

Exhibit XX  
Central Arizona Water Conservation District (CAWCD) - Demand Reduction Incentives to Create  
Extraordinary Conservation Intentionally Created Surplus (EC-ICS)

Type: Pursuant to Article 2 of this Forbearance Agreement, CAWCD will create Extraordinary Conservation Intentionally Created Surplus (EC-ICS) through investments in new projects and programs that reduce existing consumptive use of Colorado River water. Such extraordinary conservation will be achieved through payments or other incentives to CAP water users to reduce their historic beneficial and verified use of CAP water.

This Exhibit XX subsumes previous activities that were performed under Exhibit Q.

Term: The term of this exhibit is from Calendar Year 2018 through Calendar Year 2026.

Demand Reduction Programs:

CAWCD has executed CAP demand reduction agreements with CAP water users for 2018 – 19, and intends to extend those agreements through 2026 as appropriate. The program is summarized below:

1. Through agreements executed by CAWCD with CAP water users holding contracts for delivery of CAP water, CAWCD will pay or provide incentives to those CAP water users to offset or reduce their scheduled CAP delivery. This CAWCD EC-ICS will be achieved through several methods: fallowing irrigated agricultural lands within CAWCD's service area, use of local Arizona water supplies in lieu of Colorado River water which may include the transfer or delivery of long-term storage credits, investment in new conservation programs and infrastructure, investment in new water development projects and infrastructure, investment in new reuse programs, and investment in new demand reduction programs. In return for the reduction in a scheduled CAP delivery, CAWCD will forgo diversion of the Colorado River water that would otherwise be delivered to those CAP water users, creating an equivalent volume of EC-ICS for CAWCD.
2. To be eligible to participate, the CAP water users must demonstrate full use of their CAP water supply for 4 out of the previous 5 years, including reductions in other conservation or forbearance programs. For those CAP water users that have not demonstrated full use for that time period, but have used a portion of their CAP entitlement for 4 out of the previous 5 years, they will agree to limit their CAP water use to that volume equal to their average CAP deliveries from the highest 4 out of the previous 5 years less the demand reduction volume.
3. CAWCD will provide ICS Plans of Creation to Reclamation with the following components:
  - a. Beginning in 2019 for ICS CAWCD intends to create in 2020 and for subsequent years that CAWCD intends to create ICS, CAWCD will submit ICS Creation Plans in July of the year prior to ICS creation.
  - b. CAWCD will provide executed copies of demand reduction agreements between CAWCD and participating CAP water users. The demand reduction agreements will specify the methods through which reductions in consumptive use will occur.
  - c. CAWCD and its partners will provide the recent history of the participating CAP water users' CAP allocation and deliveries to demonstrate recent history of use.
  - d. CAWCD will provide an original water delivery schedule reflecting the full demands from CAP water users prior to the implementation of the demand reduction programs by September of the year prior to ICS creation beginning in 2019 for ICS CAWCD

intends to create in 2020 and for each subsequent year that CAWCD intends to create ICS, in accordance with Title 43, Code of Federal Regulations, Part 417 procedures. At the same time, CAWCD will provide an estimated water delivery schedule reflecting the ICS reductions to the water deliveries for the year of ICS creation.

CAP Demand Reduction Verification: For each CAP Demand Reduction EC-ICS project:

1. CAWCD will adjust its water order to Reclamation downward to reflect the reduction in demands by CAP water users participating in the demand reduction program pursuant to the demand reduction agreements. Through this adjusted water order to Reclamation and other supporting documentation, CAWCD will provide a record of water delivery and consumptive use for the period of EC-ICS creation. Only those reductions in diversions to the Mark Wilmer Pumping Plant, as measured by the differences between the original delivery schedule for each CAP demand reduction program participant and their actual CAP water delivery for the year of ICS creation, shall be eligible for creation of EC-ICS pursuant to this Exhibit.

Total Amount of ICS Credited Annually: The amount of EC-ICS that can be created during any Year is limited to the reduction in deliveries by CAWCD that were originally scheduled to be delivered prior to the implementation of those CAWCD ICS Programs, provided that CAWCD does not divert such water.

The volume of water conserved pursuant to this program eligible for the creation of EC-ICS is further limited to 100,000 acre-feet per year consistent with the Section G.3.B.4.c. of the Guidelines and as amended by DCP agreements.

Limitations on Creation of EC-ICS:

1. The amount of EC-ICS that CAWCD may create in any Year is limited to the amount of Colorado River water that, if added to its consumptive use, would not result in an inadvertent overrun pursuant to the October 10, 2003 Inadvertent Overrun and Payback Policy.
2. The total amount of annual EC-ICS created by this program is limited to the amount of water that could have been delivered for beneficial use from the Colorado River.
3. Underused or unused CAWCD apportionment is not eligible for creation of EC-ICS.

Limitations on Delivery of EC ICS:

In addition to the conditions specified in Article 2.6 of this Forbearance Agreement:

1. CAWCD will limit the delivery of EC-ICS to be consistent with the terms of the Delivery Agreement between CAWCD and the Secretary.

In Witness of this Exhibit \_\_ to the Forbearance Agreement, the Parties affix their official signatures below, acknowledging approval of this document on the \_\_ day of \_\_\_\_\_, 201\_\_.

Approved as to form:

**THE STATE OF ARIZONA acting through the**

**ARIZONA DEPARTMENT OF WATER RESOURCES**

By: \_\_\_\_\_

Chief Counsel

By: \_\_\_\_\_

Director

Attest:

**PALO VERDE IRRIGATION DISTRICT**

By: \_\_\_\_\_

General Manager

By: \_\_\_\_\_

Chair

Attest and Approved:

**IMPERIAL IRRIGATION DISTRICT**

By: \_\_\_\_\_

Legal Counsel

By: \_\_\_\_\_

President

Approved as to form:

**COACHELLA VALLEY WATER DISTRICT**

By: \_\_\_\_\_

Legal Counsel

By: \_\_\_\_\_

General Manager

Approved as to form:

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

By: \_\_\_\_\_

General Counsel

By: \_\_\_\_\_

General Manager

Approved as to form:

**SOUTHERN NEVADA WATER AUTHORITY**

By: \_\_\_\_\_

General Counsel

By: \_\_\_\_\_

General Manager

Approved as to form:

**COLORADO RIVER COMMISSION OF NEVADA**

By: \_\_\_\_\_

By: \_\_\_\_\_

Deputy Attorney General

Executive Director

Approved as to form:

**The City of Needles**

By: \_\_\_\_\_

By: \_\_\_\_\_

City Attorney

Mayor