

BOARD OF DIRECTORS

Information Summary

November 20, 2008

Subject

Access to Excess CAP Water

Policy Questions

- What is AMWUA's position regarding distribution of excess CAP water?
- Should excess CAP water be used for speculative purposes?
- What policies should be used to distribute excess CAP water when orders exceed available supply?

Summary

Excess CAP water is the amount of water available after the CAWCD fulfills Municipal and Industrial (M&I), Indian and Agricultural water delivery obligations. There are two types of excess water, "full cost excess" and "incentive recharge water." Incentive recharge water was originally developed by CAWCD to encourage full utilization of the CAP after contractual delivery obligations and full cost excess orders for CAP water were fulfilled. For the first time since the concept of incentive recharge water was developed, water users have placed orders for more excess water than is projected to be available. CAWCD did not have a policy regarding how to allocate excess CAP water when orders exceed supplies. At the CAWCD Board meeting of November 6, 2008, the CAWCD Board established a procedure for allocating excess CAP water for 2009, but clearly stated that, "Use of this procedure in 2009 shall not establish any precedent for future action." The CAWCD Board anticipates establishing policies and procedures for allocating excess CAP water in the coming year.

For the year 2009, CAP projects the amount of water available for delivery to be 1,525,000 acre-feet. Contractual delivery obligations total 693,000 acre-feet. Excess water set aside for agriculture equals 400,000 acre-feet. Excess water set aside for Arizona Water Bank Authority (AWBA) storage and Central Arizona Groundwater Replenishment District replenishment equals 195,900 acre-feet. Requests for delivery of excess CAP water to be paid for at full cost equal 51,300 acre-feet. Orders for incentive recharge water are approximately 344,700 acre-feet. CAWCD staff calculates that orders for incentive recharge water exceed the available supply by approximately 101,000 acre-feet.

CAWCD staff identified three alternative methods for distributing incentive recharge water:

1. Give preference to Groundwater Savings Facilities (GSF) partnerships. All incentive recharge orders for delivery to GSFs would be filled first. The remaining supply would be distributed among the orders placed at Underground Storage Facilities (USF) in proportion to the amount needed to be cut back.
2. Exclude credit remarketing entities. All incentive recharge orders by contractors that are not expected to retain the credits for their own use would be cut to zero, and the remaining supply would be distributed among the remaining orders
3. Distribute excess water based on past history. Orders would be benchmarked to each customer's maximum incentive order during the last three years. Customers without a previous history would be eligible for a *de minimis* volume. Any remaining supply would be distributed among all orders in proportion to the amount they were cut back.

At the November 6, 2008, CAWCD Board of Directors meeting, the board chose option #3. This policy reduced Gilbert's request for incentive recharge water from 25,000 acre-feet to 13,097 acre-feet. However, the CAWCD Board recommended that if any additional water becomes available, priority for distribution is given to Gilbert and Resolution Copper Company, the two entities that were not requesting water for speculative purposes that were most reduced through the adoption of this policy.

Considerations

1. Avondale, Chandler, Gilbert, Mesa, and Scottsdale requested incentive recharge water in 2009 to be stored as part of their efforts to meet Assured Water Supply obligations. Other municipal water providers are storing excess water supplies for similar purposes.
2. Speculators are storing water at a reduced rate in order to sell water (or credits) to future water users at a profit.
3. Mining companies are using incentive recharge water to secure water for potential mining operations.
4. CAWCD projects that incentive recharge pricing will be discontinued in 2012.
5. This action may set a precedent that CAWCD can determine allocation of water through policy making authority.

Prior Committee Action

The AMWUA Executive Director identified this as an emerging issue at the October Management Board and Board of Directors meetings. In these meetings, Board members expressed concerns about CAP water being acquired for speculative purposes.

November 20, 2008 – AMWUA Board of Directors' Meeting (Agenda Item #6)

At the November 12, 2008, Management Board meeting, the Management Board directed the AMWUA staff to continue to work with the Stakeholders to address policy concerns regarding distribution of Incentive Recharge water in 2010.

Recommendation

Since the CAWCD Board of Directors set policy for distribution of Incentive Recharge water for 2009, AMWUA staff recommends that AMWUA work with other Stakeholders to develop positions on future excess CAP water allocation policies.

Attachments

There are no attachments.