

# EAA Leasing Program for Expanded Use of SAWS ASR

## Draft Acquisition Plan

May 10, 2012

### Objective

Develop, operate and maintain leasing program in accordance with EAA and HCP Implementing Committee requirements and maintain a stable market with minimal price disruptions.

### Acquisition Plan

- 1) Leases: Acquire 16,667 AF in Tier 1 and secure as many 15 year leases as possible. The preferred strategy includes, but is not limited to, the options outlined below:
  - a) 15 year level term lease
  - b) 10 year lease with guaranteed option to renew for additional five year period
- 2) Options for Tier 2 and Tier 3 leases: Acquire 16,667 AF in Tier 2 and 16,666 AF in Tier 3
  - a) Lease payments will be triggered when option exercised
  - b) Trigger lease payments for Tier 2 when ten year average recharge reaches 572,000 AF and is projected to decline
  - c) Trigger lease payments for Tier 3 when ten year average recharge reaches 472,000 AF and is projected to decline
- 3) Priority between Tier 1 leases and Tiers 2 and 3 options
  - a) Acquire Tier 1 leases as first priority, Tier 2 options as second priority and Tier 3 options as third priority
  - b) Only acquire Tier 2 options in conjunction with Tier 1 leases until Tier 1 has been filled
    - i) Tier 1 lease amount must make up at least 50% of transaction
  - c) Only acquire Tier 3 options after Tier 1 has been fulfilled
    - i) Tier 2 option amount must make up at least 50% of transaction until Tier 2 has been filled
  - d) Acquire Tier 3 options until Tier 3 is filled
- 4) Purchases: This option will be addressed on a case-by-case basis
- 5) Schedule
  - a) Start ASR Leasing Program July 1, 2012 to acquire leases that can be used in 2013
  - b) Complete initial acquisition of 50,000 AF by December 2013 depending on market response
  - c) Subsequent year activities will include acquisition of leases to replace any leases with terms shorter than 15 years

## Administration

- 1) SARA will provide lease and option templates for consideration by the EAA and will assist in modifying those documents to match the market strategies employed by the ASR Leasing Program.
- 2) Recommend structuring option trigger language so the EAA has some flexibility in modifying the triggers through the Adaptive Management Plan without having to renegotiate the options.
- 3) EAA, with input by SARA regarding market conditions, will set specific market strategies. Any opportunities that vary from the approved strategies will be brought to EAA for approval prior to concluding negotiations.
- 4) SARA will deliver leases, options, memoranda of lease and transfer documents signed by permit holders to the EAA for execution. EAA will process all permit transfer documents, including recording with the respective county clerk offices, necessary to authorize the use of the acquired leases and options by SAWS to fill the SAWS ASR project. EAA will process and issue payments to permit holders in accordance with the terms and conditions of the respective leases and options.
- 5) SARA's costs for acquisition services will not exceed \$94,585 for 2012 and \$191,970 for 2013, without prior approval by the EAA. Cost of services for subsequent years will be negotiated at that time. SARA will bill the EAA for its services on a quarterly basis.