

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

August 14, 2023

**Approval of the Groundwater Savings Facility Intergovernmental Agreements with
BKW Farms, Inc. Cortaro Water Users Association, and Herb Kai**

Synopsis

The Board of Directors is requested to approve storage agreements with BKW Farms, Inc. (BKW), agent for BKW Farms Groundwater Savings Facility (GSF), Cortaro Water Users Association (CWUA), agent for Cortaro-Marana Irrigation District (CMID) GSF and Herb Kai, agent for Kai Farms Red Rock (Kai Farms) GSF for the purpose of utilizing the District's Central Arizona Project (CAP) allocation in 2024 through 2028.

Background

As a municipal and industrial (M&I) CAP water subcontract holder, the District is entitled under its contract with the Central Arizona Water Conservation District (CAWCD) to have CAP water delivered for recharge. The District holds water storage permits at the Avra Valley Recharge Project (AVRP), the BKW Farms GSF, the Cortaro-Marana Irrigation District GSF, the Kai Farms Red Rock GSF, the Lower Santa Cruz Replenishment Project, the Southern Avra Valley Storage and Recovery Project (SAVSARP), and the Lower Santa Cruz River Managed Recharge Project (LSCMRP).

This agenda item focuses on renewing Storage Agreements with BKW, CWUA and Kai Farms GSFs for calendar years 2024 through 2028. All three contracts expire on December 31, 2023. Table 1 summarizes all District CAP water deliveries and which facilities were utilized.

Due to uncertainties in how much CAP water will be available to the District, the proposed volumes to be stored with our GSF partners will be "up to" amounts. If the District is able to order the expected 8,460 acre-feet allocation (13,460 acre-feet less 5,000 acre-feet for the System Conservation Implementation Agreement,), the volumes presented below will represent the District's total order for 2024.

If the District orders are reduced by more than 5,000 acre-feet due to unilateral actions taken by the Secretary of the Interior after the August 24-Month Colorado River Study report results are known, deliveries to the GSF partners will be reduced proportionally per the delivery volume proposed below.

BKW Farms Groundwater Savings Facility

In 1996 when the District acquired its CAP water allocation from the City of Tucson, BKW Farms began to store water for the District. The amount has varied over the years based on how much water from the City of Tucson was stored at BKW Farm's GSF per a previous agreement between BKW Farms and Tucson. Whenever BKW Farms has had additional capacity, they have made it available to the District. The District has stored water at the BKW Farms' GSF every year, with the exception of 2022, since 2003. For calendar year 2024, storage at BKW Farms will be up to 500 acre-feet.

Cortaro-Marana Irrigation District Groundwater Savings Facility

In 1999, the District entered into its first agreement with CWUA for storage at the CMID GSF. Over the years, the District has consistently been able to utilize this GSF for storing CAP water. The District has stored water at the CMID GSF every year, with the exception of 2006, since 2000. Storage requested for calendar year 2024 for CMID will be up to 7,460 acre-feet.

Kai Farms Red Rock Groundwater Savings Facility

In 1997, the District began storing CAP water at the Kai Farms GSF through an agreement with Herb Kai. The District has stored water at the Kai Farms GSF every year since 1997. In calendar year 2024, the District will store up to 500 acre-feet at the Kai Farms' GSF.

Recharge Balance and Asset Value

The Arizona Department of Water Resources (ADWR) has deemed the District's long-term storage credit account as 51,013.31 acre-feet as of December 31, 2022. Staff estimates Metro Main's 2023 pumpage is 7,500 acre-feet, which excludes the approximately 500 acre-feet from South Shannon well. In 2023, Metro Main delivered 5,000 acre-feet of its CAP order to the U.S. Bureau of Reclamation (BOR) System Conservation Implementation Agreement program. With 8,460 acre-feet of CAP delivery in 2023, the long-term storage credits earned would be approximately 960 acre-feet of CAP water and approximately 500 acre-feet of effluent.

With the implementation of the System Conservation Implementation Agreement (SCIA) between the District and BOR, 5,000 acre-feet of the District's CAP allocation will not be stored at AVRP or partner GSFs in 2024. However, due to unprecedented declines in Lake Mead and Lake Powell, unilateral reductions by the BOR could reduce the District's CAP allocation greater than 5,000 acre-feet. By late August or September, the outcome of the Colorado River 24-month Study will give the BOR the information to make decisions about 2024 deliveries to the Lower Basin States.

The volume of CAP water that is available (8,460 acre-feet if no additional reductions are enforced) to the District's CAP allocation will be stored at GSFs in 2024. Between AVRP and the GSFs, the annual Metro Main demand can be recovered annually with existing well capacity and the Northwest Recharge, Recovery and Delivery System (NWRDSD) will provide up to 4,000

acre-feet of physical recovery when completed. A total of at least 7,000 acre-feet or more of storage capacity at AVRFP will continue to be used by the City of Phoenix, provided potential reductions do not impact their CAP water availability.

Table 1 – The District’s Storage at Groundwater Saving Facilities 1996 – 2024

Year	Avra Valley USF	Lower Santa Cruz USF	SAVSARP USF	Cortaro GSF	Kai-Red Rock GSF	BKW Farms GSF	Total
1996						1,000	1,000
1997	2,794				2,000		4,571
1998	2,200				2,000		4,200
1999	2,200				2,000		4,200
2000	5,000			1,000	2,000		8,000
2001		4,000		1,000	3,000		8,000
2002		3,104		1,000	3,000		7,104
2003				1,000	2,000	5,828	8,858
2004				1,000	3,929	3,929	8,858
2005				1,000	3,579	4,179	8,858
2006					4,929	3,929	8,858
2007				2,487	5,258	3,000	10,745
2008				7,917	3,258	100	11,275
2009				9,273	500	585	10,358
2010				3,329	1,000	100	4,429
2011	6,065			3,329	1,000	100	10,494
2012	6,436			3,700	1,000	100	11,246
2013	7,117			5,243	1,000	100	13,460
2014	6,232			4,358	1,000	100	11,690
2015	5,214			4,403	1,000	1,000	11,617
2016	3,950		50	4,412	1,100	2,400	11,912
2017	3,450	1,000	9	5,801	1,200	2,000	13,460
2018	3,100		60	6,800	1,500	2,000	13,460
2019	1,960		500	7,400	2,000	1,600	13,460
2020	998			6,462	2,000	500	9,960
2021				7,960	1,000	1,000	9,960
2022				9,460	500	0	9,960
2023				7,460	500	500	8,460
2024				7,460	500	500	8,460

Issues

The District requires new GSF Storage Agreements from BKW Farms, CWUA, and Herb Kai for storage in 2024 through 2028.

For CAP water delivered to GSFs in 2024, the District will incur charges for the capital cost of CAP water at \$53 per acre-foot and a delivery cost of \$259 per acre-foot (Tier 3 M&I price for CAP water less \$11 rate stability rebate).

Use of GSFs are critical to the District's ability to store its entire CAP allocation, which provides the ability of using renewable supplies to meet District customers' demands for potable water. Additionally, using GSF partner facilities returns a \$12 per acre-foot rebate that will total approximately \$101,520 in calendar year 2024. Continuing the District's GSF partnerships meets the goals of a renewable, sustainable water resource portfolio needed to meet the current and future demands for the District's customers.

Recommendation

It is recommended that the Board of Directors approve this CAP water storage Intergovernmental Agreement with BKW Farms for calendar years 2024 through 2028 storage.

It is recommended that the Board of Directors approve the CAP water storage Intergovernmental Agreement with Cortaro Water Users' Association subject to approval by CWUA's Board for calendar years 2024 through 2028 storage.

It is recommended that the Board of Directors approve the CAP water storage Intergovernmental Agreement with Herb Kai for calendar years 2024 through 2028 storage.

Suggested Motion

I move to approve the Intergovernmental Agreement between the District and BKW Farms, Inc. for "In-Lieu Water Deliveries and Storage" for calendar years 2024 through 2028 storage.

I move to approve the Intergovernmental Agreement between the District and Cortaro Water Users' Association for "In-Lieu Water Deliveries and Storage" subject to approval by Cortaro Water Users' Association's Board for calendar years 2024 through 2028 storage.

I move to approve the Intergovernmental Agreement between the District and the Herb Kai for "In-Lieu Water Deliveries and Storage" for calendar years 2024 through 2028 storage.

Respectfully submitted

I concur with staff's recommendation.

Respectfully submitted,

Wally Wilson
Water Resources Manager

Joseph Olsen, P.E.
General Manager