

**Metropolitan Domestic Water Improvement District
Board of Directors Meeting**

August 10, 2020

**Approval of the Agreement to Sell and Assign
Central Arizona Project Long-Term Storage Credits with the Town of Marana**

Synopsis

The Board of Directors is requested to consider approving a second five-year agreement with the Town of Marana (Town) for the exchange of Central Arizona Project (CAP) water credits from the District.

Background

A water provider with a 100-Year Designation of Assured Water Supply is required to replenish all mined groundwater pumped within the service area. A water provider can accomplish this task in many ways. The water provider can join the Central Arizona Groundwater Replenishment District (CAGRD) where CAGRD recharges excess CAP water supplies to replenish the mined groundwater, or the water provider can recharge and recover its own CAP water allocation instead of using CAGRD services. Additionally, the water provider can offset groundwater mining by directly using effluent at golf courses/parks or recovering effluent credits through recovery wells. Another method is for the water provider to clean up groundwater classified by Arizona Department of Water Resources (ADWR) as poor quality, such as from the South Shannon well.

Since 2015, the District has been annually recharging and recovering all of its 13,460 acre-foot CAP water allocation. Annually, the District stored 3,000 to 4,000 acre-feet of CAP water as Long-Term Storage Credits after accounting for annual storage and recovery to meet current year water demands.

The Town of Marana is also using annual recharge and recovery of their CAP water allocation of 1,528 acre-feet per year rather than CAGRD services. In 2015, the District and the Town of Marana entered into a five-year CAP water credit purchase agreement. This helped the Town to meet its annual Assured Water Supply requirements when their future water demands will exceed their CAP water allocation. The District has benefited by such an agreement by using the credit sales to purchase and order all of the District's CAP allocation of 13,460 acre-feet.

Issues

The Town of Marana has proposed renewing its five-year agreement with the District to annually purchase up to 1,000 acre-feet of CAP water credits from the District at current CAP water delivery and recharge costs. To date, the District has, through its recharge efforts, banked 42,059 acre-feet of CAP water credits. The Town's CAP water allocation is 1,528 acre-feet per year but its future water demand is expected to be much higher. The District would continue to benefit from the credit

purchase agreement with the Town as the generated revenue can help fund other water resource initiatives.

The following denotes key provisions in the new agreement:

Section 2.2 provides the Town of Marana with flexibility in deciding whether or not to annually have the District store water for the Town of Marana. The maximum storage volume is limited to earning annually 1,000 acre-feet per year for the next five years. The Town's annual credit needs of up to 1,000 acre-feet will not impact the District's CAP annual storage and recovery needs of 7,500 acre-feet per year. The Town must notify the District by August 31st of its storage needs for the District to meet its annual CAP water order deadline of October 1st.

Section 2.4 details that the credit purchase price paid by the Town is equal to the current cost of Municipal and Industrial CAP subcontractor water plus recharge expenses (operation and maintenance costs at Avra Valley Recharge Project (AVRP) or the Lower Santa Cruz Recharge Project, water losses, and administration costs). This agreement provides The Town the option to also store at the BKW Farms Groundwater Savings Project (GSF), but at a higher administrative cost.

Section 2.7 requires the Town of Marana to reimburse the District for the stored water on a monthly basis. For example, the District would receive monthly payments from the Town for the credits in 2021 prior to the District transferring the credits to the Town in late 2022. Additionally, the credit transfer to the Town does not occur until after the credits are deemed by ADWR (Section 6.0) and the credits earned by the Town will reflect any regulatory deductions made by ADWR.

Recommendation

Staff recommends the Board of Directors approve an Agreement to Sell and Assign Central Arizona Project Long-Term Storage Credits in the Tucson Active Management Area with the Town of Marana for a five year term. The working relationship with the Town of Marana for the past five years has continued to be mutually beneficial. The agreement is beneficial to District ratepayers as the revenue stream assists funding other water resource related initiatives.

Suggested Motion

I move to approve the Agreement to Sell and Assign Central Arizona Project Long-Term Storage Credits in the Tucson Active Management Area with the Town of Marana with an expiration date of December 31, 2025.

Respectfully submitted,

I concur with the above-noted recommendation.
Respectfully submitted,

Wally Wilson
Water Resources Manager

Joseph Olsen, P.E.
General Manager