

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

October 12, 2016

**Approval of Amendment No. 2 to Intergovernmental Agreement with the City of Phoenix
for Inter-AMA Firming of Central Arizona Project Water**

Synopsis

The City of Phoenix desires to extend storing a portion of their Central Arizona Project (CAP) allocation in Years 2017 and 2018 at the Avra Valley Recharge Project (AVRP) prior to potential Colorado River shortages affecting water providers. This storage would not financially impact the District or displace the District's storage.

Inter-AMA M&I Firming

On September 8, 2014, the District Board of Directors approved an innovative water management agreement between the City of Phoenix and the District called Inter-AMA (Active Management Area) Municipal & Industrial (M&I) Firming, or Inter-AMA Firming. The District and Tucson Water each developed intergovernmental agreements with the City of Phoenix for implementing a pilot phase of Inter-AMA Firming. The purpose of the pilot was to administratively test the feasibility of Inter-AMA Firming with the State Agencies by storing and recovering up to 150 acre-feet (AF) of water.

The success of the 2015 pilot benefited the District by the City of Phoenix's subsequent request for storage of 1,500 AF in 2016. The City of Phoenix paid its proportional share of storage costs at AVRP.

District staff met with City of Phoenix Water Services Department and City Attorney staff in July 2016 to draft a long-term storage agreement. Unfortunately, the Central Arizona Water Conservation District is still working on issuing a CAP Water System Use Agreement that will not be available until the end of this year. Therefore, City of Phoenix and Metro have drafted a two year extension until the CAP Water System Use Agreement is finalized.

Phoenix-Metro CAP Storage Amendment

The attached amendment pertains only to CAP water storage for a period of two years. The City of Phoenix is allowed to annually store up to 3,500 AF of their CAP allocation at AVRP beginning January 1, 2017 and ending December 31, 2018.

This agreement includes a facility capital charge of \$15.04 per AF paid by the City of Phoenix to the District on each AF of CAP water stored by the City Phoenix at AVR. The per unit capital cost of \$15.04 per AF was derived by updating the facility purchase price from 2010 to the present replacement cost and then dividing by the storage capacity reserved for City of Phoenix and dividing by the years of operational life for a per AF cost. The City of Phoenix agreed that infrastructure reimbursement to the District was appropriate as part of any long-term storage agreement. The total annual reimbursement is up to \$52,640 on 3,500 AF of storage capacity.

Lastly, the City of Phoenix will also pay the established AVR operations and maintenance storage fee. The District will shift 3,500 AF of its recharge from AVR to groundwater savings facilities and use the In-Lieu Rebate of \$12.00 per AF on the 3,500 AF to purchase and store an additional 256 AF of CAP water.

Staff Recommendation

Staff and legal counsel will be available to answer any questions about the Amendment. Staff recommends the Board of Directors approve Amendment No. 2 of the Intergovernmental Agreement between the City of Phoenix and the Metropolitan Domestic Water Improvement District for the Storage, Recovery and Exchange of Central Arizona Project Water with an expiration date of December 31, 2018.

Suggested Motion

I move to approve Amendment No. 2 of the Intergovernmental Agreement between the City of Phoenix and the Metropolitan Domestic Water Improvement District for the Storage, Recovery and Exchange of Central Arizona Project Water with an expiration date of December 31, 2018.

Respectfully submitted,

Michael Block
Water Resources Manager

I concur with staff's recommendation

Respectfully submitted,

Joseph Olsen, P.E.
General Manager