

**PROJECT ADD WATER
EXPANDED CANAL CAPACITY ALTERNATIVE
Draft
April 29, 2009**

A. ASSUMPTIONS

1. Add Water will not negatively impact the use of the existing CAP system for delivery of Project Water.
2. Existing CAP canal capacity will be used to transport Project Water, water associated with the Central Arizona Groundwater Replenishment District's responsibilities, and water for which capacity has previously been reserved or set aside by the Central Arizona Water Conservation District (CAWCD) Board of Directors.
3. ADD Water will not be considered Project Water regardless of its source.
4. The existing capacity of the CAP canal will be increased by approximately 400,000 acre-feet, from 1.8 MAF to 2.2 MAF, to accommodate ADD Water (ADD Water Canal Capacity). *See the attached document explaining why an effective ADD Water program requires increasing the CAP canal capacity.*
5. The United States will agree to a wheeling agreement, if necessary, for the ADD Water Canal Capacity.
6. The assured water supply program will continue in its present form.

B. GOVERNANCE

1. The CAWCD Board and a Participants Council (Council) will oversee and manage the ADD Water process through a contractual relationship, as further described in Section C. Each Participant will be represented on the Council. Voting on the Council will be weighted based on each Participant's financial commitment.
2. The Council will appoint a Technical Advisory Committee (TAC).
3. CAWCD staff, in consultation with the TAC, will develop an ADD Water Master Plan and annual budgets and operating plans.
4. CAWCD may not implement the ADD Water Master Plan, and the annual budgets and operating plans, without the consent of the Council.

C. PARTICIPATION

1. Participation will be pursuant to a standard agreement between CAWCD and each Participant (Participation Agreement).
2. Any municipal, industrial or agricultural user may become a Participant by entering into a Participation Agreement and making the required financial commitment.
3. The first round of Participation will be limited to 300,000 acre-feet annually of ADD Water Canal Capacity. 100,000 acre-feet of ADD Water Canal Capacity will be reserved for future Participants.
4. Each Participant will have a permanent contractual right to receive an annual amount of ADD Water and to use the ADD Water Canal Capacity for annual delivery of that amount of ADD Water at the Participant's point of delivery.
5. There will be two classes of ADD Water as follows:
 - a. Firm. This category will be of a reliability to ensure acceptance by the Arizona Department of Water Resources under the existing assured water supply program.
 - b. Non-firm. This category will not necessarily be available from year to year on a reliable basis.
6. Each Participant will determine the amount of ADD Water it seeks through its financial commitment.
7. Each Participant will be required to pay a portion of its financial commitment up-front. The required up-front financial commitment for a Participant will be calculated on an acre-foot basis as follows:
 - a. Firm water: a payment adequate to construct the ADD Water Canal Capacity, prorated on the basis of 400,000 acre-feet per year, and a payment to acquire the firm supply.
 - b. Non-firm water: a payment adequate to construct the ADD Water Canal Capacity, prorated on the basis of 400,000 acre-feet per year, and a payment to acquire the non-firm supply.
8. A Participant may withdraw from its ADD Water commitment, in whole or in part, if a municipal, industrial or agricultural user assumes its position as long as there are no adverse impacts on the other Participants.

Other Participants will have the first right of refusal to assume the withdrawing Participant's position.

9. Each Participant in the 100,000 acre-feet of ADD Water Canal Capacity reserved for the future will be required to reimburse the initial Participants for its pro-rata share of the cost of ADD Water Canal Capacity, including interest.

D. ADD WATER ACQUISITION, DELIVERY AND USE

1. CAWCD will own, on behalf of the Participants, any rights to water supplies acquired for ADD Water and the infrastructure to transport ADD Water to the ADD Water Canal Capacity.
2. ADD Water may be used only within the three-county CAP service area.
3. ADD Water may be used for any municipal, industrial or agricultural use allowed under state law.
4. If a Participant resells or transfers ADD Water or any long-term storage credits of ADD Water for a profit, the profit must be used to reimburse the costs to the other Participants on a pro-rata basis.
5. Unused Supplies:
 - a. Unused Supplies are ADD Water Supplies that are not taken by one or more Participants in any given year and that will be lost if not taken by other Participants or other water users.
 - b. Participants will have the first right of refusal on an annual basis to Unused Supplies.
 - c. CAWCD may offer any remaining Unused Supplies on an annual basis to any municipal, industrial or agricultural user. Proceeds from the sale of Unused Supplies to non-Participants will be used, first, to make the non-using Participant(s) whole, and, second, to reduce the costs to the other Participants.
6. During ADD Water supply shortages, ADD Water deliveries will be reduced pro-rata within each class of ADD Water, as further developed in the ADD Water Master Plan.
7. Each Participant will pay annual ADD Water fixed OM&R costs in proportion to its contractual commitment for ADD Water and ADD Water Canal Capacity.

8. Each Participant will pay variable OM&R costs based on the annual amount of ADD Water delivered to that Participant each year.

E. ADD WATER MASTER PLAN

1. CAWCD must, with the consent of the Council, adopt an ADD Water Master Plan prior to implementing an ADD Water program.
2. The ADD Water Master Plan will:
 - a. Describe the potential sources of ADD Water.
 - b. Describe the capital improvements and additions needed to develop the ADD Water Canal Capacity and any capital works and improvements necessary to transport ADD Water from its points of origin to the ADD Water Canal Capacity.
 - c. Estimate the costs associated with the capital improvements and additions.
 - d. Describe how costs associated with replacement will be allocated.
 - e. Describe any delivery conditions for ADD Water, including during operational or temporary shortages.
 - f. Further describe how deliveries will be reduced pro-rata within each class of ADD Water during supply shortages.
 - g. Describe how peaking will be handled.
3. The ADD Water Master Plan must be reviewed and revised as necessary, but no later than every _____ years.

Why an Effective ADD Water Program Depends on Increasing CAP Canal Capacity

Many, if not most, of the entities seeking ADD Water need firm water supplies. Relying on the existing capacity of the CAP canal will not provide reliable supplies. The existing canal capacity must be used first and foremost to deliver project water. The only way to ensure that firm ADD Water supplies will be available is to expand the capacity of the CAP canal.

In 2002, CAWCD adopted a "Policy for Use of Excess Canal Capacity (Policy)."¹ The Policy assumes that up to 300,000 acre-feet of excess canal capacity is available after deliveries of project water. The Policy approves "interim reservations" and "set asides" of excess canal capacity:

- Totalling 78,000 acre-feet per year to deliver non-project water from water ranches that were purchased by the cities of Phoenix, Mesa and Scottsdale prior to 2002.
- Of up to 3,460 acre-feet per year to wheel Scottsdale's Harquahala groundwater.
- To meet CAGRDR's estimated existing and committed replenishment obligation as of July 1, 2003 to the extent that obligation requires use of non-project water supplies.

Since Scottsdale and Mesa have sold or are in the process of selling most of all of their water ranches, the excess canal capacity to deliver water from water ranches has probably been reduced to the 38,000 acre-feet needed for the City of Phoenix. The CAGRDR Plan of Operation "identifies a need for up to 105,000 acre-feet per year of canal capacity to wheel non-project supplies for CAGRDR purposes."² The combined excess capacity needed for the reservations and set-asides for CAGRDR, Phoenix and Scottsdale is approximately 146,460 acre-feet per year, leaving approximately 154,000 acre-feet per year available for future use. Clearly, this "available" excess capacity will not be sufficient to meet the additional needs of CAGRDR and the stakeholders desiring ADD Water supplies, especially considering that this capacity must first be used to deliver project water.

Consequently, the Expanded Canal Capacity Alternative proposes that the remaining existing excess canal space be made available solely for the CAGRDR and that ADD Water Participants pay to increase canal capacity to carry ADD Water supplies. ADD Water would not be project water and would not be subject to the laws and policies governing project water. For planning purposes, it is assumed that the increased canal capacity (ADD Water Canal Capacity) would be approximately 400,000 acre-feet per year. Approximately 100,000 acre-feet of the ADD Water Canal Capacity would be reserved for future Participants.

¹ See CAGRDR Plan of Operation, Submitted Draft, November 8, 2004, pp. 61-62.

² Ibid.