

Executive Summary for ADD Water

Program Overview – ADD Water

The ADD Water Program is a future water supply acquisition program serving water users in CAWCD's three county service area.

Water Supply

Phasing. The program envisions six 50,000 acre-foot phases with the first phase beginning in 2015 and a new phase commencing every five years until a total of 300,000 acre-feet has been acquired and developed or until water supplies targeted for ADD Water have been exhausted, whichever comes first.

Types. ADD Water plans to target three water supply sources: Colorado River water, imported groundwater and potentially, brackish groundwater. ADD Water will not target ocean desalination.

Portfolio. CAWCD will manage the ADD Water supply as a single portfolio that increases in size with each phase. The supply will have a diverse mix of supplies including permanent and non-permanent supplies. The portfolio will contain at least 80% long-term/permanent supplies.

Contracts

Eligibility. Any municipal, industrial, agricultural or Indian water user within CAWCD's service area is eligible to contract for ADD Water, including the CAGR. The AWBA and remarketers are not eligible to contract for ADD Water.

Classes. There are two classes of ADD Water contracts: long-term contracts and spot-market contracts. Long-term ADD Water contracts are intended to be used by water providers to pledge for assured water supply purposes.

Transfers. ADD Water contracts can be assigned or leased on terms defined by the parties, subject to CAWCD approval, to create partnerships that facilitate efficient use of the ADD Water contracts.

Allocation Method. ADD Water available in each phase will be distributed using a market-based allocation process (i.e., an auction) where the price for ADD Water will be increased until demand equals supplies. Any revenues from the auction that are in excess of the costs for that phase will be applied to the next phase.

Finances

Pre-Launch Costs. CAWCD will incur some costs before the start of each ADD Water phase. Funding for these costs may come from several potential sources:

- A revolving fund established using CAWCD's existing, but currently unused taxing authority
- Loans from CAWCD or from third parties
- ADD Water self-funding after the first phase
- Other funding mechanisms (e.g. new ad valorem taxing authority, grants, etc.)

ADD contractors within a phase will repay the associated pre-launch costs.

Water Supply Acquisition Costs. For Phase 1, CAWCD will be unable to finance the cost of water supply acquisition. ADD Water contractors will be required to pay 100% of that cost up-front and seek their own financing. To the extent flexible terms are available to CAWCD, those terms may be offered to contractors. For subsequent phases, CAWCD may be able to establish the creditworthiness needed to provide limited financing options.

Capital Costs for Improvements to CAP Canal Capacity. Infrastructure improvements will be calculated based on the cost of increasing the existing annual canal capacity to 2.1 million acre-feet (estimated at \$100 million) and dividing that cost by the program target of 300,000 acre-feet. This charge would then be levelized over a specific period of time. For example, assuming a total charge of \$333 per acre-foot, if collected over ten years, the charge would be \$33.33 per acre-foot annually.

OM&R Costs. ADD Water contractors will pay two fixed, postage stamp OM&R rates: an OM&R rate specific to ADD Water and the fixed CAP OM&R rate. These rates will be paid for water scheduled whether delivered or not. ADD Water contractors will also pay a postage stamp rate for variable OM&R. Energy costs for ADD Water will be kept separate from energy costs for CAP customers. Replacement for infrastructure associated with ADD Water will be incorporated into a Big "R" component of the ADD Water fixed OM&R rate. Replacement for short-term water supplies and contingency for long-term water supplies will be incorporated into a Big "W" rate component.

CAGR

Pre-ADD Obligations. The CAGR may enter into ADD Water contracts under the same terms and conditions as other eligible parties to satisfy pre-ADD Water replenishment obligations. Pre-ADD obligations include the following:

- Obligations associated with all member lands enrolled prior to the launch date of Phase 1 of ADD Water

- Obligations associated with the current and committed demands of member service areas as of the launch date of Phase 1 of ADD Water

Post-ADD Obligations. The CAGR D will not be responsible for acquiring water supplies to meet post-ADD obligations. Post-ADD obligations include:

- Obligations associated with any member lands enrolled after the launch date of Phase 1 of ADD Water
- Obligations associated with any member service area enrolled after the launch date of Phase 1 of ADD Water
- Obligations associated with existing member service areas exceeding the member service area's pre-ADD obligations

Members with post-ADD obligations will be required to provide CAGR D a permanent water supply to meet these obligations. That supply may be an ADD Water contract.