

Policy Regarding the Distribution of Long-Term Storage Credits for Firming CAP Municipal and Industrial Subcontractors

I. Definitions

For purposes of this Policy, the following definitions apply:

- A. “2007 Guidelines” shall mean the Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead, 73 Fed. Reg. 19873 (Apr. 11, 2008).
- B. “CAWCD” shall mean the multi-county water conservation district established under title 48, chapter 22.
- C. “DCP Contributions” shall have the same meaning set forth in the LBOps.
- D. “Interim Period” shall have the same meaning as described in Section 8 of the 2007 Guidelines.
- E. “LBDCP” shall mean the Lower Basin Drought Contingency Plan, as described in the Lower Basin Drought Contingency Plan Agreement (“LBDCP Agreement”) and the Lower Basin Drought Contingency Operations (“LBOps”) attached as Exhibit 1 to the LBDCP Agreement and incorporated by reference.
- F. “CAP M&I Priority Water” shall mean Project Water having a municipal and industrial delivery priority as provided in the CAP Subcontracts for M&I Uses.
- G. “CAP M&I Subcontractors” shall mean non-federal parties holding entitlements to CAP M&I Priority Water.
- H. “Shortage Condition” shall have the same meaning set forth in Section 2.D. of the 2007 Guidelines.

II. Background

The Arizona Water Banking Authority (“AWBA”) has accrued or acquired certain long-term storage credits that are intended to be distributed “to CAWCD to the extent necessary to meet the demands of CAWCD’s municipal and industrial subcontractors” during Shortage Conditions A.R.S. § 45-2457(B)(7). The AWBA has previously considered issues related to the distribution of long-term storage credits during Shortage Conditions that affect CAP M&I Subcontractors. Those issues include reducing the volume of credits distributed to account for assured water supply rule exemptions, conservation efforts, and accrual of long-term storage credits. Rather than

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considering action on these issues, the AWBA has elected to wait until more information is available about how water uses by the CAP M&I Subcontractors will be affected during Shortage Conditions.

As the State of Arizona considers the implementation of the LBDCP, stakeholders are seeking certainty regarding the supplies available to meet demands and to ensure that sufficient resources are available for mitigation of water reductions required under the LBDCP. The AWBA can provide certainty about the distribution of credits to meet demands of the CAP M&I Subcontractors under the terms of the LBDCP.

By adopting a policy for the Interim Period, the AWBA will benefit from learning more about CAP M&I Priority Water uses during Shortage Conditions, including required DCP Contributions, and the best way to meet demands of the CAP M&I Subcontractors during the longer term. The actual operating experience gained during the Interim Period, as well as the determination of Colorado River operations after the Interim Period, will inform future policies.

III. Policy

During the Interim Period, the AWBA will distribute long-term storage credits pursuant to A.R.S. § 45-2457(B)(7) to meet all reductions to scheduled CAP M&I Priority Water due to a Shortage Condition or required DCP Contributions.

IV. Term

This policy is effective from the effective date of the LBDCP Agreement until the conclusion of the Interim Period.