

**PROPOSED PRINCIPLES
CAP EXCESS WATER MARKETING**

03/30/09

1. These principles apply only to Excess Water as defined by the Master Repayment Contract and the Revised Stipulation.
2. In allocating/marketing Excess Water CAWCD will adhere to the following guidelines:
 - a. Excess Water should be made available to make progress in firming municipal supplies and to meet Indian firming obligations.
 - b. Excess Water should not be subsidized unless necessary to encourage full use of Excess Water or promote a legitimate public policy.
 - c. Excess Water and long-term storage credits resulting from the storage of Excess Water may not be re-sold for a profit.
3. CAWCD will establish Excess Water pools as follows:
 - a. No less than ____ percent and no more than ____ percent for cities, towns, and private water companies ("Municipal Pool").
 - b. No less than ____ percent and no more than ____ percent for the Arizona Water Bank (until firming goals are met) and CAGR D for the replenishment reserve.
 - c. No less than ____ percent and no more than ____ percent for CAGR D for replenishment.
 - d. No less than ____ percent and no more than ____ percent for industrial uses ("Industrial Pool").
4. In any year, CAWCD may reallocate Excess Water from any pool with a surplus (i.e., the amount of water in the pool exceeds the requests for water from that pool) to any other pool.
5. CAWCD, in consultation with stakeholders, will review the pool percentages every five years.
6. In any year in which the requests for Excess Water from the Municipal Pool or the Industrial Pool exceed the amount of Excess Water in that pool ("Pool Oversubscription Year"):
 - a. In the first through the tenth Pool Oversubscription Years:
 - (1) CAWCD will reserve an amount of Excess Water in that pool ("Reserved Amount") for those Excess Water contractors that received delivery of

Excess Water in year _____ ("Base Year"). The Reserved Amount does not necessarily have to be large enough to satisfy all requests for Excess Water from contractors that received delivery of Excess Water in the Base Year and will be determined as follows:

- _____ percent of the pool in the first Pool Oversubscription Year.¹
- _____ percent of the pool in the second Pool Oversubscription Year.
- _____ percent of the pool in the third Pool Oversubscription Year.
- _____ percent of the pool in the fourth Pool Oversubscription Year.
- _____ percent of the pool in the fifth Pool Oversubscription Year.
- _____ percent of the pool in the sixth Pool Oversubscription Year.
- _____ percent of the pool in the seventh Pool Oversubscription Year.
- _____ percent of the pool in the eighth Pool Oversubscription Year.
- _____ percent of the pool in the ninth Pool Oversubscription Year.
- _____ percent of the pool in the tenth Pool Oversubscription Year.

- (2) Within the Reserved Amount, CAWCD will allocate Excess Water in proportion to the relative amounts of Excess Water delivered to each Excess Water Contractor in the Base Year.
- (3) CAWCD will allocate the Excess Water in the pool that exceeds the Reserved Amount equally among all entities (historical and new) that that have requested Excess Water from the pool. If any entity does not desire its full equal share of the Excess Water that exceeds the Reserved Amount or if its original request is less than its equal share, CAWCD will divide any remaining Excess Water in the pool equally among entities in the pool that desire more water.

b. Beginning in the eleventh Pool Oversubscription Year, there will be no Reserved Amounts and:

- (1) CAWCD will allocate the amount of Excess Water in the pool equally among entities that have requested Excess Water from the pool.
- (2) If any entity does not desire its full equal share or if its original request is less than its equal share, CAWCD will divide any remaining Excess Water in the pool equally among entities in the pool that desire more water.

¹ It is intended that the percentages of the pool that will be allocated to the Reserve Amount will decrease over the ten Pool Oversubscription Years.