

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

September 12, 2011

Groundwater Savings Project Agreement

Synopsis

The Board of Directors is requested to approve an in-lieu effluent storage agreement with Cortaro Marana Irrigation District (CMID) for the purpose of earning up to 100 percent in credits from the District's effluent entitlement.

Background

The District has been working with CMID for over two years on an agreement that would allow CMID to take effluent from the District and for the District to receive 100 percent in credits. As an effluent holder, the District is eligible under state law to have the water recharged for 100 percent in credits at groundwater savings projects or spreading basin projects. The District holds water storage permits at the Cortaro-Marana Irrigation District (CMID) Groundwater Savings Facility (GSF), but the farm is only permitted for storing CAP water. By delivering effluent to CMID, the District would receive 100 percent in credits and use the recharge credits as part of its Assured Water Supply program.

In 1984, CMID first utilized an effluent interconnect pipeline at the Ina Road Water Reclamation Facility to receive treated secondary wastewater from Pima County to CMID's irrigation canal which was blended with groundwater for use by their customers. CMID discontinued using the pipeline in the 1990s. To deliver its effluent to CMID today, the District is proposing to use the same effluent interconnect pipeline owned by CMID.

An Arizona statute about groundwater savings facilities requires that a facility cannot be permitted to take effluent if it did take effluent before the early 1990s. The District's position is that none of its effluent was stored at CMID's groundwater savings facilities, especially since the District did not have a right to its effluent until after an agreement was signed with Tucson Water in 2001. Arizona Department of Water Resources (ADWR) legal counsel contends that CMID's groundwater savings facility took effluent from the Ina Road Water Reclamation Facility, which is the same point that the District takes its effluent.

District staff and CMID staff have continued to work on developing an intergovernmental agreement with the intent to submit a permit application to ADWR.

Issues

The District is required by ADWR to annually replenish mined groundwater to meet its Assured Water Supply Designation at Metro-Main. Presently, the District accomplishes that through recharge and recovery of its CAP water supply. Effluent supplies can also be used in the same manner but ADWR does not recognize the District's legal rights in this case. The District could assist CMID with drafting and submitting to ADWR a facility permit application to modify the GSF to include effluent. If ADWR declines the permit application, the District can appeal the decision to an administrative judge and present the facts. District legal counsel believes there are sufficient facts to refute a denial by ADWR. Staff believes the timing of an application is optimal for the District to submit an application to ADWR because of local and statewide interest in seeing effluent more fully utilized as well as personnel changes at ADWR.

From this agreement, the District could receive up to 2,100 acre-feet of storage credits. The agreement requires the District to file for the permit with ADWR. The permit tasks would consist of in-house staff time, an application fee of \$2,000 from our Regulatory Fees Budget and any legal assistance if an appeal occurs. In addition, the agreement would require the District to pay for any repairs and replacement of the effluent interconnect pipeline that may be necessary. This means coordinating with CMID as well as Pima County, since the pipeline right-of-way is through the Ina Road Water Reclamation Facility, to determine what upgrades may be necessary. The pipeline was functional when it was last operating 14 years ago. The agreement does not require the District to move forward if the costs are too high to improve the pipeline. However, if the costs are minor, as anticipated, it will be well worth the investment in return for the storage credits. For example, if permitting and construction costs were \$120,000, then the cost per acre foot over five years of recharge would be \$11.50 an acre-foot credit. A CAP recharge credit is currently valued at \$146 per acre-foot credit. Under the agreement, CMID is responsible for the operations and maintenance of the effluent interconnect pipeline.

If both the CMID Board and District Board approve this agreement, the intent would be to then prepare the permit application to ADWR. This will involve coordinating with Pima County and CMID to determine what repairs might be necessary for effluent interconnect pipeline because of the construction at the Ina Road Water Reclamation Facility. Under the agreement, the District will have first priority rights in storage with CMID.

Recommendation

As mentioned before, this agreement allows the District to store our effluent supply and earn 100 percent in recharge credits. It is recommended that the Board of Directors approve effluent storage with Cortaro Water Users' Association subject to approval by Cortaro's Board.

Suggested Motion

I move to approve the amendment between the District and Cortaro Water Users' Association for "In-Lieu Water Deliveries and Storage" subject to approval by Cortaro Marana Irrigation District's Board.

Board of Directors Meeting
September 12, 2011
Groundwater Savings Projects Agreement
Page 3

Respectfully submitted

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