

**AGREEMENT FOR STORAGE OF WATER
AT THE
HIEROGLYPHIC MOUNTAINS RECHARGE PROJECT**

1. PARTIES:

This Agreement is made and entered into the _____ day of _____, 20____, by and between the CENTRAL ARIZONA WATER CONSERVATION DISTRICT, hereinafter referred to as "CAWCD", and the City of Glendale hereinafter referred to as "Glendale".

2. RECITALS:

2.1 CAWCD is responsible for operating the Hieroglyphic Mountains Recharge Project (HMRP), an underground storage facility that is located in the Phoenix Active Management Area, within the west Salt River Valley and located adjacent to and north of the Hayden-Rhodes Aqueduct, upstream of the Agua Fria River siphon. The HMRP is more specifically located in portions of Sections 23 and 24, Township 5N, Range 2W, GSRB&M, Maricopa County, Arizona. The United States holds title to property along the CAP Aqueduct in the project vicinity, but has transferred the right to use the property to CAWCD.

2.2 ADWR has issued Constructed Underground Storage Facility Permit No. 71-584466.0003 to CAWCD for the HMRP. The permit authorizes the underground storage of a maximum of 35,000 acre-feet of water annually at the HMRP. The HMRP is a State Demonstration Project pursuant to A.R.S. § 45-891.01 et seq.

2.3 Glendale desires to store CAP water (Glendale Water) at the HMRP and CAWCD agrees to make available unused storage capacity at the HMRP for such storage, in accordance with the provisions of this Agreement.

NOW THEREFORE, in consideration of the foregoing, the payments to be paid by Glendale, and the covenants and agreements contained in this Agreement, and other good and valuable consideration, CAWCD and Glendale agree as follows:

3. DEFINITIONS:

As used in this Agreement, the following terms, when capitalized, have the following meanings:

3.1 ADWR: The Arizona Department of Water Resources.

- 3.2 CENTRAL ARIZONA PROJECT (CAP): The water delivery works of the CAP including, but not limited to, the CAP canal, its turnout structures and associated measuring devices.
- 3.3 PARTY/PARTIES: Either one or both of the parties to this Agreement.
- 3.4 PERMIT: The Constructed Underground Storage Facility Permit No. 71-584466.0003.
- 3.5 TURNOUT STRUCTURE: The point at which Glendale Water is diverted from the CAP canal for delivery into the HMRP.

4. SCOPE:

This Agreement is limited to the diversion of water at the Turnout Structure, and the storage of such water at the HMRP by CAWCD for the benefit of Glendale. CAWCD shall deliver Glendale Water, which is scheduled by Glendale for storage at the HMRP in accordance with this Agreement, and CAWCD shall store such water underground at the HMRP for the benefit of Glendale.

5. TERM OF AGREEMENT:

This Agreement shall become effective when executed by both Parties and shall remain in effect for ten (10) years unless the Parties agree in writing to extend the term or unless it is sooner terminated or canceled in accordance with the terms of this Agreement.

6. CONDITIONS RELATING TO STORAGE:

- 6.1 All storage of Glendale Water at the HMRP shall be consistent with Arizona law.
- 6.2 Glendale shall obtain a water storage permit from ADWR authorizing it to store Glendale Water at the HMRP.
- 6.3 CAWCD's storage of Glendale Water at the HMRP shall, at all times, comply with the Permit and any terms and conditions imposed on Glendale pursuant to the water storage permit obtained in accordance with Section 6.2. CAWCD shall be responsible for filing annual reports as required by the Permit. CAWCD shall promptly notify Glendale of any changes or modifications to the Permit that would affect Glendale's rights under this Agreement. If the Permit is canceled or expires for any reason, Glendale may terminate this Agreement.

7. PROCEDURE FOR SCHEDULING STORAGE CAPACITY:

- 7.1 As soon as practicable after the date of execution of this Agreement, Glendale shall submit to CAWCD a proposed schedule indicating the amount of HMRP storage capacity it desires to use during the calendar

year in which this Agreement is executed. Thereafter, on or before October 1 of each year during the term of this Agreement, Glendale shall submit to CAWCD a proposed schedule indicating the amount of HMRP storage capacity Glendale desires to use during the following year.

- 7.2 As soon as practicable after receipt of Glendale's proposed schedule following the execution of this Agreement, CAWCD shall return to Glendale the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of HMRP storage capacity that is available to Glendale for the year in which this Agreement is executed. Thereafter, on or before November 15 of each year during the term of this Agreement, CAWCD shall return to Glendale the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of HMRP storage capacity that is available to Glendale for the following year.

8. WATER STORAGE RATE:

Each year under the term of this Agreement, CAWCD shall establish a per acre-foot recharge rate (Annual Recharge Rate) for the use of HMRP storage capacity for the following year, in accordance with CAWCD's adopted Recharge Rate Policy. Glendale shall be obligated to pay CAWCD this Annual Recharge Rate for each acre-foot of storage capacity used by Glendale during the year. Such payment shall be in accordance with the provisions of Section 13 below.

9. OPERATING AGENT:

- 9.1 CAWCD shall be responsible for operating the HMRP.
- 9.2 CAWCD shall retain sole responsibility and authority for decisions relating to the HMRP operating and maintenance practices, including maintenance scheduling and the selection of periods when maintenance will be done.
- 9.3 Whenever practicable, CAWCD shall inform Glendale ninety (90) days in advance of any matter which may substantially affect the HMRP or the rights of Glendale.

10. DESTRUCTION/RECONSTRUCTION OF THE HMRP:

In the event of destruction of all or part of the HMRP, CAWCD may repair or reconstruct the HMRP, but CAWCD shall not be obligated to do so.

11. WATER MEASUREMENT AND ACCOUNTING:

- 11.1 CAWCD shall base its accounting for all water delivered to the HMRP on actual measurements, methods required by the Permit and/or generally accepted accounting and engineering practices.

- 11.2 CAWCD shall install and maintain a flow measurement system to measure the amount of water diverted from the CAP into the HMRP. CAWCD shall test and maintain the accuracy of this system within plus or minus 5 percent of actual flows.
- 11.3 CAWCD shall determine evaporation losses representative of the conditions at or near the HMRP using the method indicated in the Permit or using actual measurements, when available. Any other losses in the HMRP shall be calculated using generally accepted engineering practices.
- 11.4 All losses that occur at the HMRP, other than by evaporation, will be calculated using generally accepted engineering practices and water-level readings from the gages in the basins.
- 11.5 CAWCD shall prepare a monthly water accounting report of water stored at the HMRP for Glendale. The report shall include the daily amount of water stored and the losses calculated as described in this Section.
- 11.6 CAWCD shall provide the ADWR with water accounting reports for the HMRP as required by the Permit.
- 11.7 The water accounting reports prepared pursuant to this Section shall be sent to Glendale monthly and shall be retained by CAWCD for at least three years.
- 11.8 CAWCD shall provide Glendale copies of HMRP annual reports submitted to ADWR.

12. WATER QUALITY:

Glendale shall indemnify and hold harmless CAWCD against all losses to third parties resulting from water quality degradation or harm to property caused by Glendale's use of the HMRP, due to the commingling of Glendale Water with the groundwater. Further, Glendale waives any claim on its own behalf against CAWCD for water quality degradation or harm to property arising from such commingling, unless such claim is intended to enforce the indemnification provision of this Section; provided, however, that Glendale shall indemnify and hold harmless CAWCD only to the extent that indemnification is not provided to CAWCD by the State of Arizona pursuant to A.R.S. Section 45-898.01; and provided, further, however, that Glendale's indemnification shall only extend to the percentage of degradation attributable to the water stored on behalf of Glendale at the HMRP under the terms of this Agreement. Glendale retains the right to claims against any other entity, including CAWCD, storing water in the HMRP in the amount proportionate to such amount stored by those other entities.

In no event shall CAWCD assume liability for water quality degradation resulting from the storage of water in the HMRP, solely due to its performance of obligations as the operating agent under this Agreement.

13. BILLING AND PAYMENTS:

13.1 On or before the 15th day of each month, CAWCD will bill Glendale for each acre-foot of storage capacity used by Glendale during the previous month. The amount billed to Glendale shall be equal to the Annual Recharge Rate multiplied by the number of acre-feet of Glendale Water delivered to the HMRP as measured at the Turnout Structure. Glendale shall pay CAWCD within thirty (30) days of receipt of such bill. Payment is not contingent upon and is not related to Glendale's accrual of long-term storage credits from water stored at the HMRP.

13.2 If payment due under this Agreement remains unpaid more than sixty (60) days after its due date, CAWCD may terminate this Agreement effective upon 30 days written notice to Glendale. In the event CAWCD terminates this Agreement, Glendale shall remain obligated to pay any outstanding balance.

14. AUTHORIZATIONS AND APPROVALS:

Glendale shall be responsible for obtaining, at its own expense, any permits, authorizations and approvals required for the underground storage and recovery of water in the HMRP or for Glendale's performance under this Agreement. Glendale shall keep CAWCD informed of its applications for such permits and authorizations. CAWCD will share information with Glendale to assist Glendale in its permit application. Glendale shall also be responsible for filing any annual reports or other documents necessary to maintain its right to store water at the HMRP.

15. LIABILITY:

15.1 Each Party shall assume liability for its own negligence and shall indemnify the other against any damages the non-negligent Party incurs as a result of the negligent Party's action or inaction.

15.2 CAWCD shall assume no liability to Glendale for claims of damage resulting from CAWCD's decision to curtail or stop water flows to the HMRP site during storm or emergency conditions.

15.3 CAWCD shall assume no liability to Glendale for quantities of recoverable or unrecoverable water stored underground or removed from underground storage; nor to replace water lost, unintentionally misdirected or otherwise

failing to reach the underlying aquifer. CAWCD, Glendale and any other entities storing water at the HMRP shall share in any deficiency resulting from such lost, misdirected or otherwise unstored water in proportion to the amount of the HMRP capacity it used at the time the deficiency accrued.

- 15.4 Liability, as described in Section 12 related to water stored in the HMRP by Glendale prior to termination of this Agreement, shall remain with Glendale after termination of this Agreement. This Section 15.4 shall survive expiration or termination of this Agreement, and remain in full force and effect.
- 15.5 In the event any third party institutes an action against CAWCD, Glendale or other entities storing water at the HMRP for claims arising from the activities undertaken pursuant to this Agreement, the parties named in the action shall meet to determine the procurement of legal counsel and the steps to take to defend against the action.

16. INSURANCE

- 16.1 During the term of this Agreement, unless otherwise agreed in writing by CAWCD, Glendale shall procure and maintain in force or cause to be procured and maintained in force the following types of insurance:
 - 16.1.1 Commercial General Liability Insurance naming CAWCD as an additional insured, including bodily injury, personal injury, property damage, wrongful death and contractual liability with a minimum limit of \$1,000,000 per occurrence.
 - 16.1.2 Business Automobile Liability Insurance with a minimum limit of \$1,000,000.
 - 16.1.3 Worker's Compensation required by Arizona State law, and Employer's Liability Insurance with limits of \$1,000,000 per accident, \$1,000,000 per employee per disease, and \$1,000,000 aggregate for disease.
 - 16.1.4 Commercial Umbrella – combined single limit of \$4,000,000.
- 16.2 Any insurance carried by CAWCD shall be excess of and not contributory insurance to any insurance afforded hereunder. Glendale shall submit satisfactory proof of insurance to CAWCD prior to use of the HMRP. Such proof of insurance shall be in the form of a certificate stating the coverage provided and that such insurance shall not be canceled until after thirty (30) days prior written notice thereof shall have been given to CAWCD.

16.3 With written approval of CAWCD, Glendale may self-insure or combine the coverages required by this Agreement with coverages outside the scope of that required by this Agreement.

16.4 If Glendale fails to acquire, provide or continue the insurance coverages required, CAWCD may terminate this Agreement immediately upon written notice to Glendale.

17. DEFAULT:

17.1 Glendale and CAWCD shall pay all monies and carry out all other performances, duties and obligations agreed to pursuant to this Agreement. A failure by Glendale or CAWCD to adhere to the covenants and obligations to be kept and performed by it shall be an act of default under this Agreement.

17.2 In the event of a default by Glendale or CAWCD, then, within thirty (30) days following notice of such default either Party may cure the default either by advancing the necessary funds and/or rendering the necessary performance. Such notice shall specify the existence and nature of such default. If such default is not remedied within the 30 day cure period, the non-defaulting Party may immediately terminate this Agreement.

18. UNCONTROLLABLE FORCES:

Neither Party to this Agreement shall be considered in default in the performance of any of its obligations under this Agreement (other than obligations of Glendale to pay costs and expenses) when a failure of performance is due to Force Majeure. The term "force majeure"; shall mean any cause beyond the control of the Party unable to perform such obligation, including, but not limited to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning, and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority, and action or non-action by, or failure to obtain the necessary authorizations or approvals from any governmental agency or authority not a Party to this Agreement, which by exercise of due diligence, it shall be unable to overcome.

19. RESOLUTION OF DISPUTES:

A dispute between the Parties under this Agreement that cannot be resolved by informal negotiation may be submitted to arbitration. Arbitration shall be subject to the following provisions:

19.1.1 Arbitration shall be binding only upon the consent of the Parties.

- 19.1.2 A Party wishing to submit a dispute to arbitration shall provide thirty (30) days' written notice to the other Party of its intent to pursue arbitration and shall name one arbitrator at that time. Within fifteen (15) days of receiving this notice, the other Party to the dispute shall name one arbitrator and give written notice to the other Party of its selection. The two selected arbitrators shall, within five (5) days of selection of the second arbitrator, jointly select a third arbitrator.
- 19.1.3 Within thirty (30) days from the selection of the third arbitrator, the arbitrators shall hold a hearing. Within thirty (30) days from the conclusion of the hearing, the arbitrators shall render a decision on the dispute.
- 19.1.4 Arbitration shall be subject to the Arizona Arbitration Act, Arizona Revised Statutes, Title 12, Chapter 9, Article 1. In the event of a conflict between this Agreement and the Act, the provisions of this Agreement shall prevail.
- 19.1.5 A Party that is dissatisfied with the results of non-binding arbitration may pursue any other legal or equitable remedy not expressly provided for in this Section 19 and available to resolve the dispute.

20. ACTION PENDING RESOLUTION OF DISPUTES:

While a dispute is pending a resolution pursuant to Section 19, each Party shall continue to comply with all the terms and conditions of this Agreement, including making any payments required herein. Any amount paid by a Party pursuant to this Section 20 during the course of such dispute shall be subject to refund and adjustment upon a final resolution of any dispute involving an amount due.

21. GOVERNING LAW:

The laws of the State of Arizona shall govern this Agreement.

22. BINDING OBLIGATIONS:

All of the obligations set forth in this Agreement shall bind CAWCD and its successors and assigns. This Agreement shall not be assigned by Glendale or accrue to Glendale's successor, nor shall the HMRP capacity use rights hereunder of Glendale be used by another party. CAWCD retains the right to sell, lease, assign or otherwise convey its ownership of the HMRP to a third party. In such event, CAWCD may cancel this Agreement upon written notice to Glendale.

23. NOTICES:

23.1 Notice, demand or request provided for in this Agreement shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by registered or certified mail, postage prepaid, to the persons specified below:

Central Arizona Water Conservation District
c/o General Manager
P.O. Box 43020
Phoenix, AZ 85080-3020

City of Glendale
c/o Water Services Director
7070 W. Northern Avenue
Glendale, AZ 85303

23.2 A party may, at any time, by notice to the other Party, designate different or additional persons or different addresses for the giving of notices.

24. THIRD PARTY BENEFICIARIES:

This Agreement shall not be construed to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or of any duty, obligation or undertaking established herein.

25. WAIVER:

The waiver by either Party of a breach of any term, covenant or condition in this Agreement shall not be deemed a waiver of any other term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition of this Agreement.

26. HEADINGS:

Title and paragraph headings are for reference only and are not part of this Agreement.

27. ENTIRE AGREEMENT:

The terms, covenants and conditions of this Agreement constitute the entire Agreement between the Parties relative to the leasing of HMRP storage capacity, and no understandings or agreements not herein expressly set forth shall be binding upon them. This Agreement may not be modified or amended in any manner unless in writing and signed by the Parties.

28. CONFLICT OF INTEREST:

This Contract is subject to cancellation pursuant to the provisions of A.R.S. § 38-511 relating to conflict of interest.

IN WITNESS WHEREOF, this Agreement is executed by the Parties hereto.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

By: _____
Pamela Pickard, President

Attest: _____
Lisa Atkins, Secretary

**CITY OF GLENDALE,
an Arizona municipal corporation**

By: _____
Brenda S. Fischer
Its: City Manager

ATTEST:

Pamela Hanna (SEAL)
City Clerk

APPROVED AS TO FORM:

Michael D. Bailey
City Attorney