

Major Elements of the CAP Staff Proposal for Wheeling Non-Project Water

CONTEXT

1. Wheeling Non-Project Water in the CAP system is specifically contemplated in section 8.18 of the 1988 Master Repayment Contract, and is a strategic goal of the CAP Board
2. The Staff Proposal consists of several parts:
 - a. Standard Form of Wheeling Agreement
 - b. Modifications to the Operating Agreement
 - c. White papers on the Annual Operating Plan and Peak Suppression Facility
 - d. Wheeling computer model
 - e. Supplemental Staff Position Statements
3. The Staff Proposal reflects the views of CAP staff, and has not been officially endorsed by either the CAP Board or the Bureau of Reclamation

CAPACITY

1. Wheeling contracts are tied to increasing the delivery capacity of the CAP system
2. CAP will submit capacity improvement project plans to Reclamation for review
3. Reclamation will determine how much capacity the proposed project will add
4. That determination will result in Certified Additional Annual System Delivery Capacity
5. CAWCD can then issue wheeling contracts, up to the Certified volume
6. Access to the CAP system for Project Water, Federal wheeling (8.17), and CAWCD wheeling (8.18) is determined in the annual scheduling process
 - a. Prior to completion of the improvement project, 8.18 wheeling contracts are subject to displacement by Project Water and 8.17 (i.e., 8.18 has lowest scheduling priority)
 - b. After the completion of the improvement project, 8.18 wheeling contracts have scheduling priority similar to M&I subcontracts
7. Peak capacity constraints are addressed with dedicated recharge capacity ("Peak Suppression Facility") that will allow shifting of Project Water orders to shoulder months

COSTS

1. All costs are paid by wheeling parties
2. Costs are collected through an up-front fee and annual rate
3. Costs are tied to a specific system improvement project
4. Funds are used exclusively for system improvements, and are subject to Reclamation review
5. Other costs include a Capital Equivalency Charge, Fixed OM&R, and market rates for actual energy use

CONTRACTING

1. Open to all parties, including Tribes
2. Contract is tied to a specific legal & physical supply
3. Contract can be of any duration
4. Contract can be held by multiple parties
5. Straightforward contract modification if term of fixed-duration supply is extended
6. Straightforward contract transfer if underlying supply is transferred to another party
7. The framework documents¹ negotiated with Reclamation will be supplemented with implementation policies adopted by the CAWCD Board
8. Staff will recommend that implementation policies defer to the relevant regulatory agencies (e.g., ADWR, USBR) for determination of end-use suitability
9. Wheeling parties will enter into an "Intent to Contract" agreement that specifies time and performance-based benchmarks for securing necessary regulatory approvals

OPERATIONS

1. A uniform 5% loss factor is applied [*alternative formula under consideration*]
2. Primary Maximum Contaminant Levels (MCLs) are the presumptive standard for water introduced into the CAP system
3. A water quality impact analysis and ongoing monitoring are required for introduced water
4. The Staff Proposal does not explicitly preclude contractors from bringing their own power, but Staff believe implementation issues would be extremely challenging

¹ Standard Form Wheeling Agreement and Modifications to the Operating Agreement