WATER RIGHTS SETTLEMENT NEGOTIATIONS; 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 (Board Member Brown), the Board convened in Executive Session at 2:20 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

19. **RECONVENE IN OPEN SESSION**
Vice President Taylor reconvened the meeting in open session at 4:35 p.m.

20. **CONSIDERATION OF ACTION REGARDING ITEMS DISCUSSED IN EXECUTIVE SESSION**
None.

21. **ADJOURN**
There being no further business to come before the Board, the meeting adjourned at 4:36 p.m.

___________________________
Alexandra M. Arboleda
Board Secretary
Agenda Number 2.b

CONTACT: Darrin Francom 623-869-2276 dftrancom@cap-az.com Ryan Johnson 623-869-2223 rjohnson@cap-az.com

MEETING DATE: Thursday, December 2, 2021

AGENDA ITEM: Contract for Design and Pre-Construction Services for the Electromechanical Relay Replacement Project Phase 2 at Mark Wilmer Pumping Plant (Project Reliability*) - Francom

RECOMMENDATION: Staff recommends the Board of Directors approve a Job Order Contract for Design & Pre-Construction Services for the Electromechanical Relay Replacement Project Phase 2 at Mark Wilmer Pumping Plant to Cannon & Wendt Electric Co. and authorize the General Manager, or his designee, to execute an agreement up to $622,364 plus an additional $62,236 (10%) for contingencies (totaling $684,600).

FISCAL IMPLICATIONS: No

Impact on Budget: In current approved budget

Additional spending authority requested: The design and pre-construction phase of this work will begin in January 2022 and will take approximately 12 months to complete. This contract will be followed by a construction phase services contract to complete the project work at Mark Wilmer Pumping Plant.

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

Impact on Reserves: No impact on 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:
November 2021 Board Approved the CAP 2022-2023 Biennial Budget
October 2020 Board approved a contract for Design & Construction of Electromechanical Relay Replacement Project Phase 2, at Brawley & San Xavier Pumping Plants
Board approved a contract for Design & Construction of Electromechanical Relay Replacement Project Phase 2, at Twin Peaks & Sandario Pumping Plants

ISSUE SUMMARY/DESCRIPTION:
There are approximately 1,500 electromechanical relays in service at CAP to protect 109 motor units and 45 power transformers across 15 pumping plants. The relays protect motors and transformers from failure due to events such as electrical short circuits, under voltage, over current, power factor, and high temperature. They also help reduce the wait time between motor starts. Under proper conditions and maintenance, the electromechanical relays have a limited life span of approximately 30 years. Most of CAP’s relays are approaching 30 years in service. Due to age and obsolescence, they need to be replaced. Additionally, the electromechanical relays require periodic testing to ensure they are calibrated and functional. The installation of digital relays will significantly extend these testing cycles. The new digital relays will have network connectivity allowing remote access to configuration data and event files, and will also provide self-diagnostics and immediate notification of a failure in the system.

Phase 2 of the relay replacement project includes the following CAP Pumping Plants: Twin Peaks, Sandario, Brawley, San Xavier, Black Mountain, Snyder Hill, Waddell, and Mark Wilmer. This contract is for the design & pre-construction phase services of the work at Mark Wilmer Pumping Plant, including an arc flash evaluation and protective device coordination study. Executing the design phase of this work under its own contract allows the project team to focus efforts on a thorough and complete set of design drawings and specifications before progressing into construction at Mark Wilmer Pumping Plant. Staff will continue to engage with Cannon & Wendt Electric Co. in scope definition and price negotiation for construction phase services. Upon agreement, staff will come back to the Board to request approval for the construction phase of this work.

Cannon & Wendt Electric Co. was selected pursuant to the competitive principles described in Title 34 of the Arizona Revised Statutes for Job Order Contracting, and in accordance with CAP’s Purchasing Policy. The Job Order Contracting method allows CAP to engage a qualified contractor that possesses the expertise and qualifications needed for this project without the requirement for a secondary bidding process. Accordingly, staff engaged Cannon & Wendt Electric Co. in scope definition and price negotiation discussions for the required design and pre- construction scope of work and believes the price of this contract is fair and reasonable.

SUGGESTED MOTION:
I move that the Board of Directors approve the award of a Job Order Contract for Design & Pre-Construction Services for the Electromechanical Relay Replacement Project Phase 2 at Mark Wilmer Pumping Plant to Cannon & Wendt Electric Co. and authorize the General Manager, or his designee, to execute an agreement up to $622,364 plus an additional $62,236 (10%) for contingencies (totaling $684,600).

ATTACHMENTS:
None
CONTACT: Noel Madrigal 623-869-2108 nmadrigal@cap-az.com
Christopher Hall 623-869-2632 chall@cap-az.com

MEETING DATE: Thursday, December 2, 2021

AGENDA ITEM: Enterprise Storage System Replacement (Project Reliability) - Hall

RECOMMENDATION: Staff recommends that the Board of Directors approve the award of a purchase services contract to vCORE Technology Partners LLC, for the implementation of the Storage Upgrade Project and to authorize the General Manager, or his designee, to execute an agreement of $1,952,085 plus an additional $195,208 (10%) for contingencies (totaling $2,147,294)

FISCAL IMPLICATIONS: No

Impact on Budget: For budget year 2022 we requested $1,800,000. The latest project quote comes in at $1,952,085 plus an additional $195,208 (10%) for contingencies (totaling $2,147,294). This includes tax and professional services.

Impact on Reserves: None

Impact on Rates: None

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:
September 4, 2014 Approval of Information Storage Project

ISSUE SUMMARY/DESCRIPTION:
Most storage systems and supporting software have a shelf life due to technology changes or support from the vendor. Storage systems have a finite capacity and age to a point where the vendor will no longer support the system. The CAP storage systems support enterprise applications including financials/HR, maintenance, email, document management, file servers, and data integration initiatives. Almost every software application generates information that needs to be stored on some type of data storage device.

Several research firms, including Gartner estimate most companies will see their storage systems increase 60-80% annually. CAP estimates storage growth at 30% annually. This purchase includes HQS production, development and remote disaster recovery storage systems upgrades.

CAP refreshes critical infrastructure every five years to manage obsolescence, capacity challenges, and
improvements in technology. Due to our current system’s performance and reliability, we felt confident in extending the devices' service life to seven years. This extended service life will end in 2022. This equipment purchase will support storage requirements including current and future applications for the next five years.

PROCUREMENT PROCESS:
vCORE Technology Partners LLC. is under the state of Arizona cooperative purchasing agreement. CAP is a cooperative member agency authorized to use the state’s cooperative purchasing agreement for this product.

SUGGESTED MOTION:
I move that the Board of Directors approve the award of a purchase services contract to vCORE Technology Partners LLC, for the implementation of the Storage Upgrade Project and to authorize the General Manager, or his designee, to execute an agreement of $1,952,085 plus an additional $195,208 (10%) for contingencies (totaling $ 2,147,294).

ATTACHMENTS:
None
CONTACT: Greg Adams  
623-869-2124  
gadams@cap-az.com

MEETING DATE: Thursday, December 2, 2021

AGENDA ITEM: Water Storage Agreements for the Town of Cave Creek at Tonopah Desert Recharge Project, Hieroglyphic Mountains Recharge Project, Agua Fria Recharge Project, Managed and Agua Fria Recharge Project, Constructed (Water Supply^) - Adams

RECOMMENDATION: Staff recommends that the Board approve the Agreements for Water Storage at Tonopah Desert Recharge Project, Hieroglyphic Mountains Recharge Project, Agua Fria Recharge Project, Managed and Agua Fria Recharge Project, Constructed between CAWCD and the Town of Cave Creek.

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

PREVIOUS BOARD ACTION/ACTIVITY: None

ISSUE SUMMARY/DESCRIPTION: The Town of Cave Creek wishes to enter into an agreement with Central Arizona Water Conservation District to store water. Attached are the Agreements for Storage of Water at Tonopah Desert Recharge Project, Hieroglyphic Mountains Recharge Project, Agua Fria Recharge Project, Managed and Agua Fria Recharge Project, Constructed. The water storage agreements include CAWCD’s standard requirements pertaining to scheduling storage capacity, water measurement and accounting, billing and payment. The water storage rate charged to the Town of Cave Creek for recharge in any particular year is established in CAWCD's Water Rate Schedule. The term of each agreement is 10 years.
SUGGESTED MOTION:
I move that the Board approve the Agreements for Water Storage at Tonopah Desert Recharge Project, Hieroglyphic Mountains Recharge Project, Agua Fria Recharge Project, Managed and Agua Fria Recharge Project, Constructed between CAWCD and the Town of Cave Creek.

ATTACHMENTS:
1. WSA - Cave Creek at TDRP 2021 final execution copy
2. WSA - Cave Creek at HMRP 2021 final execution copy
3. WSA - Cave Creek at AFRP final execution copy
AGREEMENT FOR STORAGE OF WATER
AT THE
TONOPAH DESERT RECHARGE PROJECT

1. PARTIES:
This Agreement is made and entered into the _______ day of ____________, 20 _____, by and between the CENTRAL ARIZONA WATER CONSERVATION DISTRICT, hereinafter referred to as "CAWCD", and the TOWN OF CAVE CREEK, hereinafter referred to as “Cave Creek”.

2. RECITALS:
2.1 CAWCD has constructed and is responsible for operating the Tonopah Desert Recharge Project (the “TDRP”), an underground storage facility that is located in the Hassayampa Sub-basin of the Phoenix Active Management Area in western Maricopa County.

2.2 ADWR has issued CAWCD a Constructed Underground Storage Facility Permit (Permit No. 71-593305.0003) for the TDRP. The permit authorizes the underground storage of a maximum of 150,000 acre-feet of water for the first four years and 87,500 acre-feet per year for the next 16 years at the TDRP. The TDRP is a State Demonstration Recharge Project pursuant to A.R.S. § 45-891.01, et seq.

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

NOW THEREFORE, in consideration of the foregoing, the payments to be paid by Cave Creek, and the covenants and agreements contained in this Agreement, and other good and valuable consideration, CAWCD and Cave Creek 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 **TDRP**: The constructed underground storage facility, constructed and operated by CAWCD pursuant to the Permit, which is located in portions of Sections NW ¼ of the NE ¼; SW ¼ of the NE ¼ and the W ½ of Section 33, T. 3N, R. 7W and the NW ¼ of Section 4, T. 2N, R. 7W, GSRB&M, Maricopa County, Arizona.

3.4 **TDRP TURNOUT STRUCTURE**: The point at which Cave Creek Water is diverted from the CAP canal for delivery into the TDRP.

3.5 **CAVE CREEK WATER**: CAP water scheduled by Cave Creek under the terms of its NIA Subcontract No. 21-XX-30-W0694 and/or CAP Water Service Subcontract No. 08-XX-30-W0537.

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 TDRP, Permit No. 71-593305.0003.

4. **SCOPE**

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

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 Cave Creek Water at the TDRP shall be consistent with Arizona law.

6.2 Cave Creek shall obtain a water storage permit from ADWR authorizing it to store Cave Creek Water at the Constructed TDRP.

6.3 CAWCD’s storage of Cave Creek Water at the TDRP 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 Cave Creek of any changes or modifications to the Permit that would affect rights under this Agreement. If the Permit is canceled or expires for any reason, Cave Creek may terminate this Agreement.
7. **PROCEDURE FOR SCHEDULING STORAGE CAPACITY:**

7.1 As soon as practicable after the date of execution of this Agreement, Cave Creek shall submit to CAWCD a proposed schedule indicating the amount of TDRP 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, Cave Creek shall submit to CAWCD a proposed schedule indicating the amount of TDRP storage capacity Cave Creek desires to use during the following year.

7.2 As soon as practicable after receipt of Cave Creek’s proposed schedule following the execution of this Agreement, CAWCD shall return to Cave Creek the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of TDRP storage capacity that is available to Cave Creek 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 Cave Creek the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of TDRP storage capacity that is available to Cave Creek 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 TDRP storage capacity for the following year, in accordance with CAWCD’s adopted Recharge Rate Policy. Cave Creek shall be obligated to pay CAWCD this Annual Recharge Rate for each acre-foot of storage capacity used by Cave Creek 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 TDRP.

9.2 CAWCD shall retain sole responsibility and authority for decisions relating to the TDRP operating and maintenance practices, including maintenance scheduling and the selection of periods when maintenance will be done.

9.3 Whenever practicable, CAWCD shall inform Cave Creek ninety (90) days in advance of any matter which may substantially affect the TDRP or the rights of Cave Creek.

10. **DESTRUCTION/RECONSTRUCTION OF THE TDRP:**

In the event of destruction of all or part of the TDRP, CAWCD may repair or reconstruct the TDRP, 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 TDRP 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 TDRP. 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 TDRP using the method indicated in the Permits or using actual measurements, when available. Any other losses in the TDRP shall be calculated using generally accepted engineering practices.

11.4 All losses that occur at the TDRP, other than by evaporation, will be calculated using generally accepted engineering practices and water-level readings from the gauges in the basins.

11.5 CAWCD shall prepare a monthly water accounting report of water stored at the TDRP for Cave Creek. 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 TDRP as required by the Permit.

11.7 The water accounting reports prepared pursuant to this Section shall be sent to Cave Creek monthly and shall be retained by CAWCD for at least three years.

11.8 CAWCD shall provide Cave Creek copies of TDRP annual reports submitted to ADWR.

12. **WATER QUALITY:**

Cave Creek shall indemnify and hold harmless CAWCD against all losses to third parties resulting from water quality degradation or harm to property caused by use of the TDRP, due to the commingling of Cave Creek Water with the groundwater. Further, Cave Creek 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 Cave Creek 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 Cave Creek indemnification shall only extend to the percentage of degradation attributable to the water stored on behalf of Cave Creek at the TDRP under the terms of this Agreement. Cave Creek retains the right to claims over or against any other entity, including CAWCD, storing water in the TDRP 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 TDRP, 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 Cave Creek for each acre-foot of storage capacity used by Cave Creek during the previous month. The amount billed to Cave Creek shall be equal to the Annual Recharge Rate multiplied by the number of acre-feet of Cave Creek Water delivered to the TDRP as measured at the TDRP Turnout Structure. Cave Creek shall pay CAWCD within thirty (30) days of receipt of such bill. Payment is not contingent upon and is not related to Cave Creek’s accrual of long-term storage credits from water stored at the TDRP.

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 Cave Creek. In the event CAWCD terminates this Agreement, Cave Creek shall remain obligated to pay any outstanding balance.

14. AUTHORIZATIONS AND APPROVALS:

Cave Creek 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 TDRP or for Cave Creek’s performance under this Agreement. Cave Creek shall keep CAWCD informed of its applications for such permits and authorizations. CAWCD will share information with Cave Creek to assist Cave Creek in its permit application. Cave Creek shall also be responsible for filing any annual reports or other documents necessary to maintain its right to store water at the TDRP.

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 Cave Creek for claims of damage resulting from CAWCD’s decision to curtail or stop water flows to the TDRP site during storm or emergency conditions.

15.3 CAWCD shall assume no liability to Cave Creek 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, Cave Creek and any other entities storing water at the TDRP shall share in any deficiency resulting from such lost, misdirected or otherwise unstored water in proportion to the amount of the TDRP capacity it used at the time the deficiency accrued.

15.4 Liability, as described in Section 12 related to water stored in the TDRP by Cave Creek prior to termination of this Agreement, shall remain with Cave Creek 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, Cave Creek or other entities storing water at the TDRP 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, Cave Creek 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. Cave Creek shall submit satisfactory proof of insurance to CAWCD prior to use of the TDRP. 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, Cave Creek 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 Cave Creek fails to acquire, provide or continue the insurance coverages required CAWCD may terminate this Agreement immediately upon written notice to Cave Creek.

17. **DEFAULT:**

17.1 Cave Creek 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 Cave Creek 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 Cave Creek 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 Cave Creek 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, and 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 Cave Creek or accrue to Cave Creek's successor, nor shall the TDRP capacity use rights hereunder of Cave Creek be used by another party without the prior written consent of CAWCD. CAWCD retains the right to sell, lease, assign or otherwise convey its ownership of the TDRP to a third party. In such event, CAWCD may cancel this Agreement upon written notice to Cave Creek.

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, AZ 85080-3020

**Town of Cave Creek**
c/o Town Manager
37622 N. Cave Creek Road
Cave Creek, AZ 85331

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 use of TDRP 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 the provisions of 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

THE TOWN OF CAVE CREEK

By: ________________________________

Its: ________________________________
    Title

Attest: ______________________________

Title: ______________________________
AGREEMENT FOR STORAGE OF WATER
AT THE
HIEROGLYPHIC 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 CAVE CREEK, hereinafter referred to as “Cave Creek”.

2. RECITALS:
2.1 CAWCD is responsible for constructing and operating the Hieroglyphic Mountains Recharge Project (the “HMRP”), an underground storage facility that is located in the Phoenix Active Management Area. The HMRP is located in the west Salt River Valley and located adjacent to and north of the Hayden-Rhodes Aqueduct, upstream of the Agua Fria River siphon.

2.2 ADWR has issued CAWCD a Constructed Underground Storage Facility Permit (Permit No. 71-584466.0004) to CAWCD for the HMRP. The Permit authorizes the underground storage of a maximum of 35,000 acre-feet of water annually at the HMRP. The HMRP is a State Demonstration Recharge Project pursuant to A.R.S. §45-891.01 et seq.

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

NOW THEREFORE, in consideration of the foregoing, the payments to be paid by Cave Creek, and the covenants and agreements contained in this Agreement, and other good and valuable consideration, CAWCD and Cave Creek 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 CAVE CREEK WATER: CAP water scheduled by Cave Creek under the terms of its CAP Subcontract No. 08-XX-30-W0537 and/or its NIA Subcontract No. 21-XX-30-W0694.

3.4 HIEROGLYPHIC MOUNTAINS RECHARGE PROJECT or HMRP: The constructed underground storage facility, constructed and operated by CAWCD pursuant to the Permit, which is located in portions of Sections 23 and 24, Township 5N, Range 2W, GSRB&M, Maricopa County, Arizona. The United States holds title to property along the CAP Aqueduct in the project vicinity but has transferred the right to use the property to CAWCD.

3.5 HMRP TURNOUT STRUCTURE: The point at which Cave Creek Water is diverted from the CAP canal for delivery into the HMRP.

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 HMRP facility, permit no. 71-584466.0004.

4. SCOPE OF SERVICES:
This Agreement is limited to the diversion of water at the HMRP Turnout Structure, and the storage of such water at the HMRP by CAWCD for the benefit of Cave Creek. CAWCD shall deliver Cave Creek Water, which is scheduled by Cave Creek for storage at the HMRP in accordance with this Agreement, and CAWCD shall store such water underground at the HMRP for the benefit of Cave Creek.

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 Cave Creek water at the HMRP shall be consistent with Arizona water law.

6.2 Cave Creek shall obtain a water storage permit from ADWR authorizing it to store Cave Creek Water at the HMRP.

6.3 CAWCD’s storage of Cave Creek Water at the HMRP shall, at all times, comply with the Permit. CAWCD shall be responsible for filing annual reports as required by the Permit. CAWCD shall promptly notify Cave Creek of any changes or modifications to the Permit that would affect
Cave Creek’s rights under this Agreement. If the Permit is canceled or expires for any reason, Cave Creek may terminate this Agreement.

7. **PROCEDURE FOR SCHEDULING STORAGE CAPACITY:**
   7.1 As soon as practicable after the date of execution of this Agreement, Cave Creek shall submit to CAWCD a proposed schedule indicating the amount of HMRP 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, Cave Creek shall submit to CAWCD a proposed schedule indicating the amount of HMRP storage capacity Cave Creek desires to use during the following year.
   
   7.2 As soon as practicable after receipt of Cave Creek's proposed schedule following the execution of this Agreement, CAWCD shall return to Cave Creek the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of HMRP storage capacity that is available to Cave Creek 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 Cave Creek the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of HMRP storage capacity that is available to Cave Creek 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 use of HMRP storage capacity for the following year, in accordance with CAWCD’s adopted Recharge Rate Policy. Cave Creek shall be obligated to pay CAWCD this annual Recharge Rate for each acre-foot of storage capacity used by Cave Creek 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 HMRP.
   9.2 CAWCD shall retain sole responsibility and authority for decisions relating to the HMRP operating and maintenance practices, including maintenance scheduling and the selection of periods when maintenance will be done.
   9.3 Whenever practicable, CAWCD shall inform Cave Creek ninety (90) days in advance of any matter which may substantially affect the HMRP or the rights of Cave Creek.
10. **DESTRUCTION/RECONSTRUCTION OF THE HMRP:**
   In the event of destruction of all or part of the HMRP, CAWCD may repair or reconstruct the HMRP, 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 HMRP 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 HMRP. 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 HMRP using the method indicated in the Permit or using actual measurements, when available. Any other losses in the HMRP shall be calculated using generally accepted engineering practices.
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    Cave Creek shall indemnify and hold harmless CAWCD against all losses to third parties resulting from water quality degradation or harm to property caused by Cave Creek’s use of the HMRP, due to the commingling of Cave Creek Water with the groundwater. Further, Cave Creek 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 Cave Creek 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. §45-898.01; and provided, further, however, that Cave Creek’s indemnification shall only extend to the percentage of degradation attributable to the water stored on behalf of Cave Creek at the HMRP under the terms of this Agreement. Cave Creek retains the right to claims over or against any other entity, including CAWCD, storing water in the HMRP 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 HMRP, solely due to its performance of obligations as the operating agent under this Agreement.

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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 Cave Creek. In the event CAWCD terminates this Agreement, Cave Creek shall remain obligated to pay any outstanding balance.

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16.1.2 Business Automobile Liability Insurance with a minimum limit of $1,000,000.
16.1.3 Worker’s Compensation as required by Arizona State law and Employers’ 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.

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17.2 In the event of a default by CAWCD or Cave Creek, then, within thirty (30) days following notice of such default by the non-defaulting Party, the defaulting Party shall remedy such 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.

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not limited to, the failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, 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:

19.1 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.

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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 Arizona Arbitration 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.
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21. **GOVERNING LAWS:**
This Agreement shall be governed by laws of the State of Arizona.

22. **BINDING OBLIGATIONS:**
All of the obligations set forth in the Agreement shall bind CAWCD and its successors and assigns. This Agreement shall not be assigned by Cave Creek or accrue to Cave Creek’s successor, nor shall the HMRP capacity use rights hereunder of Cave Creek be used by another party, without the prior written consent of CAWCD. CAWCD retains the right to sell, lease, assign or otherwise convey its ownership of the HMRP to a third party. In such event, CAWCD may cancel this Agreement upon written notice to Cave Creek.

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

**Town of Cave Creek**
c/o Town Manager
37622 N. Cave Creek Road
Cave Creek, AZ 85331

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.
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   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 use of HMRP 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.

[SIGNATURES FOLLOW ON NEXT PAGES]
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

THE TOWN OF CAVE CREEK

By: __________________________

Its: __________________________
   Title

Attest: _________________________

Title: _________________________
AGREEMENT FOR STORAGE OF WATER
AT THE
AGUA FRIA 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 CAVE CREEK, hereinafter referred to as “Cave Creek”.

2. RECITALS:
2.1 CAWCD has constructed and is responsible for operating the Agua Fria Recharge Project (the “AFRP”), an underground storage facility that is located in the Phoenix Active Management Area, within the floodplain of the Agua Fria River. The AFRP is unique because it consists of two components: (a) an in-channel component, known and regulated as the managed underground storage facility pursuant to ADWR permit no. 71-569775.0009, where CAP water is released from the Agua Fria Siphon Blowoff Structure into the channel of the Agua Fria River for underground storage and/or conveyance as in-channel surface water flows approximately four miles downstream to the constructed underground storage facility; and (b) a constructed component, known and regulated as the constructed underground storage facility pursuant to ADWR permit No. 71-569776.0010, consisting of an in-channel diversion dam and headworks structure, which divert water from the channel into a conveyance canal for delivery to approximately 115 acres of spreading basins. The AFRP is more specifically located in portions of Sections 31 and 32, Township 5N, Range 1E, and Section 6, Township 4N, Range 1E, GSRB&M, Maricopa County, Arizona.

2.2 ADWR has issued CAWCD a Constructed Underground Storage Facility Permit (Permit No. 71-569776.0010) and a Managed Underground Storage Permit for the AFRP (Permit No. 71-569775.0009). The Permits together authorize the underground storage of a combined maximum of 24,000 acre-feet of water per year at the AFRP. The AFRP is a State Demonstration Recharge Project pursuant to A.R.S. § 45-891.01, et seq.
2.3 Cave Creek desires to store CAP water at the AFRP and CAWCD agrees to make available unused storage capacity at the AFRP for such storage, in accordance with the provisions of this Agreement.

NOW THEREFORE, in consideration of the foregoing, the payments to be paid by Cave Creek, and the covenants and agreements contained in this Agreement, and other good and valuable consideration, CAWCD and Cave Creek 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 **AGUA FRIA RECHARGE PROJECT or AFRP:** The combined constructed underground storage facility and managed underground storage facility, constructed and operated by CAWCD pursuant to the Permits, which is located in portions of Sections 31 and 32, Township 5N, Range 1E, and Section 6, Township 4N, Range 1E, GSRB&M, Maricopa County, Arizona.

3.3 **AGUA FRIA SIPHON BLOWOFF STRUCTURE:** The point at which Cave Creek Water is diverted from the CAP canal for delivery into the AFRP.

3.4 **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.

3.5 **CAVE CREEK WATER:** CAP water scheduled by Cave Creek pursuant to water scheduled by Cave Creek under the terms of its CAP Water Service Subcontract No. 08-XX-30-W0537 and/or its NIA Subcontract No. 21-XX-30-W0694.

3.6 **PARTY/PARTIES:** Either one or both of the parties to this Agreement.

3.7 **PERMITS:** The Constructed Underground Storage Facility Permit issued by the ADWR for the AFRP, permit no. 71-569775.0009, and the Managed Underground Storage Facility Permit issued by the ADWR for the AFRP, permit no. 71-569776.0010.

4. **SCOPE OF SERVICES:**
This Agreement is limited to the diversion of water at the Agua Fria Siphon Blowoff Structure into the AFRP and the storage of such water at the AFRP by CAWCD for the benefit of Cave Creek. CAWCD shall deliver Cave Creek
Water, which is scheduled by Cave Creek for delivery to the Agua Fria Siphon Blowoff Structure and CAWCD shall store such water underground at the AFRP for the benefit of Cave Creek.

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 Cave Creek Water at the AFRP shall be consistent with Arizona water law.
   6.2 Cave Creek shall obtain a water storage permit from ADWR authorizing it to store Cave Creek Water at the AFRP.
   6.3 CAWCD’s storage of Cave Creek Water at the AFRP shall, at all times, comply with the Permits. CAWCD shall be responsible for filing annual reports as required by the Permits. CAWCD shall promptly notify Cave Creek of any changes or modifications to the Permits that would affect Cave Creek’s rights under this Agreement. If one or both of the Permits are canceled or expire for any reason, Cave Creek may terminate this Agreement.

7. **PROCEDURE FOR SCHEDULING STORAGE CAPACITY**
   7.1 As soon as practicable after the date of execution of this Agreement, Cave Creek shall submit to CAWCD a proposed schedule indicating the amount of AFRP 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, Cave Creek shall submit to CAWCD a proposed schedule indicating the amount of AFRP storage capacity Cave Creek desires to use during the following year.
   7.2 As soon as practicable after receipt of Cave Creek’s proposed schedule following the execution of this Agreement, CAWCD shall return to Cave Creek the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of AFRP storage capacity that is available to Cave Creek 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 Cave Creek the schedule, as adjusted by and
acceptable to CAWCD, indicating the amount of AFRP storage capacity that is available to Cave Creek for the following year, if any.

8. WATER STORAGE RATE
8.1 Each year under the term of this Agreement, CAWCD shall establish a per acre-foot recharge rate ("Annual Recharge Rate") for use of AFRP storage capacity for the following year, in accordance with CAWCD’s adopted Recharge Rate Policy. Cave Creek shall be obligated to pay CAWCD this Annual Recharge Rate for each acre-foot of storage capacity used by Cave Creek 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 AFRP.
9.2 CAWCD shall retain sole responsibility and authority for decisions relating to the AFRP operating and maintenance practices, including maintenance scheduling and the selection of periods when maintenance will be done.
9.3 Whenever practicable, CAWCD shall inform Cave Creek ninety (90) days in advance of any matter which may substantially affect the AFRP or the rights of Cave Creek.

10. DESTRUCTION/RECONSTRUCTION OF THE AFRP:
In the event of destruction of all or part of the AFRP, CAWCD may repair or reconstruct the AFRP, 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 AFRP 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 in the Agua Fria Siphon Blowoff Structure to measure the amount of water diverted from the CAP into the AFRP. 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 AFRP using the method indicated in the Permits or using actual measurements, when available. Any other losses in the AFRP shall be calculated using generally accepted engineering practices.
11.4 All losses that occur at the AFRP, other than by evaporation, will be calculated using generally accepted engineering practices and water-level readings from the gauges in the basins.

11.5 CAWCD shall prepare a monthly water accounting report of water stored at the AFRP for Cave Creek. 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 AFRP as required by the Permits.

11.7 The water accounting reports prepared pursuant to this Section shall be sent to Cave Creek monthly and shall be retained by CAWCD for at least three years.

11.8 CAWCD shall provide Cave Creek copies of the AFRP annual reports submitted to ADWR.

12. WATER QUALITY:
Cave Creek shall indemnify and hold harmless CAWCD against all losses to third parties resulting from water quality degradation or harm to property caused by Cave Creek’s use of the AFRP, due to the commingling of Cave Creek Water with the groundwater or water flowing above or below the surface of the Agua Fria riverbed. Further, Cave Creek 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 Cave Creek 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. §45-898.01; and provided, further, however, that Cave Creek’s indemnification shall only extend to the percentage of degradation attributable to the water stored on behalf of Cave Creek at the AFRP under the terms of this Agreement. Cave Creek retains the right to claims over or against any other entity, including CAWCD, storing water in the AFRP 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 AFRP, 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 Cave Creek for each acre-foot of storage capacity used by Cave Creek during the previous month. The amount billed to Cave Creek shall be equal to the
Annual Recharge Rate multiplied by the number of acre-feet of Cave Creek Water delivered to the AFRP as measured at the Agua Fria Siphon Blowoff Structure. Cave Creek shall pay CAWCD within thirty (30) days of receipt of such bill. Payment is not contingent upon and is not related to Cave Creek’s accrual of long-term storage credits from water stored at the AFRP.

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 Cave Creek. In the event CAWCD terminates this Agreement, Cave Creek shall remain obligated to pay any outstanding balance.

14. AUTHORIZATIONS AND APPROVALS:
Cave Creek 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 AFRP or for Cave Creek’s performance under this Agreement. Cave Creek shall keep CAWCD informed of its applications for such permits and authorizations. CAWCD will share information with Cave Creek to assist Cave Creek in its permit application. Cave Creek shall also be responsible for filing any annual reports or other documents necessary to maintain its right to store water at the AFRP.

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 Cave Creek for claims of damage resulting from CAWCD’s decision to curtail or stop water flows to the AFRP site during storm or emergency conditions.

15.3 CAWCD shall assume no liability to Cave Creek 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, Cave Creek and any other entities storing water at the AFRP shall share in any deficiency resulting from such lost, misdirected or otherwise unstored water in proportion to the amount of the AFRP capacity it used at the time the deficiency accrued.
15.4 Liability, as described in Section 12 related to water stored in the AFRP by Cave Creek prior to termination of this Agreement, shall remain with Cave Creek 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, Cave Creek or other entities storing water at the AFRP 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, Cave Creek 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 as 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. Cave Creek shall submit satisfactory proof of insurance to CAWCD prior to use of the AFRP. 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, Cave Creek 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 Cave Creek fails to acquire, provide or continue the insurance coverages required CAWCD may terminate this Agreement immediately upon written notice to Cave Creek.

17. **DEFAULT:**

17.1 Cave Creek 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 Cave Creek 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 CAWCD or Cave Creek, then, within thirty (30) days following notice of such default by the non-defaulting Party, the defaulting Party shall remedy such 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 Cave Creek 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, the 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:**

19.1 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 Arizona Arbitration 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:** This Agreement shall be governed by laws of the State of Arizona.

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 Cave Creek or accrue to Cave Creek’s successor, nor shall the AFRP capacity use rights hereunder of Cave Creek be used by another party, without the prior written
consent of CAWCD. CAWCD retains the right to sell, lease, assign or otherwise convey its ownership of the AFRP to a third party. In such event, CAWCD may cancel this Agreement upon written notice to Cave Creek.

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, AZ 85080-3020

   **Town of Cave Creek**
   c/o Town Manager
   37622 N. Cave Creek Road
   Cave Creek, AZ 85331

   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 AFRP 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 both Parties.

28. CONFLICT OF INTEREST
This Agreement 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

THE TOWN OF CAVE CREEK

By: __________________________

Its: __________________________
Title

Attest: ________________________

Title: _________________________
CONTACT:  Christopher Brooks  Laura Grignano
623-869-2438  623-869-2113
cbrooks@cap-az.com  lgrignano@cap-az.com

MEETING DATE: Thursday, December 2, 2021

AGENDA ITEM: Cost Share Agreement for the Feasibility Study of Bartlett Dam Modification
Alternatives (Groundwater Replenishment) - Brooks

RECOMMENDATION: Staff recommends that the Board of Directors authorize the General Manager to sign
the Agreement to Share Costs for the Feasibility Study of Bartlett Dam Modification
Alternatives Among Cost-Share Partners and Salt River Project Agricultural
Improvement and Power District and for expenditures of $100,000 each year in 2022,
2023, 2024 and 2025 from the CAGRD Infrastructure and Water Rights Fund.

FISCAL IMPLICATIONS: Yes

Impact on Budget:
The 2022 and 2023 budgets each included $62,500 for this program. The revised amount is $100,000, an
increase of $37,500 per year for 2022 and 2023. This difference will be managed within the current CAGRD
budget. The agreement also includes $100,000 per year for 2024 and 2025, which will be included in those
budget requests. The total agreement is $400,000 over 4 years.

Additional spending authority requested: None

Impact on Reserves:
$400,000 decrease in Infrastructure and Water Rights Reserve

Impact on Rates:
None

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:
2022 CAWCD Board Strategic Plan
Groundwater Replenishment: Fulfilling CAP's groundwater replenishment responsibilities in accordance with
statutory requirements

PREVIOUS BOARD ACTION/ACTIVITY:
August 5, 2021  General Manager's Report - CAWCD (on behalf of CAGRD) signed a
Memorandum of Understanding (MOU) with Salt River Project (SRP) to participate in the
development of a cost-share agreement to fund a feasibility study, beginning in 2022, for a
project to enhance water storage capacity on the Verde River.

November 4, 2021  Discussion on Cost Share Agreement for the Feasibility Study of Bartlett Dam
Modification Alternatives

ISSUE SUMMARY/DESCRIPTION:
CAGRD is seeking to partner with Salt River Project and 20 other entities (the local cost-share partners) in the
Phoenix AMA on a Feasibility Study that will evaluate Bartlett Dam modification options and assess whether it
would be feasible to enlarge Bartlett Reservoir to create additional storage capacity. The local cost-share
partners are developing a cost-share agreement to fund approximately 50% of the cost of the feasibility study, in partnership with Reclamation, who would fund the remaining amount. Authorization for BOR to complete the study is included in the recently authorized Infrastructure Investment and Jobs Act (IIJA). Funding for the federal portion of the Feasibility study is anticipated to be authorized after all local cost-share commitments have been confirmed and BOR completes their internal process for allocating funding authorized in the IIJA.

The total cost of the Feasibility Study is anticipated to be $10 million and it will take 4 years to complete. If a project is approved it may take up to 10 years to plan and construct. CAGRD would participate as a local cost-share partner by contributing $100,000 per year for four years, which allows CAGRD to participate as a voting member on the Steering Committee established by the Cost-Share Agreement. Participation in the Steering Committee is not a guarantee of a future water supply, but this Feasibility Study represents a significant opportunity to create a new water supply for Central Arizona. CAGRD believes it is important to have a voice in establishing the criteria for allocation of this potential supply and believes its support of the Feasibility Study will benefit its members either directly through a potential future water allocation or indirectly by reducing future groundwater reliance of CAGRD members.

**SUGGESTED MOTION:**
I move that the Board of Directors authorize the General Manager to sign the Agreement to Share Costs for the Feasibility Study of Bartlett Dam Modification Alternatives Among Cost-Share Partners and Salt River Project Agricultural Improvement and Power District and for expenditures of $100,000 each year in 2022, 2023, 2024 and 2025 from the CAGRD Infrastructure and Water Rights Fund.

**ATTACHMENTS:**
1. Agreement to Share Costs for the Feasibility Study of Bartlett Dam Modification Alternatives
AGREEMENT TO SHARE COSTS FOR THE FEASIBILITY STUDY OF BARTLETT DAM MODIFICATION ALTERNATIVES AMONG COST-SHARE PARTNERS AND SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

1. PARTIES:

This Agreement to Share Costs for the Feasibility Study of Bartlett Dam Modification Alternatives (“Agreement”), entered into this ___ day of _____________, 2021 is by and among those entities listed in Exhibit A (“Cost-Share Partners”) and the Salt River Project Agricultural Improvement and Power District (“SRP”). SRP and the Cost-Share Partners are referred to collectively as “Parties” and individually as “Party”.

2. RECITALS:

This Agreement is made with regard to the following:

2.1. The Salt River Valley Water Users’ Association (“Association”) and Salt River Project Agricultural Improvement and Power District (“District”) operate the Salt River Federal Reclamation Project, including Bartlett and Horseshoe reservoirs on Verde River, and have rights to storage of waters of the Verde River. The City of Phoenix has a stored water right resulting from construction of spillway gates at Horseshoe Dam. As of 2012, SRP estimates that Horseshoe Reservoir had lost 45,749 AF of conservation capacity to sedimentation that is shared between the Association and District and the City of Phoenix.

2.2. The United States Department of the Interior’s Bureau of Reclamation (“Reclamation”), in partnership with SRP, conducted the Verde Reservoirs Sediment Mitigation Study to investigate options to restore capacity lost in SRP’s Verde River reservoirs due to sediment accumulation, which impacts critical water supplies for central Arizona.

2.3. Reclamation issued a draft Verde Reservoirs Sediment Mitigation Study Appraisal Report (“Draft Appraisal Report”) in May 2021 recommending that Reclamation:

2.3.1. Seek/confirm authority to initiate a feasibility study to determine the technical, environmental, economic, and financial feasibility of implementing one of two Bartlett Dam modification alternatives to enable
central Arizona to adapt water management to changing climate conditions (“Bartlett Dam Modification Feasibility Study”);

2.3.2. Address topics identified in the Verde Reservoirs Sediment Mitigation Study during the feasibility study process; and

2.3.3. Develop cost-share agreements between Reclamation and potential beneficiaries for completing the Bartlett Dam Modification Feasibility Study.

2.4. The Parties support Reclamation’s recommendations in the Draft Appraisal Report and the initiation of the Bartlett Dam Modification Feasibility Study to further evaluate alternatives for modification of Bartlett Dam to improve management of water supplies of the Verde River, reduce reliance on groundwater, and help position central Arizona to manage extended droughts and shortages created by climate change impacts on the Colorado, Salt, and Verde River watersheds.

2.5. SRP and various participating entities signed a memorandum of understanding (“SRP-Participating Entities MOU”) attached hereto as Exhibit B to describe the cooperative efforts and roles and responsibilities of those parties related to supporting Reclamation in completing the Bartlett Dam Modification Feasibility Study including the development and execution of a cost-share agreement and the formation of a steering committee (“Steering Committee,” as described in Paragraph 10) to provide timely and effective feedback and guidance to support Reclamation in achieving the milestones necessary to complete the Bartlett Dam Modification Feasibility Study. This Agreement is the cost-share agreement described in Paragraph 5 of the MOU.

2.6. SRP and the Fort McDowell Yavapai Nation signed a memorandum of understanding (“SRP-FMYN MOU”) attached hereto as Exhibit C to describe the cooperative efforts and roles and responsibilities of SRP and the Fort McDowell Yavapai Nation related to supporting Reclamation in completing the Bartlett Dam Modification Feasibility Study including the development and execution of a cost-share agreement and participation in the Steering Committee to provide timely and effective feedback and guidance to support Reclamation in achieving the milestones necessary to complete the Bartlett Dam Modification Feasibility Study.

2.7. SRP and Reclamation have signed or will sign a cost-share agreement (“SRP-Reclamation Cost-Share Agreement”) as a mechanism to provide the non-federal cost share required for completing the Bartlett Dam Modification Feasibility Study.
Study, including the funds collected under this Agreement, for completing the Bartlett Dam Modification Feasibility Study.

3. **AGREEMENT:**

NOW, THEREFORE, in consideration of the mutual covenants herein set forth and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

4. **INCORPORATION OF RECITALS:**

The recitals listed above are hereby incorporated into and expressly made part of this Agreement.

5. **SCOPE:**

This Agreement sets terms and conditions for (1) the estimated annual costs the Parties expect to pay in support of the Bartlett Dam Modification Feasibility Study, (2) how the costs will be shared among the Parties, (3) the process to remit payment, (4) the process for formation of and participation in the Steering Committee, and (5) the process for voluntary departure, removal, and addition of Cost-Share Partners and Steering Committee Members.

6. **EFFECTIVE DATE AND TERM OF AGREEMENT:**

6.1. For SRP and City of Phoenix, this Agreement is effective and binding upon the execution by SRP and City of Phoenix. For any Party other than SRP and City of Phoenix, this Agreement is effective and binding upon execution by that Party. This Agreement remains effective until terminated as provided in Subparagraphs 6.2 or 6.3.

6.2. This Agreement terminates when both of the following have occurred: (1) a final Bartlett Dam Modification Feasibility Study is issued by Reclamation, and (2) when all funds required to be transferred under this agreement are transferred from the Cost-Share Partners to SRP or refunded to the Cost-Share Partners as provided in Paragraph 12.

6.3. This Agreement may terminate as provided in this Subparagraph 6.3 in the event that Reclamation determines it will not proceed with the Bartlett Dam Modification Feasibility Study. In such an event, SRP shall meet and confer with the Cost-Share Partners on such determination and whether the Parties have
exhausted their reasonable options to support Reclamation in proceeding with a Bartlett Dam Modification Feasibility Study. After such meeting, SRP may terminate this Agreement by providing written notice to the Cost-Share Partners of such termination. In such an event, this Agreement will terminate when both of the following have occurred: (1) SRP sends the written notice of termination under this Subparagraph 6.3 and (2) all appropriate payments and refunds have been issued.

7. **ADMINISTRATIVE REPRESENTATIVES:**

Within thirty (30) calendar days after execution of this Agreement, each Party shall designate in writing to the other Parties or by electronic mail with read receipt to the other Parties, an Administrative Representative and an Administrative Alternate to administer this Agreement on behalf of the designating Party. Written notice of a change of an Administrative Representative or Administrative Alternate shall be provided within thirty (30) calendar days of such change. The Administrative Alternate shall act only in the absence of the Administrative Representative. Neither the Administrative Representatives nor the Administrative Alternates shall have authority to amend, modify, or supplement this Agreement. Decisions of the Administrative Representatives pursuant to this Agreement shall be in writing and signed by them.

8. **ESTIMATED COSTS:**

8.1. The Parties plan to contribute funding towards the estimated nonfederal share of costs ("Nonfederal Cost-Share Estimate") for the Bartlett Dam Modification Feasibility Study. The initial Nonfederal Cost-Share Estimate is $5,000,000. The Nonfederal Cost-Share Estimate may increase or decrease based on federal appropriations and as project plans are developed.

8.2. With respect to issues related to the estimated costs for funding the Bartlett Dam Modification Feasibility Study the Parties shall convene the Steering Committee on an annual basis ("Annual Cost Assessment Meeting") to discuss and assess such issues. At the Annual Cost Assessment Meeting, the Parties shall make determinations on issues including but not limited to: (1) adjustment of the Nonfederal Cost-Share Estimate, (2) identification of federal funding availability, and (3) the annual contribution level of each Party ("Annual Contribution Level"). SRP will notify the Steering Committee of any identified change in total project cost that exceeds ten percent of the then-budgeted project cost at the next scheduled Steering Committee meeting.
8.3. At the Annual Cost Assessment Meeting, SRP shall present updates to the Steering Committee regarding: (1) information relevant to the Nonfederal Cost-Share Estimate, (2) availability of federal funding, and (3) anticipated adjustments to the Annual Contribution Level of each Party. These updates will be provided based on information and analysis developed by SRP in consultation with Reclamation. Prior to the Annual Cost Assessment Meeting, SRP shall develop and send for approval of the Steering Committee a report for the Annual Cost Assessment Meeting (“Annual Cost Assessment Report”). The Annual Cost Assessment Report will include: (1) the proposed Nonfederal Cost-Share Estimate and (2) the proposed Annual Contribution Levels of each Party for the following year. Consistent with Subparagraph 9.5, Fort McDowell Yavapai Nation and Buckeye Water Conservation and Drainage District will not be required to contribute any funding under this Agreement. The Steering Committee may vote on such approval of the Annual Cost Assessment Report at the Annual Cost Assessment Meeting but shall do so no later than thirty (30) calendar days after such Annual Cost Assessment Meeting.

8.4. Each Party shall contribute an annual amount equal to its Annual Contribution Level and remit payment for its Annual Contribution Level as described in Paragraph 12. The Annual Contribution Level as defined in this Agreement includes the option for a Party to elect to budget and appropriate the full amount of $400,000 to participate in this Agreement as a Voting Member at the time of the Effective Date of the Agreement for that Party. Payment will be made pursuant to Section 12 of this Agreement. The Parties’ Annual Contribution Levels are summarized in Exhibit D. The Steering Committee shall update Exhibit D in accordance with the Annual Cost Assessment Report upon approval of the Annual Cost Assessment Report by the Steering Committee. In the event that the Nonfederal Cost-Share increases above a total of $1,250,000 in any one year, or is projected to be above a total of $5,000,000 for the entire study, the Parties shall discuss whether to incur such increased costs at the next Annual Cost Assessment Meeting. If the Steering Committee agrees to incur such increased costs, each Party will seek any necessary spending authority or appropriations for any increase in its then-current Annual Contribution Level. In the event that spending authority is not granted, or funds are not appropriated beyond the amounts necessary to fulfill a Party’s then-current Annual Contribution Level, a Party has the right to terminate this Agreement without obligation for the increased Annual Contribution Level. However, the terminating Party shall comply with Subparagraph 11.1 with regard to its then-current Annual Contribution Level.
9. **PARTIES’ COST SHARE CONTRIBUTIONS:**

9.1. SRP’s initial Annual Contribution Level shall be $250,000.

9.2. City of Phoenix’s initial Annual Contribution Level shall be $150,000.

9.3. The initial Annual Contribution Levels are identified in Exhibit D. Unless otherwise stated in Exhibit D, a Party with an initial Annual Contribution Level of $100,000 or greater will be a voting member of the Steering Committee (“Voting Member”) with respect to decisions that the Steering Committee makes related to the Bartlett Dam Modification Feasibility Study. Voting Members commit to supporting the Bartlett Dam Modification Feasibility Study to completion at the Annual Contribution Level identified in Exhibit D but not to exceed a period of four years. If the Bartlett Dam Modification Feasibility Study exceeds four years, the Parties shall convene the Steering Committee to discuss contribution towards the nonfederal portion of funding required for completion. The Annual Contribution Level as defined in this Agreement includes the option for a Party to elect to budget and appropriate the full amount of $400,000 to participate in this Agreement as a Voting Member at the time of the Effective Date of the Agreement for that Party. Payment will be made pursuant to Section 12 of this Agreement.

9.4. Unless otherwise stated in Exhibit D, a Party with an initial Annual Contribution Level of $30,000 will be a nonvoting member of the Steering Committee (“Nonvoting Member”).

9.5. The Fort McDowell Yavapai Nation, as a federally recognized tribe with a direct interest in water stored in Bartlett Reservoir, will be a Voting Member of the Steering Committee irrespective of its Annual Contribution Level. Buckeye Water Conservation and Drainage District will be a Voting Member of the Steering Committee irrespective of its Annual Contribution Level due to its interest under the stipulation between Buckeye Irrigation Company and Salt River Valley Water Users’ Association entered September 7, 1944.

9.6. As described in Subparagraph 8.2, Annual Contribution Levels may be adjusted at the Annual Cost Assessment Meeting based on the Nonfederal Cost-Share Estimate as described in Subparagraph 8.1. Adjustments to Annual Contribution Levels will be made in proportion to the initial Annual Contribution Levels and will increase or decrease in proportion to the Nonfederal Cost-Share Estimate. Except as provided under circumstances noted in Subparagraph 11.3, the standing of each Party as a Voting Member or Nonvoting Member of the Steering Committee
is established by each Party’s initial Annual Contribution Level, as described in Subparagraphs 9.3 and 9.4, and will not be impacted by adjustments made under Subparagraph 8.2, Subparagraph 8.4, or this Subparagraph 9.6.

10. **STEERING COMMITTEE:**

10.1. Within thirty (30) calendar days after execution of this Agreement, each Party shall designate in writing or electronic mail with read receipt to SRP a representative to serve on the Steering Committee (“Steering Committee Representative”) and an alternate to serve on the Steering Committee (“Steering Committee Alternate”). Written notice of a change of a Steering Committee Representative or Steering Committee Alternate shall be provided within thirty (30) calendar days of such change. The Steering Committee Alternate shall act only in the absence of the Steering Committee Representative. Unless otherwise authorized by the Steering Committee, each Party shall ensure that only its Steering Committee Representative or Steering Committee Alternate participates in meetings of the Steering Committee. Steering Committee Representatives and Steering Committee Alternates are expected to be individuals with senior positions within the organizational structure of each Party, such as director-level positions, and may be the same or different from the Administrative Representatives and Administrative Alternates identified in Paragraph 7.

10.2. The Parties shall convene the Steering Committee within thirty (30) calendar days after this Agreement is effective as provided in Subparagraph 6.1 and develop roles, responsibilities, meeting schedules, and other guidelines to govern the Steering Committee within sixty (60) calendar days after this Agreement is effective as provided in Subparagraph 6.1.

10.3. The Steering Committee shall be responsible for developing criteria for assessing the need of any potential beneficiary to obtain a right to use a portion of the water to be stored in the new conservation storage capacity created from the modifications at Bartlett Dam. The new conservation storage capacity includes the volume of water above the combined original constructed capacity of both Horseshoe and Bartlett Reservoirs including the capacity added by installation of the Horseshoe Dam spillway gates (“New Conservation Capacity”). The criteria shall be developed and approved by the Steering Committee during development of feasibility cost estimates and designs of dam facilities required for the Bartlett Dam Modification Feasibility Study and may be similar to those identified in Exhibit E.
10.4. The Steering Committee shall be responsible for developing the preferred allocation of available New Conservation Capacity among potential project beneficiaries using the criteria for assessing need identified in Subparagraph 10.3 to provide to Reclamation for study purposes.

10.5. Nothing contained in this Agreement shall be construed as to (1) create any right to new or existing capacity in Bartlett or Horseshoe Reservoirs or (2) alter any existing rights to water stored in Bartlett or Horseshoe Reservoirs in a modified Bartlett Dam if a project to modify Bartlett Dam is constructed.

10.6. SRP shall chair the Steering Committee and all Steering Committee decisions will be made by majority vote of the Voting Members described in Subparagraph 9.3 with the exception of issues identified in Subparagraph 11.2. The votes of all Voting Members will be of equal weight. In the event of an even split during a Steering Committee vote, SRP shall act as the tie-breaking vote.

11. VOLUNTARY DEPARTURE; REMOVAL; AND ADDITION OF PARTIES, COST SHARE PARTNERS, AND STEERING COMMITTEE MEMBERS

11.1. A Party that no longer wishes to be a Party to this Agreement and participate in the Steering Committee may leave by giving the other Parties thirty (30) calendar days written notice under Paragraph 15 ("Voluntary Departure"). Parties that voluntarily depart this Agreement and Steering Committee under this Subparagraph 11.1 shall not be refunded any previous financial contributions. Any Voting Member that voluntarily departs this Agreement and Steering Committee shall pay the remaining balance that would be due based on that Voting Member’s Annual Contribution Level for the period of time required to support completion of the Bartlett Dam Modification Feasibility Study but not to exceed a period of four years. The remaining balance will be based on the number of months projected to remain on the Bartlett Dam Modification Feasibility Study, multiplied by the Party’s initial Annual Contribution Level, not to exceed a total of four years from the start of the non-federal contributions for the feasibility study. Upon the Voluntary Departure of a Party to this Agreement under this Subparagraph 11.1, the SRP shall update Exhibits A, D, and F accordingly.

11.2. The Steering Committee may remove a Party from the Agreement and membership on the Steering Committee if the Voting Members of the Steering Committee determine by a vote of at least 2/3 of Voting Members that the Party is not acting in good faith or otherwise unnecessarily interfering with making progress towards completion of the Bartlett Dam Modification Feasibility Study.
Any Party that is removed from the Agreement and the Steering Committee under this Subparagraph 11.2 shall not be refunded any previous financial contributions. Upon removing a Party to this Agreement under this Subparagraph 11.2, the SRP shall update Exhibits A, D, and F accordingly.

11.3. The Steering Committee, by majority vote of the Steering Committee, may add a Party to the Agreement as a Voting or Nonvoting member of the Steering Committee upon request from an entity to support the Bartlett Dam Modification Feasibility Study. Prior to adding a Party to the Agreement and Steering Committee, the Steering Committee shall determine the Annual Contribution Level of the entity to be added in a manner consistent with Paragraphs 8 and 9, provided that, the Steering Committee will not unreasonably withhold a participant’s ability to join the Steering Committee if that participant is willing to work in good faith and bring appropriate resources in support of the goals of the Bartlett Dam Modification Feasibility Study. Upon adding a Party to this Agreement under this Subparagraph 11.3, the SRP shall update Exhibits A, D, and F accordingly. Should a Party be added to the Steering Committee as a Voting Member, that Party shall pay the Annual Contribution Level identified in Subparagraph 9.3 for the time period between the Steering Committee’s inception and the Party’s addition. Should an existing Nonvoting Member become a Voting Member, that Party will be responsible for paying the difference between their actual contributions and the Annual Contribution Level identified in 9.3 for the time period between the Steering Committee's inception and the Party becoming a Voting Member. Any new Voting Member or Nonvoting Member becoming a Voting Member will be subject to all conditions as outlined in Subparagraph 11.1

12. **PAYMENT:**

12.1. SRP shall invoice each Party at its initial Annual Contribution Level as identified in Exhibit D within 90 days of execution of this Agreement.

12.2. Following approval of the Annual Cost Assessment Report by the Steering Committee, SRP shall invoice the Cost-Share Partners in the amounts identified in the Annual Cost Assessment Report. The Cost-Share Partners shall pay such invoices within thirty (30) calendar days after SRP sends such invoices. SRP shall remit payments made under Paragraph 12 to Reclamation or consultants as contributions towards the nonfederal portion of costs for the Bartlett Dam Modification Feasibility Study under the SRP-Reclamation Cost-Share Agreement. In the event that funds paid to SRP will not be remitted to Reclamation or
consultants, SRP shall refund the Cost-Share Partners for any amount paid to SRP under Paragraph 12 that will not be remitted to Reclamation or consultants.

12.3. Any invoices not paid when due shall be delinquent and shall bear interest at the Wall Street Journal Prime Rate, on the date the invoice was due plus 5% (Wall Street Journal Prime Rate plus 5%) per annum from the date when the bill was due until the bill is paid in full (including any accrued interest). In the event the Wall Street Journal no longer publishes the Wall Street Journal Prime Rate, a majority of the Administrative Representatives shall select an appropriate substitute.

12.4. In the event any portion of any bill is disputed, to the extent the disputing Party has the legal authority to pay, the disputed amount shall be paid under protest when due and shall be accompanied by a written statement indicating the basis for the protest. If the protest is found to be valid, the Cost-Share Partners shall be refunded any overpayment plus interest, accrued at the rate set forth in Subparagraph 12.3, prorated by days from the date payment was credited to the Cost-Share Partners to the date the refund check is mailed.

12.5. In the event that this Agreement is terminated under Subparagraph 6.3, SRP shall refund the Cost-Share Partners for any amount paid to SRP under Paragraph 12 that will not be remitted to Reclamation or consultants for services approved prior to termination of this Agreement.

13. DISPUTE RESOLUTION; RECORDS INSPECTION; CHOICE OF LAW:

13.1. Any dispute under this Agreement shall first be submitted to the Steering Committee for resolution. The Steering Committee shall make all reasonable efforts to resolve the dispute. If the matter cannot be resolved by the Parties’ authorized representatives, any Party may submit the matter to the SRP General Manager and the Party’s chief operating officer. If the matter cannot be resolved by the SRP General Manager and the Party’s chief operating officer, any Party may bring suit upon the matter, provided however, that it is expressly agreed that the venue shall only be in Maricopa County Superior Court or its successor court.

13.2. This Agreement shall be governed and construed in accordance with the laws of the State of Arizona and any applicable federal law. In the event a dispute arises wherein the Fort McDowell Yavapai Nation is a party, the Parties agree the venue will be in a court of competent jurisdiction other than Tribal court.
13.3. In the event of any future dispute or action arising under this Agreement, the prevailing Party shall be entitled to recover its reasonable attorneys’ fees and costs incurred therein, including expert witness fees.

13.4. Pending the resolution of a dispute, the Parties 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. Amounts paid by a Party under Paragraph 12 during the pendency of such dispute shall be subject to refund and adjustment upon a final resolution of any dispute involving an amount due.

14. **UNCONTROLLABLE FORCES:**

No Party shall be considered to be in default in the performance of any of its obligations hereunder if failure of performance is due to an uncontrollable force. The term “uncontrollable force” shall mean any cause beyond the control of the party affected, including but not limited to failure of facilities, flood, earthquake, tornado, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, and action or nonaction by or failure to obtain the necessary authorizations or approvals from any governmental agency or authority or the electorate, labor or material shortage, sabotage and restraint by court order or public authority, which by exercise of due diligence and foresight such party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. Nothing herein shall be construed so as to require any Party to settle any strike or labor dispute in which it is involved. Any party rendered able to fulfill any obligation hereunder by reason of an uncontrollable force shall exercise due diligence to remove such inability.

15. **NOTICE; CHANGE OF NAME OR ADDRESS:**

15.1. All notices, requests, demands, and other communications under this Agreement shall be in writing or by electronic mail with read receipt and shall be deemed to have been received either when delivered or on the fifth business day following mailing, by registered or certified mail, postage prepaid, return receipt requested, whichever is earlier, addressed as set forth in Exhibit F.

15.2. Any Party may change the addressee or address to which communications or copies are to be sent by giving notice of such change under Subparagraph 15.1.

16. **SEVERABILITY:**
Should any part of this Agreement be declared, in a final decision by a court or tribunal of competent jurisdiction, to be unconstitutional, invalid, or beyond the authority of a Party to enter into or carry out, such decision shall not affect the validity of the remainder of this Agreement, which shall continue in full force and effect and reformed, provided that the remainder of this Agreement, absent the excised portion, can be reasonably interpreted to give effect to the intentions of the Parties.

17. **WAIVER:**

The failure of any Party to insist on any one or more instances upon strict performance of any of the obligations of the other pursuant to this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of the performance of any such obligation or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

18. **BINDING AGREEMENT:**

All of the provisions of this Agreement shall be binding upon, and inure to the benefit of, the Parties and their heirs, successors and assigns; provided, however, that no Party shall assign its rights and obligations under this Agreement to another entity without the written consent of the other Parties. Such consent to assignment shall not, however, be unreasonably withheld, conditioned, or delayed.

19. **NO THIRD-PARTY BENEFICIARIES:**

This Agreement is solely for the benefit of the Parties and does not create nor shall it be construed to create rights to any third party. No third party may enforce the terms and conditions of this Agreement.

20. **NO PARTNERSHIP AND NO JOINT VENTURE:**

Nothing contained in this Agreement shall be construed as creating a partnership or joint venture between the Parties hereto. The covenants, obligations, and liabilities contained in this Agreement are intended to be several and not joint or collective, and nothing contained herein shall be construed to create an association, joint venture, agency, trust, or partnership, or to impose a trust or partnership covenant, obligation, fiduciary duty, or liability between the Parties. Each Party shall be individually responsible for its own covenants, obligations, and liabilities as provided herein.
21. **AUTHORITY:**

The undersigned representative of each Party certifies that he or she is fully authorized by the Party whom he or she represents to enter into the terms and conditions of this Agreement and to legally bind the Party to it.

22. **CONFLICT OF INTEREST:**

Pursuant to A.R.S. § 38-511, a Party who is a political subdivision of the State may cancel this Agreement, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of a Party is, at any time while this Agreement is in effect, an employee of another Party in any capacity, or a consultant to another Party with respect to the subject matter of this Agreement. The cancellation shall be effective when written notice is received unless the notice specifies a later time.

23. **ENTIRE AGREEMENT; MODIFICATION; COUNTERPARTS:**

The terms, covenants and conditions of this Agreement constitute the entire Agreement between the Parties, and no understandings or obligations 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. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[signatures on the following pages]
IN WITNESS WHEREOF, this Agreement was executed by the Parties and is effective on the date described in Subparagraph 6.1 of this Agreement.

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

By: ____________________________
Name: David C. Roberts
Title: Associate General Manager
       Water Resources

APPROVED AS TO FORM

By: ____________________________
Name: Patrick B. Sigl
Title: Supervising Attorney, Environment, Land & Water Rights
ARIZONA WATER COMPANY

By: ________________________________
Name: ______________________________
Title: ______________________________

APPROVED AS TO FORM

By: ________________________________
Name: ______________________________
Title: ______________________________
APACHE JUNCTION WATER UTILITY
COMMUNITY FACILITIES DISTRICT

By: ________________________________
Name: ______________________________
Title: ______________________________

APPROVED AS TO FORM

By: ________________________________
Name: ______________________________
Title: ______________________________
CITY OF AVONDALE

By: _________________________________
Name: ______________________________
Title: ______________________________

APPROVED AS TO FORM

By: _________________________________
Name: ______________________________
Title: ______________________________
CITY OF BUCKEYE

By: _____________________________
Name: ___________________________
Title: ___________________________

APPROVED AS TO FORM

By: _____________________________
Name: ___________________________
Title: ___________________________
CENTRAL ARIZONA WATER CONSERVATION DISTRICT (FOR CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT)

By: __________________________
Name: __________________________
Title: __________________________

APPROVED AS TO FORM

By: __________________________
Name: __________________________
Title: __________________________

MBD Feasibility Study Cost-Share Agreement
CITY OF CHANDLER

By: ________________________________
Name: ________________________________
Title: ________________________________

APPROVED AS TO FORM

By: ________________________________
Name: ________________________________
Title: ________________________________
CITY OF EL MIRAGE

By: ________________________________
Name: ______________________________
Title: ______________________________

APPROVED AS TO FORM

By: ________________________________
Name: ______________________________
Title: ______________________________
FORT MCDOWELL YAVAPAI NATION

By: __________________________
Name: _________________________
Title: __________________________

APPROVED AS TO FORM

By: __________________________
Name: _________________________
Title: __________________________
TOWN OF GILBERT

By: ________________________________
Name: ______________________________
Title: ______________________________

APPROVED AS TO FORM

By: ________________________________
Name: ______________________________
Title: ______________________________
CITY OF GOODYEAR

By: ______________________________
Name: ____________________________
Title: _____________________________

ATTEST

By: ______________________________
Name: ____________________________
Title: _____________________________
CITY OF MESA

By: ____________________________
Name: __________________________
Title: __________________________

APPROVED AS TO FORM

By: ____________________________
Name: __________________________
Title: __________________________
CITY OF PHOENIX, ARIZONA,
a municipal corporation

____________________________
Troy Hayes
Director, Water Services Department

ATTEST:

____________________________
Jeffrey J. Barton
City Manager City Clerk

APPROVED AS TO FORM:

____________________________
Cris Meyer
City Attorney
TOWN OF QUEEN CREEK

By: ____________________________
Name: __________________________
Title: __________________________

APPROVED AS TO FORM

By: ____________________________
Name: __________________________
Title: __________________________
ROOSEVELT WATER CONSERVATION DISTRICT

By: ________________________________
Name: ______________________________
Title: ______________________________

APPROVED AS TO FORM

By: ________________________________
Name: ______________________________
Title: ______________________________
CITY OF SCOTTSDALE

By: ____________________________
Name: __________________________
Title: __________________________

APPROVED AS TO FORM

By: ____________________________
Name: __________________________
Title: __________________________
CITY OF SURPRISE

By: ________________________________
Name: ______________________________
Title: ______________________________

APPROVED AS TO FORM

By: ________________________________
Name: ______________________________
Title: ______________________________
CITY OF TEMPE

By: ________________________________
Name: ______________________________
Title: ______________________________

APPROVED AS TO FORM

By: ________________________________
Name: ______________________________
Title: ______________________________
AGREEMENT TO SHARE COSTS FOR THE FEASIBILITY STUDY OF BARTLETT DAM MODIFICATION ALTERNATIVES AMONG COST-SHARE PARTNERS AND SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

EXHIBIT A

COST-SHARE PARTNERS

<table>
<thead>
<tr>
<th>Arizona Water Company</th>
<th>City Goodyear</th>
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<tr>
<td>Apache Junction Water Utility Community</td>
<td>City of Glendale</td>
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<tr>
<td>Facilities District dba Apache Junction Water District</td>
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<tr>
<td>City of Avondale</td>
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<td>City of Buckeye</td>
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<td>Central Arizona Groundwater Replenishment District</td>
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<td>Roosevelt Water Conservation District</td>
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<td>EPCOR, USA, Inc.</td>
<td>City of Surprise</td>
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<tr>
<td>Fort McDowell Yavapai Nation</td>
<td>City of Tempe</td>
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<td>Town of Gilbert</td>
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AGREEMENT TO SHARE COSTS FOR THE FEASIBILITY STUDY OF BARTLETT DAM MODIFICATION ALTERNATIVES AMONG COST-SHARE PARTNERS AND SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

EXHIBIT B

MEMORANDUM OF UNDERSTANDING TO SUPPORT THE BARTLETT DAM MODIFICATION FEASIBILITY STUDY AMONG VARIOUS PARTICIPATING ENTITIES AND SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT
MEMORANDUM OF UNDERSTANDING
TO SUPPORT THE BARTLETT DAM MODIFICATION FEASIBILITY STUDY
AMONG VARIOUS PARTICIPATING ENTITIES,
SALT RIVER VALLEY WATER USERS' ASSOCIATION,
AND
SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

August 31, 2021

1. PARTIES:

This nonbinding memorandum of understanding (“MOU”) to support the Bartlett Dam Modification Feasibility Study is entered into by those entities listed in the Contact List of Exhibit A (“Participating Entities”), the Salt River Valley Water Users' Association (“Association”), and the Salt River Project Agricultural Improvement and Power District (“District”). The Association and District are referred to collectively as “SRP.” SRP and the Participating Entities are referred to collectively as “Parties.”

2. BACKGROUND AND PURPOSE:

a. The United States Department of the Interior’s Bureau of Reclamation (“Reclamation”), in partnership with SRP, conducted an appraisal level investigation called the Verde Reservoirs Sediment Mitigation Study to evaluate options to restore capacity lost in SRP’s Verde River reservoirs due to sediment accumulation, which impacts critical water supplies for central Arizona.

b. Reclamation issued a draft report entitled “Verde Reservoirs Sediment Mitigation Study Appraisal Report” in May 2021 (“Draft Appraisal Report”) recommending that Reclamation:

   i. Seek/confirm authority to initiate a feasibility study to determine the technical, environmental, economic, and financial feasibility of implementing one of two Bartlett Dam modification alternatives to enable central Arizona to adapt water management to changing climate conditions (“Bartlett Dam Modification Feasibility Study”);
ii. Address topics identified in the Verde Reservoirs Sediment Mitigation Study during the feasibility study process; and

iii. Develop cost-share agreements necessary to support the successful completion of the Bartlett Dam Modification Feasibility Study.

c. Reclamation is expected to release a final appraisal report by the end of calendar year 2021. The Parties support Reclamation’s recommendations as identified in Subparagraph 2(b) and the initiation of the Bartlett Dam Modification Feasibility Study to further evaluate alternatives for modification of Bartlett Dam to improve management of water supplies of the Verde River, reduce the reliance on groundwater, and help position central Arizona to manage extended droughts and shortages created by climate change impacts on the Colorado, Salt, and Verde River watersheds.

d. The purpose of this MOU is to describe the cooperative efforts and roles and responsibilities of the Parties related to supporting Reclamation in completing the Bartlett Dam Modification Feasibility Study as recommended in the Draft Appraisal Report. As described below, included in those cooperative efforts is the formation and participation in a steering committee as described in Paragraph 5(d) (“Steering Committee”), and development of the following agreements: (1) a cost-share agreement among the Participating Entities and SRP as described in Paragraph 5(a) (“Nonfederal Participating Entities Cost-Share Agreement”), and (2) the development of a cost-share agreement among SRP and Reclamation as described in Paragraph 4(b)(i) (“SRP-Reclamation Cost-Share Agreement”).

3. TERM AND TERMINATION:

a. This MOU will become effective upon execution by the Parties and, unless terminated under Subparagraph 3(b), will remain in effect until Reclamation issues a final report for the Bartlett Dam Modification Feasibility Study.

b. This MOU will terminate in the event that Reclamation issues a final Verde Reservoirs Sediment Mitigation Study Appraisal Report that does not include a recommendation to study the feasibility of Bartlett Dam modification alternatives.

c. This MOU and the provisions of this MOU may only be modified upon mutual written consent of the Parties.
4. RESPONSIBILITIES:

a. Mutual Responsibilities:

i. The Parties will work cooperatively to develop the Nonfederal Participating Entities Cost-Share Agreement.

ii. The Parties will work cooperatively to form and participate in the Steering Committee that is identified in Subparagraph 5(d) and will be further described by the Nonfederal Participating Entities Cost-Share Agreement.

iii. The Parties will support and assist Reclamation to conduct the Bartlett Dam Modification Feasibility Study in the event that Reclamation has/obtains authority to conduct this study as identified in the recommendations noted in Subparagraph 2(b). This support and assistance is expected to include funding of the Bartlett Dam Modification Feasibility Study by some or all of the Participating Entities, as will be specified by the Nonfederal Participating Entities Cost-Share Agreement. The Parties will provide data and information relevant to analyses that may include but are not limited to assessments of hydrology and climate change, demand for use of water supplies, environmental and cultural resources, economics, engineering, dam safety and flood control, and recreation.

b. SRP Responsibilities:

i. SRP will work with Reclamation to develop the SRP-Reclamation Cost-Share Agreement as a mechanism for SRP to pay the nonfederal cost-share required for completing the Bartlett Dam Modification Feasibility Study in the event that Reclamation has/obtains authority to conduct this study, including the funds collected under the Nonfederal Participating Entities Cost-Share Agreement, for completing the Bartlett Dam Modification Feasibility Study.

ii. SRP will consult with the Participating Entities on substantive decisions related to Reclamation developing a plan of study for the Bartlett Dam Modification Feasibility Study while it finalizes the Draft Appraisal Report.
SRP will be the single point of contact with Reclamation on behalf of the Parties and will lead communications with Reclamation related to the Bartlett Dam Modification Feasibility Study until the Nonfederal Participating Entities Cost-Share Agreement is executed.

iii. SRP will serve as chair of the Steering Committee.

c. Participating Entities Responsibilities:

i. Participating Entities will provide relevant data, information, opinions, and analyses related to the Bartlett Dam Modification Feasibility Study as reasonably requested by SRP or Reclamation in the event that Reclamation has/obtains authority to conduct the Bartlett Dam Modification Feasibility Study.

ii. Participating Entities will serve on the Steering Committee as appropriate to engage in collaboration and coordination with SRP to support Reclamation’s completion of the Bartlett Dam Modification Feasibility Study as will be further defined in the Nonfederal Participating Entities Cost-Share Agreement.

iii. Participating Entities will coordinate and collaborate with SRP in efforts to communicate information related to the Bartlett Dam Modification Feasibility Study with elected officials and other relevant stakeholders on the project.

5. DEVELOPMENT OF THE NONFEDERAL PARTICIPATING ENTITIES COST-SHARE AGREEMENT:

a. The Parties will collaborate to develop the Nonfederal Participating Entities Cost-Share Agreement with a goal of execution in Fall 2021. The Nonfederal Participating Entities Cost-Share Agreement will describe how nonfederal costs will be allocated among SRP and any Participating Entities agreeing to share those costs to provide nonfederal funding to Reclamation and any appropriate contractors to conduct the Bartlett Dam Modification Feasibility Study in the event that Reclamation has/obtains authority to conduct this study.
b. As part of the process to develop the Nonfederal Participating Entities Cost-Share Agreement, SRP and any Participating Entities agreeing to share the nonfederal costs will collaborate to determine the relative shares of the non-federal cost contribution in support of the Bartlett Dam Modification Feasibility Study in the event that Reclamation has/obtains authority to conduct this study as recommended in the Draft Appraisal Report. The Parties understand that any cost-share contribution under the Nonfederal Participating Entities Cost-Share Agreement does not guarantee capacity in a future Modified Bartlett Dam in the event such a facility is constructed.

c. The Nonfederal Participating Entities Cost-Share Agreement will be among SRP and any Participating Entities agreeing to share the nonfederal costs and will require those Participating Entities to submit funds to SRP for SRP to remit such funds to any necessary contractors or to Reclamation through the separate Reclamation-SRP Cost-Share Agreement.

d. As part of the Nonfederal Participating Entities Cost-Share Agreement, the Parties will establish the Steering Committee chaired by SRP to provide timely and effective feedback and guidance to support Reclamation and any necessary contractors in achieving the milestones necessary to complete the Bartlett Dam Modification Feasibility Study in the event that Reclamation has/obtains authority to conduct this study and to facilitate coordination in communications with elected officials and other relevant stakeholders.

6. AUTHORIZED REPRESENTATIVES:

Within thirty (30) days after execution of this MOU, SRP and each Participating Entity shall designate in writing to the other Parties an Authorized Representative and an Alternate to administer this MOU on behalf of the designating party. Written notice of a change of an Authorized Representative or Alternate shall be provided within thirty (30) days of such change. The Alternate shall act only in the absence of the Authorized Representative. Neither the Authorized Representatives nor the Alternates shall have authority to amend, modify, or supplement this MOU. Agreements of the Authorized Representatives pursuant to this MOU shall be in writing and signed by them.
7. **ADDITION AND WITHDRAWAL OF PARTICIPATING ENTITIES:**

   a. Any Participating Entity may voluntarily withdraw from this MOU by providing thirty (30) days written notice to the other Parties as provided in Paragraph 8.

   b. Additional Participating Entities may be added to this MOU by the Steering Committee. Such additional Participating Entities may or may not (1) be parties to the Nonfederal Participating Entities Cost-Share Agreement, or (2) participate in the Steering Committee.

8. **ADDRESSES FOR COMMUNICATIONS:**

   a. All notices and communications under this MOU shall be addressed to the contacts set forth in Exhibit A. In the event Participating Entities are added to this MOU by the Steering Committee as described in Subparagraph 7(b), the Authorized Representatives shall update Exhibit A accordingly and distribute the updated Exhibit A to all of the Parties.

   b. The Parties may change the addressee or address to which communications or copies are to be sent by giving notice of such change of addressee.

   [signatures on the following pages]
9. SIGNATURES:

IN WITNESS WHEREOF, this MOU was executed by the Parties on the date first hereinabove written.

SALT RIVER VALLEY WATER USERS' ASSOCIATION

By: [Signature]
Name: David C. Roberts
Title: Associate General Manager
       Water Resources

APPROVED AS TO FORM

By: [Signature]
Name: Patrick B. Sigl
Title: Supervising Attorney, Environment, Land & Water Rights

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

By: [Signature]
Name: David C. Roberts
Title: Associate General Manager
       Water Resources

APPROVED AS TO FORM

By: [Signature]
Name: Patrick B. Sigl
Title: Supervising Attorney, Environment, Land & Water Rights

Memorandum of Understanding for Bartlett Dam Modification Feasibility Study
ARIZONA WATER COMPANY

By: [Signature]
Name: Fredrick K. Schneider
Title: President

APPROVED AS TO FORM

By: [Signature]
Name: E. Robert Spear
Title: Vice President and General Counsel

Memorandum of Understanding for Bartlett Dam Modification Feasibility Study
[PARTICIPATING ENTITY]

By: Cherlene Penilla (Aug 5, 2021 10:41 PDT)
Name: for Charles A. Montoya
Title: City Manager

APPROVED AS TO FORM

Nicholle Harris

By: Nicholle Harris (Aug 4, 2021 17:46 PDT)
Name: Nicholle Harris
Title: City Attorney

ATTEST: Linda Mendenhall

Linda Mendenhall (Aug 5, 2021 10:44 PDT)
CITY OF BUCKEYE, an Arizona municipal Corporation,

By: __________________________
Name: Eric W. Orsborn
Title: Mayor

ATTEST

______________________________
Name: Lucinda J. Aja
Title: City Clerk

APPROVED AS TO FORM:

Shiela B. Schmidt

Name: Shiela B. Schmidt
Title: City Attorney

Memorandum of Understanding for Bartlett Dam Modification Feasibility Study
BUCKEYE WATER CONSERVATION AND DRAINAGE DISTRICT

By: Noel Carter
Name: Noel Carter
Title: General Manager

APPROVED AS TO FORM

By: [Signature]
Name: Michael Pearce
Title: District Attorney, Water Rights

Memorandum of Understanding for Bartlett Dam Modification Feasibility Study
CENTRAL ARIZONA WATER CONSERVATION DISTRICT

By: ____________________________
Name: Theodore C. Cooke, D.B.A.
Title: General Manager

APPROVED AS TO FORM

By: ____________________________
Name: Jay M. Johnson
Title: General Counsel

Memorandum of Understanding for Bartlett Dam Modification Feasibility Study
CITY OF CHANDLER

By: ___________________________
    John Knudson
    Director, Public Works & Utilities

APPROVED AS TO FORM

By: ___________________________
    Jenny J. Winkler
    Assistant City Attorney
CITY OF EL MIRAGE

By:  
Name:  Alexius Hermsillo  
Title:  Mayor

APPROVED AS TO FORM

By:  
Name:  Justin Pierce  
Title:  City Attorney

Memorandum of Understanding for Bartlett Dam Modification Feasibility Study
EPCOR USA, INC.

By: 
Name: Joe Gysel
Title: President

APPROVED AS TO FORM

By: 
Name: Dan Holwerda
Title: Associate General Counsel
CITY OF GLENDALE

By: [Signature]
Name: Kevin R. Phelps
Title: City Manager

APPROVED AS TO FORM

By: [Signature]
Name: Michael D. Bailey
Title: City Attorney

ATTEST:
By: [Signature]
Name: Julie K. Bower
Title: City Clerk

Memorandum of Understanding for Bartlett Dam Modification Feasibility Study
CITY OF GOODYEAR

By: ____________________________
Name: Julie Karins
Title: City Manager

APPROVED AS TO FORM

By: ____________________________
Name: Roric Massey
Title: City Attorney
CITY OF MESA

By: [Signature]

Name: Jake West
Title: Water Resources Department Director

Memorandum of Understanding for Bartlett Dam Modification Feasibility Study
CITY OF PEORIA

By: 
Name: Katie Gregory
Title: Deputy City Manager

APPROVED AS TO FORM

By: 
Name: Vanessa Hickman
Title: City Attorney

ATTEND
By: 
Name: Rhonda Germinink
Title: City Clerk

Memorandum of Understanding for Bartlett Dam Modification Feasibility Study
City of Phoenix

By: __________________________
Name: Cynthia Campbell
Title: Water Resources Management Advisor

APPROVED AS TO FORM

By: __________________________
Name: __________________________
Title: __________________________
TOWN OF QUEEN CREEK

By: John Kross (Aug 9, 2021 08:40 PDT)
Name: John Kross
Title: Town Manager

APPROVED AS TO FORM

Scott A. Holcomb
By: Scott A. Holcomb (Aug 10, 2021 10:13 PDT)
Name: Scott Holcomb
Title: Town Attorney

Memorandum of Understanding for Bartlett Dam Modification Feasibility Study
Roosevelt Water Conservation District

By: ________________________________
Name: Shane M. Leonard
Title: General Manager

APPROVED AS TO FORM

By: ________________________________
Name: ______________________________
Title: ______________________________
CITY OF TEMPE

By: ____________________________

Name: Corey D. Woods
Title: Mayor

APPROVED AS TO FORM

By: ____________________________

Name: Judith R. Baumann
Title: City Attorney
MEMORANDUM OF UNDERSTANDING

TO SUPPORT THE BARTLETT DAM MODIFICATION FEASIBILITY STUDY
AMONG VARIOUS PARTICIPATING ENTITIES,
SALT RIVER VALLEY WATER USERS' ASSOCIATION,
AND
SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

Exhibit A

Parties Contact List

Table 1 – Parties

<table>
<thead>
<tr>
<th>Arizona Water Company</th>
<th>City of Glendale</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Apache Junction</td>
<td>City of Mesa</td>
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<tr>
<td>City of Avondale</td>
<td>City of Peoria</td>
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<tr>
<td>City of Buckeye</td>
<td>City of Phoenix</td>
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<tr>
<td>Buckeye Water Conservation and Drainage District</td>
<td>Town of Queen Creek</td>
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<tr>
<td>Central Arizona Groundwater Replenishment District</td>
<td>Roosevelt Water Conservation District</td>
</tr>
<tr>
<td>City of Chandler</td>
<td>Salt River Valley Water Users’ Association</td>
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<tr>
<td>City of El Mirage</td>
<td>Salt River Project Agricultural Improvement and Power District</td>
</tr>
<tr>
<td>EPCOR, USA, Inc.</td>
<td>City of Surprise</td>
</tr>
<tr>
<td>Town of Gilbert</td>
<td>City of Tempe</td>
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<tr>
<td>City of Goodyear</td>
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<tr>
<td>Party</td>
<td>Contact</td>
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<td>Arizona Water Company</td>
<td>Arizona Water Company</td>
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<tr>
<td></td>
<td>3805 N. Black Canyon Highway</td>
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<tr>
<td></td>
<td>Phoenix, AZ 85015</td>
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<td></td>
<td><strong>Copy to:</strong></td>
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<tr>
<td></td>
<td>Terri Sue Rossi, Water Resources Manager</td>
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<td></td>
<td>Arizona Water Company</td>
</tr>
<tr>
<td></td>
<td>3805 N. Black Canyon Highway</td>
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<td></td>
<td>Phoenix, AZ 85015</td>
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<tr>
<td>City of Apache Junction</td>
<td>City of Apache Junction</td>
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<tr>
<td></td>
<td>c/o Michael Loggins</td>
</tr>
<tr>
<td></td>
<td>300 E. Superstition Blvd.</td>
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<tr>
<td></td>
<td>Apache Junction, AZ 85119</td>
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<td><strong>Copy to:</strong></td>
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<tr>
<td></td>
<td>Bryant Powell</td>
</tr>
<tr>
<td></td>
<td>300 E. Superstition Blvd.</td>
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<tr>
<td></td>
<td>Apache Junction, AZ 85119</td>
</tr>
<tr>
<td>City of Avondale</td>
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<tr>
<td>City of Buckeye</td>
<td>Alisha Solano, Water Resources Director</td>
</tr>
<tr>
<td></td>
<td>21749 W. Yuma Road, Suite 107</td>
</tr>
<tr>
<td></td>
<td>Buckeye, AZ 85326</td>
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<tr>
<td></td>
<td><strong>Copy to:</strong></td>
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<tr>
<td></td>
<td>Sheila B. Schmidt, City Attorney</td>
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<td></td>
<td>Gust Rosenfeld</td>
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<td></td>
<td>1 East Washington, Suite 1600</td>
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<tr>
<td></td>
<td>Phoenix, AZ 85004</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:sschmidt@gustlaw.com">sschmidt@gustlaw.com</a></td>
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## Table 2 – Contacts

<table>
<thead>
<tr>
<th>Party</th>
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<tbody>
<tr>
<td>Buckeye Water Conservation and Drainage District</td>
<td></td>
</tr>
<tr>
<td>Central Arizona Groundwater Replenishment District</td>
<td>Theodore C. Cooke, General Manager Central Arizona Water Conservation District P.O. Box 43020 Phoenix, AZ 85080-3020&lt;br&gt;&lt;br&gt;&lt;strong&gt;Copy to:&lt;/strong&gt;&lt;br&gt;Chris Brooks, Senior Analyst Laura Grignano, Manager Central Arizona Groundwater Replenishment District P.O. Box 43020 Phoenix, AZ 85080-3020</td>
</tr>
<tr>
<td>City of Chandler</td>
<td>John Knudson, Director, Public Works &amp; Utilities City of Chandler P.O. Box 4008, MS 403 Chandler, AZ 85244-4008&lt;br&gt;&lt;br&gt;&lt;strong&gt;Copy to:&lt;/strong&gt;&lt;br&gt;Kelly Schwab, City Attorney City of Chandler P.O. Box 4008, MS 602 Chandler, AZ 85244-4008</td>
</tr>
<tr>
<td>City of El Mirage</td>
<td></td>
</tr>
<tr>
<td>Party</td>
<td>Contact</td>
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</tbody>
</table>
| EPCOR USA, Inc. | EPCOR USA, Inc  
c/o Joe Gysel President  
2355 W. Pinnacle Peak Road, Suite 300  
Phoenix, AZ 85027 |
| Copy to: | |
| | EPCOR USA, Inc  
c/o General Counsel  
2355 W. Pinnacle Peak Road, Suite 300  
Phoenix, AZ 85027 |
| Town of Gilbert | |
| City of Goodyear | |
| City of Glendale | City of Glendale  
c/o City Clerk-Julie K. Bower  
5850 W. Glendale Ave.  
Glendale, AZ 85301 |
| Copy to: | |
| | City of Glendale  
Drew Swieczkowski  
7070 W. Northern Ave.  
Glendale, AZ 85303 |
<table>
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<th>Contact</th>
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<tr>
<td>City of Mesa</td>
<td>City of Mesa</td>
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<tr>
<td></td>
<td>c/o City Manager's Office</td>
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<tr>
<td></td>
<td>P.O. Box 1466</td>
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<tr>
<td></td>
<td>Mesa, Arizona 85211-1466</td>
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<td><strong>Copy to:</strong></td>
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<tr>
<td></td>
<td>Brian Draper</td>
</tr>
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<td></td>
<td>Water Resources Advisor City of Mesa</td>
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<td></td>
<td>P.O. Box 1466</td>
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<td>Mesa, Arizona 85211-1466</td>
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<td>City of Peoria</td>
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<tr>
<td>Town of Queen Creek</td>
<td>John Kross</td>
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<td></td>
<td>Paul Gardner</td>
</tr>
<tr>
<td></td>
<td>22358 S. Ellsworth Road</td>
</tr>
<tr>
<td></td>
<td>Queen Creek, AZ 85142</td>
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<tr>
<td>Roosevelt Water Conservation District</td>
<td></td>
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<tr>
<td>Party</td>
<td>Contact</td>
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</tr>
</tbody>
</table>
| Salt River Valley Water Users’ Association  
And  
Salt River Project Agricultural Improvement and  
Power District | Salt River Project  
c/o Corporate Secretary  
P.O. Box 52025  
Phoenix, AZ 85072-2205 |
| Copy to: |  |
| Ronald J. Klawitter  
Water System Projects Principal  
Salt River Project  
P.O. Box 52025  
Phoenix, AZ 85072-2205 |  |
| City of Scottsdale | City of Scottsdale – Scottsdale Water  
c/o Executive Director  
9312 N. 94th Street  
Scottsdale, AZ 85258 |
| Copy to: |  |
| City of Scottsdale – City Attorney  
3939 N. Drinkwater Blvd.  
Scottsdale, AZ 85251 |  |
| City of Surprise |  |
| City of Tempe |  |
AGREEMENT TO SHARE COSTS FOR THE FEASIBILITY STUDY OF BARTLETT DAM MODIFICATION ALTERNATIVES AMONG COST-SHARE PARTNERS AND SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

EXHIBIT C

MEMORANDUM OF UNDERSTANDING TO SUPPORT THE BARTLETT DAM MODIFICATION FEASIBILITY STUDY AMONG THE FORT MCDOWELL YAVAPAI NATION AND SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

EXHIBIT C – MBD Feasibility Cost-Share Agreement
MEMORANDUM OF UNDERSTANDING

TO SUPPORT THE BARTLETT DAM MODIFICATION FEASIBILITY STUDY

BETWEEN FORT MCDOWELL YAVAPAI NATION,
SALT RIVER VALLEY WATER USERS' ASSOCIATION,
AND
SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

October 12, 2021

1. PARTIES:

This nonbinding memorandum of understanding ("MOU") to support the Bartlett Dam Modification Feasibility Study is entered into by the Fort McDowell Yavapai Nation ("Nation"), the Salt River Valley Water Users' Association ("Association"), and the Salt River Project Agricultural Improvement and Power District ("District"). The Association and District are referred to collectively as “SRP.” SRP and the Nation are referred to collectively as “Parties.”

2. BACKGROUND AND PURPOSE:

a. The United States Department of the Interior’s Bureau of Reclamation ("Reclamation"), in partnership with SRP, conducted an appraisal level investigation called the Verde Reservoirs Sediment Mitigation Study to evaluate options to restore capacity lost in SRP’s Verde River reservoirs due to sediment accumulation, which impacts critical water supplies for central Arizona.

b. Reclamation issued a draft report entitled “Verde Reservoirs Sediment Mitigation Study Appraisal Report” in May 2021 ("Draft Appraisal Report"), the Executive Summary is attached to this MOU as Exhibit A, recommending that Reclamation:

i. Seek/confirm authority to initiate a feasibility study to determine the technical, environmental, economic, and financial feasibility of implementing one of two Bartlett Dam modification alternatives to enable central Arizona to adapt water management to changing climate conditions ("Bartlett Dam Modification Feasibility Study");
ii. Address topics identified in the Verde Reservoirs Sediment Mitigation Study during the feasibility study process; and

iii. Develop cost-share agreements necessary to support the successful completion of the Bartlett Dam Modification Feasibility Study.

c. Reclamation is expected to release a final appraisal report by the end of calendar year 2021. The Parties support Reclamation’s recommendations as identified in Subparagraph 2(b) and the initiation of the Bartlett Dam Modification Feasibility Study to further evaluate alternatives for modification of Bartlett Dam to improve management of water supplies of the Verde River, reduce the reliance on groundwater, and help position central Arizona to manage extended droughts and shortages created by climate change impacts on the Colorado, Salt, and Verde River watersheds.

d. The purpose of this MOU is to describe the cooperative efforts and roles and responsibilities of the Parties related to supporting Reclamation in completing the Bartlett Dam Modification Feasibility Study as recommended in the Draft Appraisal Report. As described below, included in those cooperative efforts is the formation and participation in a steering committee as described in Paragraph 5(d) (“Steering Committee”), and development of the following agreements: (1) a cost-share agreement as described in Paragraph 5(a) (“Nonfederal Participating Entities Cost-Share Agreement”), and (2) a cost-share agreement among SRP and Reclamation as described in Paragraph 4(b)(i) (“SRP-Reclamation Cost-Share Agreement”).

e. SRP has executed, or will be executing, a similar nonbinding MOU to Support the Bartlett Dam Modification Feasibility Study with some or all of the following entities: Arizona Water Company, Buckeye Water Conservation and Drainage District, Central Arizona Groundwater Replenishment District, City of Apache Junction, City of Avondale, City of Buckeye, City of Chandler, Town of Gilbert, City of El Mirage, City of Glendale, City of Goodyear, City of Mesa, City of Peoria, City of Phoenix, City of Scottsdale, City of Surprise, City of Tempe, EPCOR, Roosevelt Water Conservation District and Town of Queen Creek. The listed entities will be referred to as (“Participating Entities”).
3. **TERM AND TERMINATION:**

a. This MOU will become effective upon execution by the Parties and, unless terminated under Subparagraph 3(b), will remain in effect until Reclamation issues a final report for the Bartlett Dam Modification Feasibility Study.

b. This MOU will terminate in the event that Reclamation issues a final Verde Reservoirs Sediment Mitigation Study Appraisal Report that does not include a recommendation to study the feasibility of Bartlett Dam modification alternatives.

c. This MOU and the provisions of this MOU may only be modified upon mutual written consent of the Parties.

4. **RESPONSIBILITIES:**

a. Mutual Responsibilities:

i. The Nation will work cooperatively together with the Participating Entities and SRP to develop the Nonfederal Participating Entities Cost-Share Agreement although the Parties agree that the Nation will not be required to contribute any funding towards the Bartlett Dam Modification Feasibility Study.

ii. The Nation will work cooperatively with the Participating Entities and SRP to form and participate in the Steering Committee that is identified in Subparagraph 5(d) and will be further described by the Nonfederal Participating Entities Cost-Share Agreement.

iii. The Parties will support and assist Reclamation to conduct the Bartlett Dam Modification Feasibility Study in the event that Reclamation has/obtains authority to conduct this study as identified in the recommendations noted in Subparagraph 2(b). This support and assistance is expected to include funding of the Bartlett Dam Modification Feasibility Study by some or all of the Participating Entities, as will be specified by the Nonfederal Participating Entities Cost-Share Agreement. The Parties may provide data and information relevant to analyses that may include but are not limited to assessments of hydrology and climate change, demand for use of water supplies, environmental and cultural
resources, economics, engineering, dam safety and flood control, and recreation.

b. SRP Responsibilities:

i. SRP will work with Reclamation to develop the SRP-Reclamation Cost-Share Agreement as a mechanism for SRP to pay the nonfederal cost-share required for completing the Bartlett Dam Modification Feasibility Study in the event that Reclamation has/obtains authority to conduct this study, including the funds collected under the Nonfederal Participating Entities Cost-Share Agreement, for completing the Bartlett Dam Modification Feasibility Study.

ii. SRP will communicate with the Nation on a regular basis on all substantive decisions related to Reclamation developing a plan of study for the Bartlett Dam Modification Feasibility Study while it finalizes the Draft Appraisal Report.

iii. SRP will serve as chair of the Steering Committee.

c. The Nation’s Responsibilities:

i. The Nation may provide relevant data, information, opinions, and analyses related to the Bartlett Dam Modification Feasibility Study as reasonably requested by SRP or Reclamation in the event that Reclamation has/obtains authority to conduct the Bartlett Dam Modification Feasibility Study.

ii. The Nation will serve on the Steering Committee as appropriate to engage in collaboration and coordination with SRP to support Reclamation’s completion of the Bartlett Dam Modification Feasibility Study as will be further defined in the Nonfederal Participating Entities Cost-Share Agreement.

iii. The Nation may coordinate and collaborate with SRP in efforts to communicate information related to the Bartlett Dam Modification Feasibility Study with elected officials and other relevant stakeholders on the project.
iv. Nothing in this MOU prevents the Nation from consulting with Reclamation on a formal or informal basis on any matter, including regarding the Bartlett Dam Modification Feasibility Study.

5. DEVELOPMENT OF THE NONFEDERAL PARTICIPATING ENTITIES COST-SHARE AGREEMENT:

a. The Nation will collaborate with the other Participating Entities and SRP to develop the Nonfederal Participating Entities Cost-Share Agreement with a goal of execution in Fall 2021. The Nonfederal Participating Entities Cost-Share Agreement will describe how nonfederal costs will be allocated among SRP and any entities agreeing to share those costs to provide nonfederal funding to Reclamation and any appropriate contractors to conduct the Bartlett Dam Modification Feasibility Study in the event that Reclamation has/obtains authority to conduct this study.

b. As part of the process to develop the Nonfederal Participating Entities Cost-Share Agreement, SRP and any entities agreeing to share the nonfederal costs will collaborate to determine the relative shares of the non-federal cost contribution in support of the Bartlett Dam Modification Feasibility Study in the event that Reclamation has/obtains authority to conduct this study as recommended in the Draft Appraisal Report. The Parties understand that any cost-share contribution under the Nonfederal Participating Entities Cost-Share Agreement does not guarantee capacity in a future Modified Bartlett Dam in the event such a facility is constructed.

c. The Nation recognizes that the Nonfederal Participating Entities Cost-Share Agreement will be among SRP and any entity agreeing to share the nonfederal costs and will require those entities to submit funds to SRP for SRP to remit such funds to any necessary contractors or to Reclamation through the separate Reclamation-SRP Cost-Share Agreement.

d. As part of the Nonfederal Participating Entities Cost-Share Agreement, the Participating Entities and the Parties will establish the Steering Committee chaired by SRP to provide timely and effective feedback and guidance to support Reclamation and any necessary contractors in achieving the milestones necessary to complete the Bartlett Dam Modification Feasibility Study in the event that
Reclamation has/obtains authority to conduct this study and to facilitate coordination in communications with elected officials and other relevant stakeholders.

e. The Nation reserves the right to consult with Reclamation regarding cost-sharing for the Bartlett Dam Modification Feasibility Study.

6. AUTHORIZED REPRESENTATIVES

Within thirty (30) days after execution of this MOU, SRP and the Nation shall designate in writing an Authorized Representative and an Alternate to administer this MOU on behalf of the designating party. Written notice of a change of an Authorized Representative or Alternate shall be provided within thirty (30) days of such change. The Alternate shall act only in the absence of the Authorized Representative. Neither the Authorized Representatives nor the Alternates shall have authority to amend, modify, or supplement this MOU. Agreements of the Authorized Representatives pursuant to this MOU shall be in writing and signed by them.

7. ADDITION AND WITHDRAWAL OF PARTICIPATING ENTITIES:

a. SRP or the Nation may voluntarily withdraw from this MOU by providing thirty (30) days written notice to the other Party as provided in Paragraph 8.

8. ADDRESSES FOR COMMUNICATIONS:

a. All notices and communications under this MOU shall be addressed to the following addresses:

   If to SRP:

   Salt River Project
   c/o Corporate Secretary
   P.O. Box 52025
   Phoenix, AZ 85072-2205

   with a copy to:

   Ronald J. Klawitter
   Water System Projects Principal
b. The Parties may change the addressee or address to which communications or copies are to be sent by giving notice of such change of addressee.

[signatures on the following pages]
9. **SIGNATURES:**

IN WITNESS WHEREOF, this MOU was executed by the Parties on the date first hereinabove written.

**SALT RIVER VALLEY WATER USERS' ASSOCIATION**

By: [Signature]
Name: David C. Roberts
Title: Associate General Manager
       Water Resources

**APPROVED AS TO FORM**

By: [Signature]
Name: Patrick B. Sigl
Title: Supervising Attorney, Environment, Land & Water Rights

**SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT**

By: [Signature]
Name: David C. Roberts
Title: Associate General Manager
       Water Resources

**APPROVED AS TO FORM**

By: [Signature]
Name: Patrick B. Sigl
Title: Supervising Attorney, Environment, Land & Water Rights
FORT MCDOUGELL YAVAPAI NATION

By: [Signature]
Name: Bernadine Burnette
Title: President

APPROVED AS TO FORM

By: [Signature]
Name: Diandra D. Benally
Title: General Counsel

Memorandum of Understanding for Bartlett Dam Modification Feasibility Study
AGREEMENT TO SHARE COSTS FOR THE FEASIBILITY STUDY OF BARTLETT DAM MODIFICATION ALTERNATIVES AMONG COST-SHARE PARTNERS AND SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

EXHIBIT D
ANNUAL CONTRIBUTION LEVELS*

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<tr>
<th>Party</th>
<th>Annual Contribution to Nonfederal Cost-Share 2022</th>
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<td>City of Tempe</td>
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* The Annual Contribution Level as defined in this Agreement includes the option for a Party to elect to budget and appropriate the full amount of $400,000 to participate in this Agreement as a Voting Member at the time of the Effective Date of the Agreement for that Party. Payment will be made pursuant to Section 12 of this Agreement.

** These Parties are Voting Members of the Steering Committee irrespective of their Annual Contribution Levels.
AGREEMENT TO SHARE COSTS FOR THE FEASIBILITY STUDY OF BARTLETT DAM MODIFICATION ALTERNATIVES AMONG COST-SHARE PARTNERS AND SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

EXHIBIT E

POTENTIAL CRITERIA FOR ASSESSING NEED FOR WATER

The parties ("Parties") to the Agreement to Share Costs Associated with the Feasibility Study of Bartlett Dam Modification Alternatives Among Cost-Share Partners and Salt River Project Agricultural Improvement and Power District ("Agreement") will work together to develop criteria for evaluating the need of interested parties in gaining access to new conservation storage capacity and associated water supplies made possible by construction of a modified Bartlett Dam. The steering committee established by the Agreement ("Steering Committee") will develop the evaluation criteria that will be used to determine a beneficiary’s extent and urgency of need. The following provides examples of the type of information and criteria that the Steering Committee may consider when developing the criteria.

The Steering Committee may consider criteria similar to the following to evaluate if a beneficiary should be recommended for gaining access to water supplies provided by any new conservation storage space added on the Verde River as a result of potential modifications to Bartlett Dam:

- Whether a reduction in non-renewable groundwater use would result from access to the supplies
- Whether access to the supplies would result in increase in the physical availability of water in areas without current access to renewable water supplies
- Whether a beneficiary interested in gaining access to supplies is able to demonstrate or outline a plan (with reasonable investment, agreement, or exchange) to directly use, store and recover, or replenish groundwater with the supplies in a manner consistent with water management goals of the AMA in which the beneficiary operates and existing law
- Whether access to water supplies made possible aids in meeting demands of existing water providers on an identified time horizon to-be determined by the Steering Committee
- Whether access to water supplies aids in mitigating effects of shortages from other supplies in causing service disruptions to existing customers
- Whether access to water supplies would help resolve an immediate, short term or long-term need.

Information that may be Considered to Evaluate Participant’s Need:

- Applicable ADWR approved Designations of Assured Water Supply, ADWR approved groundwater modeling in support of a Physical Availability Determination, and ADWR approved Certificates of Assured Water Supply
- Annual Water Withdrawal and Use Reports
- Community Water System Annual Reports
- System Water Plans/Water, Wastewater, Water Resource Master Plans modeled and completed by each MOU Partner within identified time horizon during the feasibility study process to-be determined by Steering Committee
- Other data and information as identified by the Steering Committee

EXHIBIT E – MBD Feasibility Cost-Share Agreement
AGREEMENT TO SHARE COSTS FOR THE FEASIBILITY STUDY OF BARTLETT DAM MODIFICATION ALTERNATIVES AMONG COST-SHARE PARTNERS AND SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

EXHIBIT F

CONTACT LIST

<table>
<thead>
<tr>
<th>Party</th>
<th>Contact</th>
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<tbody>
<tr>
<td>Arizona Water Company</td>
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</tr>
<tr>
<td></td>
<td>3805 N. Black Canyon Highway</td>
</tr>
<tr>
<td></td>
<td>Phoenix, AZ 85015</td>
</tr>
<tr>
<td></td>
<td><strong>Copy to:</strong></td>
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<tr>
<td></td>
<td>Terri Sue Rossi, Water Resources Manager</td>
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<tr>
<td></td>
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<td><strong>Copy to:</strong></td>
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<tr>
<td></td>
<td>Bryant Powell</td>
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<td></td>
<td>300 E. Superstition Blvd.</td>
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<td></td>
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EXHIBIT F - MBD Feasibility Cost-Share Agreement
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<tr>
<th>Party</th>
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<tr>
<td>City of Buckeye</td>
<td>Alisha Solano, Water Resources Director</td>
</tr>
<tr>
<td></td>
<td>21749 W. Yuma Road, Suite 107</td>
</tr>
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<tr>
<td></td>
<td>Sheila B. Schmidt, City Attorney</td>
</tr>
<tr>
<td></td>
<td>Gust Rosenfeld</td>
</tr>
<tr>
<td></td>
<td>1 East Washington, Suite 1600</td>
</tr>
<tr>
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<td>Phoenix, AZ 85004</td>
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<tr>
<td></td>
<td><a href="mailto:sschmidt@gustlaw.com">sschmidt@gustlaw.com</a></td>
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<tr>
<td>Buckeye Water Conservation and Drainage District</td>
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<tr>
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<td>Chris Brooks, Senior Analyst</td>
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<td>John Knudson, Director, Public Works &amp; Utilities&lt;br&gt;City of Chandler&lt;br&gt;P.O. Box 4008, MS 403&lt;br&gt;Chandler, AZ 85244-4008</td>
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<td>Kelly Schwab, City Attorney&lt;br&gt;City of Chandler&lt;br&gt;P.O. Box 4008, MS 602&lt;br&gt;Chandler, AZ 85244-4008</td>
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<tr>
<td>EPCOR USA, Inc.</td>
<td>EPCOR USA, Inc&lt;br&gt;c/o Joe Gysel President&lt;br&gt;2355 W. Pinnacle Peak Road, Suite 300&lt;br&gt;Phoenix, AZ 85027</td>
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<td>Town of Gilbert</td>
<td>Town of Gilbert&lt;br&gt;c/o Town Manager&lt;br&gt;50 E. Civic Center Drive&lt;br&gt;Gilbert, AZ 85296</td>
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<td>5850 W. Glendale Ave.</td>
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<td>Drew Swieczkowski</td>
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c/o Water Services Director  
8401 W Monroe St  
Peoria, AZ 85345-6560 |
| City of Phoenix              | City of Phoenix Water Services Department  
200 West Washington, 9th Floor  
Phoenix, AZ 85003  
Attn: Water Services Director  
Copy to:  
City of Phoenix Law Department  
200 West Washington, 13th Floor  
Phoenix, AZ 85003  
Attn: City Attorney |
| Town of Queen Creek          | John Kross  
Paul Gardner  
22358 S. Ellsworth Road  
Queen Creek, AZ 85142  
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<p>| Roosevelt Water Conservation District |                                                                                                                                     |</p>
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</tbody>
</table>
CONTACT: Bridget Schwartz-Manock 623-869-2150 bschwartzmanock@cap-az.com 
Jeff Gray 623-869-2425 jgray@cap-az.com

MEETING DATE: Thursday, December 2, 2021

AGENDA ITEM: Discussion and Consideration of Action to Approve the Proposed 2022 State Legislative Agenda (Public Trust, Partnerships and Leadership) - Gray

RECOMMENDATION: Staff recommends that the Board approve the proposed 2022 State Legislative Agenda

FISCAL IMPLICATIONS: No
Impact on Budget:
None
Additional spending authority requested: No
Impact on Reserves:
None
Impact on Rates:
None

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:
2022 CAWCD Board Strategic Plan
Public Trust, Partnerships and Leadership: Earning and preserving public trust, building and maintaining partnerships, and providing informed water management leadership
Water Supply: Providing a reliable CAP water supply for the short- and long-term

PREVIOUS BOARD ACTION/ACTIVITY:
November 4, 2021 The Public Policy Committee previewed and discussed the draft proposed 2022 State Legislative Agenda

ISSUE SUMMARY/DESCRIPTION:
See attachments for the proposed 2022 State Legislative Agenda.

SUGGESTED MOTION:
I move that the Board approve the proposed 2022 State Legislative Agenda.

ATTACHMENTS:
1. Proposed 2022 State Legislative Agenda
2. Proposed 2022 State Legislative Agenda PowerPoint
PROPOSED 2022 STATE LEGISLATIVE AGENDA

Central Arizona Project 4-cent Tax

- **CAP Position:** Seek legislation to maintain the authority to levy the 4-cent tax at the current rate through January 2045, consistent with the final payment towards CAP’s federal repayment obligation.

Central Arizona Project Authorities and Operations

- **CAP Position:** Monitor legislative and regulatory efforts that could impact CAP’s contractual authorities or directly impact CAP water supplies and operations.

Colorado River Water Supply

- **CAP Position:** Support the implementation of the Lower Basin Drought Contingency Plan (DCP), including implementation of the Arizona DCP Plan and additional collective actions, developed as a result of the “1030’ consultations,” to reduce the risks of Lake Mead declining below elevation 1,020’.

- Support the implementation of Minute 323 with Mexico.

- Cooperate with Federal, State, Tribal and other stakeholders to support conservation efforts that protect water elevations in Lake Mead.

- Support continued state funding to address the effects of drought, including system conservation, agriculture efficiency, potable reuse, and other related programs.

Arizona Water Resources

- **CAP Position:** Collaborate with elected officials and stakeholders on efforts to address in-state and interstate water resources issues.

- Monitor legislative efforts that encourage in-state water conservation and augmentation activities.

Multi-Species Conservation Program (MSCP) Funding

- **CAP Position:** Support the Arizona Game and Fish Department’s efforts to collect and maintain revenues sufficient to continue its annual contribution toward the costs of the MSCP.

- Monitor legislative and executive proposals that impact dedicated annual state funding of the MSCP.
Funding of State Water Agencies and Commissions

- **CAP Position:** Support the efforts of the Arizona Department of Water Resources and the Arizona Water Protection Fund Commission to secure sufficient state General Fund appropriations in order to carry out statutory functions and maintain and recruit experienced staff.

- Monitor legislative actions that propose to use funds available to the Arizona Water Banking Authority Commission for other purposes.

Central Arizona Groundwater Replenishment District (CAGRD)

- **CAP Position:** Monitor any proposed CAGRD-related legislation to ensure its operations are not adversely impacted and participate with the Governor’s Water Augmentation, Innovation and Conservation Council and its committees to engage on CAGRD-specific topics.

- Ensure Rent-to-Build projects pay appropriate fees to the CAGRD, consistent with other single-family homes enrolled in CAGRD.

- Increase awareness of CAGRD’s statutory functions, operations, and funding to inform lawmakers of its contribution to Arizona’s water management and economic development.

Energy

- **CAP Position:** Monitor legislative efforts that may impact CAP operations, including CAP’s ability to secure affordable energy and ensure reliable transmission delivery.

Agency Rulemaking

- **CAP Position:** Monitor state rulemaking and implementation related to energy, air quality, water quality and other issues that may affect CAP operations.
Proposed 2022 State Legislative Agenda

• CAP’s State Legislative Agenda guides the activities of CAP legislative staff and consultants during the upcoming legislative session.

• No changes have been made to the proposed state agenda that was discussed at last month’s Public Policy Committee meeting.
Central Arizona Project 4-cent Tax

• Seek legislation to maintain the authority to levy the 4-cent tax at the current rate through January 2045, consistent with the final payment towards CAP’s federal repayment obligation.

Central Arizona Project Authorities & Operations

• Monitor legislative and regulatory efforts that could impact CAP’s contractual authorities or directly impact CAP water supplies and operations.
Colorado River Water Supply

• Support the implementation of the Lower Basin Drought Contingency Plan (DCP), including implementation of the Arizona DCP Plan and additional collective actions, developed as a result of the “1030’ consultations,” to reduce the risks of Lake Mead declining below elevation 1,020’.

• Support the implementation of Minute 323 with Mexico.

Colorado River Water Supply

• Cooperate with Federal, State, Tribal and other stakeholders to support conservation efforts that protect water elevations in Lake Mead.

• Support continued state funding to address the effects of drought, including system conservation, agriculture efficiency, potable reuse, and other related programs.
Arizona Water Resources

• Collaborate with elected officials and stakeholders on efforts to address in-state and interstate water resources issues.
• Monitor legislative efforts that encourage in-state water conservation and augmentation activities.

Multi-Species Conservation Program (MSCP) Funding

• Support the Arizona Game and Fish Department’s efforts to collect and maintain revenues sufficient to continue its annual contribution toward the costs of the MSCP.
• Monitor legislative and executive proposals that impact dedicated annual state funding of the MSCP.
Funding of State Water Agencies & Commissions

- Support the efforts of the Arizona Department of Water Resources and the Arizona Water Protection Fund Commission to secure sufficient state General Fund appropriations in order to carry out statutory functions and maintain and recruit experienced staff.

- Monitor legislative actions that propose to use funds available to the Arizona Water Banking Authority Commission for other purposes.

Central Arizona Groundwater Replenishment District (CAGRD)

- Monitor any proposed CAGRD-related legislation to ensure its operations are not adversely impacted and participate with the Governor’s Water Augmentation, Innovation and Conservation Council and its committees to engage on CAGRD-specific topics.

- Ensure Build-to-Rent projects pay appropriate fees to the CAGRD, consistent with other single-family homes enrolled in CAGRD.

- Increase awareness of CAGRD’s statutory functions, operations, and funding to inform lawmakers of its contribution to Arizona’s water management and economic development.
Energy

- Monitor legislative efforts that may impact CAP operations, including CAP’s ability to secure affordable energy and ensure reliable transmission delivery.

Agency Rulemaking

- Monitor state rulemaking and implementation related to energy, air quality, water quality and other issues that may affect CAP operations.
KNOW YOUR WATER

Questions?
Agenda Number 4.a.ii

CONTACT: Bridget Schwartz-Manock
623-869-2150
bschwartzmanock@cap-az.com

Jeff Gray
623-869-2425
jgray@cap-az.com

MEETING DATE: Thursday, December 2, 2021

AGENDA ITEM: Discussion and Consideration of Action to Approve the Proposed 2022 Federal Legislative Agenda (Public Trust, Partnerships and Leadership*) - Gray

RECOMMENDATION: Staff recommends that the Board approve the proposed 2022 Federal Legislative Agenda

FISCAL IMPLICATIONS: No

Impact on Budget:
None

Additional spending authority requested: No

Impact on Reserves:
None

Impact on Rates:
None

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:
2022 CAWCD Board Strategic Plan
Public Trust, Partnerships and Leadership: Earning and preserving public trust, building and maintaining partnerships, and providing informed water management leadership
Water Supply: Providing a reliable CAP water supply for the short- and long-term

PREVIOUS BOARD ACTION/ACTIVITY:
November 4, 2021 The Public Policy Committee previewed and discussed the draft proposed 2022 Federal Legislative Agenda

ISSUE SUMMARY/DESCRIPTION:
See attachments for the proposed 2022 Federal Legislative Agenda.

SUGGESTED MOTION:
I move that the Board approve the proposed 2022 Federal Legislative Agenda.

ATTACHMENTS:
1. Proposed 2022 Federal Legislative Agenda
2. Proposed 2022 Federal Legislative Agenda PowerPoint
PROPOSED 2022 FEDERAL LEGISLATIVE AGENDA

Central Arizona Project Authorities and Operations

- **CAP Position**: Monitor legislative and regulatory efforts that could impact CAP’s contractual authorities or directly impact CAP water supplies and operations.

Colorado River Water Supply

- **CAP Position**: Support the federal government’s ability to address drought on the Colorado River, implementation of the Lower Basin Drought Contingency Plan (DCP) and Minute 323 by: providing appropriate funding for the Bureau of Reclamation’s efforts to conserve 100,000 acre-feet or more per year as part of the federal government’s DCP commitments; supporting development and implementation of additional collective actions, developed as a result of the “1030’ consultations” to reduce the risks of Lake Mead declining below elevation 1,020’; and supporting implementation of Minute 323 for binational benefits.

- Cooperate with Federal, State, Tribal, and other stakeholders to improve the resilience of the Colorado River water supply through system conservation programs, enhanced water conservation, large-scale water augmentation activities including desalination, weather modification, water storage, water reuse and recycling programs, and continued protection of environmental values as well as investments in enhanced monitoring of Colorado River resources and improved understanding of climate change impacts on Colorado River Basin resources.

- Monitor legislative efforts for opportunities to support funding for Western water drought activities and aging infrastructure.

Cybersecurity

- **CAP Position**: Monitor legislative efforts to address cybersecurity and potential threats to critical infrastructure and vital computer systems.

Central Arizona Project Water Infrastructure

- **CAP Position**: Monitor proposals by the Executive and Congress to provide financing opportunities to modernize U.S. infrastructure and determine possible opportunities for CAP.

Energy

- **CAP Position**: Monitor legislative efforts that may impact CAP operations, including CAP’s ability to secure affordable energy and ensure reliable transmission delivery, and proposals to address the impact of declining reservoir levels on hydropower.
Water Quality and Salinity

- **CAP Position**: Monitor water quality issues impacting the Colorado River that may affect CAP operations.

- Support the activities of the Colorado River Basin Salinity Control Forum, including efforts to secure adequate funding and improve water management.

- Support the efforts of the Lower Colorado River Water Quality Partnership to address water quality issues of the Colorado River.

Indian Water Rights and Settlements

- **CAP Position**: Collaborate with Arizona Tribes and other stakeholders on issues related to resolving water rights claims and support opportunities to provide Arizona Tribes with Colorado River decreed water rights greater flexibility to manage their resources.

- Support legislation necessary and appropriate to enact the Hualapai Tribe water rights settlement.

Lands

- **CAP Position**: Support the transfer and/or management of CAP lands located on Bureau of Land Management property to the Bureau of Reclamation.

Federal Rulemaking

- **CAP Position**: Monitor federal rulemaking and implementation related to energy, air quality, water quality, and other issues that may affect CAP operations.
Proposed Federal Legislative Agenda

- CAP’s Federal Legislative Agenda guides the activities of CAP legislative staff and consultants during the upcoming Congressional session.

- No changes have been made to the proposed federal agenda that was discussed at last month’s Public Policy Committee meeting.
Central Arizona Project Authorities & Operations

• Monitor legislative and regulatory efforts that could impact CAP’s contractual authorities or directly impact CAP water supplies and operations.

Colorado River Water Supply

• Support the federal government’s ability to address drought in the Colorado River, implementation of the Lower Basin Drought Contingency Plan (DCP) and Minute 323 by: providing appropriate funding for the Bureau of Reclamation’s efforts to conserve 100,000 acre-feet or more per year as part of the federal government’s DCP commitments; supporting development and implementation of additional collective actions, developed as a result of the “1030’ consultations” to reduce the risks of Lake Mead declining below elevation 1,020’; and supporting implementation of Minute 323 for binational benefits.
Colorado River Water Supply

- Cooperate with Federal, State, Tribal, and other stakeholders to improve the resilience of the Colorado River water supply through system conservation programs, enhanced water conservation, large-scale water augmentation activities including desalination, weather modification, water storage, water reuse and recycling programs, and continued protection of environmental values as well as investments in enhanced monitoring of Colorado River resources and improved understanding of climate change impacts on Colorado River Basin resources.

- Monitor legislative efforts for opportunities to support funding for Western water drought activities and aging infrastructure.

Cybersecurity

- Monitor legislative efforts to address cybersecurity and potential threats to critical infrastructure and vital computer systems.
Central Arizona Project Water Infrastructure

• Monitor proposals by the Executive and Congress to provide financing opportunities to modernize U.S. infrastructure and determine possible opportunities for CAP.

Energy

• Monitor legislative efforts that may impact CAP operations, including CAP’s ability to secure affordable energy and ensure reliable transmission delivery, and proposals to address the impact of declining reservoir levels on hydropower.
Water Quality & Salinity

- Monitor water quality issues impacting the Colorado River that may affect CAP operations.
- Support the activities of the Colorado River Basin Salinity Control Forum, including efforts to secure adequate funding and improve water management.
- Support the efforts of the Lower Colorado River Water Quality Partnership to address water quality issues of the Colorado River.

Indian Water Rights & Settlements

- Collaborate with Arizona Tribes and other stakeholders on issues related to resolving water rights claims and support opportunities to provide Arizona Tribes with Colorado River decreed water rights greater flexibility to manage their resources.
- Support legislation necessary and appropriate to enact the Hualapai Tribe water rights settlement.
Lands

• Support the transfer and/or management of CAP lands located on Bureau of Land Management property to the Bureau of Reclamation.

Federal Rulemaking

• Monitor federal rulemaking and implementation related to energy, air quality, water quality, and other issues that may affect CAP operations.
KNOW YOUR WATER

Questions?
November 18, 2021 Meeting

Committee Members present were: Vice President Mark Taylor, Pima County; Karen Cesare, Pima County; Pat Jacobs, Pima County; April Pinger-Tornquist, Maricopa County. Board Member Cesare chaired this meeting on behalf of Vice President Taylor.

Overview of Rates and Rate Setting Process
Chris Hall, Assistant General Manager for Finance and Administration introduced the topic by reminding the Committee that this is the third presentation in the series on rates, taxes, and reserves. Doug Dunlap, Finance and Accounting Manager, presented an overview of the various rate components and the timing for both adopting and reconciling the rate.

Report on Contractual Requirements for Rate Setting
Jay Johnson, General Counsel, presented an overview of the limitations CAP has on setting rates, as outlined by existing contracts with both customers and the Bureau of Reclamation.

Presentation on Rate Setting and Alternative Rates
Brandtly Thorton, Rounds Consulting, returned to answer any follow-up questions from the Committee and review their findings. Jim Rounds then spoke and was asked to discuss economic theories relating to CAP’s rate-setting and price-signaling behavior. He reminded the Committee that CAP’s rate is not sufficient to influence water-user behavior, but the stability of the CAP system is very important to macro-economic decisions. He also said stability is foundational to development decisions and urged the Committee to “stay the course”.

Discussion and Subcontractor Perspectives on CAP Rates
Several CAP customers delivered their perspectives on the CAP rate-setting process and how it impacted the rates that they ultimately adopt for their customers. Presenters included:
  - Warren Tenney, Arizona Municipal Water Users Association
  - Brian Biesemeyer, Scottsdale Water
  - Cape Powers, City of Peoria
  - John Kmiec, City of Tucson
  - Michael Boule, City of Surprise

Report on November 9, 2021 Water User Roundtable
Chris Hall, Assistant General Manager for Finance and Administration, reported on the roundtable. There were over 80 attendees and 26 participants. CAP introduced the concept of “500+” plan to CAP customers and outlined the financial resources necessary to fulfill Arizona’s portion of the agreement. CAP is looking for 50,000-60,000 acre-feet in 2022 and will compensate conservation of this amount at $261.60/AF.

Financial Planning & Analysis
www.CentralArizonaProject.com
623-869-2333
Because this water won’t be delivered, it “strands” approximately $13M Fixed OM&R, resulting in an increase of $10 per acre-foot to 2022 delivery rates. CAP staff has proposed offsetting a portion of this impact, either through reductions to the Capital Charge in 2022 or in rate reconciliation in 2023. Staff asked for feedback from anyone who might wish to participate in compensative conservation, as well as the preference for mitigating the rate impacts within two weeks.

Of the 26 participants, 23 gave feedback. Generally, they were appreciative for the effort to put more water in Lake Mead. While some customers felt they were too far along in their commitments to participate in the compensated conservation program in 2022, others thought they might have some ability to participate. Nearly everyone who spoke on the rate mitigation question asked for more time before giving CAP staff their preference.

Discussion and Next Steps

Board Member Jacobs requested an augmentation and partnership agenda item be added to the January agenda.

Vice President Taylor noted that it is difficult for us to adjust rates with the constraints CAP has contractually. Using rates to influence conservation is the purview of the municipalities and their rate structures. CAP’s role is to provide stability. During times of uncertainty, providing rate stabilization for customers is a big role of CAP.

Board Member Cesare noted that the work put in over the last few months will be used to answer recurring questions that always come up during the rate-setting process.

Contact for more information:
Chris Hall
Assistant General Manager, Finance and Administration
623-869-2632
chall@cap-az.com
November 18, 2021 Meeting

Chair Alexandra Arboleda and Board Member Stephen Miller participated in person, Board Members Jim Holway, Pat Jacobs, and Jennifer Martin participated remotely.

Report on Central and Southern Arizona Homebuilding Trends

Spencer Kamps, Vice President of Legislative Affairs at Home Builders Association of Central Arizona, delivered a presentation on the influence of current economic conditions and population growth on Arizona’s housing market. Conclusions of the presentation include: the economy will continue to be strong through 2023 barring unexpected events, Arizona will experience faster growth than the rest of the nation, there is a need to address a lack of housing supply causing affordability issues and supply chain problems are slowing home construction. Mr. Kamps answered a question from Board Member Miller regarding a decrease in issued permits in recent months.

Report on Public Processes that Could Impact CAGR and Underground Storage

Laura Grignano, CAGR Manager, provided updates on both the Post-2025 AMAs Committee of the GWAICC and the Pinal Groundwater Stakeholder Group. The Co-chairs of the Post-2025 AMAs Committee have generated a list of proposals that attempt to address multiple issues while gaining overall support from the Committee and are politically viable in 2022. The proposals include: supporting discussions on augmentation to continue at the Long-Term Water Augmentation Committee, remove the restrictions imposed by WaterBUD, provide support to ADEQ to continue to develop its rules on Direct Potable Reuse and recommend ADWR review and evaluate administrative processes in the Assured Water Supply Program including its policy on commingling multiple types of water supplies. The Co-chairs are presenting the solution package to the full GWAICC on November 30 and developing a list of topics for the Post-2025 AMAs Committee to address in 2022. Board Members Holway and Miller provided comments regarding proposed solutions, commingling of water supplies and over-allocated groundwater. Ms. Grignano answered questions from Board Member Jacobs on commingling of water supplies and relationship to CAGR. Chair Arboleda directed interested parties to the GWAICC’s website (https://new.azwater.gov/gwaicc).

The Pinal Groundwater Stakeholder Group continues to develop revised baseline assumptions for the Pinal AMA Assured Water Supply groundwater model in an attempt to eliminate no un-met municipal groundwater demand in the model domain. The revised assumptions will be submitted to ADWR for consideration in December. If successful, this may allow the resumption of development in the Pinal AMA. The group is also developing potential legislative action to address challenges some see as obstacles to using more renewable supplies. Of note, there is an attempt by both the Post-2025 AMAs Committee and the Pinal Groundwater Stakeholder Group to address commingled water supplies and repeal WaterBUD. Chair Arboleda and Board Members Holway and Miller provided comments on the complexity of the issues.
facing the Pinal AMA, potential solutions, physical availability of groundwater, and additional development in the Pinal AMA.

Discussion and Consideration of Action to Recommend the Board Approve Revised CAGRD Water Supply Program Principles

Laura Grignano, CAGRD Manager presented revisions to the proposed update to the 2013 Water Supply Program Principles. Most notably, these revisions included a focus on obtaining rights to wet water as part of a diversified water resource portfolio and an identification of a need to continue to seek a robust portfolio. Discussion from Chair Arboleda and Board Member Holway produced additional refinement to the Water Supply Program Principles. The Committee voted unanimously to recommend the Board of Directors consider approving the revised Water Supply Program Principles.

Possible Consideration of Action to Recommend the Board Approve Guiding Principles Regarding the Post-2025 AMA Committee Issues Related to CAGRD and Underground Storage

Chair Arboleda presented revisions to a proposed set of guiding principles regarding interaction with the Post-2025 AMAs Committee on issues regarding the CAGRD and Underground Storage. An additional guiding principle on acquiring a diversified, well-balanced portfolio including wet water rights – identical to an addition to the Water Supply Program Principles, above – was added along with minor modifications for clarity. An additional action item was added for staff in support of efforts to lower reliance on the CAGRD and assist in de-enrollment of CAGRD members. Discussion between Chair Arboleda and Board Members Holway and Jacobs produced additional refinement to the guiding principles and discussed whether to move the guiding principles to the Board of Directors. Ted Cooke, CAP General Manager, Laura Grignano, CAGRD Manager, and David Dunaway, CAGRD Policy Analyst, responded to comments and answered questions from Board Members Holway and Jacobs regarding phrasing of guiding principles, de-enrollment from the CAGRD, and action items for staff related to the Post-2025 AMAs Committee. The Committee voted unanimously to recommend the Board of Directors consider approving the Guiding Principles.


David Dunaway, CAGRD Policy Analyst, provided a presentation on the 2020 activities of the CAGRD including enrollment and activation numbers, replenishment activities, remaining obligation and water supply updates. The Annual Operations Report, included in the packet, is a supplement to the Conservation District Annual Report submitted by CAGRD to ADWR annually and contains additional information regarding the CAGRD and its activities through that calendar year.
Report on 2021 Member Land and Member Service Area Enrollment and Activation Activity through Q3

David Dunaway, CAGRD Policy Analyst, presented the statistics of enrollment and activation through the third quarter of 2021 and an overview of “Build to Rent” projects, similar to master planned communities albeit designed from inception to be rented to lessees. Staff have observed Build to Rent projects becoming more frequent in Arizona and may have impact on CAGRD’s operations. Board Member Miller commented on Build to Rent developments and their growing popularity and impact on groundwater availability.

Future Agenda Items

The next CAGRD and Underground Storage Committee meeting is scheduled for January 20, 2022 and will likely include an update on public processes than may impact the CAGRD. Board Member Jacobs requested a future agenda item on staff’s efforts towards completing action items and topics for additional discussion identified during the presentation on Guiding Principles Regarding the Post-2025 AMA Committee Issues Related to CAGRD and Underground Storage.

Contact for more information:
Laura Grignano
CAGRD Manager
623-869-2113
lgrignano@cap-az.com
Agenda Number 4.c.i

CONTACT: Christopher Brooks  Laura Grignano
623-869-2438  623-869-2113
cbrooks@cap-az.com  lgrignano@cap-az.com

MEETING DATE: Thursday, December 2, 2021

AGENDA ITEM: Discussion and Consideration of Action to Approve Revised CAGRD Water Supply Program Principles (Groundwater Replenishment*) - Arboleda

RECOMMENDATION: The CAGRD and Underground Storage Committee recommend that the Board approve the attached Revised CAGRD Water Supply Program Principles.

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
Groundwater Replenishment: Fulfilling CAP's groundwater replenishment responsibilities in accordance with statutory requirements
Public Trust, Partnerships and Leadership: Earning and preserving public trust, building and maintaining partnerships, and providing informed water management leadership

PREVIOUS BOARD ACTION/ACTIVITY:
Nov 18, 2021  CAGRD & Underground Storage Committee Discussion and Consideration of Action to Recommend the Board Approve Revised CAGRD Water Supply Program Principles
Sep 23, 2021  CAGRD & Underground Storage Committee Review and Discussion of CAGRD Water Supply Program Principles
Aug 19, 2021  CAGRD & Underground Storage Committee Review and Discussion of CAGRD Water Supply Program Principles
Oct 3, 2013  CAWCD Board Adoption of CAGRD Water Supply Program Principles

ISSUE SUMMARY/DESCRIPTION:
The CAGRD Water Supply Program Principles were adopted by Board resolution in 2013 to guide the newly created CAGRD Water Supply Program's water supply acquisition activities. Revisions to these Principles were suggested after completion of the 2022 Board Strategic Plan and discussions occurring within the Post-2025 AMAs Subcommittee of the Governor's Water Augmentation, Innovation and Conservation Council. The
CAGRD and Underground Storage Committee recommended approval of these modifications at their November 18 meeting.

**SUGGESTED MOTION:**
I move that the CAWCD Board of Directors approve the Revised CAGRD Water Supply Program Principles.

**ATTACHMENTS:**
1. CAGRD Water Supply Program Principles
2. CAGRD Water Supply Program Principles REDLINE
RESOLUTION OF THE CENTRAL ARIZONA WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS
CAGRD Water Supply Program Principles
December 2, 2021

WHEREAS, the Central Arizona Water Conservation District ("CAWCD") acting under its authority as the Central Arizona Groundwater Replenishment District ("CAGRD") is required by law to replenish groundwater on behalf of its members; and

WHEREAS, the CAWCD may not deny or restrict membership in the CAGRD and is therefore required to acquire various water supplies, as specified by law, to meet the replenishment obligations placed on the CAGRD by its members; and

WHEREAS, the CAWCD Board of Directors in each Strategic Plan since 2010 has directed the CAGRD staff to pursue the acquisition of water supplies as outlined in the CAGRD Plan of Operation, which was approved by the Arizona Department of Water Resources; and

WHEREAS, in response to the CAWCD Board direction the CAGRD staff has developed a Water Supply Program that identifies various types of potentially available water supplies including effluent, Long-Term Storage Credits, CAP water including M&I subcontracts, leases of Indian priority water, Non-Indian Agricultural priority supplies, Colorado River water and imported groundwater; and

WHEREAS, all acquisitions of water supplies for the CAGRD must be approved in open meetings by the CAWCD Board of Directors; and

WHEREAS, the CAGRD has analyzed its need for long-term water supplies and regularly updates its analysis and, after considering currently available long-term water supplies, has identified near-term needs; and

WHEREAS, the CAGRD acquisition of a balanced portfolio of various water supplies will increase overall water supply reliability under a variety of hydrologic and operational conditions and will lessen the potential impact to the area from which any single supply is acquired; and

WHEREAS, since its creation in 2010 the CAGRD Water Supply Program has sought to develop and continues to seek a robust, diversified water supply portfolio through market-based transactions; and

WHEREAS, the CAGRD Water Supply Program will be implemented consistent with state and federal law.
It is therefore **RESOLVED** that the CAWCD adopts the following Principles for the CAGRD acquisition of long-term water supplies to meet its replenishment obligations:

- The CAGRD does not have condemnation authority and will not partner with other entities to use their condemnation authority to acquire water supplies through condemnation.
- When considering agreements involving Colorado River entitlements held by irrigation districts, the CAGRD acknowledges that the districts are the local governmental body best situated to assess any impacts to landowners and farmers within the districts and therefore, will negotiate directly with the districts.
- The CAGRD will assert its fiduciary responsibility to its members by negotiating a fair and reasonable price for the acquisition of water supplies based on the best available information regarding the fair market value of said supplies.
- The CAGRD will consider potential third-party impacts to the local community associated with any proposed water acquisition/transfer.
- The CAGRD will seek to align long-term storage credit acquisitions with the locations of projected future replenishment obligations.
- The CAGRD will endeavor, when possible, to partner with member municipalities and water providers on mutually beneficial infrastructure projects to develop or further the use of renewable water supplies.
- The CAGRD will acquire new water supplies in a manner that generally coincides with increases in the CAGRD replenishment obligation water demand as they occur over time.
- The CAGRD will seek to acquire a diversified, well-balanced portfolio of short and long-term water assets, including permanent wet water resources (or rights), that will ensure water supply availability under a range of hydrological and operational conditions.

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 December 2, 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 2nd DAY OF DECEMBER 2021.**

By: ________________________________
Alexandra M. Arboleda, Secretary
RESOLUTION OF THE CENTRAL ARIZONA WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS
CAGRD Water Supply Program Principles

WHEREAS, the Central Arizona Water Conservation District ("CAWCD") acting under its authority as the Central Arizona Groundwater Replenishment District ("CAGRD") is required by law to replenish groundwater on behalf of its members; and

WHEREAS, the CAWCD may not deny or restrict membership in the CAGRD and is therefore required to acquire various water supplies, as specified by law, to meet the replenishment obligations placed on the CAGRD by its members; and

WHEREAS, the CAWCD Board of Directors in each its 2010-Strategic Plan since 2010 has directed the CAGRD staff to pursue the acquisition of water supplies as outlined in the CAGRD Plan of Operation, which was approved by the Arizona Department of Water Resources; and

WHEREAS, in response to the CAWCD Board direction the CAGRD staff has developed a Water Supply Program that identifies various types of potentially available water supplies including effluent, Long-Term Storage Credits, CAP water including M&I subcontracts, leases of Indian priority water, Non-Indian Agricultural priority supplies, Colorado River water and imported groundwater; and

WHEREAS, all acquisitions of water supplies for the CAGRD must be approved in open meetings by the CAWCD Board of Directors; and

WHEREAS, the CAGRD has analyzed its need for long-term water supplies as reported in the October 20, 2011 CAGRD Mid-Plan Review and regularly updates its analysis and, after considering currently available long-term water supplies, has identified near-term needs; and a near-term need for 25,000 acre-feet per year by 2015 and an additional need for 100,000 acre-feet per year by 2035; and

WHEREAS, the CAGRD acquisition of a balanced portfolio of various water supplies will increase overall water supply reliability under a variety of hydrologic and operational conditions and will lessen the potential impact to the area from which any single supply is acquired; and

WHEREAS, since its creation in 2010 the CAGRD Water Supply Program has sought to develop and continues to seek a robust, diversified water supply portfolio the Western Governors' Association in its report Water Transfers in the West, Projects, Trends, and Leading Practices in Voluntary Water Trading, December 2012 identifies the public policy benefit of water transfers through voluntary market-based transactions in which potential conflicts can be resolved through direct negotiation, and local conditions and needs are accommodated; and
WHEREAS, the CAGRD Water Supply Program will be implemented consistent with state and federal law.

It is therefore **RESOLVED** that the CAWCD adopts the following Principles for the CAGRD acquisition of long-term water supplies to meet its replenishment obligations:

- The CAGRD does not have condemnation authority and will not partner with other entities to use their condemnation authority to acquire water supplies through condemnation.

- When considering agreements involving Colorado River entitlements held by irrigation districts, the CAGRD acknowledges that the districts are the local governmental body best situated to assess any impacts to landowners and farmers within the districts and therefore, will negotiate directly with the districts.

- The CAGRD will assert its fiduciary responsibility to its members by negotiating a fair and reasonable price for the acquisition of water supplies based on the best available information regarding the fair market value of said supplies.

- The CAGRD will consider potential third-party impacts to the local community associated with any proposed water acquisition/transfer.

- The CAGRD will seek to align long-term storage credit acquisitions with the locations of projected future replenishment obligations.

- The CAGRD will endeavor, when possible, to partner with member municipalities and water providers on mutually beneficial infrastructure projects to develop or further the use of renewable water supplies.

- The CAGRD will acquire new water supplies in a manner that generally coincides with increases in the CAGRD replenishment obligation water demand as they occur over time.

- The CAGRD will seek to acquire a diversified, well-balanced portfolio of short and long-term water assets, including permanent wet water resources (or rights), that will ensure water supply availability under a range of hydrological and operational conditions.

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 3, 2021**[DATE], 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 3rd DAY OF OCTOBER 2021 2nd DAY OF DECEMBER 2021[DATE].**

By: ________________________________

Alexandra M. Arboleda, Secretary
CONTACT: Laura Grignano 623-869-2113 lgrignano@cap-az.com
       David Dunaway 623-869-2114 ddunaway@cap-az.com

MEETING DATE: Thursday, December 2, 2021

AGENDA ITEM: Discussion and Consideration of Action to Approve Guiding Principles Regarding the Post-2025 AMA Committee Issues Related to CAGRD and Underground Storage (Groundwater Replenishment) - Arboleda

RECOMMENDATION: The CAGRD and Underground Storage Committee recommends the Board of Directors approve the Guiding Principles Regarding the Post-2025 AMA Committee Issues as passed by the CAGRD and Underground Storage Committee on November 18, 2021.

FISCAL IMPLICATIONS: No

Impact on Budget:

Additional spending authority requested:

Impact on Reserves:

Impact on Rates:

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:
2022 CAWCD Board Strategic Plan
Groundwater Replenishment: Fulfilling CAP's groundwater replenishment responsibilities in accordance with statutory requirements
Public Trust, Partnerships and Leadership: Earning and preserving public trust, building and maintaining partnerships, and providing informed water management leadership

PREVIOUS BOARD ACTION/ACTIVITY:
Nov 18, 2021 Discussion and Possible Consideration of Action to Recommend the Board Approve Guiding Principles Regarding the Post-2025 AMA Committee Issues Related to CAGRD and Underground Storage
Sep 23, 2021 Discussion on Feedback and Next Steps on Post-2025 AMA Committee Issues Related to CAGRD and Underground Storage
Aug 19, 2021 Discussion on Feedback and Next Steps on Post-2025 AMA Committee Issues Related to CAGRD and Underground Storage

ISSUE SUMMARY/DESCRIPTION:
Over the last few months, the CAGRD and Underground Storage Committee has been engaged in developing a set of guiding principles regarding Post-2025 AMAs issues related to CAGRD and underground storage. It is intended that these principles provide guidance to staff as the Post-2025 AMA Committee process enters the solution phase of its work. The guiding principles were developed after extensive stakeholder feedback on the issues earlier this year.
At the November 18th Committee meeting, the CAGRD and Underground Storage Committee voted to recommend the Board of Directors approve the Guiding Principles Regarding the Post-2025 AMA Committee Issues.

SUGGESTED MOTION:
I move that the Board of Directors approve the Guiding Principles Regarding the Post-2025 AMA Committee Issues as passed by the CAGRD and Underground Storage Committee on November 18, 2021.

ATTACHMENTS:
1. CAGRD Guiding Principles for Adoption (as passed)
Guiding Principles for Post-2025 AMA Interaction

- CAWCD will actively participate in dialogues regarding the resilience and long-term role of the CAGRD.
- CAGRD will, to the extent feasible, complete groundwater replenishment activities in the groundwater sub-basin where the replenishment obligation is incurred.
- CAGRD will, to the extent feasible, acquire a diversified, well-balanced portfolio of short and long-term water assets, including permanent wet water resources (or rights), that will ensure water supply availability under a range of hydrological and operational conditions.
- CAWCD will support efforts to better quantify existing water supplies, assess water augmentation efforts and to develop new water supplies.
- CAWCD will support policies and may develop criteria to improve or strengthen consultation with ADWR regarding sufficiency of future water supplies to meet current and projected demand for the CAGRD.
- CAWCD will support policies that incentivize customers to pledge their own renewable water supplies or LTSCs to CAGRD’s portfolio.
CONTACT: Patrick Dent  
623-869-2581  
pdent@cap-az.com

MEETING DATE: Thursday, December 2, 2021

AGENDA ITEM: Report on Activities Related to 1030 Consultation and 500+ Plan Components [Water Supply*] - Dent/Buchanan Davis, Governor’s Office

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:
09/02/2021  2022 Shortage Declaration  
11/04/2021  Report on 1,030’ Consultations

ISSUE SUMMARY/DESCRIPTION:  
Background: On August 16th, 2021, Reclamation released the August 24 Month Study. In addition to projecting Lake Mead elevation less than 1,075’ at the end of 2021, triggering the declaration of Tier 1 Shortage in the Lower Basin for 2022, the Minimum Probable projection showed Lake Mead falling below 1,030’ during 2023. This triggered the so-called “1,030’ Consultation” per the Lower Basin Drought Contingency Plan Agreement Exhibit 1. Section V. B. 2 which states, in part, “…commitment to individual and collective action to avoid and protect against the potential for elevations in Lake Mead to decline to elevations below 1,020’”, and “…If any 24-Month Study for the minimum probable inflows projects that Lake Mead will be at or below 1,030’ anytime within the succeeding two Years, the Secretary and Lower Division States shall consult and determine what additional measures will be taken”.

The Lower Basin parties representing Arizona, California, Nevada and the United States have been meeting since August to develop and implement additional actions, beginning in 2022, on top of the reductions and contributions required under the 2007 Guidelines and the Drought Contingency Plan and related agreements. The parties are focused on implementing additional actions to conserve and contribute 500,000 acre-feet or more per year in 2022 and 2023, with commitment to continued actions in 2024 – 2026. In addition, the parties are preparing to make financial commitments to implement additional actions to benefit Lake Mead of up to $100,000,000 per year for 2022 and 2023. The plan is referred to as the “500+ Plan”.

500+ Plan Components:  
The details of the Memorandum of Understanding agreement, which frames the Plan and corresponding commitments, will be discussed and considered in Agenda Item 7.a, including consideration of funding commitments from CAP. In summary, the 500+ Plan includes commitments to conserve and contribute at
least 500,000 acre-feet per year in 2022 and 2023 for a total of 1,000,000 acre-feet or more to Lake Mead. In
addition, the agreement includes commitments to fund the plan, with $50,000,000 each year contributed from
Arizona, California and Nevada, and $50,000,000 each year contributed from the United States. The total
funding commitment is a combined $200,000,000 for 2022 through 2023.

The development of the 500 + Plan included modeling by CAWCD and SNWA to evaluate a range of
contributions to Lake Mead that could meaningfully achieve the goal of avoiding the potential for Lake Mead to
decline to elevations below 1,020’. The modeling efforts, based on the Reclamation’s June 2021 24 Month
Study and CRMMS models, showed that conservation and contributions of approximately 500,000 acre-feet
per year beginning in 2022 addressed 90% of the risks of declining below 1,020’ through 2026. Reclamation
is currently confirming the modeling approach and assumptions used by CAWCD and SNWA.

The 500+ Plan relies on the development of new conservation and contributions above those included in
Reclamation’s June 2021 analyses, and above those reductions and contributions required under the 2007
Guidelines and the DCP. The parties have identified four approaches for additional actions:

- Creation of additional ICS
- Reduction in planned ICS release
- System Conservation
- System Efficiency

Currently, the parties have targeted additional actions in Arizona, California, potentially Nevada, and by
Reclamation, that total 500,000 acre-feet for 2022. The precise volume of additional actions will be defined
with the full implementation of conservation agreements and verification by the parties. Staff will provide
updates as the 500 + Plan is implemented. At present, the estimated additional actions for 2022 include:

- Arizona ~233,000 acre-feet
  1. ~40,000 acre-feet On-River
  2. ~193,000 acre-feet within the CAP Service Area
- California ~ 210,000 acre-feet
- Reclamation ~ 60,000 acre-feet

Upon implementation of the 2022 agreements, the parties will develop 2023 plans and 2024 – 2026
commitments.

Within Arizona, ADWR and CAWCD have established guiding principles to frame appropriate additional
actions to contribute to the 500 + Plan. The principles are:

- Voluntary
- Temporary
- Compensated

ADWR and CAWCD met with Arizona On-River water users on October 8th to outline the opportunity for
participation by Arizona Colorado River water users to the 500+ Plan. At that meeting, ADWR and CAWCD
indicated that payments for compensated conservation would follow the cost framework established in the
Arizona NIA Mitigation Agreement. The NIA Mitigation Agreement required compensated conservation at
$261.60 per acre-foot in 2022. Following the presentation, the Yuma Mesa Irrigation and Drainage District
and the Wellton Mohawk Irrigation Drainage District expressed interest in exploring participation. In addition,
the Colorado River Indian Tribes (CRIT) and the Mohave Valley Irrigation and Drainage District have
expressed similar interest. CAWCD and ADWR staff have been working with the irrigation districts and CRIT
to further explore their interests. Discussions have progressed to the point that staff recommend considering providing letters of intent to the On-River partners to develop and implement compensated conservation agreements for 2022 and beyond. **Agenda item 7.b** will provide additional details for discussion and consideration.

In order to receive input from CAP water users on the 500+ Plan, on November 9th, CAWCD staff conducted, in cooperation with ADWR, a roundtable with CAP water users. The roundtable included a discussion of the need for the 500+ Plan, the potential for CAP water users to participate in compensated conservation, and the financial and rate implications of the plan. The 500+ Plan within Arizona includes approximately 193,000 acre-feet within the CAP system. Of note, the Gila River Indian Community is working with Reclamation to develop up to 78,000 acre-feet of new ICS in 2022, funded by Reclamation, and the Community has expressed a willingness to contribute an additional 33,000 acre-feet as compensated conservation as part of the 500+ Plan. In addition, SRP has expressed willingness to increase the CAWCD-SRP exchange by an additional 10,000 acre-feet in 2022 and CAP estimates additional release of Lake Pleasant as a pre-mitigation resource generating 12,000 acre-feet of savings. Finally, CAWCD solicited interest for 50,000 to 60,000 acre-feet of additional compensated conservation in 2022 from CAP water users. At the stakeholder roundtable meeting, staff requested statements of interest from CAP water users by November 23rd. The potential impact of 93,000 acre-feet of compensated conservation within the CAP system is about $13,000,000 in 2022 or about $10 per acre-feet. **Agenda Item 7.c** will discuss the rate and financial implications of the 500+ Plan on CAP water users and approaches to address those impacts.

The implementation of the 500+ Plan will result in the need for appropriate environmental compliance. The parties to the Lower Colorado River Multi-Species Conservation Program (MSCP), including Reclamation, ADWR and CAWCD, are in discussions with the U.S. Fish and Wildlife Service to define the most expeditious way to achieve appropriate compliance, particularly in Reach 2 and 3 of the LCRMSCP area. The discussions are moving rapidly and in a positive manner.

Finally, Minute 323 includes commitments for binational engagement between the United States and Mexico if Lake Mead is projected to decline below elevation 1,045’. The Minute 323 1,045’ provision is similar to the 1,030’ consultation from the DCP. As part of the binational process to implement Minute 323, it is anticipated discussions between the United States and Mexico will include potential additional actions to benefit Lake Mead within the framework of Minute 323 and in concert with the 500+ Plan.

In summary, the 1,030’ Consultation provisions were triggered on August 16th 2021 with the release of Reclamations August 24 Month Study. The Lower Basin parties and Reclamation have developed a plan to minimize the risks of Lake Mead declining below 1,020’, referred to as the 500+ Plan. The plan includes three components: commitment to jointly contribute 500,000 acre-feet per year in 2022 and 2023, jointly fund $200,000,000 in 2022 through 2023, and commitment to develop additional actions for 2024 – 2026. Arizona On-River Colorado River users and CAP water users have expressed interest in participating in the 500+ Plan. The guiding principles for participation in Arizona, as defined by ADWR and CAP are: voluntary, temporary and compensated. The compensation is consistent with the Arizona NIA Mitigation rate schedule, at $261.60 for 2022 compensated conservation. In addition, implementing the 500+ Plan in Arizona has funding and rate implications for CAP. Staff request the CAWCD Board consider action approving the 500+ Plan agreement (MOU) including funding commitments by CAP, approve letters of intent to develop compensated conservation agreements with Arizona On-River and CAP water users, and address CAP rate impacts, in **Agenda Items 7.a, 7.b and 7.c** respectively.

**STAKEHOLDER PERSPECTIVES**

On November 9th, CAP and ADWR hosted a CAP stakeholder roundtable to discuss the 500+ Plan and resulting cost and rate implications to CAP and CAP water users. Stakeholders recognized the risks to CAP water users due to declining Lake Mead levels, support for the cooperative actions contemplated in the 500+ Plan, and understanding of cost and rate implications arising from the implementation of additional compensated conservation. In addition, several CAP water users expressed interest in participating in the proposed CAP compensated conservation program.
ATTACHMENTS:
1. Presentation
Commitment to Additional Action

Exhibit 1 to the Lower Basin Drought Contingency Plan Agreement, Sec. V. B. 2, states in part:

- “…commitment to individual and collective action to avoid and protect against the potential for elevations in Lake Mead to decline to elevations below 1,020’”
- “…If any 24-Month Study for the minimum probable inflows projects that Lake Mead will be at or below 1,030’ anytime within the succeeding two Years, the Secretary and Lower Division States shall consult and determine what additional measures will be taken”
Increasing Risk

Risk of Lake Mead < 1,020' in Any Month

- Chart adapted from USBR Stakeholder Webinar, November 5, 2021

Analysis of Additional Conservation

- SNWA and CAP analyzed multiple conservation strategies, volumes, and ranges of initial conditions and hydrology
- 500 KAF of additional conservation was effective over the remainder of the Interim Period
- 10th percentile stays above 1,020'

- Chart adapted from USBR Stakeholder Webinar, November 5, 2021
**Lower Basin 500+ Plan**

- Two-year plan, with expected ongoing activity through 2026
- Four types of activities
  - Additional ICS
  - Reduction in planned ICS releases
  - System Conservation
  - System Efficiency
- Funding commitments from AZ, CA, NV and the U.S.
- 2022 target volumes identified:
  - Arizona: 223 KAF
  - California: 215 KAF
  - Reclamation: 62 KAF
- 2023 volumes under further development

**Arizona Contributions to 500+ Plan**

- Arizona’s target of 223 KAF anticipates participation from both On-River and CAP water users
  - Includes both tribal and non-tribal participants
  - 30 KAF on-River
  - 193 KAF from CAP water users
- All contributions will directly benefit Lake Mead, through System Water or Storage, including reduced release of ICS
- CAP and ADWR are providing funding, and have established guiding principles for Arizona’s contributions:
  - Voluntary
  - Temporary
  - Compensated
CAP User Contributions to 500+ Plan

- Reclamation anticipates funding ~78 KAF of Gila River Indian Community ICS creation for use as a future firming supply
- SRP is willing to increase the CAP-SRP Exchange by 10 KAF
- CAP has determined additional Lake Pleasant water is available as part of the pre-Mitigation delivery supply which reduces CAWCD ICS by ~12 KAF

- CAP is soliciting interest in 93 KAF of additional conservation
  - This includes ~40 KAF that Reclamation is discussing with tribes
  - Seeking the remaining 50 to 60 KAF as Compensated Conservation

CAP Compensated Conservation Costs

- ADWR, CAP, SNWA, MWD and Reclamation intend to enter into an agreement to cooperatively fund the 500+ Plan
- The indirect costs from CAP “stranded OM&R” will be borne by CAWCD and CAP water users*
  - Conservation reduces the volume over which fixed costs are spread

* Including Reclamation, which pays Fixed OM&R on behalf of tribes for tribal uses.
2022 CAP Rate Impacts

- 93 KAF of additional CAP Compensated Conservation results in ~$13M in stranded OM&R, which translates to about $10/AF

- Given the late timing of this change, CAP Staff are recommending that the Board authorize up to $10M from reserves to lessen the 2022 rate impact

- Funds to be applied to Fixed OM&R rate during reconciliation OR applied to repayment, which will reduce the Capital Charge

LCRMSCP Reaches & Flow Reduction

- Reach 1 = Lake Mead
- Reach 2 = Hoover Dam to Davis Dam (845 kaf reduction)
- Reach 3 = Davis Dam to Parker Dam (860 kaf reduction)
- Reach 4 = Parker Dam to Cibola Gage (1,574 kaf reduction)
- Reach 5 = Cibola Gage to Imperial Dam
- Reach 6 = Imperial Dam to Northerly International Boundary
- Reach 7 = NIB to Southerly International Boundary

The implementation of the 500 + Plan will require appropriate environmental compliance. LCRMSCP parties are working the U.S. Fish & Wildlife Service to achieve appropriate compliance.
Summary of Board Discussion and Consideration of Actions regarding the 500 + Plan

- Item 7.a: Discussion and consideration of action to approve the interstate Memorandum of Understanding regarding the 500 + Plan and $5 million of additional spending authority in 2022 and 2023 to be funded from Extraordinary Cost Reserves.
- Item 7.b: Discussion and consideration of action to approve Letters of Intent to enter into compensated conservation agreements.
- Item 7.c: Discussion and consideration of action to approve the use of taxes to offset CAP compensated conservation.

CAP Water Rates

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## CAP Water Rates

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Agenda Number 7.a

CONTACT: Jay Johnson 623-869-2374 jjohnson@cap-az.com
Greg Adams 623-869-2124 gadams@cap-az.com

MEETING DATE: Thursday, December 2, 2021

AGENDA ITEM: Discussion and Consideration of Action to Approve Interstate Memorandum of Understanding Regarding 500+ Plan and Authorize $5 Million in Additional Spending Authority in each 2022 and 2023 to be Funded from the Extraordinary Cost Reserve - Johnson/Adams

RECOMMENDATION: Staff recommends that the Board of Directors authorize the President or his designee to enter into the Memorandum of Understanding regarding the 500+ Plan and authorize $5 million in additional spending authority in each 2022 and 2023 to be funded from the Extraordinary Cost Reserve.

FISCAL IMPLICATIONS: Yes

Impact on Budget: Increase of $5 million in budget expense for each year 2022 and 2023 for a total of $10 million.

Impact on Reserves: $5 million from the Extraordinary Cost Reserve in each year 2022 and 2023 for a total of $10 million.

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:
November 4, 2021 Report on Activities Related to 1030 Consultation (Water Supply)
November 18, 2021 Report to the Finance, Audit and Power Committee on the November 9, 2021 CAP Roundtable

ISSUE SUMMARY/DESCRIPTION:
The Lower Basin parties representing Arizona, California, Nevada and the United States have been meeting since August, consistent with the Lower Basin Drought Contingency Plan (DCP) “1030’ Consultation” requirements to develop and implement additional actions, beginning in 2022, on top of the reductions and contributions required under the 2007 Guidelines and the Drought Contingency Plan and related agreements to help protect Lake Mead from reaching critically low elevations. The parties have developed what is being referred to as the “500+ Plan”, which is discussed more fully in the brief for Agenda item 7. The first agreement designed to implement the 500+ Plan is the Memorandum of Understanding Among The United States of America acting through the Department of the Interior, Bureau of Reclamation, the State of
Arizona, acting through the Arizona Department of Water Resources, the Central Arizona Water Conservation District, the Metropolitan Water District of Southern California, the State of Nevada acting through the Colorado River Commission of Nevada, and the Southern Nevada Water Authority to Facilitate Near-Term Actions Necessary to Maintain the Elevation of Water in Lake Mead (“MOU”).

The MOU includes the following key terms:

- A total funding commitment of $200 million is broken down as follows:
  - $40 million from ADWR
  - $20 million from CAWCD
  - $20 million from MWD
  - $20 million from ADWR
  - $100 million from the United States

- Parties express their intent to use committed funds to contribute at least 500,000 acre-feet per year of “Additional Water” to Lake Mead in 2022 and 2023
- The Additional Water Sources may include, but are not necessarily limited to: Creation of ICS, creation of system water (through increases in system efficiencies, conservation not inuring to an ICS account, augmenting system supply, not taking delivery of water authorized by an entitlement, or other means acceptable to the Parties), and decreasing ICS releases assumed in Reclamation’s June 2021, 24-month study Most Probable projection.
- A commitment to cooperate on further agreements and plans necessarily to implement specific additional water projects identification, consideration, selection, funding, administration, and validation.
- Parties agree to meet at least semi-annually to evaluate hydrologic conditions and may make reasonable and prudent adaptions to the MOU to meet such conditions.
- Parties commit to comply with applicable law regarding implementation of the MOU, including environmental compliance.

In November, the Board approved the 2022 and 2023 Budget which included $5 million per year in 2022 and 2023 for Colorado River conservation related activities. CAWCD will require $5 million per year in 2022 and 2023, for a total of $10 million of additional funding from the Extraordinary Cost Reserve to meet the total funding commitment under the MOU.

**SUGGESTED MOTION:**

1. I move that the Board authorize the President or his designee to execute the Memorandum of Understanding Among the United States of America acting through the Department of the Interior, Bureau of Reclamation, and State of Arizona, acting through the Arizona Department of Water Resources, the Central Arizona Water Conservation District, the Metropolitan Water District of Southern California, the State of Nevada acting through the Colorado River Commission of Nevada, and the Southern Nevada, and the Southern Nevada Water Authority to Facilitate Near-Term Actions Necessary to Maintain the Elevation of Water in Lake Mead, in substantially the same form as the draft attached to this brief.

2. I move that the Board authorize $5 million in additional spending authority in each year 2022 and 2023 to be funded from the Extraordinary Cost Reserve.

**ATTACHMENTS:**

1. 2021 MOU Final Review Draft_11_22_2021
MEMORANDUM OF UNDERSTANDING

--AMONG--


TO FACILITATE NEAR-TERM ACTIONS NECESSARY TO MAINTAIN THE ELEVATION OF WATER IN LAKE MEAD

This Memorandum of Understanding, (hereinafter referred to as "2021 MOU"), is made and entered into this ______ day of December, 2021 ("Effective Date"), by and between the UNITED STATES OF AMERICA ("United States") represented by the Secretary of the Interior ("Secretary") acting through the Bureau of Reclamation ("Reclamation"), the STATE OF ARIZONA acting through the Director of the Arizona Department of Water Resources ("ADWR"), the CENTRAL ARIZONA WATER CONSERVATION DISTRICT, a multi-county water conservation district duly organized and existing under the laws of the State of Arizona ("CAWCD"), THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, duly organized under California law ("MWD"), and the STATE OF NEVADA acting through the Colorado River Commission of Nevada ("CRCNV") and the SOUTHERN NEVADA WATER AUTHORITY, a political subdivision of the State of Nevada ("SNWA"), each of which is at times referred to individually as "Party" and collectively as "Parties."
BACKGROUND

A. WHEREAS, the Colorado River basin began suffering from a meaningfully warmer and drier climate more than twenty years ago, leading to substantially diminished inflows into the system and decreased water elevation levels in both Lakes Mead and Powell;

B. WHEREAS, in response to the emerging climate reality, the Secretary adopted, and with the support and agreement of the Colorado River Basin Upper Division States of Colorado, New Mexico, Utah, and Wyoming, and the Lower Division States of Arizona, California, and Nevada, implemented the 2007 Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead ("2007 Interim Guidelines") to, among other things, provide incentives and tools for the storage of water in Lake Mead and for Lake Mead elevation dependent shortages reducing annual allocations to the States of Arizona and Nevada beginning at 1075 feet;

C. WHEREAS, in 2014, to further help maintain the elevation of Lake Mead, the United States acting through Reclamation, Denver Water, CAWCD, MWD, and SNWA funded a Pilot System Conservation Program to reduce diversions from the Colorado River System through the voluntary, compensated, and temporary reduction in use by water users ("System Conservation");

D. WHEREAS, also in 2014, the Parties, together with the Colorado River Board of California, entered into a Memorandum of Understanding pursuant to which additional “protection volumes” were generated through conservation and other means and left in Lake Mead between 2014 and 2017 to help maintain Lake Mead elevation;

E. WHEREAS, in 2019, the Parties entered into a Lower Basin Drought Contingency Plan Agreement that further incentivized conservation and storage in Lake Mead and established elevation dependent contributions to Lake Mead’s sustainability, including required contributions by each Lower Basin State. Federal legislation, the Colorado River Drought Contingency Plan Authorization Act, Pub. L. No. 116-14 (2019) directed the Secretary to implement a number of
agreements, including specifically an agreement applicable in the Lower Basin that implemented a Lower Basin Drought Contingency Operations rule set known as the LBOps;

F. WHEREAS, through Minute Nos. 318 (2010), 319 (2012), and 323 (2017) to the "United States-Mexico Treaty on Utilization of Waters of the Colorado and Tijuana Rivers and of the Rio Grande," signed February 3, 1944 ("1944 Water Treaty"), and in furtherance of the 1944 Water Treaty, the Parties incentivized the conservation of water in Mexico for subsequent delivery thereby benefitting storage in the United States (together "Mexican Water Reserve");

G. WHEREAS, as a result of the collective impact of the programs set forth above (approximately 4.0 million acre-feet), Lake Mead’s elevation at the end of 2020 was approximately 50 feet higher than it would have been in their absence;

H. WHEREAS, despite the successes of implementing programs designed to meet the challenge brought about by a warmer, drier climate discussed above, Reclamation’s August 2021 24-Monthly Study projected Lake Mead’s elevation would be below 1,075 feet on January 1, 2022, and consistent with the provisions of the 2007 Interim Guidelines, a shortage declaration limiting deliveries of Colorado River water to Arizona and Nevada will be in effect in Calendar Year 2022. Furthermore, the August 2021 24-Month Study using the minimum probable inflow projected Lake Mead would fall below elevation 1,030 feet in July of 2023. That projection was sustained in the September and October 2021 24-Month studies using the minimum probable inflow;

I. WHEREAS, the LBOps provide that "If any 24-month Study for the minimum probable inflows projects that Lake Mead elevations will be at or below 1,030 feet anytime within the succeeding two Years, the Secretary and Lower Division States shall consult and determine what additional measures will be taken by the Secretary and Lower Division States to avoid and protect against the potential for lake Mead to decline below 1,020 feet";

J. WHEREAS, the Parties have engaged in initial and ongoing discussions and consultations regarding the foregoing, and technical workgroups have participated in Colorado River Mid-term Modeling System ("CRMMS") exercises to identify additional volumes of water
during Calendar Years 2022 and 2023 that are designed to avoid and protect against the elevation of Lake Mead declining to levels below 1,020 feet as contemplated in the LBOps;

   K. WHEREAS, recognizing both the recent history of low runoff conditions and the variability of flows in the Colorado River Basin and without predetermining what additional measures may be appropriate or necessary through 2026, generally, these technical workgroups concluded that 500,000 or more acre-feet per year of additional reductions in water use or augmentation of system water may be required to meet this goal;

   L. WHEREAS, the Parties recognize that facilitating reductions in use or augmentation of system water in the magnitude described above will require substantial funds. The United States, ADWR, CAP, MWD, and SNWA (collectively "Funding Parties") agree, pursuant to the terms, conditions, and limitations set forth below, to work in a coordinated fashion to identify and fund projects that result in measurable benefits to Lake Mead’s elevation through Calendar Year 2023; AND

   M. WHEREAS, the Parties enter this 2021 MOU with a collective understanding that while this effort addresses an acute short-term need to support Lake Mead elevations, future climate projections for the Colorado River Basin suggest worsening conditions. Accordingly, the Parties intend to regularly evaluate conditions throughout the term of this 2021 MOU and to use the information gained in any process developed to address longer term operations.

   NOW, THEREFORE, in consideration of the mutual promises set forth herein, and other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

   AGREEMENT

1. Additional Parties. The Parties recognize that adding additional entities to this 2021 MOU may increase the extent to which the undertaking succeeds in sustaining Lake Mead elevations to avoid and protect against the potential for Lake Mead to decline below 1,020 feet.
To that end, additional entities may be added to this 2021 MOU as parties with the written consent of all existing Parties.

2. Additional Water. Additional Water means water remaining in Lake Mead that is either (a) not attributable to shortage volumes under the 2007 Guidelines or any DCP Contributions required in the LBOps; or (b) a net positive change in Intentionally Created Surplus ("ICS") behavior assumed in Reclamation’s June 2021, 24-month study Most Probable projection.

3. Additional Water Sources. Provided such sources meet the definition of Additional Water in Paragraph 2 above, Additional Water Sources may include, but are not necessarily limited to: Creation of ICS, creation of system water (through increases in system efficiencies, conservation not inuring to an ICS account, augmenting system supply, not taking delivery of water authorized by an entitlement, or other means acceptable to the Parties), and decreasing ICS releases assumed in Reclamation’s June 2021, 24-month study Most Probable projection.

4. Additional Water Minimum Target. The Parties are targeting a combined minimum of 1,000,000 acre-feet of Additional Water in 2022 and 2023, and such additional water as may be achievable in this timeframe. At the time of execution of this MOU, the Parties have identified potential Additional Water Sources to create approximately 500,000 acre-feet of Additional Water in 2022 and approximately 500,000 acre-feet of Additional Water in 2023.

5. Non-Federal Funding. The non-federal Funding Parties, subject to the availability of budgeted funds and any necessary board approvals, agree to fund participation in Additional Water projects up to, but not exceeding, the following amounts for 2022-2023:
   a. ADWR: $40,000,000
   b. CAWCD: $20,000,000
   c. MWD: $20,000,000
d. SNWA: $20,000,000

Total: $100,000,000

The non-federal Funding Parties anticipate that their overall contribution for Additional Water will be in proportion to the commitment set forth above, though their contributions for any specific project may vary.

6. **Federal Funding Match.** The United States, subject to the availability of budgeted funds, will work to match the cumulative non-federal funding commitment above, with a goal of a total federal funding commitment of up to $100,000,000, such that the total commitment by the Funding Parties, subject to all necessary approvals, availability of appropriations and available Additional Water Sources, is an aggregate of $200,000,000 for 2022-2023.

7. **Additional Water Sources Project Selection.** As soon as practicable after the Effective Date, the Parties will work together to establish appropriate means and methods for Additional Water projects identification, consideration, selection, funding, administration, and validation, with the key considerations being the total quantity of Additional Water that can be created in support of Lake Mead elevations, the cost of such water quantities, and the timing of implementation of any projects for Additional water. This 2021 MOU shall not obligate any Funding Party to any specific contribution of funds or otherwise support any particular Additional Water project.

8. **Adaptation.** The Parties agree that conditions in the Colorado River Basin may improve or further deteriorate before the conclusion of 2023. Accordingly, the Parties agree to consult with each other at least semi-annually to evaluate current hydrologic conditions and may make reasonable and prudent adaptations to this 2021 MOU to meet such conditions.
9. **Environmental Compliance.** The Parties will comply with applicable law regarding implementation of this MOU.

10. **Notice.** To the extent that written notices and/or requests are undertaken under the terms of this 2021 MOU, the Parties may be contacted at the following addresses:

**Reclamation:**

Bureau of Reclamation  
Attn: Deputy Regional Director  
P.O. Box 61470  
Boulder City, NV 89006-1470  
Email: slwade@usbr.gov

**ADWR:**

Arizona Department of Water Resources  
Attn: Director  
P.O. Box 36020  
Phoenix, AZ 85067  
Email: tbuschatzke@azwater.gov

With copy to:  
Nicole Klobas  
Deputy Chief Counsel  
P.O. Box 36020  
Phoenix, AZ 85067  
Email: ndklobas@azwater.gov

**CAWCD:**

Central Arizona Water Conservation District  
Attn: General Manager  
P.O. Box 43020  
Phoenix, AZ 85080-3020  
Email: tcooke@cap-az.com

With copy to:  
Jay M. Johnson  
General Counsel  
P.O. Box 43020  
Phoenix, AZ 85080-3020  
njohnson@cap-az.com

**MWD:**

The Metropolitan Water District of Southern California  
Attn: General Manager
The Parties agree that for purposes of complying with this section, notice through electronic mail is acceptable. A Party may update its contact information in this section without need to amend this 2021 MOU by providing notice to the Parties consistent with this section.


a) **Term.** This 2021 MOU shall be effective from the Effective Date until December 31, 2024 ("Term").

b) **Reservation of Rights.** Nothing in this 2021 MOU shall be construed to
diminish or waive the rights of any Party to this MOU.

c) **Party Authorities.** Nothing in this 2021 MOU is intended to or shall be construed to limit or affect in any way the authority or legal responsibilities of any Party or to require any Party to perform beyond its respective authorities.

d) **Budget Limitations.** Nothing in this 2021 MOU may be construed to obligate any Party to any current or future expenditure of resources in advance of the availability of appropriations. Nor does this 2021 MOU obligate any Party to spend funds on any particular project or purpose, even if funds are available.

e) **Mission Influence.** The mission requirements, funding, personnel, and other priorities of the Parties may affect the Parties’ ability to undertake actions to achieve the goals identified in this 2021 MOU.

f) **Separate Agreements Required for Transfer of Consideration.** Specific activities that involve the transfer of money, services, or property between Parties are not included in the scope of this 2021 MOU. To the extent that any such activities are subsequently considered between or among any of the Parties, execution of separate agreements or contracts will be required.

 g) **Actions not Exclusive.** Nothing in this 2021 MOU is intended to or shall be construed to restrict the Parties from participating in similar activities or arrangements with other public or private agencies, organizations, or individuals.

h) **No Third Party Beneficiaries.** This 2021 MOU is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any person or entity against any Party, including any Party board member, department, agency, entity, officer, employee, or agent.
i) **Freedom of Information Act and State Open Records.** Any information furnished between the Parties under this 2021 MOU may be subject to the Freedom of Information Act, 5 U.S.C. § 552, et seq. (“FOIA”) and/or respective state authorities. The Parties agree to consult each other regarding any such relevant requests and prior to releasing potentially privileged or exempt documents.

j) **Choice of Law.** This 2021 MOU is subject, as applicable, to the laws of the United States of America.

k) **Anti-Discrimination.** All work under the provisions of this 2021 MOU will be accomplished without discrimination against any employee because of race, sex, creed, color, national origin, or any other legally protected class as identified in Federal or applicable state law.

l) **Renewals.** This 2021 MOU shall remain in effect for the Term as set forth above and may be renewed if the Parties agree.

m) **Media/Notice.** The Parties will consult with each other in a timely manner to ensure coordination prior to release of any statements referring to this 2021 MOU intended for widespread publication.

n) **No Endorsement.** Nothing in this 2021 MOU may be interpreted to imply that a Party endorses any product, service, or policy of the other Parties, except as specifically set forth in this 2021 MOU. No Party will take any action or make any statement that suggests or implies any such type of endorsement.

o) **No Waiver.** No participant in this 2021 MOU will be considered to have waived any policy, administrative or legal right hereunder.

p) **Amendments.** This 2021 MOU may be amended, modified, or
supplemented only by the written, signed agreement of the Parties.

q) **Conflicts of Interest.** No Member of or Delegate to the Congress, or Resident Commissioner, or official of the United States, Reclamation, ADWR, CAWCD, MWD, SNWA, or CRCN or any Elector or Electors may benefit from this 2021 MOU other than as a water user or landowner in the same manner as other water users or landowners. The Parties are hereby notified of A.R.S. section 38-511.

r) **Execution in Counterparts.** This 2021 MOU may be executed in counterparts, each of which will be an original and all of which, together, constitute only one 2021 MOU.

IN WITNESS WHEREOF, the Parties hereto have executed this 2021 MOU on the day and year written above.

[SIGNATURES ON FOLLOWING PAGES]
THE UNITED STATES OF AMERICA

By: __________________________
   Camille C. Touton
   Commissioner
   Bureau of Reclamation

Date: __________________________
The State of Arizona Acting
Through the Director of the Arizona
Department of Water Resources

Approved as to form:

By: __________________________
   Nicole D. Klobas
   Deputy Chief Counsel

By: __________________________
   Thomas Buschatzke
   Director
Approved as to form:

By: ____________________________
    Jay M. Johnson
    General Counsel

By: ____________________________
    Theodore C. Cooke
    General Manager
Approved as to form:

By: __________________________
   Marcia L. Scully
   General Counsel

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

By: __________________________
   Adel Hagekhalil
   General Manager
Approved as to form:

COLORADO RIVER COMMISSION OF NEVADA

By: ______________________
    Christine Guerci-Nyhus
    Special Counsel Attorney General

By: ______________________
    Eric Witkoski
    Executive Director
Approved as to form:

SOUTHERN NEVADA WATER AUTHORITY

By: ____________________________
    Gregory J. Walch
    General Counsel

By: ____________________________
    John J. Entsminger
    General Manager
Agenda Number 7.b

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

MEETING DATE: Thursday, December 2, 2021

AGENDA ITEM: Discussion and Consideration of Action to Approve Letters of Intent to Enter into Compensated Conservation Agreements - Cullom/Adams

RECOMMENDATION: Staff recommends that the Board of Directors approve the letters of intent to enter into compensated conservation agreements with Arizona On-River Contractors and CAP water users.

FISCAL IMPLICATIONS: Yes
Impact on Budget: Consistent with Agenda Item 7.a
Additional spending authority requested: Consistent with Agenda Item 7.a
Impact on Reserves: Consistent with Agenda Item 7.a
Impact on Rates:

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:
2022 CAWCD Board Strategic Plan
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
Water Supply: Providing a reliable CAP water supply for the short- and long-term

PREVIOUS BOARD ACTION/ACTIVITY:
11/04/2021 Update on 1,030’ Consultation

ISSUE SUMMARY/DESCRIPTION:
Background:
As part of the implementation of the commitments outlined in the 500 + Plan, ADWR and CAWCD have identified potential partnerships with Arizona On-River Colorado River Contractors and CAP water users to contribute system water through compensated conservation agreements. On October 8th ADWR and CAWCD met with Yuma area irrigation districts to discuss the potential for On-River Colorado River Contractors to participate in compensated conservation agreements to contribute system water to the 500+ Plan commitments. As a result of the request for interest, the Colorado River Indian Tribes (CRIT), Mohave Valley Irrigation and Drainage District (MVIDD), Wellton-Mohawk Irrigation and Drainage District (WMIDD) and the Yuma Mesa Irrigation and Drainage District (YMIDD) have expressed interest in participating in compensated conservation agreements. On November 9th, CAWCD solicited interest from CAP water users to participate in compensated conservation agreements to contribute system water to the 500 + Plan. Staff requested
statements of interests provided by November 23, 2021. At the meeting, several CAP water users indicated interest in exploring potential participation. Staff are currently compiling and reviewing responses from CAP water users.

Discussion:
In order to develop and implement compensated conservation agreements with Arizona On-River Contractors and CAP water users, CAWCD and ADWR have developed key terms to guide negotiations of such agreements. The key terms are:

- Voluntary
- Compensation consistent with NIA Mitigation Agreement, 2022 = $261.60 per acre-feet of reductions in consumption use
- Reductions must be from a recent history of consumptive use
- Temporary

If the 500+ Plan is approved, a significant next step is to negotiate and implement compensated conservation agreements. In order expedite the process, staff request Board approval of letters of intent between ADWR, CAWCD and those that have expressed interest in participating in compensated conservation agreements as part of the 500+ Plan. Draft letters of intent are provided for CRIT, MVIDD, WMIDD, and YMIDD. In addition, a draft standard form letter of intent from ADWR and CAWCD to CAP water users is included.

If, in response to the letters of intent, ADWR, CAWCD and the interested parties prepare draft compensation conservation agreements, staff will provide the draft agreements for discussion and consideration by the CAWCD Board at a future Board Meeting.

STAKEHOLDER PERSPECTIVES
At the November 9th 2021 CAP Stakeholder roundtable, CAP stakeholders recognized the need for implementing additional contributions to Lake Mead consistent with the 500+ Plan. Stakeholders stated support for the 500+ Plan and several stakeholders expressed interest in exploring opportunities to participated in compensated conservation opportunities.

SUGGESTED MOTION:
I move that the Board authorize the General Manager to execute letters of intent to enter into compensated conservation agreements with Colorado River Indian Tribes, Mohave Valley Irrigation and Drainage District, Wellton Mohawk Irrigation and Drainage District, and CAP water users in substantially the same form as the letters attached to this brief.

ATTACHMENTS:
1. Presentation
2. Letter of Intent_Chairwoman Amelia Flores CRIT
3. Letter of Intent_Charles Sherrill Jr. MVIDD
4. Letter of Intent_Elston Grubaugh WMIDD
5. Letter of Intent_Michael Crowe YMIDD
6. Letter of Intent_CAWCD 500 + CAP Water User w logo
Commitment to Additional Action

Exhibit 1 to the Lower Basin Drought Contingency Plan Agreement, Sec. V. B. 2, states in part:

- “…commitment to individual and collective action to avoid and protect against the potential for elevations in Lake Mead to decline to elevations below 1,020’”

- “…If any 24-Month Study for the minimum probable inflows projects that Lake Mead will be at or below 1,030’ anytime within the succeeding two Years, the Secretary and Lower Division States shall consult and determine what additional measures will be taken”
**Lower Basin 500+ Plan**

- Two-year plan, with expected ongoing activity through 2026
- Four types of activities
  - Additional ICS
  - Reduction in planned ICS releases
  - System Conservation
  - System Efficiency
- Funding commitments from AZ, CA, NV and the U.S.
- 2022 target volumes identified:
  - Arizona: 223 KAF
  - California: 215 KAF
  - Reclamation: 62 KAF
- 2023 volumes under further development

**Arizona Contributions to 500+ Plan**

- Arizona’s target of 223 KAF anticipates participation from both On-River and CAP water users
  - Includes both tribal and non-tribal participants
  - 30 KAF on-River
  - 193 KAF from CAP water users
- All contributions will directly benefit Lake Mead, through System Water or Storage, including reduced release of ICS
- CAP and ADWR are providing funding, and have established guiding principles for Arizona’s contributions:
  - Voluntary
  - Temporary
  - Compensated
CAP User Contributions to 500+ Plan

- Reclamation anticipates funding ~78 KAF of Gila River Indian Community ICS creation for use as a future firming supply
- SRP is willing to increase the CAP-SRP Exchange by 10 KAF
- CAP has determined additional Lake Pleasant water is available as part of the pre-Mitigation delivery supply which reduces CAWCD ICS by ~12 KAF

- CAP is soliciting interest in 93 KAF of additional conservation
  - This includes ~40 KAF that Reclamation is discussing with tribes
  - Seeking the remaining 50 to 60 KAF as Compensated Conservation

Engagement with Arizona On-River Contractors and CAP Water Users

- October 8th ADWR and CAWCD met with Arizona On-River Contractors to solicit interest in compensated conservation agreements. Follow up discussions with:
  - Colorado River Indian Tribes (CRIT)
  - Mohave Valley Irrigation and Drainage District (MVIDD)
  - Wellton Mohawk Irrigation and Drainage District (WMIDD)
  - Yuma Mesa Irrigation and Drainage District (YMIDD)
- November 9th ADWR and CAWCD met with CAP water users at a stakeholder roundtable to solicit interest in compensated conservation. Several CAP water users expressed interest
- Next Steps - Letter of Intent to negotiate compensated conservation agreements with interested parties
Key Provisions of Letters of Intent

- Compensation consistent with NIA Mitigation Agreement
  - 2022 = $261.60 per acre-foot of reduction in consumptive use
- Reduction in historic consumptive use
- Commitments for 2022 and 2023, option for future years
- CAWCD will forgo diversion of conservation so that system water is generated to benefit to Lake Mead
- Requires amendment of 2022 water by conservation provided

Thank You
December __, 2021

Chairwoman Amelia Flores  
Colorado River Indian Tribes  
26600 Mohave Road  
Parker, AZ 85344

Letter of Intent for System Conservation “500 + Plan”

Chairwoman Flores,

Thank you for interest in participating in the collaborative efforts within Arizona to address the declining water elevations in Lake Mead. The efforts within Arizona are part of the Lower Basin’s additional efforts to address the declines, referred to as the “500+ Plan”. The Arizona Department of Water Resources (“ADWR”), the Central Arizona Water Conservation District (“CAWCD”), the Metropolitan Water District of Southern California (“MWD”), Southern Nevada Water Authority (“SNWA”) and the United States through the Bureau of Reclamation are negotiating commitments to contribute 500,000 acre-feet of additional conservation to Lake Mead in 2022 and 2023, and anticipate continuing the effort in 2024 – 2026. The parties envision funding the program in 2022 and 2023 with up to $100 million from the non-federal parties and a matching goal of $100 million from the U.S.

- The guiding principles for the 500+ Plan contributions to Lake Mead for Arizona On-River participants, as articulated by ADWR and CAWCD, are that the contributions (1) are voluntary and temporary in nature; (2) focused on system water conservation projects; and (3) provide compensation for participation in the conservation projects.

Based on your interest, CAWCD intends to negotiate and implement a system water conservation agreement with you that includes include the following key terms:

- Payment for system water conservation:
  - 2022 = $261.60/acre-feet of reduction in consumptive use
- Commitment to meet and discuss options for participation in system conservation for 2023 and beyond
- Eligibility to participate requires demonstration of recent history of use (i.e. irrigation or participation in a conservation program for 3 out 5 previous years (2017 – 2021)
- Independent verification of enrolled acreage and history of irrigation
- CRIT to amend 2022 water order and existing 2022 ICS Creation Plan to convert 2022 planned ICS creation into system water conservation
- Payments upon:
  o Submission of a revised ICS creation plan to the Bureau of Reclamation requesting to convert 4,685 acre-feet of planned ICS creation to system water conservation (1/3 of total payment)
  o Mid-year verification of fallowing progress (1/3 of total payment)
  o Publication of Bureau of Reclamation’s Decree Accounting Report for the year in which the conservation activities occurred (1/3 of total payment)
- CAWCD will not divert water conserved pursuant to the system water conservation project to allow the conserved water to remain in Lake Mead
- Execution of agreement subject to compliance with Lower Colorado River Multi-Species Conservation Program requirements

We look forward to working with you to protect the Colorado River water supply we all share. Thank you again for your participation to protect Lake Mead and Arizona’s Colorado River supply.

Sincerely,

Theodore C. Cooke, D.B.A.  
General Manager  
Central Arizona Water Conservation District

Sincerely,

Thomas Buschatzke  
Director  
Arizona Department of Water Resources
December ___, 2021

Mr. Charles B. (“Chip”) Sherrill, Jr.
General Manager
Mohave Valley Irrigation and Drainage District
1460 Commercial Street
Mohave Valley, AZ 86440

Letter of Intent for System Conservation “500 + Plan”

Dear Mr. Sherrill,

Thank you for interest in participating in the collaborative efforts within Arizona to address the declining water elevations in Lake Mead. The efforts within Arizona are part of the Lower Basin’s additional efforts to address the declines, referred to as the “500+ Plan”. The Arizona Department of Water Resources (“ADWR”), the Central Arizona Water Conservation District (“CAWCD”), the Metropolitan Water District of Southern California (“MWD”), Southern Nevada Water Authority (“SNWA”) and the United States through the Bureau of Reclamation are negotiating commitments to contribute 500,000 acre-feet of additional conservation to Lake Mead in 2022 and 2023, and anticipate continuing the effort in 2024 – 2026. The parties envision funding the program in 2022 and 2023 with up to $100 million from the non-federal parties and a matching goal of $100 million from the U.S.

- The guiding principles for the 500+ Plan contributions to Lake Mead for Arizona On-River participants, as articulated by ADWR and CAWCD, are that the contributions (1) are voluntary and temporary in nature; (2) focused on system water conservation projects; and (3) provide compensation for participation in the conservation projects.

Based on your interest, CAWCD, ADWR intend to negotiate and implement a system water conservation agreement with you that includes include the following key terms:

- **Payment for system water conservation:**
  - 2022 = $261.60/acre-feet of reduction in consumptive use
  - 2023 = $268.80/acre foot of reduction in consumptive use
- Option to extend for 2024 – 2026 or opt out
- Eligibility to participate requires demonstration of recent history of use (i.e. irrigation for 3 out 5 previous years (2017 – 2021)
- Independent verification of enrolled acreage and history of irrigation
- Irrigation District to amend 2022 water order based on enrolled conservation acreage and reduction in projected diversion and consumptive use
- Payments upon:
  - Submission of revised water order reflecting reduced diversion (1/3 of total payment)
  - Mid-year verification of fallowing progress (1/3 of total payment)
  - Publication of Bureau of Reclamation’s Decree Accounting Report for the year in which the conservation activities occurred (1/3 of total payment)

- CAWCD will not divert water conserved pursuant to the system water conservation project to allow the conserved water to remain in Lake Mead

- Execution of agreement subject to compliance with Lower Colorado River Multi-Species Conservation Program requirements

We look forward to working with you to protect the Colorado River water supply we all share. Thank you again for your participation to protect Lake Mead and Arizona’s Colorado River supply.

Sincerely,

Theodore C. Cooke, D.B.A.  Sincerely,
General Manager
Central Arizona Water Conservation District

Thomas Buschatzke
Director
Arizona Department of Water Resources
December __, 2021

Mr. Elston Grubaugh  
General Manager  
Wellton Mohawk Irrigation and Drainage District  
30570 Wellton-Mohawk Drive  
Wellton, Arizona 85356

Letter of Intent for System Conservation “500 + Plan”

Mr. Grubaugh,

Thank you for interest in participating in the collaborative efforts within Arizona to address the declining water elevations in Lake Mead. The efforts within Arizona are part of the Lower Basin’s additional efforts to address the declines, referred to as the “500+ Plan”. The Arizona Department of Water Resources (“ADWR”), the Central Arizona Water Conservation District (“CAWCD”), the Metropolitan Water District of Southern California (“MWD”), Southern Nevada Water Authority (“SNWA”) and the United States through the Bureau of Reclamation are negotiating commitments to contribute 500,000 acre-feet of additional conservation to Lake Mead in 2022 and 2023, and anticipate continuing the effort in 2024 – 2026. The parties envision funding the program in 2022 and 2023 with up to $100 million from the non-federal parties and a matching goal of $100 million from the U.S.

- The guiding principles for the 500+ Plan contributions to Lake Mead for Arizona On-River participants, as articulated by ADWR and CAWCD, are that the contributions (1) are voluntary and temporary in nature; (2) focused on system water conservation projects; and (3) provide compensation for participation in the conservation projects.

Based on your interest, CAWCD, ADWR [and Reclamation?] intend to negotiate and implement a system water conservation agreement with you that includes include the following key terms:

- **Payment for system water conservation:**
  - 2022 = $261.60/acre-feet of reduction in consumptive use
  - 2023 = $268.80/acre foot of reduction in consumptive use

- **Option to extend for 2024 – 2026 or opt out**

- **Eligibility to participate requires demonstration of recent history of use** (i.e. irrigation for 3 out 5 previous years (2017 – 2021))

- **Independent verification of enrolled acreage and history of irrigation**

- **Irrigation District to amend 2022 water order based on enrolled conservation acreage and reduction in projected diversion and consumptive use**

- **Payments upon:**
Submission of revised water order reflecting reduced diversion (1/3 of total payment)
- Mid-year verification of fallowing progress (1/3 of total payment)
- Publication of Bureau of Reclamation’s Decree Accounting Report for the year in which
  the conservation activities occurred (1/3 of total payment)
- CAWCD will not divert water conserved pursuant to the system water conservation project to
  allow the conserved water to remain in Lake Mead
- Execution of agreement subject to compliance with Lower Colorado River Multi-Species
  Conservation Program requirements

We look forward to working with you to protect the Colorado River water supply we all share. Thank you
again for your participation to protect Lake Mead and Arizona’s Colorado River supply.

Sincerely,

Theodore C. Cooke, D.B.A.  Sincerely,  
General Manager  
Central Arizona Water Conservation District

Thomas Buschatzke  
Director  
Arizona Department of Water Resources
December __, 2021

Mr. Michael Crowe
General Manager
Yuma Mesa Irrigation and Drainage District
14329 South Fourth Avenue Extension
Yuma, AZ  85365

Letter of Intent for System Conservation “500 + Plan”

Mr. Crowe,

Thank you for interest in participating in the collaborative efforts within Arizona to address the declining water elevations in Lake Mead. The efforts within Arizona are part of the Lower Basin’s additional efforts to address the declines, referred to as the “500+ Plan”. The Arizona Department of Water Resources (“ADWR”), the Central Arizona Water Conservation District (“CAWCD”), the Metropolitan Water District of Southern California (“MWD”), Southern Nevada Water Authority (“SNWA”) and the United States through the Bureau of Reclamation are negotiating commitments to contribute 500,000 acre-feet of additional conservation to Lake Mead in 2022 and 2023, and anticipate continuing the effort in 2024 – 2026. The parties envision funding the program in 2022 and 2023 with up to $100 million from the non-federal parties and a matching goal of $100 million from the U.S.

- The guiding principles for the 500+ Plan contributions to Lake Mead for Arizona On-River participants, as articulated by ADWR and CAWCD, are that the contributions (1) are voluntary and temporary in nature; (2) focused on system water conservation projects; and (3) provide compensation for participation in the conservation projects.

Based on your interest, CAWCD, ADWR [and Reclamation?] intend to negotiate and implement a system water conservation agreement with you that includes include the following key terms:

- Payment for system water conservation:
  - 2022 = $261.60/acre-feet of reduction in consumptive use
  - 2023 = $268.80/acre foot of reduction in consumptive use
- Option to extend for 2024 – 2026 or opt out
- Eligibility to participate requires demonstration of recent history of use (i.e. irrigation for 3 out 5 previous years (2017 – 2021)
- Independent verification of enrolled acreage and history of irrigation
- Irrigation District to amend 2022 water order based on enrolled conservation acreage and reduction in projected diversion and consumptive use
- Payments upon:
  - Submission of revised water order reflecting reduced diversion (1/3 of total payment)
  - Mid-year verification of fallowing progress (1/3 of total payment)
  - Publication of Bureau of Reclamation’s Decree Accounting Report for the year in which the conservation activities occurred (1/3 of total payment)
- CAWCD will not divert water conserved pursuant to the system water conservation project to allow the conserved water to remain in Lake Mead
- Execution of agreement subject to compliance with Lower Colorado River Multi-Species Conservation Program requirements

We look forward to working with you to protect the Colorado River water supply we all share. Thank you again for your participation to protect Lake Mead and Arizona’s Colorado River supply.

Sincerely,

Theodore C. Cooke, D.B.A.  Thomas Buschatzke
General Manager              Director
Central Arizona Water Conservation District  Arizona Department of Water Resources
December __, 2021

[CAP Water User]

Dear _______________,

Thank you for interest in participating in the collaborative efforts within Arizona to address the declining water elevations in Lake Mead. The efforts within Arizona are part of the Lower Basin’s additional efforts to address the declines, referred to as the “500+ Plan”. The Arizona Department of Water Resources ("ADWR"), the Central Arizona Water Conservation District ("CAWCD"), the Metropolitan Water District of Southern California ("MWD"), Southern Nevada Water Authority ("SNWA") and the United States through the Bureau of Reclamation are negotiating commitments to contribute 500,000 acre-feet of additional conservation to Lake Mead in 2022 and 2023, and anticipate continuing the effort in 2024 – 2026. The parties envision funding the program in 2022 and 2023 with up to $100 million from the non-federal parties and a matching goal of $100 million from the U.S.

The guiding principles for the 500+ Plan contributions to Lake Mead for Arizona On-River participants, as articulated by ADWR and CAWCD, are that the contributions (1) are voluntary and temporary in nature; (2) focused on system water conservation projects; and (3) provide compensation for participation in the conservation projects.

Based on your interest, CAWCD, ADWR intend to negotiate and implement a CAP Compensated Conservation Agreement with you that includes include the following key terms:

- Payment for CAP system water conservation:
  o 2022 = $261.60/acre-feet of reduction in consumptive use
- Option to extend for 2023 – 2026 or opt out
- Eligibility to participate requires demonstration of recent history of use (i.e. CAP water use for 3 out 5 previous years (2017 – 2021), including participation in conservation agreements or creation of storage)
- Independent verification of water use history
- CAP Water User to amend 2022 water order based on enrollment in conservation agreement
- Payment upon submission of revised water order reflecting reduced diversion consistent with conservation agreement
- Conserved water will not be diverted by CAWCD or remarkedeted within CAP System so that the conserved water will remain in Lake Mead
- Execution of agreement subject to compliance with Lower Colorado River Multi-Species Conservation Program requirements
We look forward to working with you to protect the Colorado River water supply we all share. Thank you again for your participation to protect Lake Mead and Arizona and CAP’s water supply.

Sincerely,

Theodore C. Cooke, D.B.A.
General Manager
Central Arizona Water Conservation District

Sincerely,

Thomas Buschatzke
Director
Arizona Department of Water Resources
CONTACT: Doug Dunlap          Christopher Hall
           623-869-2360          623-869-2632
           ddunlap@cap-az.com    chall@cap-az.com

MEETING DATE: Thursday, December 2, 2021

AGENDA ITEM: Discussion and Consideration of Action to Authorize the Use of Reserves to Offset the Impacts of CAP Compensated Conservation - Dunlap

RECOMMENDATION: Staff recommends that the Board of Directors approve utilizing $10 million of funds from the Water Storage Account that have been reserved for operating expenses to apply to 2022 Fixed Operations Maintenance & Replacement.

FISCAL IMPLICATIONS: Yes

Impact on Budget:
No impact on 2022 budget

Additional spending authority requested: None

Impact on Reserves:
Decrease of $10 million in Water Storage Reserves in 2023

Impact on Rates:
Decrease Fixed O&M rate by approximately $6 per acre-foot and "Big R" rate by $2 per acre-foot. Net increase of the 500+ Plan on Fixed OM&R rate for 2022 is approximately $2 per acre-foot.

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:
November 18, 2021 Staff briefed Finance, Audit and Power Committee on November 9, 2021 CAP Roundtable including financial implications.

ISSUE SUMMARY/DESCRIPTION:
The 1030’ Consultation has resulted in the Lower Basin 500+ Plan. As indicated in previous presentations, the Compensated Conservation results in a decrease of 93,000 acre-feet in 2022. The reduction in the deliveries will impact the 2022 CAWCD Fixed Operations Maintenance & Replacement (OM&R) cost by approximately $13 million. The Fixed O&M rate will increase $8 per acre-foot as part of the Plan. Also, approximately $2.5 million will not be collected in the "Big R" or Capital Replacement funds, which will result in a future increase of ~$2.50 per acre-foot.

Due to the short notice of the change in the 2022 Fixed OM&R and in recognition that contract-holders already have their budgets in place, staff are proposing to contribute $10 million toward the $13 million shortfall. As this is conservation to reduce the likelihood of or at the least delay of further Tier reductions, staff are proposing to fund this contribution from the Water Storage Tax Reserve that has been reserved for operating
expenses.

These funds would be contributed toward the 2022 reconciliation in 2023, reducing the increase of $8 per acre-foot in Fixed O&M by $6 per acre-foot, resulting in an increase of ~$2/acre-feet.

**STAKEHOLDER PERSPECTIVES:**
A November 9 CAP Water User Roundtable was held to discuss the impact of the 500+ Plan and the rate impacts. Staff indicated their intention to request up to $10 million from reserves. It was proposed to either apply it to Fixed OM&R costs, thus reducing the rate, or apply it to repayment, thus reducing the capital charge rate. Stakeholders that responded indicated the preference to apply it to Fixed OM&R.

**SUGGESTED MOTION:**
I move that the Board of Directors approve utilizing $10 million of funds from the Water Storage Account that have been reserved for operating expenses to apply to 2022 Fixed Operations Maintenance & Replacement.

**ATTACHMENTS:**
None
CONTACT: Ken Seasholes  623-869-2476  kseasholes@cap-az.com  Angie Lohse  623-869-2572  alohse@cap-az.com

MEETING DATE: Thursday, December 2, 2021

AGENDA ITEM: Report on Recovery Planning and Implementation (Water Supply^) - Seasholes/Lohse

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:
2022 CAWCD Board Strategic Plan
Water Supply: Work collaboratively in the recovery of water stored by the Arizona Water Banking Authority

PREVIOUS BOARD ACTION/ACTIVITY:
March 5, 2020    Report on Recovery Planning Activities, Agreements and Technical Studies
March 4, 2021    Report on Recovery Planning

ISSUE SUMMARY/DESCRIPTION:
The recovery of Long-Term Storage Credits held by the Arizona Water Banking Authority (AWBA) is a key strategy for addressing impacts of Colorado River shortages to Central Arizona. CAP has a central role in that recovery, but analysis done as part of the 2021 Update to the Joint Recovery Plan made clear that in the near and mid-term a substantial portion of the AWBA’s firming of CAP M&I subcontracts could be accomplished without additional pumping, and that many subcontractors prefer to rely on their own recovery infrastructure, or that of a partner. However, CAP’s recovery responsibilities remain significant, and Staff have continued to take steps to ensure sufficient recovery capacity exists when it is required.

Even with a reduced reliance on recovery by CAP, Staff recognize the importance of expanding recovery capacity beyond CAP’s current agreements. In support of that goal, Staff are proposing to increase and accelerate the terms of existing Recovery Capacity Agreements with the New Magma Irrigation and Drainage District (NMIDD) and the Queen Creek Irrigation District (QCID), both of which are in the Phoenix Active Management Area. These agreements (attached) were reached as part of the Arizona DCP Implementation Plan, and involve an up-front payment in exchange for a commitment to accept a reduced CAP delivery when recovery is requested (up to 3,500 AF/yr by NMIDD, and 1,500 AF/yr. by QCID), over a 25-year period beginning in 2027. The districts make up for the reduced CAP supply by additional pumping from district wells that CAWCD holds recovery well permits on. The agreements also include payment for the additional pumping costs when recovery is requested by CAP. Under the proposed amended terms, NMIDD would increase its commitment to 5,000 AF/yr. and QCID would increase to 2,250 AF/yr., and the start time for the agreements would be changed to 2024. The combined up-front payment for the expanded capacity is $2,000,000, to be paid from the Recovery Reserve established by the CAWCD Board. Staff are working to finalize these amended agreements, with the intent of bringing them for consideration of action by the Board in January.

CAP Staff continue to pursue additional opportunities to secure capacity through exchange agreements, and to move forward with longer-term infrastructure projects that include directly discharging recovered water into the CAP system. Staff work on Direct Recovery is particularly focused in the vicinity of the Tonopah Desert Recharge Project (TDRP), and involves further technical evaluation, including exploratory well drilling in the 2022/23 budget cycle. While on-site hydrogeologic conditions at TDRP are less favorable than anticipated, a
combination of on-site and off-site wells appears feasible.

CAP Staff are committed to ongoing coordination with AWBA and ADWR, and to stakeholder engagement through the Recovery Planning Advisory Group (RPAG). Staff will also provide regular recovery updates to the Board and CAGRD and Underground Storage Committee, and will include consideration of approaches for establishing a per acre-foot rate for recovery performed by CAP.

ATTACHMENTS:
1. Presentation
2. 2019_Recovery Capacity Agreement_CAWCD and NMIDD
3. 2019_Recovery Capacity Agreement_CAWCD and QCID
Recovery Roles and Reliance on CAP

- Recovery roles have changed
  - Many M&I subcontractors plan on Independent Recovery
    - Leverages their own infrastructure investments
    - Includes partnerships among M&I subcontractors and others
- Not all firming requires recovery
  - Only reductions affecting direct uses (i.e., treatment plants & ASR) require physical recovery of Long-Term Storage Credits
**CAP M&I Recovery Capacity Analysis**

- As part of the 2021 Update to the Joint Recovery Plan, CAP, ADWR and AWBA worked collaboratively with CAP M&I subcontractors to evaluate how a Tier 3 shortage would affect individual CAP supply portfolios (i.e., NIA, M&I, tribal leases, etc.)
  - In particular, how reductions to CAP M&I priority could affect “Direct Uses” (i.e., treatment plants and Annual Storage and Recovery)
- These results formed the basis of our estimates of required recovery capacity

**Near-Term M&I Firming and Recovery**

- Results are based on a planning exercise, not commitments by M&I subcontractors
- Key assumptions:
  - ▲ No reduction in direct use demands due to shortage
  - ▲ No change in overall ordering behavior
  - ▼ Limited to Tier 3 (720 KAF) reductions

**Estimated AWBA M&I Firming Tier 3, in 2026**

- CAP Recovery: 11,500 AF, 12%
- Independent Recovery: 15,500 AF, 16%
- Other Firming: 67,600 AF, 72%
Storage Location

- All parties agree that the location of recovery, relative to storage, is an important consideration when AWBA credits are distributed.

Recovery — Tucson AMA

- Most Tucson AMA recovery is expected to be independent from CAP
  - Large existing recovery infrastructure
  - CAP’s agreement with Tucson allows efficient recovery for Nevada
Recovery — Pinal AMA

- Most Pinal AMA recovery will be performed by CAP, either directly or with partners
- Existing Ag Recovery Capacity Agreements, and AZ Water Company agreement, partially address needs
- Ongoing discussions with Hohokam IDD
- Some Direct Recovery (i.e., discharge directly to the CAP canal) may be needed

Recovery — Phoenix AMA

- Credits earned at the Gila River Indian Irrigation and Drainage District are anticipated to be recovered on-reservation
- In the southeast, Independent Recovery and use of CAP’s Ag Recovery Capacity Agreements is expected
  - Direct Recovery with Ag district wells is also under consideration
- In the SRP territory, Independent Recovery predominates
  - Direct Recovery through the proposed SRP-CAP Interconnect is under consideration by CAP
Recovery — Phoenix AMA continued

- By the Agua Fria, Independent Recovery and use of the CAGRD Exchange is anticipated
- In the vicinity of the Tonopah Desert Recharge Project (TDRP), Direct Recovery and an Ag Exchange Agreement are being pursued
  - TDRP recovery remains a priority

AWBA Credits by Facility Location and Type, through 2020

2022/23 CAP Staff Recovery Priorities

- TDRP Direct Recovery
- Recovery Capacity Agreements
- Coordination and Engagement
- Ongoing Evaluation
TDRP — Context

- The TDRP site was chosen after an evaluation of locations in the western portion of the CAP system that could recharge large volumes
  - Away from existing pumping was desirable
  - Substantial Excess Water supplies were available and projected
  - Permitted capacity is 150,000 AF/yr
- Fewer wells in the vicinity also meant more limited geophysical information
- Water quality considerations for recovery were less prominent at the time

TDRP Direct Recovery

- The geophysical and water quality attributes of the site have been better characterized
  - Test wells drilled and geophysical mapping conducted
- Original TDRP Direct Recovery concept has been reassessed due to site conditions and CAP recovery needs
  - Current concept:
    - Wells to be located both within and outside TDRP site
    - Smaller capacity, with shallower wells (phased to 10-15 KAF/yr)
    - Off-site exploratory drilling included in 2022/23 Budget, with funds from the Recovery Reserve
**Recovery Capacity Agreements with Irrigation Districts — Context**

- CAP has existing agreements with Maricopa-Stanfield IDD, Central Arizona IDD, New Magma IDD, and Queen Creek ID
- Irrigation Districts agreed to:
  - Reduced CAP water delivery in a recovery year
  - Additional pumping of District wells
  - Allow CAWCD recovery well permit on District wells
- CAWCD agreed to:
  - Up-front payment for recovery capacity
  - Payment of pumping costs during a recovery year

**Proposed Amendments to Existing Recovery Capacity Agreements**

- Additional capacity in the Phoenix AMA
  - NMIDD – increase 3,500 AF (total = 5,000 AF)
  - QCID – increase 1,500 AF (total = 2,250 AF)
- Up-front capacity payment of $400/AF
  - $1.4M for NMIDD; $600K for QCID
- Annual recovery cost of $70/AF, increases by 2.5%/year after 2027
- 25-year term, beginning in 2024
- Automatic extension when insufficient water is scheduled for exchange
Recovery Capacity Agreements with Additional Irrigation Districts

• CAP Staff are pursuing additional agreements
  • Initiated discussions with the Tonopah Irrigation District (TID)
    • Favorably located for some of the recovery of TDRP credits
      - Modeling indicates the district falls within ADWR’s definition of Area of Impact (i.e., >1 ft. rise from TDRP storage)
      - Near-term capacity would allow geographic “balancing” of credit distribution within the Phoenix AMA
  • Ongoing discussions with the Hohokam IDD
    • CAP’s recovery responsibilities in Pinal are significant, and HIDD recovery capacity is important

Coordination and Engagement

• Recovery planning and implementation necessarily requires involvement of many parties
  • Coordination among ADWR, AWBA and CAP
    • Development of CAP and AWBA Firming Agreements
    • Updated modeling and analysis
    • Joint outreach to CAP M&I subcontractors
  • Engagement with the Recovery Planning Advisory Group (RPAG)
    • Twice yearly meetings
  • Updates to the Board and CAGRD & Underground Storage Committee
Ongoing Evaluation

- CAP Staff will be responsive to changing conditions and opportunities
  - Regular updates to modeling and assumptions
    - Includes analysis of recovery as proposals are considered in the Reconsultation process
  - Entering into additional recovery agreements
  - Evaluating longer-term recovery needs, including consideration of capital projects that may have greater costs and longer lead times
    - May involve partnering with those seeking to recover non-AWBA credits

Recovery Costs

- “Beneficiaries of recovery are expected to pay the associated costs.”

- “Beneficiaries of AWBA firming are responsible for the associated costs of recovery.”
**Recovery Costs — Context**

- AWBA credits have been paid for, but recovery has not\(^*\)
  - Recovery is not suitable for inclusion in CAP’s Fixed OM&R
- AWBA has stored water for multiple purposes, and from multiple funding sources
  - Firming CAP M&I subcontracts
  - Firming for Indian Settlements
  - Firming on-River 4\(^{th}\) Priority M&I
  - Water management objectives

\(^*\) The Southern Nevada Water Authority has pre-paid for a portion of the recovery of interstate credits.

<table>
<thead>
<tr>
<th>FUNDING SOURCE</th>
<th>Firming M&amp;I</th>
<th>Firming On-River 4(^{th}) Priority M&amp;I</th>
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**Recovery Costs — Context**

- Under the terms of the System Use Agreement, Firming Water is accounted separately from deliveries of Project Water
  - Firming Water can consist of Exchanged CAP Water or a Non-Project supply, including Recovered CAP Water
  - Recovered CAP Water is treated like CAP Water under State law, but is not Project Water under Reclamation law, CAP’s Master Repayment Contract or the Stipulation
- For CAP recovery, a Firming Agreement is required
  - Includes cost provisions and the same basic terms as M&I subcontracts related to scheduling, water quality indemnification, etc.
Recovery Costs — Establishing Rates

• The CAWCD Board has discretion on how to set recovery rates
• Establishing recovery rates has some complexity
  • Wide range of recovery costs based on recovery method
    • E.g., from $15/AF to ~$500/AF
    • A mix of up-front and annual costs
    • Marginal rate could increase dramatically as recovery volume increases
  • Uncertainty about the timing and magnitude of recovery
    • Depends on future hydrology, Colorado River management, on-River and CAP water user behaviors, etc.

Recovery Costs — Establishing Rates

• CAP Staff believe it is possible for recovery rates to be comparable to CAP delivery rates, but further analysis and discussion is necessary
  • Could include a mix of recovery methods, and some revenue back to the Recovery Reserve
• CAP Staff propose that a recovery rate discussion initiate in 2022 with the CAGRD & Underground Storage Committee
  • Additional input from RPAG
KNOW YOUR WATER

Thank you
RECOVERY CAPACITY AGREEMENT BETWEEN
THE CENTRAL ARIZONA WATER CONSERVATION DISTRICT AND NEW MAGMA IRRIGATION AND
DRAINAGE DISTRICT

This Agreement for Recovery of Long-Term Storage Credits or Recovery and Exchange of Long-Term Storage Credits ("Agreement") is made this 13th day of Nov., 2019 between the Central Arizona Water Conservation District and New Magma Irrigation and Drainage District, sometimes each individually referred to in this Agreement as a "Party" and collectively as the "Parties."

RECITALS

A. The Central Arizona Water Conservation District ("CAWCD") is a political subdivision of the State of Arizona established pursuant to Arizona Revised Statutes §§ 48-3701, et seq., which operates the Central Arizona Project ("CAP") pursuant to contracts and agreements with the United States.

B. The New Magma Irrigation and Drainage District ("NMIDD"), is an irrigation district established pursuant to Arizona Revised Statutes §§ 48-2901, et seq.

C. CAWCD and ADWR jointly convened the Lower Basin Drought Contingency Plan Arizona Implementation Steering Committee ("Steering Committee") composed of Arizona water users, stakeholders and legislative leaders to discuss and recommend how to adopt and implement the Lower Basin Drought Contingency Plan ("LBDCP") in a way that is acceptable to Arizona water users. The Steering Committee identified various resources that were expected to be available during the term of the LBDCP that could partially mitigate the impacts of reductions on lower-priority CAP water users. This included funding for the construction and rehabilitation of wells and related infrastructure for the withdrawal and efficient delivery of 70,000 acre-feet of groundwater by irrigation districts at a cost of $50,000,000 ("Replacement Groundwater Supplies").

D. On January 3, 2019, CAWCD authorized the commitment of up to $5 million in ad valorem taxes ("CAWCD Funds") to groundwater infrastructure development for irrigation districts eligible to receive funds established by A.R.S. § 45-615.01.

E. On April 16, 2019, the President of the United States signed Pub. L. No. 116-14, directing the United States Department of Interior to implement the Colorado River Drought Contingency Plan.
F. Pursuant to A.R.S. § 48-3713, CAWCD has the statutory authority to invest in infrastructure development for the recovery of long-term storage credits.

G. Pursuant to A.R.S. § 45-2423(A)(5), the Arizona Water Banking Authority ("AWBA") has designated CAWCD as AWBA’s agent for the purposes of recovering CAWCD LTSCs to supplement reduced deliveries of CAP municipal and industrial priority water ("M&I Priority Water") during Shortage. AWBA also has contracted with CAWCD to recover CAWCD LTSCs (1) to meet interstate water banking obligations with Nevada and (2) to meet the needs of certain municipal and industrial users of Colorado River water in Arizona outside of the service area of CAWCD during Shortage. In the future, CAWCD may also contract with AWBA to recover CAWCD LTSCs to assist the AWBA in meeting the State of Arizona's firming obligations under certain Indian water rights settlements.

H. CAWCD, acting as a recovery agent for the AWBA, is authorized (1) to recover CAWCD LTSCs using another entity’s recovery infrastructure and to transport the recovered water to (a) an entity that requires firming, (b) another CAP customer that can accept the recovered CAWCD LTSCs in exchange for a reduction in that customer’s CAP Water delivery order; (2) to contract with another entity to receive and recover CAWCD LTSCs and transport the recovered water for CAWCD; (3) to recover CAWCD LTSCs to create Intentionally Created Unused Apportionment for Nevada.

I. CAWCD desires to provide funds to assist NMIDD in the development of groundwater infrastructure and for NMIDD to dedicate annual recovery capacity to CAWCD to allow CAWCD to recover CAWCD LTSCs and exchange the recovered water for CAP Water available to and scheduled for delivery to NMIDD, including CAP Water scheduled for delivery pursuant to NMIDD's Groundwater Savings Facility permit, if any for that year. NMIDD has indicated its willingness to utilize its irrigation infrastructure for such purposes, on the terms and conditions herein.

AGREEMENT

1. Definitions.

a. "ADWR" means the Arizona Department of Water Resources.

b. "Annual Recovery Costs" means the cost of recovery of CAWCD LTSCs from the NMIDD Recovery Wells in a Recovery Year, including operation, maintenance, and pumping energy, at the rates specified in Exhibit A to this Agreement.

2
c. "CAWCD LTSCs" means long-term storage credits as defined in A.R.S. § 45-802.01 that were accrued at the NMIDD Groundwater Savings Facility by CAWCD or by the AWBA and transferred from the AWBA to CAWCD for recovery by CAWCD.

d. "CAP Water" means 'Project Water' as that term is defined in the Stipulated Judgment and the Stipulation for Judgment (including any exhibits to those documents) entered on November 21, 2007, in the United States District Court for the District of Arizona in the consolidated civil action styled Central Arizona Water Conservation District v. United States, et al., and numbered CIV 95-TUC-WDB (EHC) and CIV 95-1720-PHX-EHC.

e. "CAWCD Funding" means the $5 million of ad valorem taxes dedicated to groundwater infrastructure development in support of the Regional Conservation Partnership Program proposal "Central Arizona Regionally Irrigation Efficiency and Conservation Project".

f. "CAWCD Recovery Capacity" means the maximum volume that may be recovered in a single Recovery Year as described in Section 4(a) of this Agreement.

g. "CAWCD Recovery Well Permit(s)" means an Arizona Department of Water Resources recovery well permit(s) that is issued to CAWCD authorizing recovery of CAWCD LTSCs utilizing NMIDD Recovery Wells.

h. "Director" means the Director of the Arizona Department of Water Resources.

i. "NMIDD Recovery Wells" means the wells operated by NMIDD that are permitted to be recovery wells pursuant to the CAWCD Recovery Well Permit(s).

j. "Recovered Water" means water from the recovery of CAWCD LTSCs.

k. "Recovery Capacity Payment" has the meaning provided in Section 6(a) of this Agreement.

l. "Recovery Schedule" means the monthly schedule for the recovery of CAWCD LTSCs for each Recovery Year.

m. "Recovery Term" means that period commencing on January 1, 2027 and ending upon final termination of this Agreement.

n. "Recovery Year" means a calendar year in which CAWCD LTSCs are recovered pursuant to this Agreement.
o. "Replacement Groundwater Supplies" means groundwater supplies available to irrigation districts as a result of groundwater infrastructure development funding provided to the irrigation districts consistent with the Regional Conservation Partnership Program proposal “Central Arizona Regionally Irrigation Efficiency and Conservation Project.”

p. “Shortage” means a shortage declared by the Secretary of the United States Department of Interior in the Annual Operating Plan for Colorado River Reservoirs.

2. Term and Extension. The term of this Agreement shall commence on the date this Agreement has been fully executed by the Parties, and shall terminate on December 31, 2051. If the volume of CAP Water scheduled for delivery to NMIDD is less than the CAWCD Recovery Capacity requested by CAWCD in any year during the Recovery Term, the Agreement shall automatically extend for an additional term of one or more years necessary for CAWCD to recover the balance of CAWCD LTSCs that could not be recovered when originally requested, in accordance with Section 4 below.

3. Recovery Well Permitting

a. Before January 1, 2027 and continuing through the end of the Term, CAWCD shall procure and maintain, at its own cost, a Recovery Well Permit issued by the Director that will allow CAWCD to recover CAWCD LTSCs using NMIDD Recovery Wells.

b. On or before January 1, 2026, NMIDD shall notify CAWCD of the NMIDD Recovery Wells to be included in the CAWCD Recovery Well Permit. NMIDD shall identify wells with sufficient capacity to recover at least 1,500 acre-feet per year of CAWCD LTSCs during the Recovery Term.

c. The Parties shall coordinate on any proposed modifications to the CAWCD Recovery Well Permit. Except as provided in Section 3(b) above, upon receipt of notice from NMIDD, CAWCD agrees, at its cost, to modify its existing Recovery Well Permit to add any additional wells as NMIDD Recovery Wells.

d. NMIDD shall cooperate with CAWCD on any recovery well permit applications and shall provide all information reasonably requested by CAWCD that is necessary to complete such applications.
4. Recovery of CAWCD Long-Term Storage Credits

a. During the Recovery Term, and subject to terms and conditions set forth in this Agreement including the availability of CAP Water scheduled for delivery to NMIDD, NMIDD hereby grants CAWCD a right to exercise CAWCD’s Recovery Well Permit to recover up to 1,500 acre-feet per year of CAWCD LTSCs using NMIDD Recovery Wells. If the term of this Agreement is extended under Section 2 above, CAWCD shall have the right to exercise CAWCD’s Recovery Well Permit to recover the quantity of CAWCD LTSCs for which CAWCD requested capacity in excess of the volume of CAP Water scheduled for delivery to NMIDD during any years between January 1, 2027 and December 31, 2051. During an extension of the term of this Agreement, the quantity of CAWCD LTSCs recovered in any year shall not exceed the lesser of: (i) up to 1,500 acre-feet; or (ii) the total amount of CAWCD LTSCs for which CAWCD requested capacity but which were not recovered on or before December 31, 2051. CAWCD’s right to the CAWCD Recovery Capacity shall exist during Shortage and non-Shortage years and conditions.

b. CAWCD may recover CAWCD LTSCs pursuant to this Agreement in any Recovery Year during the Recovery Term. NMIDD retains the right to determine which NMIDD Recovery Wells CAWCD will use (through NMIDD’s operation of such recovery wells) in any Recovery Year to fulfill the Parties’ obligations under this Agreement.

c. In any year during the Recovery Term that CAWCD notifies NMIDD of its intent to recover CAWCD LTSCs pursuant to this Agreement, NMIDD agrees to exchange Recovered Water for CAP Water available to and scheduled for delivery to NMIDD, if any for that year. For every CAWCD LTSC that CAWCD recovers in a Recovery Year and delivers to NMIDD (“Recovered Water”), NMIDD agrees to accept a delivery reduction of one acre-foot in its CAP Water order for that Recovery Year.

d. The quantity of CAWCD LTSCs recovered in any year shall not exceed the CAWCD Recovery Capacity.

e. The Recovered Water shall be available for use by NMIDD.

5. Procedure for Notification and Reporting

a. By November 15 of the year prior to the Recovery Year, CAWCD shall notify NMIDD in writing of its intent to recover CAWCD LTSCs pursuant to this Agreement or recover and exchange CAWCD LTSCs for CAP Water if CAP Water is available to NMIDD. CAWCD will coordinate all actions necessary within its own operations concerning any
CAP water orders made by NMIDD for delivery to NMIDD that are affected by CAWCD's recovery of CAWCD LTSCs as part of this Agreement.

b. By February 28 of the year following a Recovery Year, NMIDD and CAWCD shall work together to complete any applicable ADWR annual water use reports that indicate the volumes of CAWCD LTSCs recovered pursuant to this Agreement. In producing the ADWR annual water use reports, NMIDD shall make available all applicable data to CAWCD for verification. By March 31 of the year following a Recovery Year, CAWCD shall submit to ADWR all applicable ADWR annual water use reports for the Recovery Wells used pursuant to this Agreement. The Parties' obligation under this Section 5 to work together to complete and file and applicable ADWR annual water use reports for CAWCD LTSCs recovered pursuant to this Agreement shall survive the Term of this Agreement for a period of 12 months.

6. CAWCD Payment, CAP Water Delivery Charges and CAWCD LTSC Recovery Fees.

   a. Within ninety (90) days following execution of this Agreement, CAWCD will pay NMIDD six hundred thousand dollars ($600,000) to secure the CAWCD Recovery Capacity for the Term of this Agreement ("Recovery Capacity Payment").

   b. NMIDD agrees to pay all charges established by CAWCD for the delivery of CAP Water that would have otherwise been associated with delivery of NMIDD CAP Water order as if the CAP Water order was fully delivered to NMIDD as ordered and no recovery had taken place.

   c. CAWCD agrees to pay the Long-term Storage Credit recovery fee required by A.R.S. § 45-874.01 for each CAWCD LTSC recovered pursuant to this Agreement.

   d. In each Recovery Year, CAWCD shall pay to NMIDD the Annual Recovery Costs for the recovery of CAWCD LTSCs consistent with Exhibit A. Not later than the 10th of each month, NMIDD shall submit to CAWCD for payment a monthly invoice. Each invoice shall show: (i) the amount of CAWCD LTSCs recovered in the preceding month; (ii) the total sums owed for the invoice period; and (iii) a calculation of the total sums owed utilizing the CAWCD LTSCs recovered in the preceding month. CAWCD's payment of each invoice shall be due not later than the end of the 30th calendar day following the date of invoice. In the event the 30th day is a Saturday, Sunday, or legal holiday, payment shall be due on the next business day.

7. Water Quality. CAWCD makes no representation or warranty as to the water quality of any water recovered and delivered pursuant to this Agreement and is under no obligation to construct or furnish facilities to treat such water.
8. **Satisfaction of Rights.** NMIDD agrees that the CAP Recovery Capacity Payment provided for in Section 6 fully satisfies CAWCD’s commitment to the development of Replacement Groundwater Supplies.

9. **Default and Remedies.**

   a. **Specific Performance.** The Parties agree that monetary damages will be ineffective in remedying any breach of this Agreement, other than nonpayment, and that a court may order specific performance.

   b. **Default.** CAWCD and NMIDD 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 default by CAWCD or NMIDD in the covenants and obligations to be kept and performed shall be an act of default under this Agreement.

   c. **Right to Cure and Remedy.** In the event of a default by CAWCD or NMIDD, then, within thirty (30) days following notice of such default by the non-defaulting Party, the defaulting Party shall cure such 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 the defaulting Party fails to cure a Default within the 30-day cure period, the non-defaulting Party may, at its sole and exclusive discretion (i) upon written notice, terminate this Agreement, which termination shall be effective immediately upon delivery of such notice, or (ii) choose to not perform its obligations under the Agreement until the defaulting Party has cured the Default.

   d. **Termination and Reimbursement of Payment.** Should the CAWCD Recovery Capacity become permanently unavailable or non-operational due to the action or lack of action of NMIDD or another third party, CAWCD may terminate this Agreement by written notice to NMIDD. If this Agreement is terminated pursuant to this Section 9, NMIDD shall reimburse CAWCD for that portion of the Recovery Capacity Payment attributable to the remaining volume of CAWCD LTSCs (in acre-feet) that could have been recovered and exchanged at the time the Agreement was terminated.

   e. **Damage Limitations.** In no event shall either Party be liable for consequential, indirect, incidental, special, exemplary, punitive, or enhanced damages arising out of or relating to a breach of this Agreement, regardless of whether such damages were foreseeable.

10. **Indemnification.** Each Party agrees to indemnify, defend, and hold harmless the other Party from and against any and all loss, liability, claim, damage, or expense (including
reasonable legal fees and expenses), which the other Party may incur to the extent caused by the acts or omissions of the indemnifying Party or its employees, contractors, agents, or consultants and arising from or related to the performance of, or failure to perform, any obligations under this Agreement.


a. Notices. Any notice, demand, or request authorized or required by this Agreement shall be in writing and shall be deemed to have been duly given if delivered by email to a valid email address designated by the Parties, or if mailed first class or delivered, to the following address:

If to CAWCD

Attn: General Manager
P.O. Box 43020
Phoenix, AZ 85080-3020

If to NMIDD:

Attn: President of the Board
34630 N. Schnepf Rd.
Queen Creek, AZ 85140

b. Representations and Warranties.

i. Each Party has all legal power and authority to enter into this Agreement and to perform its obligations hereunder on the terms set forth in this Agreement, and the execution and delivery hereof by each Party and the performance by each Party of its obligations hereunder shall not violate or constitute an event of default under the terms or provisions of any agreement, document, or instrument to which each of the Parties is a party or by which each Party is bound.

ii. Each Party warrants and represents that the individual executing this Agreement on behalf of the Party has the full power and authority to bind the Party he or she represents to the terms of this Agreement.

iii. This Agreement constitutes a valid and binding agreement of each Party, enforceable against each Party in accordance with its terms.

c. Binding Effect and Limited Assignment. The provisions of this Agreement shall apply to and bind the successors and assigns of the Parties upon receipt of written agreement to the terms of this Agreement, but no assignment or transfer of this Agreement or any right or interest therein shall be valid until approved in writing by all Parties.
d. **Amendment, Modification, and/or Supplement.** No amendment, modification, or supplement to this Agreement shall be binding unless it is in writing and signed by all Parties.

e. **No Third-Party Beneficiaries.** This Agreement is not intended nor shall it be construed to create any third-party beneficiary rights to enforce the terms of this Agreement on any person or entity that is not a Party.

f. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be an original and all of which, together, shall constitute only one Agreement.

g. **Uncontrollable Forces.** No Party will be considered to be in default in the performance of any of its obligations hereunder 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, terrorism, or restraint by court order or public authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. Drought and water shortages contemplated by this Agreement are not "uncontrollable forces" for the purposes of this Agreement.

h. **Dispute Resolution.** The Parties shall attempt to resolve all claims, disputes, controversies, or other matters in question between the Parties arising out of, or relating to this Agreement promptly, equitably, and in good faith. The Parties also agree to resolve all disputes arising out of or relating to this Agreement through arbitration, after exhausting applicable administrative review, to the extent required by A.R.S. § 12-1518.

i. **Choice of Law.** This Agreement is governed by and shall be construed and interpreted in accordance with Arizona law. Any action to resolve any dispute regarding this Agreement shall be taken in a state court of competent jurisdiction located in Maricopa County, Arizona.

j. **Waiver.** No delay in exercising any right or remedy shall constitute a waiver unless such right or remedy is waived in writing signed by the waiving Party. 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 of this Agreement.
k. **Severability.** Any determination by any court of competent jurisdiction that any provision of this Agreement is invalid or unenforceable does not affect the validity or enforceability of any other provision of this Agreement.

l. **Captions.** All captions, titles, or headings in this Agreement are used for reference and convenience only and do not limit, modify, or otherwise affect any of the provisions of this Agreement.

m. **Additional Acts and Documentation.** Each Party, upon the request of the other Party, agrees to perform such further acts and to execute and deliver such other documents as are reasonably necessary to carry out the provisions of this Agreement,

n. **Records and Inspections.** All books, accounts, reports, files and other records in relation to this Agreement shall be subject at all reasonable times to inspection and audit by the Parties throughout the term of this Agreement and for a period of five years after the completion of this Agreement. Upon request, a Party must produce original of any or all such records.

o. **Equal Opportunity.** The Parties shall comply with State Executive Order No. 75-5, as amended by State Executive Order No. 2009-9, and all other applicable Federal and State laws, rules and regulations relating to equal opportunity and non-discrimination, including the Americans with Disabilities Act.

p. **Availability of Funds.** In accordance with ARS § 35-154, every payment obligation of the State under this Agreement is conditioned upon the availability of funds appropriated or allocated for payment of such obligation.

[Signatures appear on the following page]
IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the dates listed below.

**CAWCD:**

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT**

By: [Signature]

Theodore C. Cooke, General Manager

Date: 11-13-2019

**NMIDD:**

**NEW MAGMA IRRIGATION AND DRAINAGE DISTRICT**

By: [Signature]

Date: 11/6/2019
EXHIBIT A
ANNUAL RECOVERY COSTS (per Section 6)

Initial rate of $70/AF, increased by 2.5%/year over the term of the Agreement, including any extensions pursuant to Section 2.

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RECOVERY CAPACITY AGREEMENT BETWEEN
THE CENTRAL ARIZONA WATER CONSERVATION DISTRICT AND
QUEEN CREEK IRRIGATION DISTRICT

This Agreement for Recovery of Long-Term Storage Credits or Recovery and Exchange of Long-Term Storage Credits ("Agreement") is made this 16th day of Dec., 2019 between the Central Arizona Water Conservation District and Queen Creek Irrigation District, sometimes each individually referred to in this Agreement as a "Party" and collectively as the "Parties."

RECITALS

A. The Central Arizona Water Conservation District ("CAWCD") is a political subdivision of the State of Arizona established pursuant to Arizona Revised Statutes §§ 48-3701, et seq., which operates the Central Arizona Project ("CAP") pursuant to contracts and agreements with the United States.

B. The Queen Creek Irrigation District ("QCID"), is an irrigation district established pursuant to Arizona Revised Statutes §§ 48-2901, et seq.

C. CAWCD and ADWR jointly convened the Lower Basin Drought Contingency Plan Arizona Implementation Steering Committee ("Steering Committee") composed of Arizona water users, stakeholders and legislative leaders to discuss and recommend how to adopt and implement the Lower Basin Drought Contingency Plan ("LBDCP") in a way that is acceptable to Arizona water users. The Steering Committee identified various resources that were expected to be available during the term of the LBDCP that could partially mitigate the impacts of reductions on lower-priority CAP water users. This included funding for the construction and rehabilitation of wells and related infrastructure for the withdrawal and efficient delivery of 70,000 acre-feet of groundwater by irrigation districts at a cost of $50,000,000 ("Replacement Groundwater Supplies").

D. On January 3, 2019, CAWCD authorized the commitment of up to $5 million in ad valorem taxes ("CAWCD Funds") to groundwater infrastructure development for irrigation districts eligible to receive funds established by A.R.S. § 45-615.01.

E. On April 16, 2019, the President of the United States signed Pub. L. No. 116-14, directing the United States Department of Interior to implement the Colorado River Drought Contingency Plan.
F. Pursuant to A.R.S. § 48-3713, CAWCD has the statutory authority to invest in infrastructure development for the recovery of long-term storage credits.

G. Pursuant to A.R.S. § 45-2423(A)(5), the Arizona Water Banking Authority ("AWBA") has designated CAWCD as AWBA's agent for the purposes of recovering CAWCD LTSCs to supplement reduced deliveries of CAP municipal and industrial priority water ("M&I Priority Water") during Shortage. AWBA also has contracted with CAWCD to recover CAWCD LTSCs (1) to meet interstate water banking obligations with Nevada and (2) to meet the needs of certain municipal and industrial users of Colorado River water in Arizona outside of the service area of CAWCD during Shortage. In the future, CAWCD may also contract with AWBA to recover CAWCD LTSCs to assist the AWBA in meeting the State of Arizona's firming obligations under certain Indian water rights settlements.

H. CAWCD, acting as a recovery agent for the AWBA, is authorized (1) to recover CAWCD LTSCs using another entity's recovery infrastructure and to transport the recovered water to (a) an entity that requires firming, (b) another CAP customer that can accept the recovered CAWCD LTSCs in exchange for a reduction in that customer's CAP Water delivery order; (2) to contract with another entity to receive and recover CAWCD LTSCs and transport the recovered water for CAWCD; (3) to recover CAWCD LTSCs to create Intentionally Created Unused Apportionment for Nevada.

I. CAWCD desires to provide funds to assist QCID in the development of groundwater infrastructure and for QCID to dedicate annual recovery capacity to CAWCD to allow CAWCD to recover CAWCD LTSCs and exchange the recovered water for CAP Water available to and scheduled for delivery to QCID, including CAP Water scheduled for delivery pursuant to QCID's Groundwater Savings Facility permit, if any for that year. QCID has indicated its willingness to utilize its irrigation infrastructure for such purposes, on the terms and conditions herein.

AGREEMENT

1. Definitions.

a. "ADWR" means the Arizona Department of Water Resources.

b. "Annual Recovery Costs" means the cost of recovery of CAWCD LTSCs from the QCID Recovery Wells in a Recovery Year, including operation, maintenance, and pumping energy, at the rates specified in Exhibit A to this Agreement.
c. "CAWCD LTSCs" means long-term storage credits as defined in A.R.S. § 45-802.01 that were accrued at the QCID Groundwater Savings Facility by CAWCD or by the AWBA and transferred from the AWBA to CAWCD for recovery by CAWCD.

d. "CAP Water" means 'Project Water' as that term is defined in the Stipulated Judgment and the Stipulation for Judgment (including any exhibits to those documents) entered on November 21, 2007, in the United States District Court for the District of Arizona in the consolidated civil action styled Central Arizona Water Conservation District v. United States, et al., and numbered CIV 95-TUC-WDB (EHC) and CIV 95-1720-PHX-EHC.

e. "CAWCD Funding" means the $5 million of ad valorem taxes dedicated to groundwater infrastructure development in support of the Regional Conservation Partnership Program proposal "Central Arizona Regionally Irrigation Efficiency and Conservation Project".

f. "CAWCD Recovery Capacity" means the maximum volume that may be recovered in a single Recovery Year as described in Section 4(a) of this Agreement.

g. "CAWCD Recovery Well Permit(s)" means an Arizona Department of Water Resources recovery well permit(s) that is issued to CAWCD authorizing recovery of CAWCD LTSCs utilizing QCID Recovery Wells.

h. "Director" means the Director of the Arizona Department of Water Resources.

i. "QCID Recovery Wells" means the wells operated by QCID that are permitted to be recovery wells pursuant to the CAWCD Recovery Well Permit(s).

j. "Rate Schedule" means the O&M Costs information set forth in Exhibit B.

k. "Recovered Water" means water from the recovery of CAWCD LTSCs.

l. "Recovery Capacity Payment" has the meaning provided in Section 6(a) of this Agreement.

m. "Recovery Schedule" means the monthly schedule for the recovery of CAWCD LTSCs for each Recovery Year.
n. "Recovery Term" means that period commencing on January 1, 2027 and ending upon final termination of this Agreement.

o. "Recovery Year" means a calendar year in which CAWCD LTSCs are recovered pursuant to this Agreement.

p. "Replacement Groundwater Supplies" means groundwater supplies available to the Irrigation Districts as a result of groundwater infrastructure development funding provided to the Irrigation Districts consistent with the Regional Conservation Partnership Program proposal "Central Arizona Regionally Irrigation Efficiency and Conservation Project."

q. "Shortage" means a shortage declared by the Secretary of the United States Department of Interior in the Annual Operating Plan for Colorado River Reservoirs.

2. **Term and Extension.** The term of this Agreement shall commence on the date this Agreement has been fully executed by the Parties, and shall terminate on December 31, 2051. If the volume of CAP Water scheduled for delivery to QCID is less than the CAWCD Recovery Capacity requested by CAWCD in any year during the Recovery Term, the Agreement shall automatically extend for an additional term of one or more years necessary for CAWCD to recover the balance of CAWCD LTSCs that could not be recovered when originally requested, in accordance with Section 4 below.

3. **Recovery Well Permitting**

a. Before January 1, 2027 and continuing through the end of the Term, CAWCD shall procure and maintain, at its own cost, a Recovery Well Permit issued by the Director that will allow CAWCD to recover CAWCD LTSCs using QCID Recovery Wells.

b. On or before January 1, 2026, QCID shall notify CAWCD of the QCID Recovery Wells to be included in the CAWCD Recovery Well Permit. QCID shall identify wells with sufficient capacity to recover at least 750 acre-feet per year of CAWCD LTSCs during the Recovery Term.

c. The Parties shall coordinate on any proposed modifications to the CAWCD Recovery Well Permit. Except as provided in Section 3(b) above, upon receipt of notice from QCID, CAWCD agrees, at its cost, to modify its existing Recovery Well Permit to add any additional wells as QCID Recovery Wells.
d. QCID shall cooperate with CAWCD on any recovery well permit applications and shall provide all information reasonably requested by CAWCD that is necessary to complete such applications.

4. Recovery of CAWCD Long-Term Storage Credits

a. During the Recovery Term, and subject to terms and conditions set forth in this Agreement including the availability of CAP Water scheduled for delivery to QCID, QCID hereby grants CAWCD a right to exercise CAWCD’s Recovery Well Permit to recover up to 750 acre-feet per year of CAWCD LTSCs using QCID Recovery Wells. If the term of this Agreement is extended under Section 2 above, CAWCD shall have the right to exercise CAWCD’s Recovery Well Permit to recover the quantity of CAWCD LTSCs for which CAWCD requested capacity in excess of the volume of CAP Water scheduled for delivery to QCID during any years between January 1, 2027 and December 31, 2051. During an extension of the term of this Agreement, the quantity of CAWCD LTSCs recovered in any year shall not exceed the lesser of: (i) up to 750 acre-feet; or (ii) the total amount of CAWCD LTSCs for which CAWCD requested capacity but which were not recovered on or before December 31, 2051. CAWCD’s right to the CAWCD Recovery Capacity shall exist during Shortage and non-Shortage years and conditions.

b. CAWCD may recover CAWCD LTSCs pursuant to this Agreement in any Recovery Year during the Recovery Term. QCID retains the right to determine which QCID Recovery Wells CAWCD will use (through QCID’s operation of such recovery wells) in any Recovery Year to fulfill the Parties’ obligations under this Agreement.

c. In any year during the Recovery Term that CAWCD notifies QCID of its intent to recover CAWCD LTSCs pursuant to this Agreement, QCID agrees to exchange Recovered Water for CAP Water available to and scheduled for delivery to QCID, if any for that year. For every CAWCD LTSC that CAWCD recovers in a Recovery Year and delivers to QCID (“Recovered Water”), QCID agrees to accept a delivery reduction of one acre-foot in its CAP Water order for that Recovery Year.

d. The quantity of CAWCD LTSCs recovered in any year shall not exceed the CAWCD Recovery Capacity.

e. The Recovered Water shall be available for use by the QCID.

5. Procedure for Notification and Reporting
a. By November 15 of the year prior to the Recovery Year, CAWCD shall notify QCID in writing of its intent to recover CAWCD LTSCs pursuant to this Agreement or recover and exchange CAWCD LTSCs for CAP Water if CAP Water is available to QCID. CAWCD will coordinate all actions necessary within its own operations concerning any CAP water orders made by QCID for delivery to QCID that are affected by CAWCD’s recovery of CAWCD LTSCs as part of this Agreement.

b. By February 28 of the year following a Recovery Year, QCID and CAWCD shall work together to complete any applicable ADWR annual water use reports that indicate the volumes of CAWCD LTSCs recovered pursuant to this Agreement. In producing the ADWR annual water use reports, QCID shall make available all applicable data to CAWCD for verification. By March 31 of the year following a Recovery Year, CAWCD shall submit to ADWR all applicable ADWR annual water use reports for the Recovery Wells used pursuant to this Agreement. The Parties’ obligation under this Section 5 to work together to complete and file applicable ADWR annual water use reports for CAWCD LTSCs recovered pursuant to this Agreement shall survive the Term of this Agreement for a period of 12 months.

6. CAWCD Payment, CAP Water Delivery Charges and CAWCD LTSC Recovery Fees.

a. Within ninety (90) days following execution of this Agreement, CAWCD will pay QCID three hundred thousand dollars ($300,000) to secure the CAWCD Recovery Capacity for the Term of this Agreement (“Recovery Capacity Payment”).

b. QCID agrees to pay all charges established by CAWCD for the delivery of CAP Water that would have otherwise been associated with delivery of QCID CAP Water order as if the CAP Water order was fully delivered to QCID as ordered and no recovery had taken place.

c. CAWCD agrees to pay the Long-term Storage Credit recovery fee required by A.R.S. § 45-874.01 for each CAWCD LTSC recovered pursuant to this Agreement.

d. In each Recovery Year, CAWCD shall pay to QCID the Annual Recovery Costs for the recovery of CAWCD LTSCs consistent with Exhibit A. Not later than the 10th of each month, QCID shall submit to CAWCD for payment a monthly invoice. Each invoice shall show: (i) the amount of CAWCD LTSCs recovered in the preceding month; (ii) the total sums owed for the invoice period; and (iii) a calculation of the total sums owed utilizing the CAWCD LTSCs recovered in the preceding month. CAWCD’s payment of each invoice shall be due not later than the end of the 30th calendar day following the date of invoice. In the event the 30th day is a Saturday, Sunday, or legal holiday, payment shall be due on the next business day.
7. **Water Quality.** CAWCD makes no representation or warranty as to the water quality of any water recovered and delivered pursuant to this Agreement and is under no obligation to construct or furnish facilities to treat such water.

8. **Satisfaction of Rights.** QCID agrees that the CAP Recovery Capacity Payment provided for in Section 6 fully satisfies CAWCD’s commitment to the development of Replacement Groundwater Supplies.

9. **Default and Remedies.**

   a. **Specific Performance.** The Parties agree that monetary damages will be ineffective in remedying any breach of this Agreement, other than nonpayment, and that a court may order specific performance.

   b. **Default.** CAWCD and QCID 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 default by CAWCD or QCID in the covenants and obligations to be kept and performed shall be an act of default under this Agreement.

   c. **Right to Cure and Remedy.** In the event of a default by CAWCD or QCID, then, within thirty (30) days following notice of such default by the non-defaulting Party, the defaulting Party shall cure such 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 the defaulting Party fails to cure a Default within the 30-day cure period, the non-defaulting Party may, at its sole and exclusive discretion (i) upon written notice, terminate this Agreement, which termination shall be effective immediately upon delivery of such notice, or (ii) choose to not perform its obligations under the Agreement until the defaulting Party has cured the Default.

   d. **Termination and Reimbursement of Payment.** Should the CAWCD Recovery Capacity become permanently unavailable or non-operational due to the action or lack of action of QCID or another third party, CAWCD may terminate this Agreement by written notice to QCID. If this Agreement is terminated pursuant to this Section 9, QCID shall reimburse CAWCD for that portion of the Recovery Capacity Payment attributable to the remaining volume of CAWCD LTSCs (in acre-feet) that could have been recovered and exchanged at the time the Agreement was terminated.

   e. **Damage Limitations.** In no event shall either Party be liable for consequential, indirect, incidental, special, exemplary, punitive, or enhanced damages arising out of
or relating to a breach of this Agreement, regardless of whether such damages were foreseeable.

10. Indemnification. Each Party agrees to indemnify, defend, and hold harmless the other Party from and against any and all loss, liability, claim, damage, or expense (including reasonable legal fees and expenses), which the other Party may incur to the extent caused by the acts or omissions of the indemnifying Party or its employees, contractors, agents, or consultants and arising from or related to the performance of, or failure to perform, any obligations under this Agreement.


a. Notices. Any notice, demand, or request authorized or required by this Agreement shall be in writing and shall be deemed to have been duly given if delivered by email to a valid email address designated by the Parties, or if mailed first class or delivered, to the following address:

If to CAWCD
Attn: General Manager
P.O. Box 43020
Phoenix, AZ 85080-3020

If to QCID:
Attn: President of the Board
22725 E. Ocotillo Rd.
Queen Creek, AZ 85142

b. Representations and Warranties.

i. Each Party has all legal power and authority to enter into this Agreement and to perform its obligations hereunder on the terms set forth in this Agreement, and the execution and delivery hereof by each Party and the performance by each Party of its obligations hereunder shall not violate or constitute an event of default under the terms or provisions of any agreement, document, or instrument to which each of the Parties is a party or by which each Party is bound.

ii. Each Party warrants and represents that the individual executing this Agreement on behalf of the Party has the full power and authority to bind the Party he or she represents to the terms of this Agreement.

iii. This Agreement constitutes a valid and binding agreement of each Party, enforceable against each Party in accordance with its terms.

c. Binding Effect and Limited Assignment. The provisions of this Agreement shall apply to and bind the successors and assigns of the Parties upon receipt of written
agreement to the terms of this Agreement, but no assignment or transfer of this Agreement or any right or interest therein shall be valid until approved in writing by all Parties.

d. **Amendment, Modification, and/or Supplement.** No amendment, modification, or supplement to this Agreement shall be binding unless it is in writing and signed by all Parties.

e. **No Third-Party Beneficiaries.** This Agreement is not intended nor shall it be construed to create any third-party beneficiary rights to enforce the terms of this Agreement on any person or entity that is not a Party.

f. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be an original and all of which, together, shall constitute only one Agreement.

g. **Uncontrollable Forces.** No Party will be considered to be in default in the performance of any of its obligations hereunder 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, terrorism, or restraint by court order or public authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. Drought and water shortages contemplated by this Agreement are not "uncontrollable forces" for the purposes of this Agreement.

h. **Dispute Resolution.** The Parties shall attempt to resolve all claims, disputes, controversies, or other matters in question between the Parties arising out of, or relating to this Agreement promptly, equitably, and in good faith. The Parties also agree to resolve all disputes arising out of or relating to this Agreement through arbitration, after exhaustng applicable administrative review, to the extent required by A.R.S. § 12-1518.

i. **Choice of Law.** This Agreement is governed by and shall be construed and interpreted in accordance with Arizona law. Any action to resolve any dispute regarding this Agreement shall be taken in a state court of competent jurisdiction located in Maricopa County, Arizona.
j. **Waiver.** No delay in exercising any right or remedy shall constitute a waiver unless such right or remedy is waived in writing signed by the waiving Party. 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 of this Agreement.

k. **Severability.** Any determination by any court of competent jurisdiction that any provision of this Agreement is invalid or unenforceable does not affect the validity or enforceability of any other provision of this Agreement.

l. **Captions.** All captions, titles, or headings in this Agreement are used for reference and convenience only and do not limit, modify, or otherwise affect any of the provisions of this Agreement.

m. **Additional Acts and Documentation.** Each Party, upon the request of the other Party, agrees to perform such further acts and to execute and deliver such other documents as are reasonably necessary to carry out the provisions of this Agreement.

n. **Records and Inspections.** All books, accounts, reports, files and other records in relation to this Agreement shall be subject at all reasonable times to inspection and audit by the Parties throughout the term of this Agreement and for a period of five years after the completion of this Agreement. Upon request, a Party must produce original of any or all such records.

o. **Equal Opportunity.** The Parties shall comply with State Executive Order No. 75-5, as amended by State Executive Order No. 2009-9, and all other applicable Federal and State laws, rules and regulations relating to equal opportunity and non-discrimination, including the Americans with Disabilities Act.

p. **Availability of Funds.** In accordance with ARS § 35-154, every payment obligation of the State under this Agreement is conditioned upon the availability of funds appropriated or allocated for payment of such obligation.

[Signatures appear on the following page]
IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the dates listed below.

CAWCD: CENTRAL ARIZONA WATER CONSERVATION DISTRICT

By: 
Theodore C. Cooke, General Manager

Date: 12-16-19

QCID: QUEEN CREEK IRRIGATION DISTRICT

By: 

Date: 11-12-19
EXHIBIT A
ANNUAL RECOVERY COSTS (per Section 6)

Initial rate of $70/AF, increased by 2.5%/year over the term of the Agreement, including any extensions pursuant to Section 2.

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CONTACT:  
Don Crandall  
623-869-2457  
dcrandall@cap-az.com  
Darrin Francom  
623-869-2276  
dfrancom@cap-az.com

MEETING DATE:  
Thursday, December 2, 2021

AGENDA ITEM:  
Report on Projected 2022 Annual Operations Plan (Project Reliability*) - Crandall

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:

- September 3, 2020  
  Report on Water Operations
- January 7, 2021  
  Report on Water Operations and 2021 Annual Operating Plan
- March 4, 2021  
  Report on Water Operations
- June 10, 2021  
  Report on Water Operations and 2020 Water Diversions

ISSUE SUMMARY/DESCRIPTION:

Summary of the 2022 Annual Operating Plan.


The purpose of the Annual Operating Plan (AOP) is to communicate the anticipated operation of the CAP system for water deliveries in the subsequent year. The AOP is constructed through a detailed planning process each year that includes: evaluation and estimation of Colorado River uses and CAP Delivery Supply, review and approval of CAP customer Water Orders, CAP system operations and maintenance outages, pump usage, and energy needs. Colorado River diversions are scheduled to minimize energy costs within the operational constraints of customer Water Orders, Lake Pleasant operations, and maintenance activities.

The Lower Basin will be operating under Tier 1 Shortage condition in 2022. For Arizona, that declaration results in a 320,000 acre-feet reduction under the 2007 Guidelines, and 192,000 acre-feet of reductions or contributions under the Lower Basin DCP. Tier 1 also triggered several Mitigation actions for 2022 that were agreed upon as part of the Arizona DCP Implementation Plan. In addition, the Probable Minimum scenario in the August 2021 24-Month Study projected that Lake Mead would be below 1,030’ within the next two years. Consistent with the DCP agreements, additional consultations have begun between the Lower Basin states and Reclamation to prepare additional collective actions to protect Lake Mead from declining to elevations below 1,020’. These additional actions are likely to be implemented in 2022 in addition to the DCP and Guidelines reductions, however those are not reflected in this AOP.

The pre-mitigation delivery supply of 1,113,000 Acre-Feet includes 512,000 acre-feet of reductions associated with the Tier 1 shortage, expected losses, and an additional supply of 30,000 acre-feet from Lake Pleasant. CAP Water Orders totaled 1,295,717 acre-feet and consisted of 68,400 Acre-feet of P4 priority, 332,661 acre-feet of Indian priority, 597,023 acre-feet M&I priority, 245,633 acre-feet of NIA priority, and
42,000 acre-feet of excess water for the agricultural pool. The pre-mitigation CAP Delivery Supply was determined to satisfy all P3, Indian and M&I priority water orders but the remaining supply available was insufficient to satisfy all NIA and Ag priority water user orders. However, as part of the Arizona DCP Implementation, 2022 includes full mitigation for NIA priority waters and mitigation of 105,000 acre-feet of Ag Pool water orders. Resources used to achieve mitigation include firming by the Arizona Banking Authority and Reclamation, Compensated Mitigation, Ag Groundwater infrastructure, Urban to Ag storage, SRP-CAP Exchange, Lake Pleasant Mitigation Supply and diversion of CAWCD Intentionally Created Surplus. The final CAP Delivery Supply after mitigation and accounting for system conservation by FMYN is 1,223,563 acre-feet.

Through October 31st, CAP Operations has diverted 1,146,457 Acre-Feet (AF) of the forecasted 1,369,500 AF of diversions for CY2021. CAP Operations continues to coordinate with Reclamation on CAP estimated allowable use and year end diversion targets. CAP Water Deliveries are estimated at 1,197,226 against a current end of year scheduled deliveries of 1,353,489 AF.

The fall outage that began on October 17th was completed on schedule on November 28th.

Lake Pleasant Elevation is at 1,666.0 and is forecast to end the year at elevation 1675.4

ATTACHMENTS:
1. Presentation
Report on Water Operations

- Report on 2022 CAP Baseline AOP
- Report on 2021 CAP Operations
  - Colorado River Diversions
  - Customer Deliveries
  - Lake Pleasant Elevations
  - Recharge Operations
AZDCP Implementation –
2022 CAP Operations and Mitigation

Updated CAP “Mitigation Math”
- +30 KAF Lake Pleasant to pre-Mitigation supply
- Slightly higher than projected M&I orders
- Revised NIA methodology
  - Pre-Mitigation supply used to fill existing contractors first
  - Lower firming and Compensated Mitigation volumes
  - New NIA contractor orders filled with Mitigation Water

Mitigation resources:
- Firming: 18,515 AF (USBR & AWBA)
- NIA Compensated Mitigation: 36,206 AF (GRIC & Scottsdale)
- USF-to-GSF: 45,500 AF (-1 KAF HVID/Scottsdale)
- Lake Pleasant: 55,000 AF
- SRP Exchange: 10,000 AF
- CAWCD ICS: 59,497 AF

CAP 2022 Baseline AOP

Mitigation Supplies 124,496
Lake Pleasant 30,000

2007 Reduction 320,000

Final CAP Delivery Supply 1,223,563

Delivery Supply and Water Scheduled for Delivery

Water Scheduled for Delivery 1,223,563

Ag Pool 42,000

Tribal Firming, Compensated Conservation 58,221

Includes 13,933 System Conservation by FMVN
2Lake Pleasant, CAWCD ICS, and SRP Exchange
**2021 CO River Diversions**

**CAP DIVERSES**
- ACP Diverion
- Forecast Diverion
- Actual Diverion

YTD as of Oct 31, 2021

**2021 CAP Deliveries**

**CAP DELIVERIES**
- Actual Deliveries
- Han Deliveries

YTD as of Oct 31, 2021
Lake Pleasant Elevation

2021 Recharge Operations
Colorado River Water Supply Report
December 2021

Chuck Cullom
Colorado River Programs Manager

CAWCD Board Meeting
December 2, 2021
Colorado River Water Supply Report
System Contents: 20.27 MAF
As of November 22, 2021

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<td>Lake Powell</td>
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<td>-0.13</td>
<td>24.30</td>
</tr>
<tr>
<td>Flaming Gorge Reservoir</td>
<td>2.91</td>
<td>-0.01</td>
<td>3.75</td>
</tr>
<tr>
<td>Fontenelle Reservoir</td>
<td>0.23</td>
<td>0.00</td>
<td>0.34</td>
</tr>
<tr>
<td>Navajo Reservoir</td>
<td>0.88</td>
<td>-0.01</td>
<td>1.70</td>
</tr>
<tr>
<td>Blue Mesa Reservoir</td>
<td>0.22</td>
<td>0.00</td>
<td>0.83</td>
</tr>
<tr>
<td>Morrow Point Reservoir</td>
<td>0.11</td>
<td>0.00</td>
<td>0.12</td>
</tr>
<tr>
<td>Crystal Reservoir</td>
<td>0.02</td>
<td>0.00</td>
<td>0.03</td>
</tr>
</tbody>
</table>

* With respect to previous month’s report
Powell End of Month Elevations

• 24-Month Study November 2021

• In WY 2022, projected release is 7.48 MAF for Min, Most, and Max probable scenarios

• Most and Min probable scenarios reflect wetter conditions in October

• Min probable scenario improved to be < 3,490’ for 2 months in 2023
Mead End of Month Elevations

- November 2021 24-Month Study
  - Projected 2023 Conditions:
    - T1 = Most Probable
    - T2a = Min Probable
  - Anticipated 2024 Conditions:
    - T2b or T3 possible
As of 11/17/2021, snow accumulation in the Green River Basin (which contributes ~33% of the flows into Lake Powell) is at 1.5 in. (blue line), which is 78% of the 30-year median for this date of 1.9 in. (purple line) and is slightly below last year’s amount (green line).

Snow accumulation in the Upper Colorado River Basin (contributes ~42%) to date is at 1.6 in., which is 71% of the 30-year median for this date of 2.3 in.

Snow accumulation in the San Juan River Basin (contributes ~13%) to date is at 1.5 in., which is 55% of the 30-year median for this date of 2.7 in.

For the overall Colorado River Basin above Lake Powell, the snow accumulation to date is at 1.5 in., which is 69% of the 30-year median for this date of 2.1 in.
The current ENSO (El Niño Southern Oscillation) probabilistic forecast indicates a >90% probability of a La Niña signal for Winter 2021-2022.

The three-month outlook for precipitation for November 2021 through January 2022 shows below normal precipitation for the Lower Colorado River Basin. The Upper Basin is likely to experience average to above-average precipitation. Temperatures for the next three months are forecasted to be above normal for most of the Colorado River Basin.
“Rex Block”

Nov. 30, 2021

- H situated poleward of a L
- Named for Daniel F. Rex, the meteorologist who first identified them as a “blocking” (large-scale, stationary) pattern
- Prevents other systems from passing through

Unsettled, short-term WET

Stable, short-term DRY
Monthly Precipitation – Oct. & Nov. 2021