FINAL AGENDA

Times shown are approximate. Some items may take more or less time than scheduled, or the President may grant requests to hear items in an order other than shown.

1. Pledge of Allegiance, Moment of Silence and Safety Minute - Pinger (10:00)
2. Consideration of Action to Approve Items on the Consent Agenda** (10:05)
   a. Minutes of the August 1, 2019 Regular Meeting - Megdal
   b. Construction Contract for Storm Repairs to Pool Red Rock - Francom
   c. Construction Contract for Elevator Replacement at Mark Wilmer Pumping Plant - Francom
   d. Contract for CISCO Advantage Licenses and Maintenance -Weissinger
   e. Purchasing Contract for Motor Rotor Pole Fabrication for Unit 5 Repairs at Mark Wilmer Pumping Plant - Buzard
3. Consideration of Action to Approve Items Removed from the Consent Agenda
4. Reports of Committees and Possible Consideration of Committee Recommendations (10:20)
   a. Public Policy Committee - Cesare
   b. Finance, Audit and Power Committee - Arboleda
   c. CAGRD and Underground Storage Committee - Megdal
   i. Report on CAGRD Mid-Plan Review Process - Grignano (10:35)
6. Report on Board Strategic Plan - Atkins (11:05)
9. Discussion and Consideration of Action to Approve Excess Water Policy - Seasholes (11:50)
10. Discussion and Consideration of Action to Approve a 1-Year Lease Agreement between CAWCD and Fort McDowell Yavapai Nation for CAGRD Purposes - Grignano (12:05)
11. Discussion on Recovery Agreements Related to the Ag Pool Groundwater Infrastructure and Efficiency Program - Seasholes (12:25)
14. Future Agenda Items (1:10)
15. President’s Report on Current Events - Atkins (1:15)
17. Public Comment (1:35)
18. Consideration of Action to go into Executive Session of the Board for the following purposes:
   (The discussions and minutes of the executive session shall be kept confidential. The executive session of the Board is not open to the public.)***
   a. Pursuant to A.R.S. §38-431.03.A.3 to obtain legal advice from the District's attorneys on any matter listed on the agenda
19. Reconvene in Open Session
20. Consideration of Action Regarding Items Discussed in Executive Session
21. Adjourn

CAP Board members are elected by the voters in Maricopa, Pima and Pinal Counties. Visit cap-az.com/board to learn more about the Board. Those interested in meeting with a Board member may contact the member directly to schedule an appointment. Space will be made available at CAP Headquarters.

** Items listed in the Consent Agenda may be acted on by the Board without discussion. Any item listed on the Consent Agenda may be removed from the Consent Agenda and acted on separately by the Board.

*** The Executive Session is expected to last approximately one hour and will not be open to the public.

^ Linkage to 2016 CAWCD Board of Directors Strategic Plan.
The regular meeting of the Central Arizona Project ("CAWCD" or "CAP") Board of Directors was called to order by President Lisa Atkins on August 1, 2019, at 10:11 a.m. The meeting was held at Central Arizona Project Headquarters, located at 23636 North Seventh Street, Phoenix, Arizona, in the Board Room.

Board Members present were President Lisa A. Atkins, Maricopa County; Vice President Terry Goddard, Maricopa County; Secretary Sharon B. Megdal, Pima County (via teleconference); Alexandra Arboleda, Maricopa County; Jennifer Brown, Maricopa County; Karen Cesare, Pima County; Benjamin W. Graff, Maricopa County; Jim Holway, Maricopa County; Pat Jacobs, Pima County; Mark Lewis, Maricopa County; Heather Macre, Maricopa County; Jennifer Martin, Maricopa County; April Pinger, Maricopa County; and Mark Taylor, Pima County.

Board Members not present were Jim Hartdegen, Pinal County.

Staff members present were Ted Cooke, General Manager; Suzanne Ticknor, Assistant General Manager, External Affairs and Water Policy; Jay Johnson, General Counsel; Bridget Schwartz-Manock, Director, Public Affairs; Brian Buzard, Director Centralized Maintenance and Reliability; Christopher Hall, Director, Finance & Administration; Darrin Francom, Director, Operations and Engineering; Bonnie Stone, Director, Employee Services; Ken Seasholes, Manager, Resource Planning and Analysis; Chuck Cullom, Manager, Colorado River Programs; Mohammed Mahmoud, Senior Policy Analyst, Colorado River Programs; Jeff Gray, Manager, Legislative Affairs; Megan Casey, Public Affairs Management Analyst; and Jennifer Miller, Board Support Specialist.

1. **PLEDGE OF ALLEGIANCE, MOMENT OF SILENCE AND SAFETY MINUTE - MARTIN**
   
   Board Member Martin led the Board Members and public in reciting the Pledge of Allegiance and observing a moment of silence, and gave a safety minute on mental health and addiction.

2. **RECOGNITION OF CRIT SYSTEM CONSERVATION AGREEMENT SIGNING - ATKINS**
   
   President Atkins recognized the Colorado River Indian Tribes (CRIT), Arizona Department of Water Resources (ADWR), the Bureau of Reclamation (BOR) and Environmental Defense Fund (EDF) to commemorate the signing of the CRIT System Conservation Agreement. CRIT Chairman Dennis Patch spoke to express appreciation to CAP for their recent visit, and to thank all the parties to the agreement. The Board recessed at 10:18 a.m. for a photo with President Lisa Atkins, CRIT Chairman Patch, ADWR Director Tom Buschatzke, Leslie Meyers from BOR and Chris Kuzdas from EDF. The meeting reconvened at 10:31 a.m.

3. **CONSIDERATION OF ACTION TO APPROVE ITEMS ON THE CONSENT AGENDA**
   
   On a motion (Board Member Lewis) and a second (Board Member Taylor), approved the minutes of the June 6, 2019 meeting; approved the award of a Construction Contract to
Chasse Building Team for $3,700,280 plus an additional $370,000 (10%) for contingencies (totaling $4,070,000), for the South Plants Fire Protection Project and authorized the General Manager, or his designee, to execute the Contract and administer the contingency; approved the award of a Construction Contract to Rummel Construction for $296,540 plus an additional $29,654 (10%) for contingencies (totaling $326,194) for the Pool 37 O&M Road Improvements Project, and authorized the General Manager, or his designee, to execute the Contract and administer the contingency; and approved the award of a Construction Services Contract for the Salt River Siphon Repair Project to Achen Gardner Construction, and authorized the General Manager, or his designee, to execute an agreement up to $6,000,000 plus $600,000 (10%) for contingencies, totaling $6,600,000. Motion passed.

Voting yes: Lisa A. Atkins, Terry Goddard, Sharon B. Megdal, Alexandra Arboleda, Jennifer Brown, Karen Cesare, Benjamin W. Graff, Jim Holway, Pat Jacobs, Mark Lewis, Heather A. Macre, Jennifer Martin, April Pinger, Mark Taylor

4. CONSIDERATION OF ACTION TO APPROVE ITEMS REMOVED FROM THE CONSENT AGENDA
None.

5. REPORTS OF COMMITTEES AND POSSIBLE CONSIDERATION OF COMMITTEE RECOMMENDATIONS

5.a. PUBLIC POLICY COMMITTEE - CESARE
Board Member Cesare gave an update on the August 1, 2019 meeting of the Public Policy Committee. She noted that the Committee heard an update on federal issues, including an update on the budget, Indian water rights settlements and pending legislation. She reported that the Committee unanimously recommended that the Board take a position of support on S. 1932, the Drought Resiliency and Water Supply Infrastructure Act. Board Member Cesare said that the September Committee meeting has been cancelled, since the State Legislature is not in session and Congress will be on recess for the month of August.

5.a.i. CONSIDERATION OF ACTION ON FEDERAL ISSUES THAT COULD IMPACT CAP INCLUDING BUT NOT LIMITED TO S. 1932 DROUGHT RESILIENCY AND WATER SUPPLY INFRASTRUCTURE ACT - GRAY
On a motion (Board Member Cesare) and a second (Board Member Macre), adopted a position on the following pending federal legislation of interest to CAP: S. 1932 Drought Resiliency and Water Supply Infrastructure Act (SUPPORT). Motion passed.

Voting yes: Lisa A. Atkins, Terry Goddard, Sharon B. Megdal, Alexandra Arboleda, Jennifer Brown, Karen Cesare, Benjamin W. Graff, Jim Holway, Pat Jacobs, Mark Lewis, Heather A. Macre, Jennifer Martin, April Pinger, Mark Taylor

5.b. FINANCE, AUDIT AND POWER COMMITTEE - GODDARD
Vice President Goddard reported that the FAP Committee did not meet in June or July, and noted the next meeting will be on August 15 and will include reports on internal audit activities, capital improvement project highlights and an update from power programs staff.
5.c. **CAGRD AND UNDERGROUND STORAGE COMMITTEE - MEGDAL**

Secretary Megdal gave an update on the June 20, 2019 meeting of the CAGRD and Underground Storage Committee. She reported on a presentation from Dr. George Hammond, Director of the Economic and Business Research Center at the University of Arizona on the economic outlook of central and southern Arizona as part of the mid-plan review series. She noted that staff presented on CAGRD enrollment trends, the development of a conservation program, and the Ag Pool Groundwater Infrastructure and Efficiency Program. Secretary Megdal noted that the next meeting will be on August 15.

6. **REPORT ON JUNE 19, 2019 ARIZONA WATER BANKING AUTHORITY MEETING - ARBOLEDA**

Board Member Arboleda gave an update on the June 19, 2019 meeting of the Arizona Water Banking Authority (AWBA), which included an update on long-term storage credit (LTSC) purchases and presented CAWCD’s water storage tax resolution for 2020. She noted that the AWBA heard updates on Colorado River conditions, CAP operations and recovery planning. Board Member Arboleda also reported that the AWBA approved fiscal year 2020 Legislative budget transfers from the Water Banking Fund, changes to Exhibit A of the Exchange Agreement for LTSCs, the AWBA 2018 Annual Report and the fiscal year 2020 administrative budget. She noted the next meeting was moved to September 25.

7. **REPORT ON JUNE 11, 2019 ARIZONA WATER PROTECTION FUND COMMISSION MEETING - JACOBS**

Board Member Jacobs gave an update on the June 11, 2019 Arizona Water Protection Fund Commission meeting. He shared the financial report from the meeting and the schedule for the fiscal year 2020 grant cycle. He reported that the Commission conducted two end-of-contract reviews for completed grants and approved the 2019 Annual Report. He also reported that the Commission re-elected Charles Paradzick as Chair and Board Member Jacobs as Vice-Chair.

8. **DISCUSSION AND CONSIDERATION OF ACTION TO AWARD CONTRACT FOR THE REPAIR OF THE MARK WILMER UNIT 6 MOTOR - FRANCOM**

Darrin Francom, Director of Operations and Engineering, provided an update on repairs to the Unit 6 motor at Mark Wilmer Pumping Plant. He reminded the Board that they approved delegation of authority to the General Manager to enter into a design contract for the repairs at the June meeting. He reported that staff has selected contractor ABB, which has extensive experience and a division with previous experience working at CAP. He reported that, as a result, there is no need for a separate design phase and staff recommends the Board award a single contract with ABB for design and construction. He noted there will be significant savings from the original estimates (about half of the previous estimate), and work is anticipated to be completed one month earlier (in May 2020).

In response to a question from Board Member Taylor, Mr. Francom said that ABB’s work will include an evaluation of what may have caused the damage to the motor. Board Member Lewis suggested that staff explore vendor relationships to support needs for CAP’s specialized equipment. Mr. Francom reported staff has been developing those relationships. General Manager Ted Cooke noted that CAP’s long-term plans for repairs include the creation of spare parts to address that issue. In response to a question from Board Member Martin, Mr. Francom
explained staff requested a 15% contingency due to the greater risk for unknown factors that may affect the project, and noted that typically the contingency is not fully utilized.

On a motion (Board Member Martin) and a second (Board Member Taylor), approved the award of a design-build contract to ABB for up to $3,816,186 including $572,428 (15%) for contingencies (totaling $4,388,614), for the Mark Wilmer Unit 6 Repair Project and authorized the General Manager, or his designee, to execute the contract and administer the contingency. Motion passed.

Voting yes: Lisa A. Atkins, Terry Goddard, Sharon B. Megdal, Alexandra Arboleda, Jennifer Brown, Karen Cesare, Jim Holway, Pat Jacobs, Mark Lewis, Heather A. Macre, Jennifer Martin, April Pinger, Mark Taylor

Not voting: Benjamin W. Graff

9. REPORT ON COLORADO RIVER CONDITIONS - MAHMOUD
Mohammed Mahmoud, Colorado River Programs Senior Policy Analyst, gave an update on the status of the reservoirs in the Colorado River System. He provided a comparison for inflows into Lake Powell for the past 30 years, as requested by the Board at the last meeting. Dr. Mahmoud also shared the results from the July 24-month study, noting that the projected Lake Powell elevation indicates the system will be operating in the upper elevation balancing tier in 2020. He noted the projected Lake Mead elevation indicates the Lower Basin will be operating in a DCP Tier 0 in 2020, but noted the July study does not include intentionally created surplus (ICS) volumes that have already been submitted. He said those ICS volumes will be included in the upcoming August 24-month study. Dr. Mahmoud also shared the 5-year probability outlook for the system.

In response to a question from Board Member Holway, Dr. Mahmoud clarified that the July study does not include ICS, but does include other system conservation. Mr. Cooke noted that all entities in the system have been reporting all system conservation efforts in anticipation of the August study. In response to questions from Board Member Lewis, Dr. Mahmoud reviewed the probability for when a Tier 1 shortage may occur, and Mr. Cooke noted that CAWCD’s published rates include anticipation of shortage.

10. DISCUSSION ON EXCESS WATER
President Atkins reviewed the work of the Excess Water Task Force in 2017 and 2018. She noted the Task Force made two recommendations; the first was for enhanced reporting and has already been implemented, and the second addressed the development of a new policy on excess water to succeed the current policy that expires at the end of 2019. She reviewed the steps to develop a new policy, which began with a Stakeholder Roundtable discussion on June 20, noting that the draft policy in the packet carries forward most of the provisions of the current policy and incorporates recommendations made by stakeholders at the Roundtable discussion. President Atkins explained the Board would discuss the policy at this meeting in anticipation of a vote at the September meeting. She also explained that agenda item 10c would be a discussion of a staff recommendation for distribution of excess water in 2020, which is also anticipated for a vote at the September meeting. President Atkins reviewed the purpose of considering a policy on excess water, which is to establish consistent guidelines to be prepared
to deal with excess water if it becomes available, and to set expectations for stakeholders to rely on.

10.a. REPORT ON JUNE 20 STAKEHOLDER ROUNDTABLE - HOLWAY/CESARE

Board Member Holway shared his observations on the June 20 Stakeholder Roundtable as one of the Board Champions. He commented that there was discussion about the term of the policy. He noted that it would have been better to have a draft for people to react to, and to ensure that a broader range of stakeholders should be encouraged to attend.

Board Member Cesare also shared her observations as a Board Champion, noting the meeting was well attended and had a positive tone. She noted that it is difficult to know when to start a discussion with stakeholders, and noted that input is always welcome at any time. She reviewed the items that were presented at the meeting, and noted that the draft policy includes input received at the Roundtable meeting. She reported that everyone who wished to speak had an opportunity to do so, and expressed appreciation to those who attended.

Board Member Taylor asked staff to share any specific themes that were discussed at the meeting.

Board Member Martin commented that she also attended the Roundtable, and noted that she had questions about the term of the draft policy since it differs from some of the input received at the meeting.

10.b. DISCUSSION ON DRAFT EXCESS WATER POLICY - SEASHOLES

Ken Seasholes, Resource Planning and Analysis Manager, provided an overview of the draft policy on excess water. He noted it carries forward many of the provisions from the existing policy that expires at the end of 2019, and also incorporates recommendations from the Board's Excess Water Task Force and the June 20 Roundtable meeting. He also said the draft policy clarifies the use of excess water for CAGRD replenishment and provides guidance on turn-back water. Mr. Seasholes explained that the policy contemplates annual Board action for the establishment of a Statutory Firming Pool and an option for an additional Supplemental Firming Pool, and reviewed a flowchart and timeline that show how the draft policy would be implemented and when Board decisions would occur.

In response to the earlier question from Board Member Martin, Mr. Seasholes explained that the five-year duration of the policy was intended to allow time to re-evaluate the policy prior to the end of the Drought Contingency Plan (DCP) in 2026, to avoid having everything expire simultaneously. Mr. Cooke noted that the Board could choose to extend the existing policy in 2024.

Mr. Seasholes answered questions about the process in the policy, system conservation and turn-back water, and explained the types of excess water in response to questions from Board Members Lewis, Holway and Jacobs. He noted there is an annual coordination process with the members in the Statutory Firming Pool. Board Member Taylor commented that he likes the draft policy. Board Member Cesare clarified that the Board policy decision is whether to have one or both of the firming pools, and commented that she also likes the draft policy.
Several individuals submitted public testimony:
Virginia O'Connell, Arizona Water Banking Authority, noted that the AWBA Commission has not met to discuss the draft policy, but commented that the policy does address comments from the Roundtable meeting and she appreciates the inclusion of the Statutory Firming Pool and the annual coordination meeting among the parties.

Brett Fleck, Arizona Municipal Water Users Association (AMWUA), expressed appreciation for the Roundtable meeting and support for the inclusion of the Supplemental Firming Pool and the turn-back water provisions in the draft policy, as well as support for the Board's annual decision on distribution of excess water.

Erin Andres, City of Phoenix, expressed appreciation for the Roundtable meeting and expressed a preference for stakeholders to have more input on a proposed policy prior to a Board meeting. She spoke in support of the provision in the policy for an annual decision by the Board.

10.c. DISCUSSION ON EXCESS WATER IN 2020 - SEASHOLES
Mr. Seasholes presented the staff recommendation for distribution of excess water in 2020, in anticipation of potential approval of the draft Excess Water Policy. He noted staff recommends establishing the Statutory Firming Pool and Supplemental Firming Pool for other excess water if the August 24-month Study indicates that the elevation of Lake Mead will be above 1090’. He also noted that, due to Arizona's low priority in the system, making other excess water available has a very low probability of significantly impacting Lake Mead elevations.

Board Member Brown requested additional modeling information to show the potential impacts to Lake Mead prior to the September Board meeting. Board Member Holway requested information on the range of possible volumes that may be available.

Several individuals submitted public testimony:
Erin Andres, City of Phoenix, expressed disagreement with staff's proposal to divert the full volume of excess water in 2020 and with the statement that such a diversion will have no impact to Lake Mead. She expressed support for leaving water in Lake Mead even if not required.

Brett Fleck, AMWUA, expressed concern for diverting the full volume of excess water in 2020. He expressed support for a longer-term view on the impact of diverting that water and encouraged a robust discussion on distribution of excess water in 2020.

11. DISCUSSION ON RECOVERY AGREEMENTS RELATED TO THE AG POOL GROUNDWATER INFRASTRUCTURE AND EFFICIENCY PROGRAM - SEASHOLES
Mr. Seasholes gave an update on activities related to the Ag Pool Groundwater Infrastructure and Efficiency Program and CAP's commitment of up to $5 million for recovery as part of that effort. He reviewed recovery options with irrigation districts, noting that all involve well pumping. Mr. Seasholes reviewed the key terms, costs and benefits of the draft agreements currently being contemplated. He noted some other considerations, including risk to CAWCD, other options being explored, and a request from the Ak-Chin Indian Community regarding water quality concerns for the Santa Rosa Canal. He also noted that the federal grant process has been slower than hoped. He reviewed next steps for approval of the agreements.
In response to a question from Board Member Arboleda, Mr. Seasholes explained that the time frame for the agreements are based on when recovery needs are anticipated. In response to a question from Board Member Lewis, Mr. Seasholes gave an overview of the water that is currently being stored in Pinal County. Board Member Lewis commented that he likes the proposed concept. Mr. Seasholes shared some projections on the availability of water available from groundwater savings facilities (GSFs) in response to a question from Board Member Taylor.

President Atkins requested that staff closely monitor the federal grant application process and asked staff to prepare a response to the Ak-Chin Indian Community. She also asked if there is a way for the $5 million committed by the Board to help in addressing the Ak-Chin water quality issue. Mr. Seasholes responded that staff proposes that the $5 million not be used for water quality issues, but noted that CAP may be able to play a role in the future in the improvement of wells so that an acceptable quality can be generated through an exchange agreement with Ak-Chin.

On individual submitted public testimony:
Paul Orme, general counsel for four irrigation districts, spoke to express support for the staff proposal for recovery agreements. He noted there is an urgency for the districts to have access to the committed funds in order to get started while they are waiting to hear about the federal grant. He stated that the districts are willing to take the risk that the federal government doesn't recognize the local match funds. He also said the districts have been working with the Ak-Chin Indian Community to try to address their concerns.

12. UPDATE ON ACTIVITIES RELATED TO THE SYSTEM USE AGREEMENT - SEAHOLES
Mr. Seasholes reported on activities related to the System Use Agreement, noting an internal coordination effort to organize teams to work on being able to introduce non-project water into the canal. He noted this includes the ongoing work related to water quality standards with BOR and how CAP will administer an expanded water quality monitoring program. He said staff has initiated a project on the system improvement project, which is necessary before a wheeling contract can be executed. Mr. Seasholes referenced several potential projects that may take advantage of the System Use Agreement, including Scottsdale, Harquahala and Queen Creek. He noted the Queen Creek project is going through existing state and federal processes to transfer water, but CAWCD is not a party to the transfer aspect of the project.

13. REPORT ON MULTI-SPECIES CONSERVATION PROGRAM - CULLOM
Chuck Cullom, Colorado River Programs Manager, gave an update on the Multi-Species Conservation Program (MSCP). He reviewed the background, purpose, goals and cost of the Program, as well as the species that are covered by the Program. He reported on the status of the activities of the Program to date, and updates on four of the species the program is currently working on. Mr. Cullom also gave an update on the Planet Ranch project, which will have the four land types needed to host all of the land-based species in the program, and is anticipated to be completed in 2020.
14. UPDATE ON GOVERNOR'S WATER AUGMENTATION, INNOVATION AND CONSERVATION COUNCIL - DESALINATION WORK GROUP - CULLOM

Mr. Cullom gave an update on the Governor's Water Augmentation, Innovation and Conservation Council (GWAICC), which was established in conjunction with the passage of the DCP legislation and kicked off in March 2019. He reported that the GWAICC is focused on augmentation, innovation and conservation, and gave an update on the Long-Term Water Augmentation Committee and the Desalination Committee.

Board Member Lewis inquired why the GWAICC is focusing on desalination, due to the expense of the water. Mr. Cullom reiterated that the purpose of the GWAICC is for water leaders to focus on where water will come from to maintain a resilient water supply for the economic vitality of the region. Board Member Taylor expressed support of the GWAICC.

15. DIRECTORS' REPORT ON CURRENT EVENTS

Board Members Arboleda, Brown, Macre and Taylor shared updates on recent CAP activities.

16. FUTURE AGENDA ITEMS

Board Member Jacobs requested that Protect Lake Mead messaging be fleshed out to be clear on what specifically is needed to protect the lake. Board Member Holway requested an update on the Strategic Plan.

17. PRESIDENT'S REPORT ON CURRENT EVENTS - ATKINS

President Atkins reported on her June 7 presentation to the graduating class of Project CENTRL, the CAP Kids Day on June 13 and an Arizona Chamber of Commerce Transformational Initiative Award presented to General Manager Cooke and ADWR Director Buschatzke on June 17. She noted that there are Stakeholder Briefings coming up on August 21 on Water Operations and on October 10 on the budget, and that there will not be a Roundtable meeting in September. She also shared the schedule of upcoming meetings and the 2020 schedule of Board meetings.

18. GENERAL MANAGER'S REPORT ON CURRENT EVENTS - COOKE

General Manager Cooke noted that the upcoming Strategic Plan update will begin with the Board. He also reported on several items that are scheduled to be on the consent agenda for the September Board meeting, including a construction contract for backup power at checks and turnouts, a construction contract for the electro-mechanical relay at Twin Peaks and Sandario Pumping Plants, a construction contract for the repair of storm damage in Pool Red Rock, a construction contract for phase 2 of the elevator replacement project at Mark Wilmer Pumping Plant, a contract for CISCO licensing and maintenance, three water storage agreements that will allow the City of Phoenix to store water at Superstition Mountain Recharge Project, and four water storage agreements that will allow Arizona Water Company to store CAP water at CAWCD recharge facilities. Mr. Cooke also provided an update on a contract for repairs to the Unit 5 motor at Mark Wilmer Pumping Plant and the BOR/Ft. McDowell Conservation Agreement for 2020, which will both be regular items on the September agenda. He also noted that staff is working to schedule individual budget briefings for the Board members prior to the October FAP and November Board meetings.
19. **PUBLIC COMMENT**

No additional public comment.

20. **CONSIDERATION OF ACTION TO GO INTO EXECUTIVE SESSION OF THE BOARD FOR THE FOLLOWING PURPOSES: PURSUANT TO A.R.S. §38-431.03.A.3, FOR DISCUSSION OR CONSULTATION FOR LEGAL ADVICE WITH THE ATTORNEYS OF THE DISTRICT REGARDING PENDING AND POTENTIAL LITIGATION; AND PURSUANT TO A.R.S. §38-431.03.A.3, FOR DISCUSSION OR CONSULTATION FOR LEGAL ADVICE WITH THE ATTORNEYS OF THE DISTRICT REGARDING ISSUES RELATING TO GROUNDWATER RECOVERY AGREEMENTS; AND PURSUANT TO A.R.S. §38-431.03.A.4. AND A.7, FOR DISCUSSION OR CONSULTATION WITH THE ATTORNEYS OF THE DISTRICT IN ORDER TO CONSIDER ITS POSITION AND INSTRUCT ITS ATTORNEYS REGARDING WATER ACQUISITION NEGOTIATIONS AND STRATEGIES, AND TO DISCUSS AND CONSULT WITH ITS REPRESENTATIVES CONCERNING SUCH NEGOTIATIONS AND STRATEGIES; AND PURSUANT TO A.R.S. §38-431.03.A.3 TO OBTAIN LEGAL ADVICE FROM THE DISTRICT’S ATTORNEYS ON ANY MATTER LISTED ON THE AGENDA**

On a motion (Board Member Jacobs) and a second (Board Member Lewis), entered into executive session for the following purposes: pursuant to A.R.S. §38-431.03.A.3, for discussion or consultation for legal advice with the attorneys of the district regarding pending and potential litigation; and pursuant to A.R.S. §38-431.03.A.3, for discussion or consultation for legal advice with the attorneys of the district regarding issues relating to groundwater recovery agreements; and pursuant to A.R.S. §38-431.03.A.4. and A.7, for discussion or consultation with the attorneys of the district in order to consider its position and instruct its attorneys regarding water acquisition negotiations and strategies, and to discuss and consult with its representatives concerning such negotiations and strategies; and pursuant to A.R.S. §38-431.03.A.3 to obtain legal advice from the district's attorneys on any matter listed on the agenda. Motion passed.

*Voting yes:* Lisa A. Atkins, Terry Goddard, Sharon B. Megdal, Alexandra Arboleda, Jennifer Brown, Karen Cesare, Jim Holway, Pat Jacobs, Mark Lewis, Heather A. Macre, Jennifer Martin, Mark Taylor

*Not voting:* Benjamin W. Graff, April Pinger

21. **RECONVENE IN OPEN SESSION**

The Board reconvened in open session at 3:52 p.m.

22. **CONSIDERATION OF ACTION REGARDING ITEMS DISCUSSED IN EXECUTIVE SESSION**

None.

23. **ADJOURN**

There being no further business to come before the Board, the meeting adjourned at 03:52 p.m.

________________________________________
Sharon B. Megdal
Board Secretary
Agenda Number 2.b.

CONTACT: Darrin Francom  Ryan Johnson
623-869-2276  623-869-2223
dfrancom@cap-az.com  rjohnson@cap-az.com

MEETING DATE: Thursday, September 5, 2019
AGENDA ITEM: Construction Contract for Storm Repairs to Pool Red Rock - Francom

RECOMMENDATION: Staff recommends the Board of Directors award a construction contract to Rummel Construction as part of the Pool Red Rock Storm Damage Repairs, and authorize the General Manager, or his designee, to execute an agreement up to $650,000 plus an additional $65,000 (10%) for contingencies (totaling $715,000).

FISCAL IMPLICATIONS: No

Impact on Budget:
Construction will commence in November of 2019 and be complete by the end of 2019. This work will utilize General Fund Operating dollars. The damage was caused by a force of nature and could not be planned or budgeted. The Maintenance South Department and others have adjusted their work plans to accommodate this work within the approved Operating Budget.

Additional spending authority requested: None required.

Impact on Reserves:
No impact on Strategic Reserves.

Impact on Rates:
No impact to established water rates.

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:
- CAWCD Board of Directors 2016 Strategic Plan: Project Reliability: Effectively Manage, Operate and Maintain CAP Assets
- ARS Title 34-603 Procurement of professional services and construction-manager-at-risk, design-build, and job-order-contracting construction services
  CAP Purchasing Policy

PREVIOUS BOARD ACTION/ACTIVITY:
No previous action / activity on this item, as it was an unforeseen act of nature.

ISSUE SUMMARY/DESCRIPTION:
Significant rain storms in September of 2018 caused damage to the embankment and concrete lining on canal left at Pool Red Rock. Approximately 400-feet of canal lining were damaged when storm flows entered the canal. Engineering staff have reviewed the site and created a design solution with earthwork/fill construction to rebuild the embankment along canal left and remove and replace approximately 400-feet of concrete liner.
Rummel Construction was selected pursuant to the competitive principles described in Title 34 of the Arizona Revised Statutes for Job Order Contracting, and in accordance with CAP’s Purchasing Policy. The Job Order Contracting method allows CAP to engage a qualified contractor that possesses the expertise and qualifications needed for this project without the requirement for a secondary bidding process.

**SUGGESTED MOTION:**
I move that the Board of Directors approve the award for the construction contract to Rummel Construction in the amount of $650,000 plus an additional $65,000 (10%) for contingencies (totaling $715,000), for Construction of the Pool Red Rock Storm Damage Repair, and authorize the General Manager, or his designee, to execute the contract and administer the contingency.

**ATTACHMENTS:**
None
Agenda Number 2.c.

CONTACT: Darrin Francom  Ryan Johnson
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dfrancom@cap-az.com  rjohnson@cap-az.com

MEETING DATE: Thursday, September 5, 2019

AGENDA ITEM: Construction Contract for Elevator Replacement at Mark Wilmer Pumping Plant - Francom

RECOMMENDATION: Staff recommends the Board of Directors award a construction contract to Caliente Construction as part of the Elevator Control System Upgrade Project, Phase 2 at Mark Wilmer Pumping Plant, and authorize the General Manager, or his designee, to execute an agreement up to $754,386 plus an additional $75,439 (10%) for contingencies (totaling $829,825).

FISCAL IMPLICATIONS: No

Impact on Budget:
This contract for construction is part of the on-going Elevator Control System Upgrades, Phase 2. Construction will commence at Mark Wilmer Pumping Plant in the fourth quarter of 2019, and will take approximately 16 weeks to complete.

The variance in requested funds relative to approved budget is a result the Project Steering Committee’s decision to shift construction funds from 2019 into 2020, in order to bring 2019 capital spending into alignment with the capital budget. This was accomplished by executing construction at only Mark Wilmer in 2019 and shifting the other sites into the 2020-2021 Budget request.

Funds shown in the table below illustrate the full project costs, inclusive of the construction contract ($754,386) and all associated CAP Labor and resources needed to fully execute the project at Mark Wilmer, as well as the forecast for future project phases.

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* These funds are part of the 2020-2021 Budget Request.

Additional spending authority requested: None required.

Impact on Reserves:
No impact on Strategic Reserves.
Impact on Rates:
No impact on water rates.

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:
- CAWCD Board of Directors 2016 Strategic Plan: Project Reliability: Effectively Manage, Operate and Maintain CAP Assets
- ARS Title 34-603 Procurement of professional services and construction-manager-at-risk, design-build, and job-order-contracting construction services
- CAP Purchasing Policy

PREVIOUS BOARD ACTION/ACTIVITY:
The Board took previous action on items associated with this capital program in prior budget cycles.

November 2017  Board approved the CAP 2018-2019 Biennial Budget
December 2018  Board approved Preconstruction and Design Phase Contract to Caliente for $916,599

ISSUE SUMMARY/DESCRIPTION:
The elevators at CAP were installed 20 to 30 years ago. A priority list of fifteen elevators was established and the top five elevators were upgraded between 2014 and 2016 under Phase 1 of the program. Phase 2 will address the next group of seven elevators at pumping plants. The elevator manufacturer has been purchased by another company and no longer supports our elevator systems. The controls and drive systems are obsolete and spare parts are no longer available.

The elevators are essential for safely transporting materials and personnel to and from different levels within the facilities. The current conditions and maintainability of the elevators is not sufficient to meet reliability requirements.

In 2016, the Unit Bay elevator at Mark Wilmer experienced numerous shutdowns that caused the elevator to quit running, stopping between floors, etc. These unplanned outages of the elevator cause interruptions to the plant personnel being able to transport materials between levels 2 through 6. On several occasions, plant personnel have been trapped in the elevator preventing them from their daily work tasks. These shutdowns require calling out third party elevator maintenance contractors to remediate these situations.

This contract is for removal and replacement of the existing service elevator at Mark Wilmer Pumping Plant. Mark Wilmer is the first of seven CAP Pumping Plants that will receive upgrades as a part of this project phase.

Staff utilized the lessons learned from past contracts, specifically from Phase I of the elevator improvement project, to implement this contract. Construction of the Mark Wilmer elevator is anticipated to be completed in 16 weeks from the date the contractor mobilizes to the site.

Caliente Construction and LSW Engineering were selected as the Design-Build Team pursuant to the competitive selection principles described in Title 34 of the Arizona Revised Statutes.

SUGGESTED MOTION:
I move that the Board of Directors approve the award for the construction contract to Caliente Construction in the amount of $754,386 plus an additional $75,439 (10%) for contingencies (totaling $829,825), for Construction of the Elevator Control System Upgrades Project Phase 2, at Mark Wilmer Pumping Plant, and authorize the General Manager, or his designee, to execute the contract and administer the contingency.
ATTACHMENTS:
None
CONTACT: Rich Weissinger  
623-869-2817  
rweissinger@cap-az.com

MEETING DATE: Thursday, September 5, 2019

AGENDA ITEM: Contract for CISCO Advantage Licenses and Maintenance - Weissinger

RECOMMENDATION: Staff recommends that the Board of Directors approve the award of a purchasing contract to World Wide Technologies Inc. for the CISCO Smartnet licenses/maintenance agreement in the amount of $910,442 plus $182,088 (20%) for contingencies (totaling $1,092,530), and authorize the General Manager, or his designee, to execute the agreement.

FISCAL IMPLICATIONS: Yes

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2020 and 2021 will be in the requested budget

Additional spending authority requested: None

Impact on Reserves: None

Impact on Rates: No impact on established rates

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

- 2016 CAWCD Board of Directors Strategic Plan
- Project Reliability: Effectively Manage, Operate and Maintain CAP Assets
- Finance: Managing Assets
- CAWCD Purchasing Policy
PREVIOUS BOARD ACTION/ACTIVITY:
Nov 2, 2017    Board approved 2018-2019 Biennial Budget

ISSUE SUMMARY/DESCRIPTION:
The CISCO Smartnet licensing/maintenance contract is renewed annually to support hundreds of network devices used at CAP to move data across all facilities and access the Internet. The network devices are critical infrastructure and require licensing/maintenance contracts. The Smartnet services include software updates, hardware replacement, and access to technical support 24x7x365 days a year.

CISCO separates the license and maintenance contract renewals into two contract terms. Network hardware licensing and maintenance is on an annual contract term. Network security tools and operating system licenses are on a five year contract term.

The Smartnet services include support for several different systems including network, servers, email filtering, web filtering, cyber security, and WebEx conferencing.

The contingency is requested for year end reconciliation of hardware, licensing and user changes that occur during the year.

PROCUREMENT PROCESS
World Wide Technologies Inc. is a direct reseller of CISCO products under the state of Arizona cooperative purchasing agreement. CAP is a cooperative member agency authorized to use the state’s cooperative purchasing agreement for this product.

SUGGESTED MOTION:
Staff recommends that the Board of Directors approve the award of a purchasing contract to World Wide Technologies Inc. for the CISCO Smartnet licenses/maintenance agreement and authorize the General Manager, or his designee, to execute the agreement for $910,442 plus $182,088 (20%) for contingencies (totaling $1,092,530).

ATTACHMENTS:
None
Agenda Number 2.e.

CONTACT: Philip Rettinger  
623-869-2398  
prettinger@cap-az.com  

Brian Buzard  
623-869-2545  
b buzard@cap-az.com

MEETING DATE: Thursday, September 5, 2019

AGENDA ITEM: Purchasing Contract for Motor Rotor Pole Fabrication for Unit 5 Repairs at Mark Wilmer Pumping Plant - Buzard

RECOMMENDATION: Staff recommends that the Board of Directors approve the award of a purchasing contract to Flanders Electric Incorporated for Mark Wilmer Pumping Plant Unit 5 rotor pole fabrication, and authorize the General Manager or his designee to execute an agreement for $418,323 plus $41,832 (10%) for contingencies (totaling $460,155).

FISCAL IMPLICATIONS: Yes

Impact on Budget:
Account 5611- MandS/Tools/Parts/Equip

Parts costs will occur in 2020. Delivery lead time is 5 months in order to complete submittals, construction, testing, and shipping. A contract award at this time will allow rotor poles to be ready for use in the 2020 winter or summer outage window at Mark Wilmer Pumping Plant.

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Additional spending authority requested: None required

Impact on Reserves:
No additional impact on Strategic Reserves

Impact on Rates:
No additional impact on water rates

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

- CAWCD Board of Directors 2016 Strategic Plan
  Project Reliability: Effectively Operate and Maintain CAP Assets
- CAWCD Purchasing Policy

PREVIOUS BOARD ACTION/ACTIVITY:
None
ISSUE SUMMARY/DESCRIPTION:
Mark Wilmer Unit 5 motor rotor poles have exhibited signs of degradation and ground faults. As a part of motor repairs and investigation into the grounding failures of Unit 5, it has been determined that the original designed insulation and insulation method should be improved for the long term reliability of all motors in operation at Mark Wilmer Pumping Plant.

Repairs in 2019 utilized spare poles manufactured by the OEM from 2003. The utilization of these spares has induced vibration issues and has not improved the inherent reliability of the motor. The fabrication of eight new rotor poles creates a full matched set of consistent design and upgraded insulation when coupled with available reconditioned spares. A full set of poles will allow staff to systematically replace poles within normal planned maintenance schedules. Without a full set of rotor poles the time required for reconditioning after removal impacts operations and the ability to power shape at this facility. As this reliability problem exists in all six motor units, rotor poles will be replaced over time and will be included in the 2020-2021 and future budget requests.

In 2018 CAP Purchasing issued an Invitation for Bids to recondition two of the rotor poles using the improved insulation method. Seven bids were received and Flanders Electric Incorporated was the lowest responsive and responsible bidder. For consistency in fabrication and reconditioning methods it is recommended that Flanders Electric Incorporated be engaged for manufacture and reconditioning of these rotor poles.

SUGGESTED MOTION:
I move the Board of Directors approve the award of a purchasing contract to Flanders Electric Incorporated for use in the replacement of Mark Wilmer Pumping Plant Unit 5 rotor poles, and authorize the General Manager or his designee to execute a contract for $418,323 plus $41,832 (10%) for contingencies (totaling $460,155).

ATTACHMENTS:
None
CONTACT: Greg Adams  
623-869-2124  
gadams@cap-az.com

MEETING DATE: Thursday, September 5, 2019

AGENDA ITEM: Agreements between CAWCD and Arizona Water Company to store water at Hieroglyphics Mountain Recharge Project White Tank, Hieroglyphics Mountain Recharge Project Apache Junction, Superstition Mountains Recharge Project Apache Junction, and Agua Fria Recharge Project White Tank - Adams

RECOMMENDATION: Staff recommends that the Board approve the Agreements for Storage of Water at Hieroglyphics Mountain Recharge Project White Tank, Hieroglyphics Mountain Recharge Project Apache Junction, Superstition Mountains Recharge Project Apache Junction, and Agua Fria Recharge Project White Tank between CAWCD and Arizona Water Company.

FISCAL IMPLICATIONS: No

Impact on Budget: None

Additional spending authority requested: None

Impact on Reserves: None

Impact on Rates: None

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE: CAWCD Board of Directors 2016 Strategic Plan
- Water Supply: Reliability of the CAP Water Supply

PREVIOUS BOARD ACTION/ACTIVITY: There has been no previous Board activity regarding the proposed Water Storage Agreements.

ISSUE SUMMARY/DESCRIPTION: Pursuant to the terms of the water storage agreements, Arizona Water Company desires to store water at Hieroglyphics Mountain Recharge Project White Tank, Hieroglyphics Mountain Recharge Project Apache Junction, Superstition Mountains Recharge Project Apache Junction, and Agua Fria Recharge Project White Tank for a term of 10 years.

Attached are the Agreements for Storage of Water Hieroglyphics Mountain Recharge Project White Tank, Hieroglyphics Mountain Recharge Project Apache Junction, Superstition Mountains Recharge Project Apache Junction,
Junction, and Agua Fria Recharge Project White Tank. The water storage agreements include CAWCD's standard requirements pertaining to scheduling storage capacity, water measurement and accounting, billing and payment. The water storage rate charged to AWC for recharge on any particular year is established in CAWCD's Water Rate Schedule.

**SUGGESTED MOTION:**

I move that the Board approve the Agreements for Storage of Water at Hieroglyphics Mountain Recharge Project White Tank, Hieroglyphics Mountain Recharge Project Apache Junction, Superstition Mountains Recharge Project Apache Junction, and Agua Fria Recharge Project White Tank between CAWCD and Arizona Water Company.

**ATTACHMENTS:**

1. WSA - AWC Apache Junction at HMRP Draft
2. WSA - AWC White Tank at HMRP Draft
3. WSA - Arizona Water Company Apache Junction - SMRP DRAFT.docx
4. WSA - Arizona Water Company White Tank - AFRPDraft.docx
AGREEMENT FOR STORAGE OF WATER
AT THE
HIEROGLYPHIC MOUNTAINS RECHARGE PROJECT

1. PARTIES:
This agreement is made and entered into the ______ day of _________, 2019, by and between the Central Arizona Water Conservation District, hereinafter referred to as “CAWCD”, and the Arizona Water Company, hereinafter referred to as “AWC Apache Junction”.

2. RECITALS:
2.1 CAWCD is responsible for constructing and operating the Hieroglyphic Mountains Recharge Project (the “HMRP”), an underground storage facility that is located in the Phoenix Active Management Area. The HMRP is located in the west Salt River Valley and located adjacent to and north of the Hayden-Rhodes Aqueduct, upstream of the Agua Fria River siphon.

2.2 ADWR has issued CAWCD a Constructed Underground Storage Facility Permit (Permit No. 71-584466.0004) to CAWCD for the HMRP. The Permit authorizes the underground storage of a maximum of 35,000 acre-feet of water annually at the HMRP. The HMRP is a State Demonstration Recharge Project pursuant to A.R.S. §45-891.01 et seq.

2.3 AWC Apache Junction desires to store CAP water at the HMRP and CAWCD agrees to make available unused storage capacity at the HMRP for such storage, in accordance with the provisions of this Agreement.

NOW THEREFORE, in consideration of the foregoing, the payments to be paid by AWC Apache Junction, and the covenants and agreements contained in this Agreement, and other good and valuable consideration, CAWCD and AWC Apache Junction agree as follows:

3. DEFINITIONS:
As used in this Agreement, the following terms, when capitalized, have the following meanings:

3.1 ADWR: The Arizona Department of Water Resources.

3.2 CENTRAL ARIZONA PROJECT (CAP): The water delivery works of the CAP including, but not limited to, the CAP canal, its turnout structures and associated measuring devices.
3.3 AWC APACHE JUNCTION WATER: CAP water scheduled by AWC Apache Junction under the terms of its CAP Subcontract.

3.4 HMRP: The constructed underground storage facility, constructed and operated by CAWCD pursuant to the Permit, which is located in portions of Sections 23 and 24, Township 5N, Range 2W, GSRB&M, Maricopa County, Arizona. The United States holds title to property along the CAP Aqueduct in the project vicinity, but has transferred the right to use the property to CAWCD.

3.5 HMRP TURNOUT STRUCTURE: The point at which AWC Apache Junction Water is diverted from the CAP canal for delivery into the HMRP.

3.6 PARTY/PARTIES: Either one or both of the parties to this Agreement.

3.7 PERMIT: The Constructed Underground Storage Facility Permit issued by the ADWR for the HMRP facility, permit no. 71-584466.0004.

4. SCOPE OF SERVICES:
This Agreement is limited to the diversion of water at the HMRP Turnout Structure, and the storage of such water at the HMRP by CAWCD for the benefit of AWC Apache Junction. CAWCD shall deliver AWC Apache Junction Water, which is scheduled by AWC Apache Junction for storage at the HMRP in accordance with this Agreement, and CAWCD shall store such water underground at the HMRP for the benefit of AWC Apache Junction.

5. TERM OF AGREEMENT:
This Agreement shall become effective when executed by both Parties and shall remain in effect for ten (10) years unless the Parties agree in writing to extend the term or unless it is sooner terminated or canceled in accordance with the terms of this Agreement.

6. CONDITIONS RELATING TO STORAGE:
6.1 All storage of AWC Apache Junction water at the HMRP shall be consistent with Arizona water law.

6.2 AWC Apache Junction shall obtain a water storage permit from ADWR authorizing it to store AWC Apache Junction Water at the HMRP.

6.3 CAWCD’s storage of AWC Apache Junction Water at the HMRP shall, at all times, comply with the Permit. CAWCD shall be responsible for filing annual reports as required by the Permit. CAWCD shall promptly notify AWC Apache Junction of any changes or modifications to the Permit that would affect AWC Apache Junction’s rights under this Agreement. If the
Permit is canceled or expires for any reason, AWC Apache Junction may terminate this Agreement.

7. **PROCEDURE FOR SCHEDULING STORAGE CAPACITY**

7.1 As soon as practicable after the date of execution of this Agreement, AWC Apache Junction shall submit to CAWCD a proposed schedule indicating the amount of HMRP storage capacity it desires to use during the year in which this Agreement is executed. Thereafter, on or before October 1 of each year during the term of this Agreement, AWC Apache Junction shall submit to CAWCD a proposed schedule indicating the amount of HMRP storage capacity AWC Apache Junction desires to use during the following year.

7.2 As soon as practicable after receipt of AWC Apache Junction’s proposed schedule following the execution of this Agreement, CAWCD shall return to AWC Apache Junction the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of HMRP storage capacity that is available to AWC Apache Junction for the year in which this Agreement is executed. Thereafter, on or before November 15 of each year during the term of this Agreement, CAWCD shall return to AWC Apache Junction the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of HMRP storage capacity that is available to AWC Apache Junction for the following year.

8. **WATER STORAGE RATE**

Each year under the term of this Agreement, CAWCD shall establish a per acre-foot recharge rate (“Annual Recharge Rate”) for use of HMRP storage capacity for the following year, in accordance with CAWCD’s adopted Recharge Rate Policy. AWC Apache Junction shall be obligated to pay CAWCD this annual Recharge Rate for each acre-foot of storage capacity used by AWC Apache Junction during the year. Such payment shall be in accordance with the provisions of Section 13 below.

9. **OPERATING AGENT:**

9.1 CAWCD shall be responsible for operating the HMRP.

9.2 CAWCD shall retain sole responsibility and authority for decisions relating to the HMRP operating and maintenance practices, including maintenance scheduling and the selection of periods when maintenance will be done.
9.3 Whenever practicable, CAWCD shall inform AWC Apache Junction ninety (90) days in advance of any matter which may substantially affect the HMRP or the rights of AWC Apache Junction.

10. DESTRUCTION/RECONSTRUCTION OF THE HMRP:
In the event of destruction of all or part of the HMRP, CAWCD may repair or reconstruct the HMRP, but CAWCD shall not be obligated to do so.

11. WATER MEASUREMENT AND ACCOUNTING:
11.1 CAWCD shall base its accounting for water delivered to the HMRP on actual measurements, methods required by the Permit and/or generally accepted accounting and engineering practices.
11.2 CAWCD shall install and maintain a flow measurement system to measure the amount of water diverted from the CAP into the HMRP. CAWCD shall test and maintain the accuracy of this system within plus or minus 5 percent of actual flows.
11.3 CAWCD shall determine evaporation losses representative of the conditions at or near the HMRP using the method indicated in the Permit or using actual measurements, when available. Any other losses in the HMRP shall be calculated using generally accepted engineering practices.
11.4 All losses that occur at the HMRP, other than by evaporation, will be calculated using generally accepted engineering practices and water-level readings from the gages in the basins.
11.5 CAWCD shall prepare a monthly water accounting report of water stored at the HMRP for AWC Apache Junction. The report shall include the daily amount of water stored and the losses calculated as described in this Section.
11.6 CAWCD shall provide the ADWR with water accounting reports for the HMRP as required by the Permit.
11.7 The water accounting reports prepared pursuant to this Section shall be sent to AWC Apache Junction monthly and shall be retained by CAWCD for at least three years.
11.8 CAWCD shall provide AWC Apache Junction copies of the HMRP annual reports submitted to ADWR.

12. WATER QUALITY:
AWC Apache Junction shall indemnify and hold harmless CAWCD against all losses to third parties resulting from water quality degradation or harm to property caused by AWC Apache Junction’s use of the HMRP, due to the
commingling of AWC Apache Junction Water with the groundwater. Further, AWC Apache Junction waives any claim on its own behalf against CAWCD for water quality degradation or harm to property arising from such commingling, unless such claim is intended to enforce the indemnification provision of this Section; provided, however, that AWC Apache Junction shall indemnify and hold harmless CAWCD only to the extent that indemnification is not provided to CAWCD by the State of Arizona pursuant to A.R.S. §45-898.01; and provided, further, however, that FWID’s indemnification shall only extend to the percentage of degradation attributable to the water stored on behalf of AWC Apache Junction at the HMRP under the terms of this Agreement. AWC Apache Junction retains the right to claim over against any other entity, including CAWCD, storing water in the HMRP in the amount proportionate to such amount stored by those other entities. In no event shall CAWCD assume liability for water quality degradation resulting from the storage of water in the HMRP, solely due to its performance of obligations as the operating agent under this Agreement.

13. **BILLING AND PAYMENTS:**

13.1 On or before the 15th day of each month, CAWCD will bill AWC Apache Junction for each acre-foot of storage capacity used by AWC Apache Junction during the previous month. The amount billed to AWC Apache Junction shall be equal to the Annual Recharge Rate multiplied by the number of acre-feet of AWC Apache Junction Water delivered to the HMRP as measured at the HMRP Turnout. AWC Apache Junction shall pay CAWCD within thirty (30) days of receipt of such bill. Payment is not contingent upon and is not related to AWC Apache Junction’s accrual of long-term storage credits from water stored at the HMRP.

13.2 If payment due under this Agreement remains unpaid more than sixty (60) days after its due date, CAWCD may terminate this Agreement effective upon written notice to AWC Apache Junction. In the event CAWCD terminates this Agreement, AWC Apache Junction shall remain obligated to pay any outstanding balance.

14. **AUTHORIZATIONS AND APPROVALS:**

AWC Apache Junction shall be responsible for obtaining, at its own expense, any permits, authorizations and approvals required for the underground storage and recovery of water in the HMRP or for AWC Apache Junction’s performance under this Agreement. AWC Apache Junction shall keep CAWCD informed of its applications for such permits and authorizations. CAWCD will share information
with AWC Apache Junction to assist AWC Apache Junction in its permit application. AWC Apache Junction shall also be responsible for filing any annual reports or other documents necessary to maintain its right to store water at the HMRP.

15. LIABILITY

15.1 Each Party shall assume liability for its own negligence and shall indemnify the other against any damages the non-negligent Party incurs as a result of the negligent Party’s action or inaction.

15.2 CAWCD shall assume no liability to AWC Apache Junction for claims of damage resulting from CAWCD’s decision to curtail or stop water flows to the HMRP site during storm or emergency conditions.

15.3 CAWCD shall assume no liability to AWC Apache Junction for quantities of recoverable or unrecoverable water stored underground or removed from underground storage; nor to replace water lost, misdirected or otherwise failing to reach the underlying aquifer. CAWCD, AWC Apache Junction and any other entities storing water at the HMRP shall share in any deficiency resulting from such lost, misdirected or otherwise unstored water in proportion to the amount of the HMRP capacity it used at the time the deficiency accrued.

15.4 Liability, as described in Section 12 related to water stored in the HMRP by AWC Apache Junction prior to termination of this Agreement, shall remain with AWC Apache Junction after termination of this Agreement. This Section 15.4 shall survive expiration or termination of this Agreement, and remain in full force and effect.

15.5 In the event any third party institutes an action against CAWCD, AWC Apache Junction or other entities storing water at the HMRP for claims arising from the activities undertaken pursuant to this Agreement, the parties named in the action shall meet to determine the procurement of legal counsel and the steps to take to defend against the action.

16. INSURANCE

16.1 During the term of this Agreement, unless otherwise agreed in writing by CAWCD, AWC Apache Junction shall procure and maintain in force or cause to be procured and maintained in force the following types of insurance:

16.1.1 Commercial General Liability Insurance naming CAWCD as an additional insured, including bodily injury, personal injury, property
damage, wrongful death, and contractual liability with a minimum limit of $1,000,000 per occurrence.

16.1.2 Business Automobile Liability Insurance with a minimum limit of $1,000,000.

16.1.3 Worker’s Compensation as required by Arizona State law and Employees’ Liability Insurance with limits of $1,000,000 per accident, $1,000,000 per employee per disease and $1,000,000 aggregate for disease.

16.1.4 Commercial Umbrella – combined single limit of $4,000,000.

16.2 Any insurance carried by CAWCD shall be excess and not contributory insurance to any insurance afforded hereunder. AWC Apache Junction shall submit satisfactory proof of insurance to CAWCD prior to use of the HMRP. Such proof of insurance shall be in the form of a certificate stating the coverage provided and that such insurance shall not be canceled until after thirty (30) days prior written notice thereof shall have been give to CAWCD.

16.3 With written approval of CAWCD, AWC Apache Junction may self-insure or combine the coverages required by this Agreement with coverages outside the scope of that required by this Agreement.

16.4 If AWC Apache Junction fails to acquire, provide or continue the insurance coverages required CAWCD may terminate this Agreement immediately upon written notice to AWC Apache Junction.

17. DEFAULT:

17.1 AWC Apache Junction and CAWCD shall pay all monies and carry out all other performances, duties and obligations agreed to be paid and/or performed by them pursuant to this Agreement. A default by AWC Apache Junction or CAWCD in the covenants and obligations to be kept and performed by it shall be an act of default under this Agreement.

17.2 In the event of a default by CAWCD or AWC Apache Junction, then, within thirty (30) days following notice of such default by the non-defaulting Party, the defaulting Party shall remedy such default either by advancing the necessary funds and/or rendering the necessary performance. Such notice shall specify the existence and nature of such default. If such default is not remedied within the time specified, the non-defaulting party may terminate this Agreement upon 24 hours written notice.
18. **UNCONTROLLABLE FORCES:**
Neither Party to this Agreement shall be considered in default in the performance of any of its obligations under this Agreement (other than obligations of AWC Apache Junction to pay costs and expenses) when a failure of performance is due to Uncontrollable Forces. The term “uncontrollable forces” shall mean any cause beyond the control of the Party unable to perform such obligation, including but not limited to, the failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority, and action or non-action by or failure to obtain the necessary authorizations or approvals from any governmental agency or authority not a Party to this Agreement, which by exercise of due diligence, it shall be unable to overcome.

19. **RESOLUTION OF DISPUTES:**
19.1 A Party having a dispute under this Agreement that cannot be resolved by the Parties may submit the dispute to arbitration. Arbitration shall be subject to the following provisions:

19.1.1 Arbitration shall be binding only upon the consent of the Parties.

19.1.2 A Party wishing to submit a dispute to arbitration shall provide thirty (30) day written notice to the other party of its intent to pursue arbitration and shall name one arbitrator at that time. Within fifteen (15) days of receiving this notice, the other Party to the dispute shall name one arbitrator and give written notice to the other Party of its selection. The two selected arbitrators shall, within five (5) days of selection of the second arbitrator, jointly select a third arbitrator.

19.1.3 Within thirty (30) days from the selection of the third arbitrator, the arbitrators shall hold a hearing. Within thirty (30) days from the conclusion of the hearing, the arbitrators shall render a decision on the dispute.

19.1.4 Arbitration shall be subject to the Arizona Arbitration Act, Arizona Revised Statutes, Title 12, Chapter 9, Article 1. In the event of a conflict between this Agreement and the Arizona Arbitration Act, the provisions of this Agreement shall prevail.
19.1.5 A Party that is dissatisfied with the results of non-binding arbitration may pursue any other legal or equitable remedy not expressly provided for in this Section 19 and available to resolve the dispute.

20. ACTION PENDING RESOLUTION OF DISPUTES:
Pending the resolution of a dispute pursuant to Section 19, each Party shall proceed, to the extent legally permissible, in a manner consistent with this Agreement, and shall make payments required in accordance with the applicable provisions of this Agreement. Any amount paid by a Party pursuant to this Section 20 during the course of such dispute shall be subject to refund and adjustment upon a final resolution of any dispute involving an amount due.

21. GOVERNING LAWS
This Agreement shall be governed by laws of the State of Arizona.

22. BINDING OBLIGATIONS:
All of the obligations set forth in the Agreement shall bind CAWCD and its successors and assigns. This Agreement shall not be assigned by AWC Apache Junction or accrue to AWC Apache Junction’s successor, nor shall the HMRP capacity use rights hereunder of AWC Apache Junction be used by another party, without the prior written consent of CAWCD. CAWCD retains the right to sell, lease, assign or otherwise convey its ownership of the HMRP to a third party. In such event, CAWCD may cancel this Agreement upon written notice to AWC Apache Junction.

23. NOTICES:
23.1 Notice, demand or request provided for in this Agreement shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by registered or certified:

Central Arizona Water Conservation District
c/o General Manager
P.O. Box 43020
Phoenix, AZ 85080-3020

Arizona Water Company
Fred Schneider, President
3805 N. Black Canyon Highway
Phoenix, AZ 85015-5351
23.2 A Party may, at any time, by notice to the other Party, designate different or additional persons or different addresses for the giving of notices.

24. **THIRD PARTY BENEFICIARIES:**
This Agreement shall not be construed to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or of any duty, obligation or undertaking established herein.

25. **WAIVER:**
The waiver by either Party of a breach of any term, covenant or condition in this Agreement shall not be deemed a waiver of any other term, covenant or condition or any subsequent breach of the same or any other term covenant or condition of this Agreement.

26. **HEADINGS:**
Title and paragraph headings are for reference only and are not part of this Agreement.

27. **ENTIRE AGREEMENT:**
The terms, covenants and conditions of this Agreement constitute the entire agreement between the Parties relative to the use of HMRP storage capacity, and no understandings or agreements not herein expressly set forth shall be binding upon them. This Agreement may not be modified or amended in any manner unless in writing and signed by the Parties.

IN WITNESS WHEREOF, this Agreement is executed by the Parties hereto.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT**

By: ________________________________
Lisa Atkins, President

Attest: ______________________________
Secretary
ARIZONA WATER COMPANY

By:  
Fred Schneider, President

Attest:  

221.01
AGREEMENT FOR STORAGE OF WATER
AT THE
HIEROGLYPHIC MOUNTAINS RECHARGE PROJECT

1. PARTIES:
   This agreement is made and entered into the ______ day of ________, 2019, by and between the Central Arizona Water Conservation District, hereinafter referred to as “CAWCD”, and the Arizona Water Company, hereinafter referred to as “AWC White Tank”.

2. RECITALS:
   2.1 CAWCD is responsible for constructing and operating the Hieroglyphic Mountains Recharge Project (the “HMRP”), an underground storage facility that is located in the Phoenix Active Management Area. The HMRP is located in the west Salt River Valley and located adjacent to and north of the Hayden-Rhodes Aqueduct, upstream of the Agua Fria River siphon.
   2.2 ADWR has issued CAWCD a Constructed Underground Storage Facility Permit (Permit No. 71-584466.0004) to CAWCD for the HMRP. The Permit authorizes the underground storage of a maximum of 35,000 acre-feet of water annually at the HMRP. The HMRP is a State Demonstration Recharge Project pursuant to A.R.S. §45-891.01 et seq.
   2.3 AWC White Tank desires to store CAP water at the HMRP and CAWCD agrees to make available unused storage capacity at the HMRP for such storage, in accordance with the provisions of this Agreement.

NOW THEREFORE, in consideration of the foregoing, the payments to be paid by AWC White Tank, and the covenants and agreements contained in this Agreement, and other good and valuable consideration, CAWCD and AWC White Tank agree as follows:

3. DEFINITIONS:
   As used in this Agreement, the following terms, when capitalized, have the following meanings:
   3.1 ADWR: The Arizona Department of Water Resources.
   3.2 CENTRAL ARIZONA PROJECT (CAP): The water delivery works of the CAP including, but not limited to, the CAP canal, its turnout structures and associated measuring devices.
3.3 AWC WHITE TANK WATER: CAP water scheduled by AWC White Tank under the terms of its CAP Subcontract.

3.4 HMRP: The constructed underground storage facility, constructed and operated by CAWCD pursuant to the Permit, which is located in portions of Sections 23 and 24, Township 5N, Range 2W, GSRB&M, Maricopa County, Arizona. The United States holds title to property along the CAP Aqueduct in the project vicinity, but has transferred the right to use the property to CAWCD.

3.5 HMRP TURNOUT STRUCTURE: The point at which AWC White Tank Water is diverted from the CAP canal for delivery into the HMRP.

3.6 PARTY/PARTIES: Either one or both of the parties to this Agreement.

3.7 PERMIT: The Constructed Underground Storage Facility Permit issued by the ADWR for the HMRP facility, permit no. 71-584466.0004.

4. SCOPE OF SERVICES:
This Agreement is limited to the diversion of water at the HMRP Turnout Structure, and the storage of such water at the HMRP by CAWCD for the benefit of AWC White Tank. CAWCD shall deliver AWC White Tank Water, which is scheduled by AWC White Tank for storage at the HMRP in accordance with this Agreement, and CAWCD shall store such water underground at the HMRP for the benefit of AWC White Tank.

5. TERM OF AGREEMENT:
This Agreement shall become effective when executed by both Parties and shall remain in effect for ten (10) years unless the Parties agree in writing to extend the term or unless it is sooner terminated or canceled in accordance with the terms of this Agreement.

6. CONDITIONS RELATING TO STORAGE:
6.1 All storage of AWC White Tank water at the HMRP shall be consistent with Arizona water law.

6.2 AWC White Tank shall obtain a water storage permit from ADWR authorizing it to store AWC White Tank Water at the HMRP.

6.3 CAWCD’s storage of AWC White Tank Water at the HMRP shall, at all times, comply with the Permit. CAWCD shall be responsible for filing annual reports as required by the Permit. CAWCD shall promptly notify AWC White Tank of any changes or modifications to the Permit that would affect AWC White Tank’s rights under this Agreement. If the Permit is
canceled or expires for any reason, AWC White Tank may terminate this Agreement.

7. PROCEDURE FOR SCHEDULING STORAGE CAPACITY

7.1 As soon as practicable after the date of execution of this Agreement, AWC White Tank shall submit to CAWCD a proposed schedule indicating the amount of HMRP storage capacity it desires to use during the year in which this Agreement is executed. Thereafter, on or before October 1 of each year during the term of this Agreement, AWC White Tank shall submit to CAWCD a proposed schedule indicating the amount of HMRP storage capacity AWC White Tank desires to use during the following year.

7.2 As soon as practicable after receipt of AWC White Tank's proposed schedule following the execution of this Agreement, CAWCD shall return to AWC White Tank the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of HMRP storage capacity that is available to AWC White Tank for the year in which this Agreement is executed. Thereafter, on or before November 15 of each year during the term of this Agreement, CAWCD shall return to AWC White Tank the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of HMRP storage capacity that is available to AWC White Tank for the following year.

8. WATER STORAGE RATE

Each year under the term of this Agreement, CAWCD shall establish a per acre-foot recharge rate ("Annual Recharge Rate") for use of HMRP storage capacity for the following year, in accordance with CAWCD's adopted Recharge Rate Policy. AWC White Tank shall be obligated to pay CAWCD this annual Recharge Rate for each acre-foot of storage capacity used by AWC White Tank during the year. Such payment shall be in accordance with the provisions of Section 13 below.

9. OPERATING AGENT:

9.1 CAWCD shall be responsible for operating the HMRP.

9.2 CAWCD shall retain sole responsibility and authority for decisions relating to the HMRP operating and maintenance practices, including maintenance scheduling and the selection of periods when maintenance will be done.
9.3 Whenever practicable, CAWCD shall inform AWC White Tank ninety (90) days in advance of any matter which may substantially affect the HMRP or the rights of AWC White Tank.

10. DESTRUCTION/RECONSTRUCTION OF THE HMRP:
In the event of destruction of all or part of the HMRP, CAWCD may repair or reconstruct the HMRP, but CAWCD shall not be obligated to do so.

11. WATER MEASUREMENT AND ACCOUNTING:
11.1 CAWCD shall base its accounting for water delivered to the HMRP on actual measurements, methods required by the Permit and/or generally accepted accounting and engineering practices.
11.2 CAWCD shall install and maintain a flow measurement system to measure the amount of water diverted from the CAP into the HMRP. CAWCD shall test and maintain the accuracy of this system within plus or minus 5 percent of actual flows.
11.3 CAWCD shall determine evaporation losses representative of the conditions at or near the HMRP using the method indicated in the Permit or using actual measurements, when available. Any other losses in the HMRP shall be calculated using generally accepted engineering practices.
11.4 All losses that occur at the HMRP, other than by evaporation, will be calculated using generally accepted engineering practices and water-level readings from the gages in the basins.
11.5 CAWCD shall prepare a monthly water accounting report of water stored at the HMRP for AWC White Tank. The report shall include the daily amount of water stored and the losses calculated as described in this Section.
11.6 CAWCD shall provide the ADWR with water accounting reports for the HMRP as required by the Permit.
11.7 The water accounting reports prepared pursuant to this Section shall be sent to AWC White Tank monthly and shall be retained by CAWCD for at least three years.
11.8 CAWCD shall provide AWC White Tank copies of the HMRP annual reports submitted to ADWR.

12. WATER QUALITY:
AWC White Tank shall indemnify and hold harmless CAWCD against all losses to third parties resulting from water quality degradation or harm to property caused by AWC White Tank’s use of the HMRP, due to the commingling of AWC
White Tank Water with the groundwater. Further, AWC White Tank waives any claim on its own behalf against CAWCD for water quality degradation or harm to property arising from such commingling, unless such claim is intended to enforce the indemnification provision of this Section; provided, however, that AWC White Tank shall indemnify and hold harmless CAWCD only to the extent that indemnification is not provided to CAWCD by the State of Arizona pursuant to A.R.S. §45-898.01; and provided, further, however, that AWC White Tank’s indemnification shall only extend to the percentage of degradation attributable to the water stored on behalf of AWC White Tank at the HMRP under the terms of this Agreement. AWC White Tank retains the right to claim over against any other entity, including CAWCD, storing water in the HMRP in the amount proportionate to such amount stored by those other entities. In no event shall CAWCD assume liability for water quality degradation resulting from the storage of water in the HMRP, solely due to its performance of obligations as the operating agent under this Agreement.

13. **BILLING AND PAYMENTS:**

13.1 On or before the 15th day of each month, CAWCD will bill AWC White Tank for each acre-foot of storage capacity used by AWC White Tank during the previous month. The amount billed to AWC White Tank shall be equal to the Annual Recharge Rate multiplied by the number of acre-feet of AWC White Tank Water delivered to the HMRP as measured at the HMRP Turnout. AWC White Tank shall pay CAWCD within thirty (30) days of receipt of such bill. Payment is not contingent upon and is not related to AWC White Tank’s accrual of long-term storage credits from water stored at the HMRP.

13.2 If payment due under this Agreement remains unpaid more than sixty (60) days after its due date, CAWCD may terminate this Agreement effective upon written notice to AWC White Tank. In the event CAWCD terminates this Agreement, AWC White Tank shall remain obligated to pay any outstanding balance.

14. **AUTHORIZATIONS AND APPROVALS:**

AWC White Tank shall be responsible for obtaining, at its own expense, any permits, authorizations and approvals required for the underground storage and recovery of water in the HMRP or for AWC White Tank’s performance under this Agreement. AWC White Tank shall keep CAWCD informed of its applications for such permits and authorizations. CAWCD will share information with AWC White
Tank to assist AWC White Tank in its permit application. AWC White Tank shall also be responsible for filing any annual reports or other documents necessary to maintain its right to store water at the HMRP.

15. LIABILITY

15.1 Each Party shall assume liability for its own negligence and shall indemnify the other against any damages the non-negligent Party incurs as a result of the negligent Party’s action or inaction. 

15.2 CAWCD shall assume no liability to AWC White Tank for claims of damage resulting from CAWCD’s decision to curtail or stop water flows to the HMRP site during storm or emergency conditions.

15.3 CAWCD shall assume no liability to AWC White Tank for quantities of recoverable or unrecoverable water stored underground or removed from underground storage; nor to replace water lost, misdirected or otherwise failing to reach the underlying aquifer. CAWCD, AWC White Tank and any other entities storing water at the HMRP shall share in any deficiency resulting from such lost, misdirected or otherwise unstored water in proportion to the amount of the HMRP capacity it used at the time the deficiency accrued.

15.4 Liability, as described in Section 12 related to water stored in the HMRP by AWC White Tank prior to termination of this Agreement, shall remain with AWC White Tank after termination of this Agreement. This Section 15.4 shall survive expiration or termination of this Agreement, and remain in full force and effect.

15.5 In the event any third party institutes an action against CAWCD, AWC White Tank or other entities storing water at the HMRP for claims arising from the activities undertaken pursuant to this Agreement, the parties named in the action shall meet to determine the procurement of legal counsel and the steps to take to defend against the action.

16. INSURANCE

16.1 During the term of this Agreement, unless otherwise agreed in writing by CAWCD, AWC White Tank shall procure and maintain in force or cause to be procured and maintained in force the following types of insurance:

16.1.1 Commercial General Liability Insurance naming CAWCD as an additional insured, including bodily injury, personal injury, property damage, wrongful death, and contractual liability with a minimum limit of $1,000,000 per occurrence.
16.1.2 Business Automobile Liability Insurance with a minimum limit of $1,000,000.

16.1.3 Worker’s Compensation as required by Arizona State law and Employees’ Liability Insurance with limits of $1,000,000 per accident, $1,000,000 per employee per disease and $1,000,000 aggregate for disease.

16.1.4 Commercial Umbrella – combined single limit of $4,000,000.

16.2 Any insurance carried by CAWCD shall be excess and not contributory insurance to any insurance afforded hereunder. AWC White Tank shall submit satisfactory proof of insurance to CAWCD prior to use of the HMRP. Such proof of insurance shall be in the form of a certificate stating the coverage provided and that such insurance shall not be canceled until after thirty (30) days prior written notice thereof shall have been give to CAWCD.

16.3 With written approval of CAWCD, AWC White Tank may self-insure or combine the coverages required by this Agreement with coverages outside the scope of that required by this Agreement.

16.4 If AWC White Tank fails to acquire, provide or continue the insurance coverages required CAWCD may terminate this Agreement immediately upon written notice to AWC White Tank.

17. DEFAULT:

17.1 AWC White Tank and CAWCD shall pay all monies and carry out all other performances, duties and obligations agreed to be paid and/or performed by them pursuant to this Agreement. A default by AWC White Tank or CAWCD in the covenants and obligations to be kept and performed by it shall be an act of default under this Agreement.

17.2 In the event of a default by CAWCD or AWC White Tank, then, within thirty (30) days following notice of such default by the non-defaulting Party, the defaulting Party shall remedy such default either by advancing the necessary funds and/or rendering the necessary performance. Such notice shall specify the existence and nature of such default. If such default is not remedied within the time specified, the non-defaulting party may terminate this Agreement upon 24 hours written notice.

18. UNCONTROLLABLE FORCES:

Neither Party to this Agreement shall be considered in default in the performance of any of its obligations under this Agreement (other than obligations of AWC
White Tank to pay costs and expenses) when a failure of performance is due to Uncontrollable Forces. The term “uncontrollable forces” shall mean any cause beyond the control of the Party unable to perform such obligation, including but not limited to, the failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority, and action or non-action by or failure to obtain the necessary authorizations or approvals from any governmental agency or authority not a Party to this Agreement, which by exercise of due diligence, it shall be unable to overcome.

19. RESOLUTION OF DISPUTES:

19.1 A Party having a dispute under this Agreement that cannot be resolved by the Parties may submit the dispute to arbitration. Arbitration shall be subject to the following provisions:

19.1.1 Arbitration shall be binding only upon the consent of the Parties.

19.1.2 A Party wishing to submit a dispute to arbitration shall provide thirty (30) day written notice to the other party of its intent to pursue arbitration and shall name one arbitrator at that time. Within fifteen (15) days of receiving this notice, the other Party to the dispute shall name one arbitrator and give written notice to the other Party of its selection. The two selected arbitrators shall, within five (5) days of selection of the second arbitrator, jointly select a third arbitrator.

19.1.3 Within thirty (30) days from the selection of the third arbitrator, the arbitrators shall hold a hearing. Within thirty (30) days from the conclusion of the hearing, the arbitrators shall render a decision on the dispute.

19.1.4 Arbitration shall be subject to the Arizona Arbitration Act, Arizona Revised Statutes, Title 12, Chapter 9, Article 1. In the event of a conflict between this Agreement and the Arizona Arbitration Act, the provisions of this Agreement shall prevail.

19.1.5 A Party that is dissatisfied with the results of non-binding arbitration may pursue any other legal or equitable remedy
20. ACTION PENDING RESOLUTION OF DISPUTES:
Pending the resolution of a dispute pursuant to Section 19, each Party shall proceed, to the extent legally permissible, in a manner consistent with this Agreement, and shall make payments required in accordance with the applicable provisions of this Agreement. Any amount paid by a Party pursuant to this Section 20 during the course of such dispute shall be subject to refund and adjustment upon a final resolution of any dispute involving an amount due.

21. GOVERNING LAWS
This Agreement shall be governed by laws of the State of Arizona.

22. BINDING OBLIGATIONS:
All of the obligations set forth in the Agreement shall bind CAWCD and its successors and assigns. This Agreement shall not be assigned by AWC White Tank or accrue to AWC White Tank's successor, nor shall the HMRP capacity use rights hereunder of AWC White Tank be used by another party, without the prior written consent of CAWCD. CAWCD retains the right to sell, lease, assign or otherwise convey its ownership of the HMRP to a third party. In such event, CAWCD may cancel this Agreement upon written notice to AWC White Tank.

23. NOTICES:
23.1 Notice, demand or request provided for in this Agreement shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by registered or certified:

Central Arizona Water Conservation District
c/o General Manager
P.O. Box 43020
Phoenix, AZ 85080-3020

Arizona Water Company
Fred Schneider, President
3805 N. Black Canyon Highway
Phoenix, AZ 85015-5351
23.2 A Party may, at any time, by notice to the other Party, designate different or additional persons or different addresses for the giving of notices.

24. **THIRD PARTY BENEFICIARIES:**
This Agreement shall not be construed to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or of any duty, obligation or undertaking established herein.

25. **WAIVER:**
The waiver by either Party of a breach of any term, covenant or condition in this Agreement shall not be deemed a waiver of any other term, covenant or condition or any subsequent breach of the same or any other term covenant or condition of this Agreement.

26. **HEADINGS:**
Title and paragraph headings are for reference only and are not part of this Agreement.

27. **ENTIRE AGREEMENT:**
The terms, covenants and conditions of this Agreement constitute the entire agreement between the Parties relative to the use of HMRP storage capacity, and no understandings or agreements not herein expressly set forth shall be binding upon them. This Agreement may not be modified or amended in any manner unless in writing and signed by the Parties.

IN WITNESS WHEREOF, this Agreement is executed by the Parties hereto.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT**

By: ________________________________
Lisa Atkins, President

Attest: ______________________________
Secretary
ARIZONA WATER COMPANY

By: ________________________________
   Fred Schneider, President

Attest: ______________________________

221.01
AGREEMENT FOR STORAGE OF WATER
AT THE
SUPERSTITION MOUNTAINS RECHARGE PROJECT

1. PARTIES:
This Agreement is made and entered into the ________ day of ____________,
2019, by and between the CENTRAL ARIZONA WATER CONSERVATION
DISTRICT, hereinafter referred to as “CAWCD”, and ARIZONA WATER
COMPANY hereinafter referred to as “AWC Apache Junction”.

2. RECITALS:
2.1 CAWCD has constructed and is responsible for operating the Superstition
Mountains Recharge Project (the “SMRP”), an underground storage
facility that is located in the East Salt River Valley Sub-basin of the
Phoenix Active Management Area in eastern Maricopa County.

2.2 ADWR has issued CAWCD a Constructed Underground Storage Facility
Permit (Permit No. 73-207702.0003) for the SMRP. The permit authorizes
the underground storage of a maximum of 25,000 acre-feet per annum for
Phase 1, and 56,500 acre-feet per annum for Phase 2, at the SMRP. The
SMRP is a State Demonstration Recharge Project pursuant to A.R.S. §
45-891.01, et seq.

2.3 AWC Apache Junction desires to store CAP water at the SMRP and
CAWCD agrees to make available unused storage capacity at the SMRP
for such storage, in accordance with the provisions of this Agreement.

NOW THEREFORE, in consideration of the foregoing, the payments to be paid
by AWC Apache Junction, and the covenants and agreements contained in this
Agreement, and other good and valuable consideration, CAWCD and AWC
Apache Junction agree as follows:

3. DEFINITIONS:
As used in this Agreement, the following terms, when capitalized, have the
following meanings:

3.1 ADWR: The Arizona Department of Water Resources

3.2 CENTRAL ARIZONA PROJECT (CAP): The water delivery works of the
CAP including, but not limited to, the CAP canal, its turnout structures and
associated measuring devices.
3.3 SMRP: The constructed underground storage facility constructed and operated by CAWCD pursuant to the Permit, which is located in portions of Sections SE ¼ of Sec. 23, SW ¼ of Sec. 24, NW ¼ of Sec. 25, NE ¼ of Sec. 26, T2S, R8E, GSRB&M, Maricopa County, Arizona.

3.4 AWC APACHE JUNCTION WATER: CAP water scheduled by AWC Apache Junction under the terms of its CAP Subcontract.

3.5 TURNOUT STRUCTURE: The point at which AWC Apache Junction Water is diverted from the CAP canal for delivery into the SMRP.

3.6 PARTY/PARTIES: Either one or both of the parties to this Agreement.

3.7 PERMIT: The Constructed Underground Storage Facility Permit issued by the ADWR for the SMRP, Permit No. 71-207702.0003.

4. SCOPE:
This Agreement is limited to the diversion of water at the SMRP Turnout Structure, and the storage of such water at the SMRP by CAWCD for the benefit of AWC Apache Junction. CAWCD shall deliver AWC Apache Junction Water, which is scheduled by AWC Apache Junction for storage at the SMRP in accordance with this Agreement, and CAWCD shall store such water underground at the SMRP for the benefit of AWC Apache Junction.

5. TERM OF AGREEMENT:
This Agreement shall become effective when executed by both Parties and shall remain in effect for ten (10) years unless the Parties agree in writing to extend the term or unless it is sooner terminated or canceled in accordance with the terms of this Agreement.

6. CONDITIONS RELATING TO STORAGE:
6.1 All storage of AWC Apache Junction Water at the SMRP shall be consistent with Arizona law.

6.2 AWC Apache Junction shall obtain a water storage permit from ADWR authorizing it to store AWC Apache Junction Water at the Constructed SMRP.

6.3 CAWCD’s storage of AWC Apache Junction Water at the SMRP shall, at all times, comply with the Permits. CAWCD shall be responsible for filing annual reports as required by the Permit. CAWCD shall promptly notify AWC Apache Junction of any changes or modifications to the Permit that would affect AWC Apache Junction’s rights under this Agreement. If the
Permit is canceled or expires for any reason, AWC Apache Junction may terminate this Agreement.

7. PROCEDURE FOR SCHEDULING STORAGE CAPACITY:
   7.1 As soon as practicable after the date of execution of this Agreement, AWC Apache Junction shall submit to CAWCD a proposed schedule indicating the amount of SMRP storage capacity it desires to use during the year in which this Agreement is executed. Thereafter, on or before October 1 of each year during the term of this Agreement, AWC Apache Junction shall submit to CAWCD a proposed schedule indicating the amount of SMRP storage capacity AWC Apache Junction desires to use during the following year.
   7.2 As soon as practicable after receipt of AWC Apache Junction’s proposed schedule following the execution of this Agreement, CAWCD shall return to AWC Apache Junction the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of SMRP storage capacity that is available to AWC Apache Junction for the year in which this Agreement is executed. Thereafter, on or before November 15 of each year during the term of this Agreement, CAWCD shall return to AWC Apache Junction the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of SMRP storage capacity that is available to AWC Apache Junction for the following year.

8. WATER STORAGE RATE:
   Each year under the term of this Agreement, CAWCD shall establish a per acre-foot recharge rate (“Annual Recharge Rate”) for the use of SMRP storage capacity for the following year, in accordance with CAWCD’s adopted Recharge Rate Policy. AWC Apache Junction shall be obligated to pay CAWCD this Annual Recharge Rate for each acre-foot of storage capacity used by AWC Apache Junction during the year. Such payment shall be in accordance with the provisions of Section 13 below.

9. OPERATING AGENT:
   9.1 CAWCD shall be responsible for operating the SMRP.
   9.2 CAWCD shall retain sole responsibility and authority for decisions relating to the SMRP operating and maintenance practices, including maintenance scheduling and the selection of periods when maintenance will be done.
9.3 Whenever practicable, CAWCD shall inform AWC Apache Junction ninety (90) days in advance of any matter which may substantially affect the SMRP or the rights of AWC Apache Junction.

10. **DESTRUCTION/RECONSTRUCTION OF THE SMRP:**
In the event of destruction of all or part of the SMRP, CAWCD may repair or reconstruct the SMRP, but CAWCD shall not be obligated to do so.

11. **WATER MEASUREMENT AND ACCOUNTING:**
11.1 CAWCD shall base its accounting for water delivered to the SMRP on actual measurements, methods required by the Permit and/or generally accepted accounting and engineering practices.
11.2 CAWCD shall install and maintain a flow measurement system to measure the amount of water diverted from the CAP into the SMRP. CAWCD shall test and maintain the accuracy of this system within plus or minus 5 percent of actual flows.
11.3 CAWCD shall determine evaporation losses representative of the conditions at or near the SMRP using the method indicated in the Permits or using actual measurements, when available. Any other losses in the SMRP shall be calculated using generally accepted engineering practices.
11.4 All losses that occur at the SMRP, other than by evaporation, will be calculated using generally accepted engineering practices and water-level readings from the gages in the basins.
11.5 CAWCD shall prepare a monthly water accounting report of water stored at the SMRP for AWC Apache Junction. The report shall include the daily amount of water stored and the losses calculated as described in this Section.
11.6 CAWCD shall provide the ADWR with water accounting reports for the SMRP as required by the Permit.
11.7 The water accounting reports prepared pursuant to this Section shall be sent to AWC Apache Junction monthly and shall be retained by CAWCD for at least three years.
11.8 CAWCD shall provide AWC Apache Junction copies of SMRP annual reports submitted to ADWR.

12. **WATER QUALITY:**
AWC Apache Junction shall indemnify and hold harmless CAWCD against all losses to third parties resulting from water quality degradation or harm to property caused by AWC Apache Junction’s use of the SMRP, due to the
commingling of AWC Apache Junction's Water with the groundwater. Further, AWC Apache Junction waives any claim on its own behalf against CAWCD for water quality degradation or harm to property arising from such commingling, unless such claim is intended to enforce the indemnification provision of this Section; provided, however, that AWC Apache Junction shall indemnify and hold harmless CAWCD only to the extent that indemnification is not provided to CAWCD by the State of Arizona pursuant to A.R.S. Section 45-898.01; and provided, further, however, that AWC Apache Junction’s indemnification shall only extend to the percentage of degradation attributable to the water stored on behalf of AWC Apache Junction at the SMRP under the terms of this Agreement. AWC Apache Junction retains the right to claim over against any other entity, including CAWCD, storing water in the SMRP in the amount proportionate to such amount stored by those other entities. In no event shall CAWCD assume liability for water quality degradation resulting from the storage of water in the SMRP, solely due to its performance of obligations as the operating agent under this Agreement.

13. BILLING AND PAYMENTS:

13.1 On or before the 15th day of each month, CAWCD will bill AWC Apache Junction for each acre-foot of storage capacity used by AWC Apache Junction during the previous month. The amount billed to AWC Apache Junction shall be equal to the Annual Recharge Rate multiplied by the number of acre-feet of AWC Apache Junction Water delivered to the SMRP as measured at the SMRP Turnout Structure. AWC Apache Junction shall pay CAWCD within thirty (30) days of receipt of such bill. Payment is not contingent upon and is not related to AWC Apache Junction’s accrual of long-term storage credits from water stored at the SMRP.

13.2 If payment due under this Agreement remains unpaid more than sixty (60) days after its due date, CAWCD may terminate this Agreement effective upon written notice to AWC Apache Junction. In the event CAWCD terminates this Agreement, AWC Apache Junction shall remain obligated to pay any outstanding balance.

14. AUTHORIZATIONS AND APPROVALS:

AWC Apache Junction shall be responsible for obtaining, at its own expense, any permits, authorizations and approvals required for the underground storage and recovery of water in the SMRP or for AWC Apache Junction’s performance
under this Agreement. AWC Apache Junction shall keep CAWCD informed of its applications for such permits and authorizations. CAWCD will share information with AWC Apache Junction to assist AWC Apache Junction in its permit application. AWC Apache Junction shall also be responsible for filing any annual reports or other documents necessary to maintain its right to store water at the SMRP.

15. LIABILITY:

15.1 Each Party shall assume liability for its own negligence and shall indemnify the other against any damages the non-negligent Party incurs as a result of the negligent Party's action or inaction.

15.2 CAWCD shall assume no liability to AWC Apache Junction for claims of damage resulting from CAWCD's decision to curtail or stop water flows to the SMRP site during storm or emergency conditions.

15.3 CAWCD shall assume no liability to AWC Apache Junction for quantities of recoverable or unrecoverable water stored underground or removed from underground storage; nor to replace water lost, unintentionally misdirected or otherwise failing to reach the underlying aquifer. CAWCD, AWC Apache Junction and any other entities storing water at the SMRP shall share in any deficiency resulting from such lost, misdirected or otherwise unstored water in proportion to the amount of the SMRP capacity it used at the time the deficiency accrued.

15.4 Liability, as described in Section 12 related to water stored in the SMRP by AWC Apache Junction prior to termination of this Agreement, shall remain with AWC Apache Junction after termination of this Agreement. This Section 15.4 shall survive expiration or termination of this Agreement, and remain in full force and effect.

15.5 In the event any third party institutes an action against CAWCD, AWC Apache Junction or other entities storing water at the SMRP for claims arising from the activities undertaken pursuant to this Agreement, the parties named in the action shall meet to determine the procurement of legal counsel and the steps to take to defend against the action.

16. INSURANCE

16.1 During the term of this Agreement, unless otherwise agreed in writing by CAWCD, AWC Apache Junction shall procure and maintain in force or cause to be procured and maintained in force the following types of insurance:
16.1.1 Commercial General Liability Insurance naming CAWCD as an additional insured, including bodily injury, personal injury, property damage, wrongful death and contractual liability with a minimum limit of $1,000,000 per occurrence.

16.1.2 Business Automobile Liability Insurance with a minimum limit of $1,000,000.

16.1.3 Worker’s Compensation required by Arizona State law, and Employer’s Liability Insurance with limits of $1,000,000 per accident, $1,000,000 per employee per disease, and $1,000,000 aggregate for disease.

16.1.4 Commercial Umbrella – combined single limit of $4,000,000.

16.2 Any insurance carried by CAWCD shall be excess and not contributory insurance to any insurance afforded hereunder. AWC Apache Junction shall submit satisfactory proof of insurance to CAWCD prior to use of the SMRP. Such proof of insurance shall be in the form of a certificate stating the coverage provided and that such insurance shall not be canceled until after thirty (30) days prior written notice thereof shall have been given to CAWCD.

16.3 With written approval of CAWCD, AWC Apache Junction may self-insure or combine the coverages required by this Agreement with coverages outside the scope of that required by this Agreement.

16.4 If AWC Apache Junction fails to acquire, provide or continue the insurance coverages required CAWCD may terminate this Agreement immediately upon written notice to AWC Apache Junction.

17. DEFAULT:

17.1 AWC Apache Junction and CAWCD shall pay all monies and carry out all other performances, duties and obligations agreed to be paid and/or performed by them pursuant to this Agreement. A failure by AWC Apache Junction or CAWCD to adhere to the covenants and obligations to be kept and performed by it shall be an act of default under this Agreement.

17.2 In the event of a default by AWC Apache Junction or CAWCD, then, within thirty (30) days following notice of such default either Party may cure the default either by advancing the necessary funds and/or rendering the necessary performance. Such notice shall specify the existence and nature of such default. If such default is not remedied within the time
specified, the non-defaulting Party may terminate this Agreement upon 24 hours written notice.

18. **UNCONTROLLABLE FORCES:**
Neither Party to this Agreement shall be considered in default in the performance of any of its obligations under this Agreement (other than obligations of AWC Apache Junction to pay costs and expenses) when a failure of performance is due to Uncontrollable Forces. The term "uncontrollable forces" shall mean any cause beyond the control of the Party unable to perform such obligation, including, but not limited to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning, and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority, and action or non-action by, or failure to obtain the necessary authorizations or approvals from any governmental agency or authority not a Party to this Agreement, which by exercise of due diligence, it shall be unable to overcome.

19. **RESOLUTION OF DISPUTES:**
A Party having a dispute under this Agreement that cannot be resolved by the Parties, may submit the dispute to arbitration. Arbitration shall be subject to the following provisions:

19.1.1 Arbitration shall be binding only upon the consent of the Parties.

19.1.2 A Party wishing to submit a dispute to arbitration shall provide thirty (30) days written notice to the other Party of its intent to pursue arbitration and shall name one arbitrator at that time. Within fifteen (15) days of receiving this notice, the other Party to the dispute shall name one arbitrator and give written notice to the other Party of its selection. The two selected arbitrators shall, within five (5) days of selection of the second arbitrator, jointly select a third arbitrator.

19.1.3 Within thirty (30) days from the selection of the third arbitrator, the arbitrators shall hold a hearing. Within thirty (30) days from the conclusion of the hearing, the arbitrators shall render a decision on the dispute.

19.1.4 Arbitration shall be subject to the Arizona Arbitration Act, Arizona Revised Statutes, Title 12, Chapter 9, Article 1. In the event of a
conflict between this Agreement and the Act, the provisions of this Agreement shall prevail.

19.1.5 A Party that is dissatisfied with the results of non-binding arbitration may pursue any other legal or equitable remedy not expressly provided for in this Section 19 and available to resolve the dispute.

20. ACTION PENDING RESOLUTION OF DISPUTES:
Pending the resolution of a dispute pursuant to Section 19, each Party shall proceed, to the extent legally permissible, in a manner consistent with this Agreement, and shall make payments required in accordance with the applicable provisions of this Agreement. Any amount paid by a Party pursuant to this Section 20 during the course of such dispute shall be subject to refund and adjustment upon a final resolution of any dispute involving an amount due.

21. GOVERNING LAW:
The laws of the State of Arizona shall govern this Agreement.

22. BINDING OBLIGATIONS:
All of the obligations set forth in this Agreement shall bind CAWCD and its successors and assigns. This Agreement shall not be assigned by AWC Apache Junction or accrue to AWC Apache Junction’s successor, nor shall the SMRP capacity use rights hereunder of AWC Apache Junction be used by another party. CAWCD retains the right to sell, lease, assign or otherwise convey its ownership of the SMRP to a third party. In such event, CAWCD may cancel this Agreement upon written notice to AWC Apache Junction.

23. NOTICES:
23.1 Notice, demand or request provided for in this Agreement shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by registered or certified mail, postage prepaid, to the persons specified below:

**Central Arizona Water Conservation District**
c/o General Manager
P.O. Box 43020
Phoenix, AZ 85080-3020

**Arizona Water Company**
Fred Schneider, President
3805 N. Black Canyon Highway
Phoenix, AZ 85015-5351
23.2 A party may, at any time, by notice to the other Party, designate different or additional persons or different addresses for the giving of notices.

24. **THIRD PARTY BENEFICIARIES:**
This Agreement shall not be construed to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or of any duty, obligation or undertaking established herein.

25. **WAIVER:**
The waiver by either Party of a breach of any term, covenant or condition in this Agreement shall not be deemed a waiver of any other term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition of this Agreement.

26. **HEADINGS:**
Title and paragraph headings are for reference only and are not part of this Agreement.

27. **ENTIRE AGREEMENT:**
The terms, covenants and conditions of this Agreement constitute the entire Agreement between the Parties relative to the leasing of SMRP storage capacity, and no understandings or agreements not herein expressly set forth shall be binding upon them. This Agreement may not be modified or amended in any manner unless in writing and signed by the Parties.

IN WITNESS WHEREOF, this Agreement is executed by the Parties hereto.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT**

By: ________________________________
Lisa Atkins, President

Attest: ________________________________
Secretary
ARIZONA WATER COMPANY

By: ______________________________________
    Fred Schneider, President

Attest: ________________________________
AGREEMENT FOR STORAGE OF WATER
AT THE
AGUA FRIA RECHARGE PROJECT

1. PARTIES:
This agreement is made and entered into the _______ day of ___________, 2019, by and between the CENTRAL ARIZONA WATER CONSERVATION DISTRICT, hereinafter referred to as “CAWCD”, and the ARIZONA WATER COMPANY, hereinafter referred to as “AWC White Tank”.

2. RECITALS:
2.1 CAWCD is responsible for constructing and operating the Agua Fria Recharge Project (the “AFRP”), an underground storage facility that is located in the Phoenix Active Management Area, within the floodplain of the Agua Fria River. The AFRP is unique because it consists of two components: (a) an in-channel component, known and regulated as the managed underground storage facility pursuant to ADWR permit no. 71-569775.0008, where CAP water is released from the Agua Fria Siphon Blowoff Structure into the channel of the Agua Fria River for underground storage and/or conveyance as in-channel surface water flows approximately four miles downstream to the constructed underground storage facility; and (b) a constructed component, known and regulated as the constructed underground storage facility pursuant to ADWR permit No. 71-569776.0009, consisting of an in-channel diversion dam and headworks structure, which divert water from the channel into a conveyance canal for delivery to approximately 115 acres of spreading basins. The AFRP is more specifically located in portions of Sections 31 and 32, Township 5N, Range 1E, and Section 6, Township 4N, Range 1E, GSRB&M, Maricopa County, Arizona.

2.2 ADWR has issued CAWCD a Constructed Underground Storage Facility Permit (Permit No. 71-569776.0009) and a Managed Underground Storage Permit for the AFRP (Permit No. 71-569775.0008). The Permits together authorize the underground storage of a combined maximum of 30,000 acre-feet of water per year at the AFRP. The AFRP is a State Demonstration Recharge Project pursuant to A.R.S. § 45-891.01, et seq.
2.3 AWC White Tank desires to store CAP water at the AFRP and CAWCD agrees to make available unused storage capacity at the AFRP for such storage, in accordance with the provisions of this Agreement.

NOW THEREFORE, in consideration of the foregoing, the payments to be paid by AWC White Tank, and the covenants and agreements contained in this Agreement, and other good and valuable consideration, CAWCD and AWC White Tank agree as follows:

3. DEFINITIONS:

As used in this Agreement, the following terms, when capitalized, have the following meanings:

3.1 ADWR: The Arizona Department of Water Resources.

3.2 AFRP: The combined constructed underground storage facility and managed underground storage facility, constructed and operated by CAWCD pursuant to the Permits, which is located in portions of Sections 31 and 32, Township 5N, Range 1E, and Section 6, Township 4N, Range 1E, GSRB&M, Maricopa County, Arizona.

3.3 AGUA FRIA SIPHON BLOWOFF STRUCTURE: The point at which AWC White Tank Water is diverted from the CAP canal for delivery into the AFRP.

3.4 CENTRAL ARIZONA PROJECT (CAP): The water delivery works of the CAP including, but not limited to, the CAP canal, its turnout structures and associated measuring devices.

3.5 AWC WHITE TANK WATER: CAP water scheduled by AWC White Tank under the terms of its CAP Subcontract.

3.6 PARTY/PARTIES: Either one or both of the parties to this Agreement.

3.7 PERMITS: The Constructed Underground Storage Facility Permit issued by the ADWR for the AFRP, permit no. 71-569775.0008, and the Managed Underground Storage Facility Permit issued by the ADWR for the AFRP, permit no. 71-569776.0009.

4. SCOPE OF SERVICES:

This Agreement is limited to the diversion of water at the Agua Fria Siphon Blowoff Structure into the AFRP and the storage of such water at the AFRP by CAWCD for the benefit of AWC White Tank. CAWCD shall deliver AWC White Tank Water, which is scheduled by AWC White Tank to the Agua Fria Siphon Blowoff Structure and CAWCD shall store such water underground at the AFRP for the benefit of AWC White Tank.
5. **TERM OF AGREEMENT:**
This Agreement shall become effective when executed by both Parties and shall remain in effect for ten (10) years unless the Parties agree in writing to extend the term or unless it is sooner terminated or canceled in accordance with the terms of this Agreement.

6. **CONDITIONS RELATING TO STORAGE:**
   6.1 All storage of AWC White Tank Water at the AFRP shall be consistent with Arizona water law.
   6.2 AWC White Tank shall obtain a water storage permit from ADWR authorizing it to store AWC White Tank Water at the AFRP.
   6.3 CAWCD’s storage of AWC White Tank Water at the AFRP shall, at all times, comply with the Permits. CAWCD shall be responsible for filing annual reports as required by the Permits. CAWCD shall promptly notify AWC White Tank of any changes or modifications to the Permits that would affect AWC White Tank’s rights under this Agreement. If one or both of the Permits are canceled or expire for any reason, AWC White Tank may terminate this Agreement.

7. **PROCEDURE FOR SCHEDULING STORAGE CAPACITY**
   7.1 As soon as practicable after the date of execution of this Agreement, AWC White Tank shall submit to CAWCD a proposed schedule indicating the amount of AFRP storage capacity it desires to use during the year in which this Agreement is executed. Thereafter, on or before October 1 of each year during the term of this Agreement, AWC White Tank shall submit to CAWCD a proposed schedule indicating the amount of AFRP storage capacity AWC White Tank desires to use during the following year.
   7.2 As soon as practicable after receipt of AWC White Tank’s proposed schedule following the execution of this Agreement, CAWCD shall return to AWC White Tank the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of AFRP storage capacity that is available to AWC White Tank for the year in which this Agreement is executed. Thereafter, on or before November 15 of each year during the term of this Agreement, CAWCD shall return to AWC White Tank the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of AFRP storage capacity that is available to AWC White Tank for the following year.
8. WATER STORAGE RATE
8.1 Each year under the term of this Agreement, CAWCD shall establish a per acre-foot recharge rate (“Annual Recharge Rate”) for use of AFRP storage capacity for the following year, in accordance with CAWCD’s adopted Recharge Rate Policy. AWC White Tank shall be obligated to pay CAWCD this annual Recharge Rate for each acre-foot of storage capacity used by AWC White Tank during the year. Such payment shall be in accordance with the provisions of Section 13 below.

9. OPERATING AGENT:
9.1 CAWCD shall be responsible for operating the AFRP.
9.2 CAWCD shall retain sole responsibility and authority for decisions relating to the AFRP operating and maintenance practices, including maintenance scheduling and the selection of periods when maintenance will be done.
9.3 Whenever practicable, CAWCD shall inform AWC White Tank ninety (90) days in advance of any matter which may substantially affect the AFRP or the rights of AWC White Tank.

10. DESTRUCTION/RECONSTRUCTION OF THE AFRP:
In the event of destruction of all or part of the AFRP, CAWCD may repair or reconstruct the AFRP, but CAWCD shall not be obligated to do so.

11. WATER MEASUREMENT AND ACCOUNTING:
11.1 CAWCD shall base its accounting for water delivered to the AFRP on actual measurements, methods required by the Permit and/or generally accepted accounting and engineering practices.
11.2 CAWCD shall install and maintain a flow measurement system in the Agua Fria Siphon Blowoff Structure to measure the amount of water diverted from the CAP into the AFRP. CAWCD shall test and maintain the accuracy of this system within a plus or minus 5 percent of actual flows.
11.3 CAWCD shall determine evaporation losses representative of the conditions at or near the AFRP using the method indicated in the Permits or using actual measurements, when available. Any other losses in the AFRP shall be calculated using generally accepted engineering practices.
11.4 All losses that occur at the AFRP, other than by evaporation, will be calculated using generally accepted engineering practices and water-level readings from the gages in the basins.
11.5 CAWCD shall prepare a monthly water accounting report of water stored at the AFRP for AWC White Tank. The report shall include the daily
amount of water stored and the losses calculated as described in this Section.

11.6 CAWCD shall provide the ADWR with water accounting reports for the AFRP as required by the Permits.

11.7 The water accounting reports prepared pursuant to this Section shall be sent to AWC White Tank monthly and shall be retained by CAWCD for at least three years.

11.8 CAWCD shall provide AWC White Tank copies of the AFRP annual report submitted to ADWR.

12. WATER QUALITY:
AWC White Tank shall indemnify and hold harmless CAWCD against all losses to third parties resulting from water quality degradation or harm to property caused by AWC White Tank’s use of the AFRP, due to the commingling of AWC White Tank’s water with the groundwater or water flowing above or below the surface of the Agua Fria riverbed. Further, AWC White Tank waives any claim on its own behalf against CAWCD for water quality degradation or harm to property arising from such commingling, unless such claim is intended to enforce the indemnification provision of this Section; provided, however, that AWC White Tank shall indemnify and hold harmless CAWCD only to the extent that indemnification is not provided to CAWCD by the State of Arizona pursuant to A.R.S. §45-898.01; and provided, further, however, that AWC White Tank's indemnification shall only extend to the percentage of degradation attributable to the water stored on behalf of AWC White Tank at the AFRP under the terms of this Agreement. AWC White Tank retains the right to claim over against any other entity, including CAWCD, storing water in the AFRP in the amount proportionate to such amount stored by those other entities. In no event shall CAWCD assume liability for water quality degradation resulting from the storage of water in the AFRP, solely due to its performance of obligations as the operating agent under this Agreement.

13. BILLING AND PAYMENTS:
13.1 On or before the 15th day of each month, CAWCD will bill AWC White Tank for each acre-foot of storage capacity used by AWC White Tank during the previous month. The amount billed to AWC White Tank shall be equal to the Annual Recharge Rate multiplied by the number of acre-feet of AWC White Tank water delivered to the AFRP as measured at the Agua Fria Siphon Blowoff Structure. AWC White Tank shall pay CAWCD
within thirty (30) days of receipt of such bill. Payment is not contingent upon and is not related to AWC White Tank’s accrual of long-term storage credits from water stored at the AFRP.

13.2 If payment due under this Agreement remains unpaid more than sixty (60) days after its due date, CAWCD may terminate this Agreement effective upon written notice to AWC White Tank. In the event CAWCD terminates this Agreement, AWC White Tank shall remain obligated to pay any outstanding balance.

14. **AUTHORIZATIONS AND APPROVALS:**
AWC White Tank shall be responsible for obtaining, at its own expense, any permits, authorizations and approvals required for the underground storage and recovery of water in the AFRP or for AWC White Tank’s performance under this Agreement. AWC White Tank shall keep CAWCD informed of its applications for such permits and authorizations. CAWCD will share information with AWC White Tank to assist AWC White Tank in its permit application. AWC White Tank shall also be responsible for filing any annual reports or other documents necessary to maintain its right to store water at the AFRP.

15. **LIABILITY**
15.1 Each Party shall assume liability for its own negligence and shall indemnify the other against any damages the non-negligent Party incurs as a result of the negligent Party’s action or inaction.

15.2 CAWCD shall assume no liability to AWC White Tank for claims of damage resulting from CAWCD’s decision to curtail or stop water flows to the AFRP site during storm or emergency conditions.

15.3 CAWCD shall assume no liability to AWC White Tank for quantities of recoverable or unrecoverable water stored underground or removed from underground storage; nor to replace water lost, unintentionally misdirected or otherwise failing to reach the underlying aquifer. CAWCD, AWC White Tank and any other entities storing water at the AFRP shall share in any deficiency resulting from such lost, misdirected or otherwise unstored water in proportion to the amount of the AFRP capacity it used at the time the deficiency accrued.

15.4 Liability, as described in Section 12 related to water stored in the AFRP by AWC White Tank prior to termination of this Agreement, shall remain with AWC White Tank after termination of this Agreement. This Section 15.4
shall survive expiration or termination of this Agreement, and remain in full force and effect.

15.5 In the event any third party institutes an action against CAWCD, AWC White Tank or other entities storing water at the AFRP for claims arising from the activities undertaken pursuant to this Agreement, the parties named in the action shall meet to determine the procurement of legal counsel and the steps to take to defend against the action.

16. INSURANCE

16.1 During the term of this Agreement, unless otherwise agreed in writing by CAWCD, AWC White Tank shall procure and maintain in force or cause to be procured and maintained in force the following types of insurance:

16.1.1 Commercial General Liability Insurance naming CAWCD as an additional insured, including bodily injury, personal injury, property damage, wrongful death, and contractual liability with a minimum limit of $1,000,000 per occurrence.

16.1.2 Business Automobile Liability Insurance with a minimum limit of $1,000,000.

16.1.3 Worker’s Compensation as required by Arizona State law and Employees’ Liability Insurance with limits of $1,000,000 per accident, $1,000,000 per employee per disease and $1,000,000 aggregate for disease.

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16.2 Any insurance carried by CAWCD shall be excess and not contributory insurance to any insurance afforded hereunder. AWC White Tank shall submit satisfactory proof of insurance to CAWCD prior to use of the AFRP. Such proof of insurance shall be in the form of a certificate stating the coverage provided and that such insurance shall not be canceled until after thirty (30) days prior written notice thereof shall have been given to CAWCD.

16.3 With written approval of CAWCD, AWC White Tank may self-insure or combine the coverages required by this Agreement with coverages outside the scope of that required by this Agreement.

16.4 If AWC White Tank fails to acquire, provide or continue the insurance coverages required CAWCD may terminate this Agreement immediately upon written notice to AWC White Tank.
17. DEFAULT:

17.1 AWC White Tank and CAWCD shall pay all monies and carry out all other performances, duties and obligations agreed to be paid and/or performed by them pursuant to this Agreement. A default by AWC White Tank or CAWCD in the covenants and obligations to be kept and performed by it shall be an act of default under this Agreement.

17.2 In the event of a default by CAWCD or AWC White Tank, then, within thirty (30) days following notice of such default by the non-defaulting Party, the defaulting Party shall remedy such default either by advancing the necessary funds and/or rendering the necessary performance. Such notice shall specify the existence and nature of such default. If such default is not remedied within the time specified, the non-defaulting party may terminate this Agreement upon 24 hours written notice.

18. UNCONTROLLABLE FORCES:

Neither Party to this Agreement shall be considered in default in the performance of any of its obligations under this Agreement (other than obligations of AWC White Tank to pay costs and expenses) when a failure of performance is due to Uncontrollable Forces. The term “uncontrollable forces” shall mean any cause beyond the control of the Party unable to perform such obligation, including but not limited to, the failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority, and action or non-action by or failure to obtain the necessary authorizations or approvals from any governmental agency or authority not a Party to this Agreement, which by exercise of due diligence, it shall be unable to overcome.

19. RESOLUTION OF DISPUTES:

19.1 A Party having a dispute under this Agreement that cannot be resolved by the Parties, may submit the dispute to arbitration. Arbitration shall be subject to the following provisions:

19.1.1 Arbitration shall be binding only upon the consent of the Parties.

19.1.2 A Party wishing to submit a dispute to arbitration shall provide thirty (30) day written notice to the other party of its intent to pursue arbitration and shall name one arbitrator at
that time. Within fifteen (15) days of receiving this notice, the other Party to the dispute shall name one arbitrator and give written notice to the other Party of its selection. The two selected arbitrators shall, within five (5) days of selection of the second arbitrator, jointly select a third arbitrator.

19.1.3 Within thirty (30) days from the selection of the third arbitrator, the arbitrators shall hold a hearing. Within thirty (30) days from the conclusion of the hearing, the arbitrators shall render a decision on the dispute.

19.1.4 Arbitration shall be subject to the Arizona Arbitration Act, Arizona Revised Statutes, Title 12, Chapter 9, Article 1. In the event of a conflict between this Agreement and the Arizona Arbitration Act, the provisions of this Agreement shall prevail.

19.1.5 A Party that is dissatisfied with the results of non-binding arbitration may pursue any other legal or equitable remedy not expressly provided for in this Section 19 and available to resolve the dispute.

20. ACTION PENDING RESOLUTION OF DISPUTES:
Pending the resolution of a dispute pursuant to Section 19, each Party shall proceed, to the extent legally permissible, in a manner consistent with this Agreement, and shall make payments required in accordance with the applicable provisions of this Agreement. Any amount paid by a Party pursuant to this Section 20 during the course of such dispute shall be subject to refund and adjustment upon a final resolution of any dispute involving an amount due.

21. GOVERNING LAWS
This Agreement shall be governed by laws of the State of Arizona.

22. BINDING OBLIGATIONS:
All of the obligations set forth in the Agreement shall bind CAWCD and its successors and assigns. This Agreement shall not be assigned by AWC White Tank or accrue to AWC White Tank’s successor, nor shall the AFRP capacity use rights hereunder of AWC White Tank be used by another party, without the prior written consent of CAWCD. CAWCD retains the right to sell, lease, assign or otherwise convey its ownership of the AFRP to a third party. In such event, CAWCD may cancel this Agreement upon written notice to AWC White Tank.
23. **NOTICES:**

23.1 Notice, demand or request provided for in this Agreement shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by registered or certified:

**Central Arizona Water Conservation District**  
c/o General Manager  
P.O. Box 43020  
Phoenix, AZ 85080-3020

**Arizona Water Company**  
Fred Schneider, President  
3805 N. Black Canyon Highway  
Phoenix, AZ 85015-5351

23.2 A Party may, at any time, by notice to the other Party, designate different or additional persons or different addresses for the giving of notices.

24. **THIRD PARTY BENEFICIARIES:**

This Agreement shall not be construed to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or of any duty, obligation or undertaking established herein.

25. **WAIVER:**

The waiver by either Party of a breach of any term, covenant or condition in this Agreement shall not be deemed a waiver of any other term, covenant or condition or any subsequent breach of the same or any other term covenant or condition of this Agreement.

26. **HEADINGS:**

Title and paragraph headings are for reference only and are not part of this Agreement.

27. **ENTIRE AGREEMENT:**

The terms, covenants and conditions of this Agreement constitute the entire agreement between the Parties relative to the use of AFRP storage capacity, and no understandings or agreements not herein expressly set forth shall be binding upon them. This Agreement may not be modified or amended in any manner unless in writing and signed by both Parties.
IN WITNESS WHEREOF, this Agreement is executed by the Parties hereto.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

By: ________________________________
    Lisa Atkins, President

Attest: ______________________________
        Secretary

ARIZONA WATER COMPANY

By: ________________________________
    Fred Schneider, President

Attest: ______________________________
August 15, 2019 Meeting

Committee Members present were: Chair Terry Goddard, Maricopa County; Alexandra Arboleda, Maricopa County; Jennifer Brown, Maricopa County; Karen Cesare, Pima County; Pat Jacobs, Pima County; Jennifer Martin, Maricopa County (via teleconference); and Mark Taylor, Pima County.

Report on Internal Audit Activities
Ramon Ramirez, Internal Auditor, updated the Committee that the final report for the Fleet Maintenance Audit has been issued. The audit revealed many positive findings, but noted areas of needed improvement that included:

- Formalizing the means of objectively weighing vehicle needs
- Requiring executive-level approval of fleet changes
- Delays in bringing vehicles into/out of service
- Updating fleet vehicle guidelines which have not been updated since 2007
- Assessing the permanency of work order backlogs

In many cases, Mr. Ramirez noted that staff had already identified many of these issues and were working on solutions to them before the audit was underway. In addition to the Fleet Maintenance Audit, Mr. Ramirez also informed the Committee that the Purchasing Card Audit had been initiated, the Palo Verde Morgan Transmission Project audit is in the fieldwork phase, his consulting work on the CAGRD Water Provider Reports audit has been completed and CAGRD staff will be responsible for all future Water Provider Report audits, and he will act as contract administrator on the upcoming IT penetration testing that will be done by an outside consultant and he will assist in the administration of Water Provider Audits and IT Penetration Testing in the future.

Report on Capital Improvement Budgets, Projects, and Team
Darrin Francom, Director of Operations, Power, and Engineering, presented the staff composition of the Project Steering Committee (PSC) and how this group selects capital projects to execute. He also demonstrated how this group maintains fiscal controls within the Capital Budget. After the first quarter of 2019, the capital budget was projected to exceed its spending authority by $5.844 million. The PSC selected a trio of projects to delay, bringing the overrun down by $1.497 million. Additionally, “normal” project movement generated another $600K-$700K in reduced costs. The PSC will convene again after second quarter forecasts are completed to take further action, if necessary.

Mr. Francom then turned the podium over to Ryan Johnson, Engineering Services Manager, to introduce individual members of the Project Management Team to the Committee.
Update on Power Programs

Brian Young, Power Programs Administrator, gave a brief update on the 2019 Power Supply, including a projection that Navajo Generating Station (NGS), will cease operations in early November and most of CAP’s November/December energy will be supplied from the market. This energy has already been purchased at favorable prices.

Additionally, Mr. Young informed the Committee of a recent development that will allow CAP to secure 80 MW of transmission capacity from Palo Verde to Westwing from El Paso Electric. The cost of this transmission capacity is a fraction of other rates in the region and is expected to save CAP over $2 million annually. CAP can now make the bulk of its market energy purchases at Palo Verde.

The Committee was also given an update on Solar Phase I. Construction is underway and energization/testing will commence in November. Commercial operations are expected to begin January 1, 2020.

Mr. Young also informed the Committee that 70% of anticipated 2020 energy needs have been secured with an additional 5-10% still to be acquired prior to the beginning of the year. To date, these purchases have lowered the average 2020 purchase price by $2/MWh from initial estimates. Mr. Young credited the Board’s action in raising the hedging targets for allowing staff to actively pursue more power as favorable rates materialize in the market.

Finally, Mr. Young told the Committee that forward prices for 2021 and beyond have dropped in recent months and CAP staff will be initiating its next energy auction in October to take advantage of these lower rates.

Contact for more information:
Chris Hall
Director, Finance and Administration
623-869-2632
chall@cap-az.com
August 15, 2019 Meeting
Board Members present were Secretary Sharon Megdal, Karen Cesare, Jim Hartdegen, Pat Jacobs, Jennifer Martin and Heather Macre (by phone)

Consideration of Action to Approve the June 20, 2019 Minutes of CAGRD and Underground Storage Committee
Minutes were approved as written.

Report on External Financing for Water Acquisition Approved by the Board between CAWCD, Gila River Indian Community and Gila River Storage LLC
Doug Dunlap, Finance and Accounting, gave the Committee an update on the status of the Board approved external financing of $20 million dollars for the final payment of the GRIC/GRWS long-term storage credit acquisition. Mr. Dunlap reported, that earlier this summer, CAWCD sent a request for proposal to six financial institutions for financing options which resulted in three responses. Based on the results, CAWCD selected BBVA, formerly Compass Bank, and entered into a five year agreement on July 24, 2019. With this loan, the final payment to GRIC/GRWS was made on August 1st. The interest rate for the financing was 2.45% which is better than staff expected. The final payment for the loan is due on January 1, 2025. CAWCD can pay off the loan after 3 years without penalty.

Report on CAGRD Mid-Plan Review: Water Supplies Update and Replenishment Reserve
As part of the CAGRD Mid-Plan review process, Chris Brooks, CAGRD Water Supply Program, presented an update on CAGRD water supplies. He explained how these supplies will be used to meet projected near-term replenishment obligations and gave a preliminary evaluation of CAGRD’s need to acquire additional supplies. Andrew Craddock, Water Supply Program, then provided an update on progress towards meeting the Replenishment Reserve (RR) goals described in the 2015 Plan of Operation. In summary, CAGRD’s near-term supply outlook is positive. Future supply acquisitions will be needed to hedge drought risks to CAP NIA supplies, meet longer term obligations and the RR targets.

The staff presentation was followed by an update on Arizona water markets by Harry Seely with WestWater Research, consultant to the CAGRD Water Supply Program. He presented to the Committee the latest trends in five active and evolving water markets relevant to CAWCD that included Long Term Storage Credits, CAP Tribal Leases, Colorado River Entitlements, Extinguishment Credits, and Type 2 Grandfathered Groundwater Rights. In summary, he reported that the cost of water in all five markets is increasing due to continued economic growth and continued concern over future storages on the Colorado River.
Report on the 2016/2017 CAGRD Operational Challenges List

Laura Grignano, CAGRD, updated the Committee on the 2016/2017 CAGRD Operational Challenges List. Ms. Grignano explained that this table was developed several years ago and contains a list of issues that were identified at that time as worthy of review and possible action, some of which might require changes in statute while others would not. Ms. Grignano recommended that staff and the Committee review the table once the Mid-Plan Review was completed later this year or early next. The Committee recommended that staff prioritize the issues as well as include any updates on issues since they were last presented, i.e. the effort over the last year to initiate a new Conservation Program. The Committee discussed the timing of the review and acknowledged, that it was unlikely, if any proposed statutory changes were to come from this new effort, that those proposed changes would be ready in time for the 2020 Legislative session.

Discussion Pursuant to Board Member Agenda Item Request Regarding the Relationship between CAGRD Enrollment Obligation and Available CAGRD Water Supplies

Committee Chair Megdal invited Board Member Martin to restate her request for a Board discussion on the topic of CAGRD’s enabling legislation regarding enrollment and water supplies. Board Member Martin explained that current statutes require CAWCD/CAGRD to secure water supplies for any entity that meets all of the other Assured Water Supply criteria. In other words, CAGRD is compelled to enroll members if they meet the criteria and there is no language included in statute that relieves CAGRD of this obligation if water supplies are not available. She commented that this puts CAWCD in the position of constantly having to acquire water supplies and although there doesn’t appear to be problem showing adequate supplies now, Board Member Martin doesn’t want to wait until there is a problem before having a discussion about this with the Board and exploring potential solutions. Several Committee members agreed that having this discussion is important but also advised taking their time based on the importance of the issues and implications and acknowledged that any proposed legislative changes would need to go through the Public Policy Committee and be handled with extreme caution. Laura Grignano, CAGRD, shared with the Committee that the CAGRD enabling legislation requires the Director of ADWR to consider the availability of water supplies to meet projected replenishment obligations in approving Plans of Operation. Chair Megdal, ended by stressing the importance of educating the Legislature on current CAGRD statutes.

Report on CAWCD Participation in CAP Ag Pool Groundwater Infrastructure and Efficiency Program

Ken Seasholes, Resource Planning and Analysis, provided an update on the Ag Pool Groundwater Infrastructure and Efficiency Program. He reported on two potential impediments to moving forward with recovery agreements with the Pinal County Ag Districts: 1) the potential inability to include CAWCD’s funds as part of the non-Federal match for the proposed $25M grant from the USDA’s Resource Conservation Partnership Program (RCPP), and 2) the water quality issue raised by the Ak-Chin Community. Mr.
Seasholes indicated that given the uncertainty of the RCPP process, the Ag Districts prefer moving forward with agreements even if some of the non-Federal match is lost. With respect to the Ak-Chin issue, Mr. Seasholes indicated that Board President Atkins sent a letter to Chairman Miguel, recognizing the importance of the water quality issue to the Community, while also expressing CAWCD’s desire to fulfill our commitments to Ag infrastructure under DCP. The letter requests a meeting so we can begin to explore some potential solutions.

Report on 2019 Q2 Member Land and Member Service Area Enrollment and Activation Activity
Due to time constraints this topic was postponed until next month.

Report on the History of Minimum Reporting Requirements for CAGRD Member Lands
Due to time constraints this topic was not covered. Chair Megdal directed anyone with questions regarding the memo in the packet on this topic to contact staff.

Future Agenda Items
Report on the Mid-Plan Review – Financial Capability; Report on Conservation Program Development; Member Land Water Provider Audit; Report on 2019 Q2 Member Land and Member Service Area Enrollment and Activation Activity

Public Comment
None

Contact for more information:
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CAGRD Manager
623-869-2113
lgrignano@cap-az.com
2015 CAGRD Plan of Operation

- In compliance with ARS 45-576.02.C.2, CAGRD submitted its 2015 Plan of Operation (Plan) to the Director of ADWR on December 29, 2014
- CAWCD Board reinforced its commitment to support ongoing planning & analysis throughout the entire 10 years of the Plan
  - Provide Enhanced Annual Reporting
    - CAGRD Annual Operations Report (AOR) – compiled annually since 2014
  - Develop a Mid-Plan Review
    - Board Strategic Plan
Mid-Plan Review Purpose

- Provide a comprehensive look at mid-term trends in CAGRD operations
- Provide indications of where these trends may lead over the remaining years of the Plan
- Provide the opportunity for transparency and accountability in our planning processes

Mid-Plan Review Scope

- Unlike the 2011 Mid-Plan, which focused solely on trends in member enrollment, and obligations...
- This Mid-Plan also includes an update on the current status of the GRD’s replenishment capacity, water supplies and financial capability.
Highlights of Mid-Plan Review

- Sufficient storage capacity to meet replenishment obligations thru Plan
- Enrollment and obligation trending under Plan projections
- Near-term water supply outlook is positive. Future acquisitions needed to hedge drought risk and to meet longer term obligations.
- Progress towards meeting Replenishment Reserve Target on track
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Ted Cooke  
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tcooke@cap-az.com

**MEETING DATE:**  
Thursday, September 5, 2019

**AGENDA ITEM:**  

**LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:**
CAWCD Board of Directors 2016 Strategic Plan  
Leadership and Public Trust: Relationships

**PREVIOUS BOARD ACTION/ACTIVITY:**
- April 19, 2018  
  Customer Service Task Force Meeting
- May 17, 2018  
  Customer Service Task Force Meeting
- June 21, 2018  
  Customer Service Task Force Meeting
- August 16, 2018  
  Customer Service Task Force Approved Recommendations
- September 6, 2018  
  Board Approved Task Force Recommendations
- December 6, 2018  
  Update to Board on Short-Term Action Plans
- January 3, 2019  
  Board Approved Short-Term Action Plans for Recommendations 1, 2 and 4
- March 7, 2019  
  Update to Board on Short-Term Action Plans
- April 4, 2019  
  Board Approved Short-Term Action Plans for Recommendations 3, 5 and 6
- June 6, 2019  
  Update to Board on Short-Term Action Plans

**ISSUE SUMMARY/DESCRIPTION:**
The purpose of the Customer Service Task Force was to examine the service that CAP provides and determine what changes may be warranted to offer the best customer service experience within CAP’s atmosphere of continuous improvement. The scope of the Task Force was to identify actionable improvements to CAP customer service processes, keeping the focus on processes and not specific outcomes or decisions. An external consultant was hired to provide objective and independent facilitation. After extensive outreach by the consultant and four interactive Task Force Meetings, The Task Force adopted several recommendations that were later adopted by the full Board on September 6, 2018.

The Board approved recommendations 1-6 as listed:

1. Create ways for stakeholders to provide comments and ask questions online prior to meetings and in real time. (electronic blue cards)
2. Create more effectiveness and efficiency of committees and task forces in order for the Board to have confidence in and rely on the work done in those committees.
3. Conduct more discussions with stakeholders before Board meetings, include their perspectives in Board
briefs (directed toward staff).

4. To increase engagement, give more advance notice of issues, which will be considered by the Board and Committees, including timely posting of documents.

5. Invite stakeholders to participate in roundtable discussions on specific issues as an information-gathering exercise.

6. Identify opportunities for more efficient, effective and inclusive stakeholder input beyond what is included in other themes, including possible formation of stakeholder advisory groups.

And to:

- Direct staff to create short term action plans for these items and bring them back to the Board for consideration. Identify the role the Board and staff will play for each action item.
- Direct staff to report to the Board quarterly on progress for the Customer Service Task Force Recommendations, to maintain all ideas and action steps identified in the Discovery Phase.

At the January 3, 2019 Board Meeting, the Board approved short term action plans for recommendations 1, 2 and 4. At the April 4, 2019 meeting, the Board approved short term action plans for recommendations 3, 5 and 6.

The attachment provides an update on implementation of the short term action plans. Additionally, staff has reviewed the reports from the Customer Service Task Force to identify additional items that may be ready for implementation. Stakeholders gave feedback that it is difficult to attend a lengthy Board meeting without any option for a meal during that time. To address that issue, staff is exploring ways to have a meal option available for purchase at Board meetings.

The next quarterly update to the Board is scheduled for December 5, 2019.

**ATTACHMENTS:**

1. Report on Implementation of Short Term Action Plans
2. Presentation
Customer Service Task Force  
Staff Report on Implementation of Short-Term Action Plans  
September 2019 Update

1. Create ways for stakeholders to provide comments and ask questions online prior to meetings and in real time. (electronic blue cards)

<table>
<thead>
<tr>
<th>Board/Staff Role</th>
<th>This is primarily a staff function.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved Short Term Action Plan</td>
<td>Add a form to the CAP website to allow the public to submit testimony in advance of Board meetings. This will be monitored daily, and any forms submitted up and until one hour prior to a meeting will be given to the Chair with any blue cards submitted in person. The information requested on the electronic form will be very similar to what is on the current hard copy blue cards. <em>(approved by the Board January 3, 2019)</em></td>
</tr>
</tbody>
</table>
| Status | After internal and external testing, the [electronic blue card form](#) was formally launched on April 25, 2019. The form allows stakeholders to either request to speak at a meeting or to submit a brief comment for the record, and has been improved to allow submissions both in advance and during meetings. Staff plans to evaluate the system after one year to determine if any improvements are necessary for long term implementation.  

**September Update:** Stakeholders have been using the form to provide comments at Board and Committee meetings since the launch date, and have provided positive feedback about the process. To date, 9 electronic blue cards have been received; 8 of those utilized the option to submit a comment in lieu of attending the meeting. |

2. Create more effectiveness and efficiency of committees and task forces in order for the Board to have confidence in and rely on the work done in those committees.

| Board/Staff Role | Staff is responsible to take additional steps to make information about Committees readily available to assist Board Members in relying on the work done in Committees. 

Board members may review videos or summaries of work done in Committee. |
|------------------|---------------------------------------------------------------|
| Approved Short Term Action Plan | Staff will begin to: 

- Post a Summary of Actions within 3 business days following each meeting (as is currently done for full Board meetings).
- Notify the Board when the video of Committee meetings are posted online.
- Provide a brief summary of the Committee meetings in the Board meeting packet. *(approved by the Board January 3, 2019)* |
| Status | Staff implemented all the action plans for this recommendation beginning February 2019. These will continue on a long term basis. |
3. Conduct more discussions with stakeholders before Board meetings, include their perspectives in Board briefs (directed toward staff).

| Board/Staff Role | Staff is responsible to conduct and report on communications with CAP stakeholders. Board members may elect to follow up with those stakeholders to get more information. |
| Approved Short Term Action Plan | Staff will begin to include stakeholder perspectives in Board briefs when they are clearly known. The summaries will be generic in nature. *(approved by the Board April 4, 2019)* |
| Status | Staff began including this information when available in Board briefs beginning April 2019. This will continue on a long term basis. |

4. To increase engagement, give more advance notice of issues, which will be considered by the Board and Committees, including timely posting of documents.

| Board/Staff Role | This is primarily a staff function. |
| Approved Short Term Action Plan | Staff is currently developing a policy to provide specific, predictable times when information will be posted, both to the Board and the public. Staff will also create a page on the CAP website to list tentative agenda topics for meetings looking 45 days out. *(approved the Board January 3, 2019)* |
| Status | A draft policy is under review with CAP Management Council. The 45-Day Look Ahead page was formally launched on March 27, 2019. It includes upcoming agenda items anticipated come before the Board within the next 45 days and is updated every two weeks. The page will be maintained on a long term basis. September Update: The 45-Day Look Ahead page has been well received. Since the launch, it has been viewed 356 times, with 305 unique visitors. |

5. Invite stakeholders to participate in roundtable discussions on specific issues as an information-gathering exercise.

| Board/Staff Role | Staff is responsible for planning and facilitating roundtable meetings. The Board President will appoint Board Champions to attend the roundtable meetings to directly observe the discussion and report their impressions back to the Board. |
| Approved Short Term Action Plan | Staff will begin to organize quarterly stakeholder roundtable meetings. The topics will be focused on timely issues that relate to upcoming Board decisions. *(approved by the Board April 4, 2019)* |
| Status | The first quarterly Stakeholder Roundtable meeting was held on March 19, 2019 on Capital Charges and the Use of Property Taxes. The second Roundtable was held on June 20, 2019 on Excess Water. Staff plans to evaluate the format of the roundtable meetings after one year to determine if any improvements are necessary for long term implementation. September Update: This recommendation stemmed from stakeholder comments expressing a desire to increase opportunities for input prior to... |
6. Identify opportunities for more efficient, effective and inclusive stakeholder input beyond what is included in other themes, including possible formation of stakeholder advisory groups.

<table>
<thead>
<tr>
<th>Board/Staff Role</th>
<th>Staff is responsible for identifying additional opportunities for stakeholder engagement. Board members will engage with stakeholders to increase participation and gain additional input.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved Short Term Action Plan</td>
<td>Increase opportunities for the Board to engage with stakeholders to better understand perspectives. Produce a customer feedback form for customers and stakeholders to provide input on services received from CAP staff and Board. <em>(approved by the Board April 4, 2019)</em></td>
</tr>
<tr>
<td>Status</td>
<td>September Update: The Customer Service Feedback Form was launched on June 20, 2019. The form is available electronically on the CAP website and in hard copy in the Board Room and at the front desk at CAP Headquarters. The form will also be distributed at CAP hosted events and meetings.</td>
</tr>
</tbody>
</table>

**Additional Actions for Consideration:**

At the Action Planning Exercise, several stakeholders noted that the lengthy Board meetings are difficult for external attendees because there is no time or availability for lunch.

| Proposed Short Term Action Plan | Identify an opportunity to make a lunch option available to external attendees at Board meetings. |

Board Member Ben Graff and Public Affairs Director Bridget Schwartz-Manock
September 5, 2019

Customer Service Task Force

Purpose:
Examine the service that CAP provides and determine what changes may be warranted to offer the best customer service experience within CAP’s atmosphere of continuous improvement

Scope:
To identify actionable improvements to CAP customer service processes.
Customer Service Task Force

- January – April, 2018 Discovery Phase
- May – August, 2018 Task Force Action Planning meetings
- September 6, 2018 Board adoption of the recommendations of the Task Force
- December 6, 2018 Quarterly update to the Board
- September 6, 2018 Board adoption of the recommendations of the Task Force
- December 6, 2018 Quarterly update to the Board
- January 3, 2019 Board adoption of first set of action plans to implement the recommendations
- March 7, 2019 Quarterly update to the Board
- April 4, 2019 Board adoption of action plans for remaining recommendations
- June 6, 2019 Quarterly update to the Board

Recommendation #1

Create way for stakeholders to provide comments and ask questions online prior to meetings and in real time (electronic blue cards).

Short Term Action Plan:
(approved by the board January 3, 2019)
Add a form to the CAP website to allow the public to submit testimony in advance of Board meetings.

Complete
**Recommendation #1**

The Electronic Blue Card form was launched on April 25, 2019.

**Recommendation #2**

Create more effectiveness and efficiency of committees and task forces in order for the Board to have confidence in and rely on the work done in those committees.

**Short Term Action Plan:**
(approved by the board January 3, 2019)

- Post Summary of Actions for all meetings
- Notify Board when video of Committee is posted
- Provide Committee summary in board packet

Complete
**Recommendation #2**

All three of the measures were fully implemented in February 2019 to offer Board Members more ways to access information on Board Committee activates and actions.

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**Recommendation #3**

*Conduct more discussions with stakeholders before Board meetings, include their perspectives in Board briefs.*

**Short Term Action Plan:**
*(approved the Board April 4, 2019)*

Staff will begin to include stakeholder perspectives in Board briefs when they are clearly known. The summaries will be generic in nature.

Complete
**Recommendation #4**

*To increase engagement, give more advance notice of issues, which will be considered by the Board and Committees, including timely posting of documents.*

**Short Term Action Plan:**
*(approved the Board January 3, 2019)*

- Create policy to provide specific, predictable times for posting information to the Board and the public
- Create webpage to list tentative agenda topics for meetings looking 45 days out

**In Progress**

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**Recommendation #4**

- Draft policy for Board materials is under review
- The 45-Day Look Ahead page was launched March 27, 2019.
**Recommendation #5**

*Invite stakeholders to participate in roundtable discussions on specific issues as an information-gathering exercise.*

*Short Term Action Plan:*
*(approved the Board April 4, 2019)*

Staff will begin to organize quarterly stakeholder roundtable meetings. The topics will be focused on timely issues that relate to upcoming Board decisions.

**Complete**
**Recommendation #6**

*Identify opportunities for more efficient, effective and inclusive stakeholder input beyond what is included in other themes, including possible formation of stakeholder advisory groups.*

**Short Term Action Plan:**
*(approved the Board April 4, 2019)*

Increase opportunities for the Board to engage with stakeholders to better understand perspectives.

Produce a customer feedback form.

**Ongoing/ Complete**

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**Recommendation #6**

Customer Service Feedback Form launched June 20
New Proposal

At the Action Planning Exercise, several stakeholders noted that the lengthy Board meetings are difficult for external attendees because there is no time or availability for lunch.

Proposed Short Term Action Plan:
Identify an opportunity to make a lunch option available to external attendees at Board meetings.

Next Steps

- Staff will continue to review and implement the recommendations and action plans
- Next quarterly report to the Board scheduled for December 5, 2019
KNOW YOUR WATER

Questions?

CentralArizonaProject.com ~ CAGRD.com
The current ENSO (El Niño Southern Oscillation) probabilistic forecast indicates greater probability of a neutral ENSO signal for Fall 2019 with close to equal probabilities of either an El Niño or neutral ENSO signal in Winter 2019-2020.

The three month outlook for precipitation for September 2019 through November 2019 shows that the entire Colorado River Basin will experience above normal precipitation. Temperatures for the next three months are forecasted to be above normal for all of the United States (with a greater probability of above normal temperatures in the entire Colorado River Basin).
‘20 Winter Season: ~Normal, Dry, or Wet?

- Equalization in 2020 ~ 28% (need ~110% of Avg., ~12 MAF inflow)
- Tier Zero most likely through ‘23
- Climate Signal?
  - ENSO Neutral to El Niño
- Natural Signal?
  - Signs of early winter?

### Probability of System Conditions - June 2019

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
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</thead>
<tbody>
<tr>
<td>Lake Powell Release &gt; 8.23 MAF</td>
<td>19</td>
<td>71</td>
<td>60</td>
<td>63</td>
<td>60</td>
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<tr>
<td>Equalization &gt; 8.23 MAF</td>
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<td>28</td>
<td>25</td>
<td>29</td>
<td>27</td>
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<tr>
<td>Upper Elevation &gt; 8.23 MAF</td>
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<td>35</td>
<td>34</td>
<td>33</td>
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<tr>
<td>Lake Powell Release = 8.23 MAF</td>
<td>80</td>
<td>27</td>
<td>23</td>
<td>21</td>
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<td>Equalization = 8.23 MAF</td>
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<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Upper Elevation = 8.23 MAF</td>
<td>80</td>
<td>27</td>
<td>23</td>
<td>20</td>
<td>20</td>
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<td>Mid-Elevation = 8.23 MAF</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>Lake Powell Release &lt; 8.23 MAF</td>
<td>0</td>
<td>3</td>
<td>17</td>
<td>17</td>
<td>15</td>
</tr>
<tr>
<td>Upper Elevation &lt; 8.23 MAF</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Mid-Elevation = 7.48 MAF</td>
<td>0</td>
<td>2</td>
<td>17</td>
<td>16</td>
<td>14</td>
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<tr>
<td>Lake Mead Elevation Tiers</td>
<td>71</td>
<td>78</td>
<td>69</td>
<td>63</td>
<td>61</td>
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<tr>
<td>DCP Tier 0 (1090'-1075')</td>
<td>71</td>
<td>72</td>
<td>42</td>
<td>32</td>
<td>25</td>
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<tr>
<td>Tier 1 Shortage (1075'-1050')</td>
<td>0</td>
<td>6</td>
<td>26</td>
<td>24</td>
<td>25</td>
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<tr>
<td>Tier 2 Shortage (1050'-1025')</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>7</td>
<td>9</td>
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<tr>
<td>Tier 3 Shortage (&lt; 1025')</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Reclamation
CONTACT: Patrick Dent  Marcus Shapiro
623-869-2581  623-869-2528
pdent@cap-az.com  mshapiro@cap-az.com

MEETING DATE: Thursday, September 5, 2019


LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:
None

PREVIOUS BOARD ACTION/ACTIVITY:
June 6, 2019  Operations Update

ISSUE SUMMARY/DESCRIPTION:
Operations update regarding CAP’s Colorado River diversions, water deliveries and Lake Pleasant operations through July 2019. The summer outage season out west is concluding and full scheduled pumping from the Colorado River is planned to resume in September. Report on August 21, 2019 Water User Briefing on CAP 2020 water supply and major maintenance activities.

ATTACHMENTS:
1. Operations Updates
2. Presentation
Colorado River Diversions

On December 31, 2018, the US Bureau of Reclamation approved CAP’s diversion of up to 1,565,115 acre-feet from the Colorado River in 2019. Reclamation also acknowledged that CAP is contractually entitled to divert the balance of Arizona’s 2.8 million acre-feet basic apportionment not consumed by higher priority users.

The table below compares CAP's actual diversions through July and forecasted diversions for the remainder of the year to the 2019 Annual Operating Plan (AOP). CAP coordinates with Reclamation’s Boulder Canyon Operations Office on a monthly and real-time basis to coordinate releases from Lake Mead and to forecast CAP diversions for the remainder of the year.

### 2019 CAP Colorado River Planned and Actual Diversions

<table>
<thead>
<tr>
<th>2019</th>
<th>Scheduled Diversion from AOP (AF)</th>
<th>Actual Diversion (AF)</th>
<th>Updated Forecasted Diversion (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>88,000</td>
<td>90,530</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>164,000</td>
<td>150,723</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>180,000</td>
<td>82,674</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>175,000</td>
<td>143,769</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>181,000</td>
<td>153,751</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>73,000</td>
<td>103,850</td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>75,000</td>
<td>92,195</td>
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</tr>
<tr>
<td>August</td>
<td>75,000</td>
<td>101,000</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>148,000</td>
<td>175,000</td>
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</tr>
<tr>
<td>October</td>
<td>143,000</td>
<td>142,804</td>
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</tr>
<tr>
<td>November</td>
<td>117,000</td>
<td>142,000</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>123,000</td>
<td>70,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,544,000</td>
<td>1,448,296</td>
<td></td>
</tr>
</tbody>
</table>

February and March diversions were lower than planned due to wet local hydrology which reduced CAP demands and limited capacity in Lake Pleasant for additional lake pumping. Favorable energy markets have facilitated additional pumping June – August making up for some of lost pumping earlier in the year. Overall Colorado River diversions have been reduced in accordance with ICS plans and Lake Mead conservation plans for 2019; the targeted Lake Mead Contributions are outlined below.

Of note, the closure of Navajo Generation Station will be in Q4 of 2019. The exact date of the last day of electrical generation is not known but is estimated to be in the October/November time-frame. Once the plant closes CAP will purchase sufficient energy to accomplish the targeted pumping.
2019 Lake Mead Contributions - Arizona

The table below represents all currently known forbearance activities for 2019 contributions to Lake Mead. The volume identified for CAP Excess Water is an estimate; the final volume will depend on actual uses by higher priority users in Arizona in 2019. The table below summarizes all the planned activities for 2019.

<table>
<thead>
<tr>
<th>Program/Activity</th>
<th>Volume (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAP Ag Forbearance 3 (EC-ICS)</td>
<td>20,671</td>
</tr>
<tr>
<td>CAP Ag Forbearance 4 (EC-ICS)</td>
<td>5,475</td>
</tr>
<tr>
<td>CAP* Excess Water</td>
<td>85,953</td>
</tr>
<tr>
<td>PSCP - Bullhead City</td>
<td>840</td>
</tr>
<tr>
<td>PSCP - CRIT Phase 3</td>
<td>9,317</td>
</tr>
<tr>
<td>PSCP - CRIT Phase 4</td>
<td>17,488</td>
</tr>
<tr>
<td>PSCP - Fort McDowell Yavapai Nation</td>
<td>13,683</td>
</tr>
<tr>
<td>Gila River Indian Community (ICS – Reclamation)</td>
<td>100,000</td>
</tr>
<tr>
<td>Gila River Indian Community (ICS – AWBA)</td>
<td>17,000</td>
</tr>
<tr>
<td>Colorado River Indian Tribe (ICS)</td>
<td>6,274</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>276,701</strong></td>
</tr>
</tbody>
</table>

* Volume will vary based on available Colorado River water, on-river use forecasts and CAP Operations.

2019 CAP Water Deliveries

The table below compares CAP’s actual deliveries to date to the approved water delivery schedules included in the 2019 AOP. To date there have been no requests to remarket scheduled water.

<table>
<thead>
<tr>
<th>Category</th>
<th>2019 Scheduled (AF)</th>
<th>Actual Deliveries Though July (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;I</td>
<td>610,825</td>
<td>379,229</td>
</tr>
<tr>
<td>Federal</td>
<td>452,323</td>
<td>261,187</td>
</tr>
<tr>
<td>Ag Pool</td>
<td>273,854</td>
<td>179,329</td>
</tr>
<tr>
<td>Other Excess</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAGRDP Replenishment Obligation</td>
<td>15,151</td>
<td>10,277</td>
</tr>
<tr>
<td>AWBA</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>BOR</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>CAGRDP Replenishment Reserve</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Temporary Uses</td>
<td>625</td>
<td>250</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,352,778</strong></td>
<td><strong>830,272</strong></td>
</tr>
</tbody>
</table>
Maintenance/Capital Project Work

Planned maintenance work in 2019 includes CAP’s normal half plant outage for the western portion of the system in the summer and a full outage for the southern plants. In 2019 the southern outage aligns with the planned work for the Salt River Siphon which is scheduled for October 30 – December 10, 2019. Key work that will take place in 2019 includes the Salt River Siphon coating project. Also, during the siphon outage, Pool Red Rock will also go into full dewater in order to complete a significant repair to the canal lining as a result of storm flooding. Backup power systems will be replaced at Check structures 6, 7, 8, 11, 12 and the Waddell Overlook microwave site. Fire protection systems replacement at Snyder Hill and Black Mountain Pumping Plants will be in progress.

Lake Pleasant

Lake Pleasant serves as CAP’s system storage reservoir. CAP uses Lake Pleasant to manage Colorado River diversions, water deliveries, ensure system reliability, accomplish system maintenance and manage energy costs. Generally, CAP pumps water from the Colorado River to fill Lake Pleasant in fall and winter when energy and water demands are lower, then releases water from Lake Pleasant in the summer to meet water user demands.

In February and March local winter storms created runoff into Lake Pleasant. The greater than anticipated runoff into Lake Pleasant and the reduction in CAP demand increased lake levels to a point where Lake pumping needed to be curtailed. Colorado River diversions were reduced to CAP demand only through April. The graphic below contains the projected Lake Pleasant elevation for 2019 and 2020. The 2020 forecast will be further refined with the creation of the 2020 AOP.
CAP Operations Update

2019 CAP Deliveries

2019 Planned Deliveries 12/26/2018 - 1,469,778 AF
2019 Revised Deliveries 6/27/2019 - 1,352,778
2019 Actual Cumulative Deliveries - 839,272 AF as of July

Operation Plan Dated 12/26/2018

Flow (cfs)

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Actual Deliveries
Planned 2019
August 21, 2019 Water User Briefing

Agenda Topics
1. August 24 Month Study – Chuck Cullom
2. 2019 Lake Mead Contributions – Outlook for 2020 – Deanna Ikeya
3. 2020 Outlook for CAP Delivery Supply – Marcus Shapiro
4. 2020-2024 Excess Water Policy Ken Seasholes
5. 2020 CAP Energy Resources – Brian Young
7. Capital Program Update – Ryan Johnson
8. Expanded Water Quality Program Phill Pagels

2020 DCP Implementation

Implement Tier Zero
1. DCP Reductions become Mandatory (Tier Zero) 192KAF - AZ
2. Offset Program in process; Offsets are meant to keep Lake Mead whole while using CAP ICS as a mitigation resource. Lake Mead contributions related to the offset program are occurring in 2019 and are planned to occur in 2020.
3. Central Arizona Regional Irrigation Efficiency Conservation Project – Develop Groundwater/Recovery/Irrigation Efficiency

Specific 2020 Actions
DCP Reductions
1. CAP DCP/ICS – AG Forbearance 325KAF
2. CAP DCP/ICS – Metro Water 3.5KAF
3. The remainder (164KAF) is CAP “Other Excess”

Offset Program – CAP Related Deliveries
1. GRIC AWBA Firming ICS – 33KAF
2. GRIC Reclamation ICS – 50KAF
CAP Delivery Supply Projection 2020

- Estimated Colorado River (1.67 MAF)
- DCP Reductions (-192 KAF)
- CAP Losses (-75 KAF)
- Lake Pleasant (72 KAF)
- CAP Delivery Supply (1.475 MAF)
- Long Term ICS Creation (86 KAF)
- Long-Term Contracts (1.2 MAF)
- Ag Pool (275 KAF)
- Actual CAP Deliveries (1.39 MAF)

Lake Pleasant Elevation Forecast

Note: End of month values
CONTACT: Ken Seasholes  Suzanne Ticknor  
623-869-2476  623-869-2410  
kseasholes@cap-az.com  sticknor@cap-az.com

MEETING DATE: Thursday, September 5, 2019

AGENDA ITEM: Discussion and Consideration of Action to Approve Excess Water Policy - Seasholes

RECOMMENDATION: Staff recommends that the Board of Directors approve the "Procedure for Distributing CAP Excess Water and Turn-back Water for the Period of 2020 through 2024"

FISCAL IMPLICATIONS: No
Impact on Budget: No impact on budget
Additional spending authority requested: None
Impact on Reserves: No impact on Reserves
Impact on Rates: No impact on rates

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:
Reliability of the CAP Water Supply: Optimize reliability and sustainability of CAP water supply

PREVIOUS BOARD ACTION/ACTIVITY:
January 31, 2018 Recommendation that the Board Approve the Excess Water Task Force Recommendation
February 1, 2018 Board approval of the Excess Water Task Force Recommendations
June 20, 2019 CAP Roundtable on Excess Water
August 1, 2019 Informational Brief on Draft Excess Water Policy
August 21, 2019 CAP Operations Meeting

ISSUE SUMMARY/DESCRIPTION:
At the August 1, 2019 Board meeting, CAP staff presented a draft Excess Water policy to replace the current “Access to Excess” policy, which expires at the end of this year. The new Excess Water policy carries forward many aspects of the current policy while adding clarity and incorporating suggestions from the Excess Water Task Force and Roundtable. The policy has a five year term, 2020-2024, and is intended to provide guidance over a reasonable period of time, without interfering with deadlines related to renegotiation of the Interim Guidelines and the LBDCP.

Pursuant to the CAP Repayment Stipulation, CAWCD has a right, after fulfilling the obligation for the Agriculture Settlement Pool, to use or sell Excess Water. Under both the current and proposed policy, if Excess Water is available, CAWCD first determines the volume it will use for Replenishment purposes. Under
the terms of the Water Availability Status (WAS) contract with the City of Scottsdale, if Excess Water is
available, CAWCD is obligated to provide up to 2,910 acre-feet to Scottsdale for replenishment. The WAS,
which was entered into in 2001 and amended in 2013, is pursuant to state statute (ARS 45-576.07), and
provides a mechanism for several golf courses in the Carefree subbasin to comply with the Assured Water
Supply Rules. In 2018, 1,258 acre-feet was delivered under the WAS contract.

After satisfaction of the Scottsdale WAS obligation, the policy provides that CAWCD’s use of Excess for
satisfaction of its remaining CAGRD replenishment obligation will be based on any shortfall between the most
recent year of reported obligation, and the renewable supplies available for CAGRD purposes (excluding
accrued LTSCs). The policy includes a 10,000 acre-feet cap for CAGRD replenishment.

After determining the CAGRD replenishment volume, if any, the remaining “Other Excess” is available to
establish pools of Excess Water to sell. If Excess is available in the coming year, the Board will decide
whether to make Excess available to the Statutory Firming Pool (comprised of the Arizona Water Banking
Authority for in-state purposes; the Bureau of Reclamation for Indian firming; and the CAGRD for the
Replenishment Reserve). Providing Excess Water to the Statutory Firming Pool assists in the satisfaction of
existing commitments made as part of the Arizona Water Settlement Act and state statute.

Under the policy, the Board may also establish a “Supplemental Firming Pool” that will utilize any Other
Excess available after fully satisfying the participants in the Statutory Firming Pool. The Supplemental Firming
Pool is available for “self-firming” by contractors and subcontractors holding NIA-priority supplies, which are
heavily impacted by shortage under the terms of the Drought Contingency Plan, with only a small portion of
the NIA supply firmed by the AWBA or Reclamation.

The policy sets forth an annual process for decision making. In August of each year, CAP staff provides a
recommendation regarding the distribution of any Excess Water for the upcoming year, with action taken at
the September meeting. Even though the volume of Excess will not be known, this allows for lead time for the
AWBA and other parties, such as GSF partners, to begin coordination on initial CAP water orders that are
placed by October 1st.

The policy also provides direction to CAP staff regarding the disposition of Turn-back Water and unexpected
intra-year water in shortage and non-shortage years, providing equity within the CAP priority system and to
provide additional transparency regarding CAP operations.

Public comment at the August Board meeting was generally supportive of the draft Excess Policy, though
comments by AMWUA included a request to include the use of Excess for CAGRD replenishment as part of
the Board’s annual decision. CAP Staff believe the proposed restrictions on CAGRD use of Excess—only
used if there is a shortfall, and a maximum of 10,000 acre-feet—adequately express the intent to use Excess
sparingly for CAGRD purposes. The draft Excess policy was also reviewed at the August 21st CAP
Operations meeting. No additional comments were provided.

SUGGESTED MOTION:
I move the Board of Directors approve the staff proposal "Procedure for Distributing CAP Excess Water and
Turn-back Water for the Period of 2020 through 2024"

ATTACHMENTS:
1. 2020-2024_Excess Water Policy
Procedure for Distributing CAP Excess Water and Turn-back Water for the Period of 2020 through 2024

A. Definitions:


2. “CAP Excess Water” means all Project Water that is in excess of the amounts used, resold, or exchanged pursuant to Long-term Contracts.

3. “Long-term Contract” means a contract or subcontract for the delivery of Project Water having a term that extends to 2043 or beyond and any contract or subcontract resulting from the transfer, assignment or lease of such contract or subcontract, or part thereof, or of a Project Water entitlement thereunder.


5. “Other Excess Water” means, in a given year, any remaining CAP Excess Water after fully satisfying the Agricultural Settlement Pool.

6. “Statutory Firming Pool” means a pool of Other Excess Water created by the CAWCD Board pursuant to this policy for use by the AWBA (for intrastate AWBA purposes), Reclamation (for Indian firming) and the CAGRD (for replenishment reserve purposes).

7. “Supplemental Firming Pool” means a pool of Other Excess Water created by the CAWCD Board pursuant to this policy for use by Long-term Contractors holding NIA priority supplies.

8. “Turn-back Water” means water that a long-term contractor, or other CAP contractor, has included in its annual schedule, but determines, within the year, that it does not need.

9. “Unexpected Supply Availability” means, in a given year, an unanticipated and significantly larger available CAP supply than what was projected in the Annual Operating Plan the previous fall, resulting from climatic conditions within the year.

B. In developing the Annual Operating Plan each year for 2020 through and including 2024, CAWCD will distribute CAP Excess Water as follows:

1. CAWCD shall first use available CAP Excess Water to fully satisfy the Agricultural Settlement Pool. Any remaining CAP Excess Water is “Other Excess”.

2. CAWCD will then use Other Excess Water to satisfy commitments associated with the Water Availability Status Contract with the City of Scottsdale, not to exceed 2,910 acre-feet.

3. CAWCD will then use Other Excess Water to satisfy the difference, if any, between the most recent year of reported CAGRD replenishment obligation, and the volume
of renewable supplies available for replenishment (excluding LTSCs), up to a limit of 10,000 acre-feet per year.

4. The CAWCD Board will further make an annual decision whether to make additional Other Excess Water available to the Statutory Firming Pool. If the CAWCD Board decides to make Other Excess Water available to the Statutory Firming Pool, it will be apportioned among the AWBA, Reclamation and the CAGRD based on an annual coordination meeting among the three organizations.

5. The CAWCD Board may further establish a Supplemental Firming Pool, comprised of any Other Excess available after satisfying the Statutory Firming Pool. This pool will be made available at the same charge and on the same terms to federal and non-federal Long-term Contractors holding NIA priority supplies on a proportional basis until all orders are satisfied or the available supply is fully subscribed.

C. CAWCD will distribute Turn-back Water as follows:

1. In any year when the available CAP supply is insufficient to satisfy the schedules of Long-term Contractors, CAWCD will use its best efforts to manage Turn-back Water in a way that facilitates equity among shorted Long-term Contractors. If remarketing of Turn-back Water would create inequity among shorted Long-term Contractors because of timing (i.e., late in the year when some Long-term Contractors have already made alternate plans and/or cannot take advantage of the availability of Turn-back water in that year), CAWCD may exercise its discretion to not distribute the Turn-back Water in that year, but will, if timing permits, incorporate it into the determination of the available Project Water supply in the following year.

2. In any year when the available CAP supply is sufficient to satisfy the schedules of Long-term Contractors, CAP shall continue the current business practice of using CAP priorities and this policy to guide the disposition of Turn-back Water.

3. In the event that intra-year conditions may result in Unexpected Supply Availability, CAP Staff will regularly update the Board and stakeholders on the disposition and operational decisions related to that supply.
CONTACT: Laura Grignano 623-869-2113 lgrignano@cap-az.com Greg Adams 623-869-2124 gadams@cap-az.com

MEETING DATE: Thursday, September 5, 2019

AGENDA ITEM: Discussion and Consideration of Action to Approve a 1-Year Lease Agreement between CAWCD and Fort McDowell Yavapai Nation for CAGRD Purposes - Grignano

RECOMMENDATION: Staff Recommends that the Board of Directors approve a 1-Year Lease Agreement between CAWCD and Fort McDowell Yavapai Nation with terms substantially the same as those outlined in brief.

FISCAL IMPLICATIONS: Yes

Impact on Budget:
CAGRD Budget

- 2018-2019 Minimal
- 2020-2021 Minimal

Additional spending authority requested: None

Impact on Reserves:
CAGRD Infrastructure and Water Rights Fund:

- 2019 - $220,248
- 2020 - $609,615

Impact on Rates:
None

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:
CAWCD Board of Directors 2016 Strategic Plan

- Replenishment: Obtain Sufficient Water Supplies to Meet Long-Term Replenishment Obligations

PREVIOUS BOARD ACTION/ACTIVITY:
None
ISSUE SUMMARY/DESCRIPTION:
Earlier this year Fort McDowell Yavapai Nation (FMYN) approached CAGRD staff to inquire about the possibility of leasing a portion of their CAP Indian priority water to CAWCD for CAGRD replenishment purposes. The following key terms were agreed to:

- Term: 1-Year (2020)
- Water Supply: CAP Indian Priority water
- Volume: 3,933 AF
- Price: $56/AF; Lease payment to FMYN in 2019
- CAGRD/CAWCD will pay all OM&R and Pumping Energy charges associated with the delivery of the leased water
- Approvals needed: FMYN Tribal Council, CAWCD and United States (Bureau of Reclamation)

SUGGESTED MOTION:
I move that the Board of Directors approve a 1-Year Lease Agreement between CAWCD and Fort McDowell Yavapai Nation with terms substantially the same as those outlined above.

ATTACHMENTS:
None