

**Agenda Number 7**

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**MEETING DATE:** March 1, 2018

**AGENDA ITEM:** Discussion and Consideration of Action on Pending Interstate Recovery Agreements:

- a. Agreement For Funding the Recovery of LTSC Stored on Behalf of SNWA in the Tucson AMA
- b. Agreement to Exchange Interstate LTSCs for the City of Tucson's CAP M&I Priority Water For the Development of ICUA
- c. Four Party Letter Agreement among AWBA, CAWCD, SNWA and CRCN Regarding the Interstate Funding Agreement for Tucson AMA Recovery Capacity

**RECOMMENDATION:**

Staff recommends that the Board of Directors approve the above listed agreements and authorize the General Manager to sign all three agreements in substantially the form in which they were presented today.

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**FINANCIAL IMPLICATIONS:** None

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**LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:**

CAWCD 2016 Board of Directors Strategic Plan

- *Water Supply: Implement Recovery Plan*

**PREVIOUS BOARD ACTION/ACTIVITY:**

- January 4, 2018 – Status Report and Update on Recovery Planning/Implementation Activities
- February 1, 2018 – Report and Discussion on Pending Interstate Recovery Agreements

**ISSUE SUMMARY/DESCRIPTION:**

Staff from CAWCD, the City of Tucson (Tucson), the Southern Nevada Water Authority (SNWA), the Arizona Water Banking Authority (AWBA) and the Colorado River Commission of Nevada (CRCN) have developed three agreements to secure the future recovery of 65,000 AF of interstate credits stored in the Tucson AMA by the Arizona Water Banking Authority (AWBA). The AWBA has stored more than 600kAF of excess CAP water on behalf of SNWA, of which approximately 110,000 AF are stored in the Tucson AMA.

When SNWA requests this water in the future, Arizona will develop Intentionally Created Unused Apportionment (ICUA) as outlined in the 2002 Storage and Interstate Release Agreement (SIRA) as well as in the 2002 Agreement for Development of ICUA between AWBA and CAWCD. CAWCD has (1) agreed to accept banked long-term storage credits (LTSCs) assigned by the AWBA from the SNWA Interstate Account in exchange for Colorado River water that would have otherwise been diverted into the CAP by CAWCD and (2) reduce its consumptive use of Colorado River water in accordance with that exchange based on an Interstate Recovery Schedule. The water that would have otherwise been diverted by CAWCD will be left in Lake Mead for SNWA to divert and CAWCD will recover an equivalent volume of banked LTSCs in the CAP service area.

The three agreements under consideration by the Board would accomplish a portion of interstate recovery in the Tucson AMA and are described as follows: (1) a funding agreement between SNWA and CAWCD whereby SNWA provides pre-payment of \$1M for the future recovery of 65,000 AF of interstate credits located in the Tucson AMA, (2) an exchange agreement between Tucson and CAWCD whereby CAWCD advances \$1M to Tucson to annually exchange up to 10,000 AF of its CAP M&I Priority Water for an equivalent amount of recovered credits, using Tucson's recovery infrastructure, over the term or until a total of 65,000 AF of the interstate credits have been recovered, and (3) an agreement among CAWCD, AWBA, SNWA and CRCN to satisfy certain requirements of the existing Interstate Recovery Agreement signed among the parties on June 9, 2010.

If approved, these agreements will achieve a number of important goals:

- 1) In combination with similar interstate agreements approved last year, these agreements would provide dedicated pre-paid recovery capacity for just over 20% of SNWA's approximately 601,000 AF of LTSCs stored in Arizona.
- 2) It also benefits Tucson Water by providing upfront funds in exchange for a long-term arrangement.

**SUGGESTED MOTION:** I move that the Board of Directors approve the following agreements:

- a. Agreement For Funding the Recovery of LTSC Stored on Behalf of SNWA in the Tucson AMA
- b. Agreement to Exchange Interstate LTSCs for the City of Tucson's CAP M&I Priority Water For the Development of ICUA
- c. Four Party Letter Agreement among AWBA, CAWCD, SNWA and CRCN Regarding the Interstate Funding Agreement for Tucson AMA Recovery Capacity and authorize the General Manager to sign all three agreements in substantially the form in which they were presented today.

Attachments.

**Discussion and Consideration of Action on Interstate Recovery Agreements**

March 1, 2018

Laura Grignano  
Resource Planning and Analysis

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## Interstate Recovery Agreements

- Agreement For Funding The Recovery of Long Term Storage Credits Stored on Behalf of SNWA in the Tucson Active Management Area
- Agreement to Exchange Interstate LSTCs for the City of Tucson's CAP M&I Priority Water For The Development of ICUA
- Four Party Letter Agreement among AWBA, CAWCD, SNWA and CRCN Regarding the Interstate Funding Agreement for Tucson AMA Recovery Capacity

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## Interstate Recovery Agreements

Agreement For Funding The Recovery of Long Term Storage Credits Stored on Behalf of SNWA in the Tucson Active Management Area

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Four Party Letter Agreement among AWBA, CAWCD, SNWA and CRCN Regarding the Interstate Funding Agreement for Tucson AMA Recovery Capacity



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### a. "Funding Agreement"

- Between CAWCD and SNWA
- Term is Jan 1, 2020- Dec 31, 2050
- SNWA advances \$1M to CAWCD to secure future recovery capacity when SNWA requests ICUA
- CAWCD agrees to use the funds to secure the recovery of up to 65,000 AF of interstate credits through a separate exchange agreement with City of Tucson (approximately \$15/AF)
- SNWA agrees to reimburse CAWCD on any costs paid to ADWR for regulatory fees to implement recovery
- Reimbursement provisions exist if agreement is terminated



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Four Party Letter Agreement among AWBA, CAWCD, SNWA and CRCN Regarding the Interstate Funding Agreement for Tucson AMA Recovery Capacity



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## b. "Exchange Agreement"

- Between CAWCD and City of Tucson
- Term is Jan 1, 2020- Dec 31, 2050
- CAWCD will pay \$1M to City of Tucson to secure recovery capacity for the Term
- City of Tucson agrees to grant CAWCD the right to recover up to 10,000 AF annually from Tucson wells (65,000 AF max. total) and exchange the recovered water for a reduction in Tucson's CAP M&I Priority deliveries
- City of Tucson agrees to pay all CAP delivery charges for water ordered including the water it is exchanging
- Termination and Reimbursement provision exists if capacity becomes permanently unavailable



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### c. "Four Party Letter Agreement"

- Among CAWCD, AWBA, SNWA and CRCN
- Acknowledges the Tucson Funding Agreement and the Tucson Exchange Agreement as prepaid options to develop ICUA
- Acknowledges that in the Third Amended and Restated Agreement for Interstate Water Banking (2013), the "choice of facilities utilized to recover the LTSCs used to develop the ICUA during a given year shall be at the discretion of the AWBA
- Acknowledges the previous Arizona Water Company Funding Agreement and associated exchange agreement



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