

ARIZONA WATER BANKING AUTHORITY

WEDNESDAY, DECEMBER 16, 1998

ARIZONA DEPARTMENT OF WATER RESOURCES

PLEASE PRINT

	NAME	REPRESENTING
1	G.L. EDWARDS	CRA - NV
2	KURT FRITSCHE	"
3	JAYNE CUMMINGS	PHX AMA
4	Evelyn Allegretta	"
5	Tom Harbour	CAP
6	BOB BARRITT	CAP
7	Alex Richards	CAP
8	BARBARA GERHART FOR BOB LYNCH	IEDA
9	Richard Siegel	SRP
10	CLIFF NEAL	CAP
11	Davis M. Jones	USBR
12	Joe Dale	ABC
13	Mark Mays	Metro Water (3)
14	Barbara Goldberg	TUCSON
15	Brian Townsend	Senate
16	FRANK METZLER	AOWR
17	Stephanie Gerlach	Stantec
18	Cynthia Stefanić	As State Land Dept
19	Maggie Gallagher	Fenemore Craig
20	Jim Standing	ADWR
21	PRESTON WISCH	SETA
22	Mary Anne Chaulin	SETA (Bill Sullivan)
23	Harry Kuzynson	MWD
24	Jeanne Keene	AOWR
25	Steve Olson	?
26	Marcia Unell	HOUSE OF REP.
27	KARE KOHLHOFF	CITY OF MESA
28	Lee Storey	Maryes Storey
29	Suzanne Tucker	CAWAD

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WEDNESDAY, DECEMBER 16, 1998

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PLEASE PRINT

	NAME	REPRESENTING
30	Bob McCann	AMWUA
31	John Boyer	Ariz Public Service Co.
32	JAY MOYES	McMullen Valley / Wickenburg & Mohave County, Ar.
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Arizona Water Banking Authority

500 North Third Street, Phoenix, Arizona 85004

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Web Site: www.awba.state.az.us

FINAL AGENDA

Wednesday, December 16, 1998

***10:00 a.m.**

Arizona Department of Water Resources

Third floor conference room

- I. Welcome/Opening Remarks
- II. Adoption of Minutes of November 18 Meeting
- III. Discussion of the 1998 Plan of Operation and Staff Activities
- IV. Approval of 1999 Annual Plan of Operation
- V. Presentation of Study Commission Report Including Proposed Legislative Recommendations
- VI. Call to the Public

Future Meeting Dates:

Wednesday, January 20, 1999

Wednesday, February 17, 1999

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the Arizona Water Banking Authority at (602) 417-2418. Requests should be made as early as possible to allow time to arrange the accommodation.

ARIZONA WATER BANKING AUTHORITY
Draft Minutes

November 18, 1998
Arizona Department of Water Resources



Welcome / Opening Remarks

All members of the Authority were present. Chairperson Rita Pearson chaired the meeting.

AUTHORITY MEMBERS
Rita P. Pearson, Chairman
Tom Griffin, Vice-Chairman
Bill Chase, Secretary
Grady Gammage, Jr.
Richard S. Walden

Adoption of Minutes of September 16 and October 21

The September 16th and October 21st minutes were approved. The September meeting minutes had not been approved because there was no quorum at the October meeting.

EX OFFICIO MEMBERS
Senator Pat Cooney
Rep. Gail Griffin

Discussion of the 1998 Annual Plan of Operation and Staff Activities

Tim Henley, Manager of the AWBA, explained that AWBA October deliveries were low and reiterated his comments from last month's meeting that a combination of wet weather and CAP pool water issues make it unlikely that the AWBA will meet its recharge goals for 1998. The AWBA will probably recharge approximately 220,000 acre feet of water by the end of 1998.

Other Issues

Federal Judge Earl Carroll issued an order in the first phase of the CAWCD-USBR lawsuit. The first phase concerned the cost ceiling on repayment for the costs to construct the CAP canals. Judge Carroll ruled in favor of the CAWCD finding that the CAWCD's repayment obligation amounted to no more than \$1.781 billion rather than the \$2.2 billion that the USBR had claimed.

Grady Gammage, Jr. stated that this order disposing of the issue in the first phase of the trial may be an appealable order, but he is confident that the decision will stand on appeal. He added that Phase II, which concerns the allocation of repayment costs, is currently underway and should conclude within a week or so.

1999 Annual Plan of Operation

Tim Henley provided an overview of the draft 1999 Plan of Operation. He directed the Authority members and observers to page 6, Table 2, to review the amount of water scheduled to be delivered by the AWBA to partner GSFs and USFs around the state. Approximately 537,000 acre feet of CAP water is available to the AWBA in 1999. If the AWBA finds more capacity and customers, it could store more than the projected 320,000 acre feet as set forth in the draft Plan.

Mr. Henley also explained that the in lieu recharge numbers are somewhat conservative in light of the great disparity between water ordered and actually used last year. Individual irrigation districts may order additional water over the course of the year if they wish. Some irrigation districts may be mixing groundwater and AWBA water for lower prices overall, but using groundwater means less groundwater is conserved, and consequently, there is less opportunity to take AWBA water. If Arizona experiences a wet winter, the numbers are likely to be pretty accurate. If Arizona experiences a dry winter, the partners may need more AWBA water.

The AWBA has no agreements yet in place with Vidler Water Company or Kai Farms, two new partners. The AWBA is still awaiting further information on the status of applications for Water Storage Permits from West Maricopa Combine and the McMullen Valley Irrigation and Drainage District before it commits to those projects.

Finally, Mr. Henley recommended retaining the \$21 per acre foot price for AWBA water, at least through 1999. The Authority concurred.

Signing of Agreements

The AWBA's Exchange Agreement with SRP was approved. The amended CAVSARP agreement (reflecting an expanded pilot permit with a capacity of 15,000 af a year and a new expiration date and some different cost components) was also approved.

Discussion of Issue Paper Discussing Recharge Outside the AMA

Tim Henley provided a brief review of the issues covered in the “Recharge Outside the AMAs” issue paper written by AWBA staff. Draft copies are available for review, and if anyone has suggestions for revisions or areas not covered, they are welcome to submit them. This paper is not a formal policy document of any kind: it is an issue paper designed to point out some potential areas to be aware of when the AWBA begins recharging outside the AMAs.

Interstate Issues

Rita Pearson explained that nothing much has happened since the second public comment period on the draft Interstate Water Banking Rules closed. If information becomes available, the Authority members will be informed.

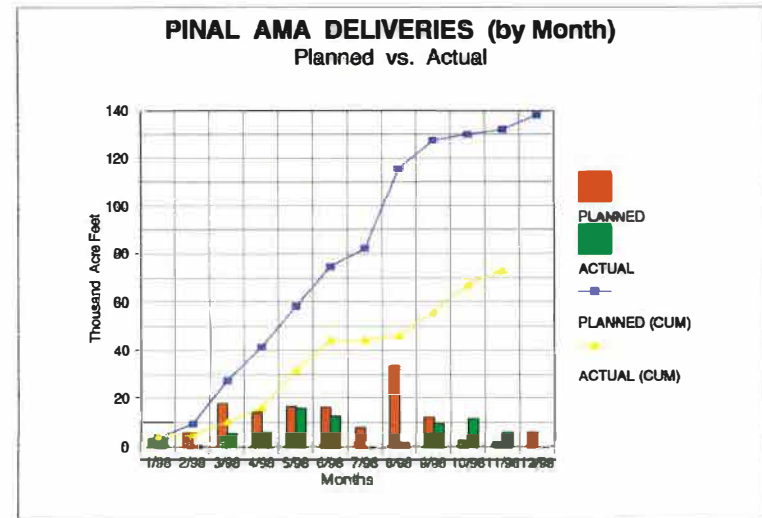
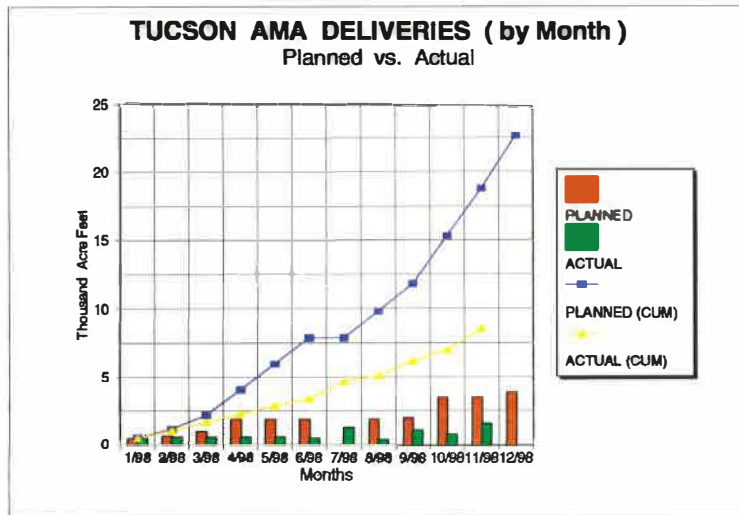
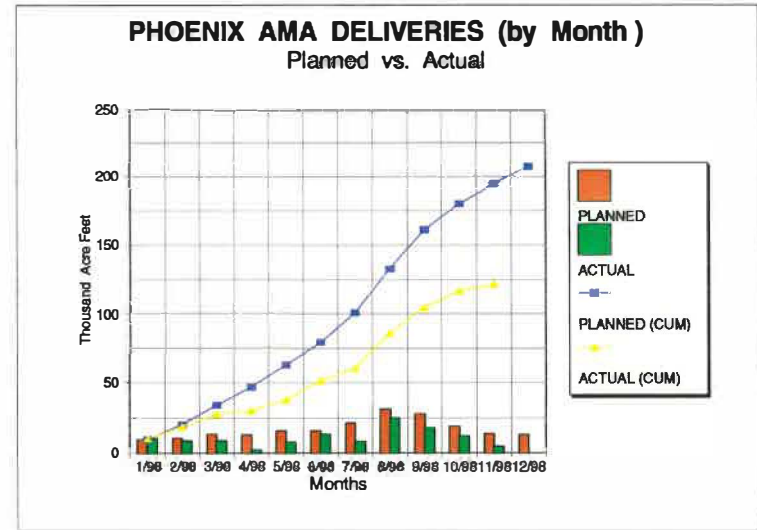
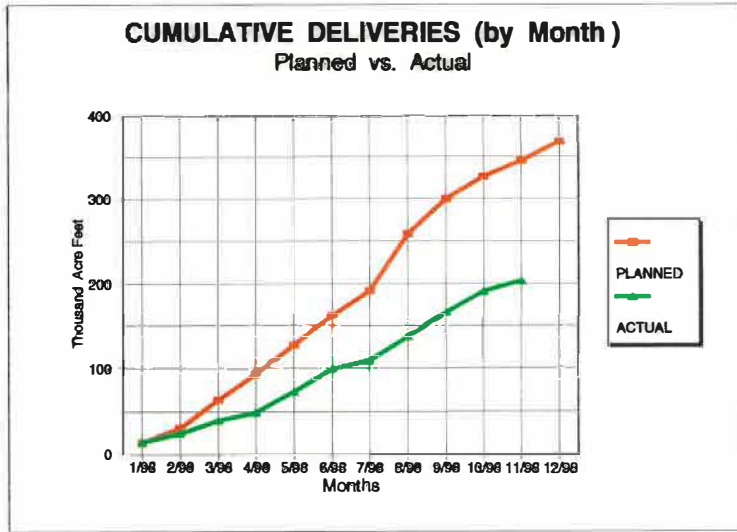
Study Commission

Herb Dishlip, Assistant Director of the ADWR, informed the Authority that the final report of the Water Banking Authority Study Commission will be ready in early December. A legislative package with recommendations was submitted in bill form from the Commission. The Authority requested that public meetings be held in conjunction with December’s AWBA meeting to discuss recommendations for the Study Commission and the legislation package. The Study Commission has concluded its business, and Herb thanked all the members for their hard work and praised the process.

Call to the Public

The next meetings are scheduled for and December 16 and January 21. The meeting was adjourned at 11:30 a.m.

1998 PLAN OF OPERATION



1998 PLAN OF OPERATION BY ENTITY

Actual deliveries updated 15-Dec-98

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total	
Phoenix AMA														
GRUSP	8,032	8,551	6,711	0	5,237	5,904	5,595	6,325	5,910	3,996	259	3,200	59,720	GRUSP
RWCD	0	0	0	0	0	0	0	0	0	0	0	0	0	RWCD
NMIDD	2,233	286	0	0	0	4,959	271	12,811	7,390	4,670	2,546	2,000	37,166	NMIDD
QCID	0	0	0	0	0	0	0	3,589	3,536	1,782	1,127	2,000	12,034	QCID
MWD	0	0	2,373	2,399	2,701	2,604	2,665	2,866	1,748	1,796	848	0	20,000	MWD
CHCID	0	0	0	0	22	0	0	0	0	0	0	0	22	CHCID
TID	0	0	0	0	0	0	0	0	0	0	0	0	0	TID
Subtotal	10,265	8,837	9,084	2,399	7,960	13,467	8,531	25,591	18,584	12,244	4,780	7,200	128,942	
Pinal AMA														
CAIDD	0	0	0	0	0	0	0	0	323	2,837	2,199	1,779	7,138	CAIDD
MSIDD	2,430	0	0	0	8,792	3,221	0	1,799	5,730	6,708	2,915	4,500	36,095	MSIDD
HIDD	1,819	708	5,284	5,905	6,901	9,302	0	0	3,461	1,900	812	1,400	<u>37,492</u>	HIDD
Subtotal	4,249	708	5,284	5,905	15,693	12,523	0	1,799	9,514	11,445	5,926	7,679	80,725	
Tucson AMA														
Avra Valley	0	0	0	0	0	0	675	374	318	576	900	900	3,743	Avra Valle
CAVSARP	531	579	576	597	600	537	652	54	57	0	420	420	5,023	CAVSARF
Pima Mine	0	0	0	0	0	0	0	0	688	259	300	0	1,247	Pima Mine
Lower Santa Cruz	0	0	0	0	0	0	0	0	0	0	0	0	0	L. Santa C
Subtotal	531	579	576	597	600	537	1,327	428	1,063	835	1,620	1,320	10,013	
TOTAL	15,045	10,124	14,944	8,901	24,253	26,527	9,858	27,818	29,161	24,524	12,326	16,199	219,680	

ARIZONA WATER BANKING AUTHORITY

ANNUAL PLAN OF OPERATION

1999



Rita P. Pearson, Chairman

January 1, 1999

INTRODUCTION

The Arizona Water Banking Authority (AWBA) was created to store Arizona's unused Colorado River water entitlement in western, central and southern Arizona to develop long-term storage credits to: (1) firm existing water supplies for municipal and industrial users during Colorado River shortages or Central Arizona Project (CAP) service interruptions; (2) help meet the water management objectives of the Arizona Groundwater Code; and (3) assist in the settlement of American Indian water rights claims.

The AWBA is required by statute to approve an annual Plan of Operation by January 1 of each year. The Plan of Operation is intended to govern the operations of the AWBA over the course of the entire calendar year. During the course of the year, changing circumstances may present limitations or provide new opportunities not contemplated in the adopted Plan, which could affect the overall delivery projections. In such circumstances, the AWBA may choose to modify its adopted Plan. If such modifications are required, the proposed modifications will be discussed and approved at a public meeting of the AWBA.

The AWBA recognizes that day-to-day adjustments in the normal operations of the CAP or the individual storage facilities caused by maintenance and fluctuations in the weather may affect the actual monthly deliveries made on behalf of the AWBA. However, if the adjustments do not impact the overall annual delivery projections contained in the Plan, those adjustments will not be deemed modifications to the Plan and will be addressed by staff and reported to the AWBA members on an as-needed basis.

1998 PLAN OF OPERATION

In 1998, the AWBA's second full year of operation, the AWBA recharged approximately 220,000 acre feet of Colorado River water, bringing Arizona's total use of Colorado River water close to its normal year entitlement of 2.8 million acre feet (See Figure 1).

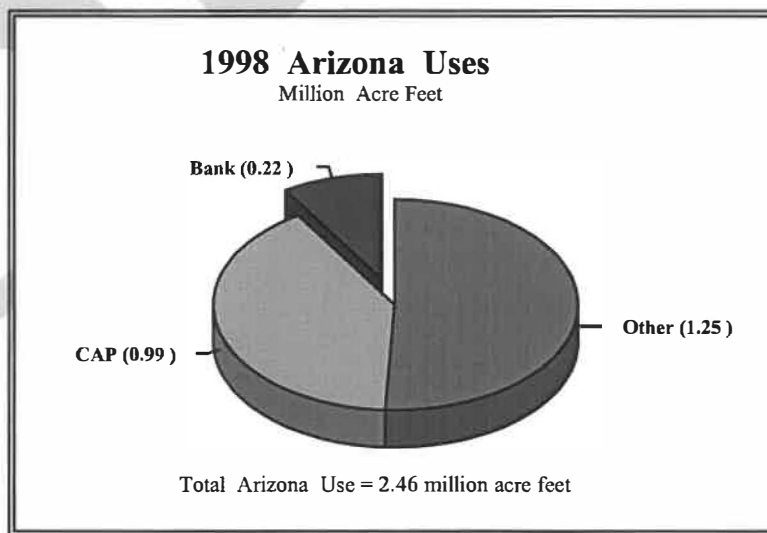


Figure 1

Because the Secretary of the Interior declared that the Colorado River was in surplus in 1998, the increased use by Arizona did not impact the other Lower Basin states' uses. Total estimated use of Colorado River water in the Lower Basin will exceed 7.68 million acre feet in 1998 (see Figure 2).

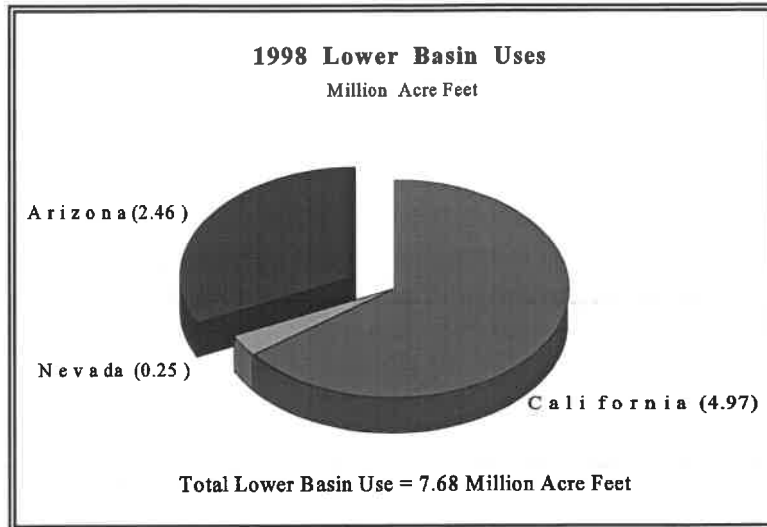


Figure 2

The AWBA recharged water at underground storage facilities (USF) and groundwater savings facilities (GSF) in 1998. Table 1 lists the AWBA's recharge partners for 1998, the amount of water that can be stored under each AWBA water storage permit, and the amount actually recharged by the AWBA at each facility in 1998 based on December 1998 estimates.

Table 1

AMA	Facility	Type	Permit Capacity	Amount Recharged
Phoenix	GRUSP (SRP)	USF	200,000 af	62,000 af
	Queen Creek ID	GSF	28,000 af	13,000 af
	New Magma IDD	GSF	54,000 af	38,000 af
	MWD	GSF	18,000 af	20,000 af
Pinal	MSIDD	GSF	120,000 af	30,000 af
	CAIDD	GSF	110,000 af	5,000 af
	Hohokam ID	GSF	55,000 af	36,000 af
Tucson	Avra Valley (CAP)	USF	8,000 af	3,000 af
	Pima Mine Road (CAP)	USF	10,000 af	3,000 af
	CAVSARP (Tucson)	USF	10,000 af	5,000 af
Total			613,000 af	215,000 af

Though the 1998 Plan of Operation scheduled approximately 350,000 acre feet of water to be recharged around the state, the amount of water recharged in Arizona was lower in 1998 than expected. The reduced water recharge rate was due primarily to weather conditions. Arizona experienced extremely high rainfall associated with the “El Niño” weather pattern in 1998, which cut back dramatically on the quantity of AWBA water needed by irrigation districts. Most of the AWBA recharge activity involves groundwater savings facilities (farms that are part of irrigation districts), but in 1998 the additional rainfall resulted in decreased or discontinued “in lieu” water orders at these groundwater savings facilities. Figure 3 shows the acre-foot break down between GSFs and USFs for 1998.

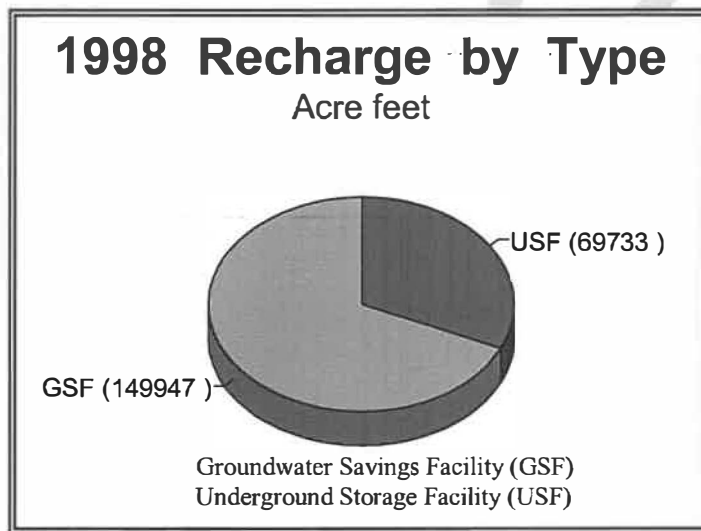


Figure 3

1999 PLAN OF OPERATION

When developing the 1999 Plan, the AWBA evaluated four critical factors: (1) the amount of unused water available to the AWBA for delivery, (2) the CAP capacity available to the AWBA for the delivery of unused water, (3) the funds available and the costs required to deliver the unused water, and (4) the capacity available for use by the AWBA at the various recharge facilities.

For water year 1999, the Secretary of the Interior has declared that the Colorado River is in a surplus condition. A surplus declaration means that surplus water would be available to the AWBA as a source of unused water. Therefore, water availability will not be a limiting factor for the AWBA in 1999.

The CAP's 1999 operating plan accommodates the delivery of approximately 1.5 million acre feet of water. CAP's plan delivers approximately 1 million acre feet to its subcontractors, which leaves approximately 500,000 acre feet of capacity available for the AWBA. Based on this available capacity, the CAP's operations will not be a limiting factor for the AWBA in 1999.

The funding available to the AWBA from its three funding sources (county *ad valorem* property tax revenues, groundwater pumping fees, and general funds) to pay for the delivery of water in 1999 will be approximately \$20 million including the carryover from the previous years. Given the costs associated with the delivery of water and the fact that the GSF operators continue to pay \$21 of that cost when the water is delivered to their facilities, the \$20 million is adequate to fund the AWBA Plan and is not a limiting factor in 1999. For more information about the cost of the plan, please refer to the pricing section, *infra*.

To assist in developing the 1999 Plan, each facility operator submitted an annual delivery schedule to CAP. (CAP schedules the AWBA's deliveries for those GSFs they will be operating.) The CAP staff utilized these schedules to compile an annual schedule for the CAP, including municipal and industrial (M&I) water, water for Indian tribes, incentive recharge water, agricultural pool water, and AWBA water. As discussed previously, this integrated schedule was developed to conform to a 1.5 million acre foot delivery year. Concurrently, the AWBA staff met with the facility operators to discuss their delivery schedules and confirm their continued interest in participating with the AWBA. These discussions confirmed that the availability of substantial permitted recharge capacity but also that limited capacity is available to the AWBA. Some of the GSF availability was limited by delivery cost, and other facilities were limited by operational issues. Operational constraints or previous commitments to other partners limited the availability of USFs to the AWBA.

Based on its adopted Plan, the AWBA anticipates recharging approximately 300,000 acre feet of Colorado River water in 1999. The Plan was developed utilizing facilities that have already been permitted or are anticipated to be permitted in 1999 and are located in Maricopa, Pinal, Pima and LaPaz Counties. The Plan attempts to optimize, on a monthly basis, the delivery of Colorado River water to meet the AWBA's objectives. The Plan is flexible, and if additional recharge capacity can

be identified and funding remains available, the Plan can be modified in the future to include additional facilities.

Based on projected uses, Arizona's use of Colorado River water in 1999 will be 2.60 million acre feet (see Figure 3), which will be similar to Arizona's 1998 use. The overall Lower Basin use is projected to continue at approximately 7.9 million acre feet.

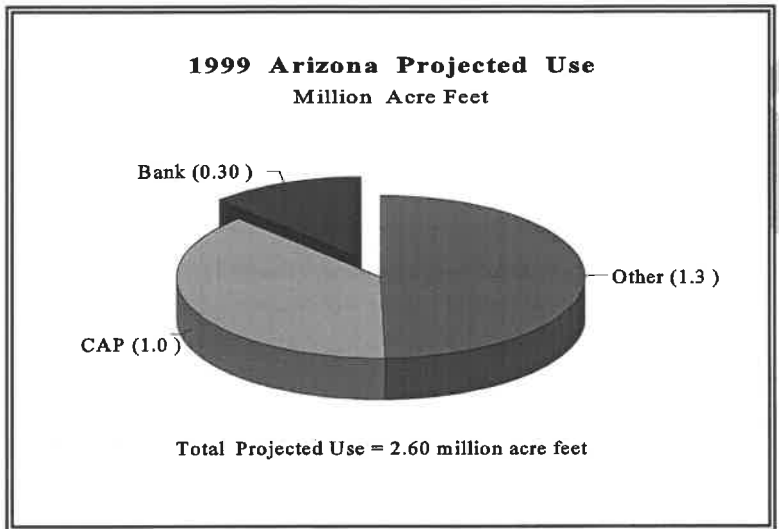


Figure 4

Table 2 shows the AWBA's 1999 delivery schedule. Line One of this table provides estimates of CAP's monthly deliveries to its M&I, agricultural, incentive recharge, and Indian customers. These deliveries have a scheduling priority over the AWBA's deliveries. These estimates do not include deliveries to New Waddell Dam.

Line Two shows the capacity available to the AWBA after CAP makes its priority deliveries and its deliveries to New Waddell Dam. The CAP is capable of delivering approximately 180,000 acre feet of water each month. The AWBA's capacity is determined by subtracting customer deliveries from the available capacity. The available capacity does not always total 180,000 acre feet/month because of unique situations such as the filling of Lake Pleasant in the winter months, deliveries to the western portion of the aqueduct, New Waddell Dam releases to the aqueduct in the summer months and scheduled maintenance. During the fall and winter months, the capacity available to AWBA is constrained because the CAP is making deliveries to Lake Pleasant.

Lines Three through Nineteen represent the AWBA's 1999 Plan of Operation. This section identifies the AWBA's partners for 1999 and the amount of water scheduled to be recharged. The second column in this section identifies the AWBA's water storage permit capacities for each facility and the amount of that capacity that is available to the AWBA in 1999. The capacity available does not always equal the storage permit capacity because the storage facility operators may have agreements with other storage partners.

Line Twenty lists the CAP capacity remaining after the AWBA's deliveries are scheduled. The amount in parentheses in the month of July represents an over-commitment of capacity in those months. CAP has shown in the past that there is some operational flexibility to help meet deliveries in those months. The AWBA staff will work closely with the CAP staff and our partners in an attempt to meet the scheduled deliveries during that month.

In 1999, GSFs continue to comprise a significant portion of the AWBA's water deliveries. Figure 5 shows the break down between GSF and USF water storage for 1999.

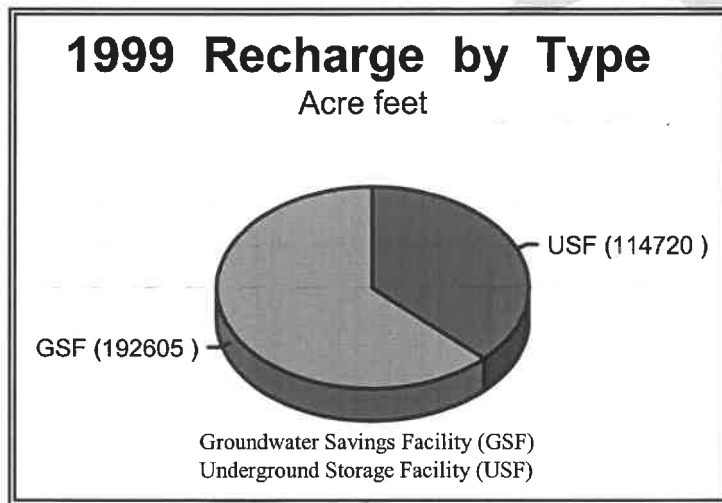


Figure 5

Table 2
ARIZONA WATER BANKING AUTHORITY
Water Delivery Schedule
Calendar Year 1999
(ACRE-FEET)

	January	February	March	April	May	June	July	August	September	October	November	December	Total	
1	35,000	35,000	78,000	108,000	108,000	144,000	175,000	137,000	65,000	45,000	30,000	28,000	988,000	
2	45,000	45,000	89,000	56,000	57,000	43,000	20,000	56,000	45,000	31,000	25,000	25,000	537,000	
A W B A - Recharge Sites :														
	Permitted Capacity (AF)	Requested Capacity (AF)												
LAPAZ :	10,000	5,000												
3	USF	VIDLER WATER	410	410	410	410	410	410	410	410	410	410	4,920	
4	PHOENIX AMA:													
5	USF	GRUSP	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	90,000	
6														
7	GSF	MWD	0	588	1,765	2,941	2,941	2,941	1,765	1,765	0	0	20,588	
8		NEW MAGMA	2,000	2,000	3,200	2,500	3,000	3,700	9,600	3,500	2,500	2,000	47,200	
9		QUEEN CREEK	0	0	0	0	0	3,946	7,270	1,600	1,050	2,460	20,046	
10		TONOPAH ID	0	0	0	0	0	0	0	0	2,000	1,000	3,000	
PINAL AMA :														
11	GSF	CAIDD	0	0	0	0	0	4,325	3,428	3,080	2,233	1,934	15,000	
12		HOHOKAM	0	0	4,581	6,000	7,500	4,800	2,800	1,500	100	1,200	35,081	
13		MSIDD	730	2,600	8,530	5,300	7,800	9,770	5,100	1,140	3,430	520	48,690	
TUCSON AMA														
14	USF	AVRA VALLEY	0	0	0	750	750	750	750	400	750	750	6,400	
15		CAVSARP	600	600	600	600	700	700	700	600	600	600	7,500	
16		PIMA MINE RD	1,200	1,200	500	0	0	0	0	0	0	500	3,400	
17		LOWER SANTA CRUZ	0	0	0	0	0	0	0	0	500	2,000	2,500	
18	GSF	KAI FARMS/AVRA	1,000	1,000	1,000								3,000	
19	TOTAL (USF + GSF) :		12,440	15,898	28,086	27,001	30,501	30,271	25,047	41,336	34,103	20,875	23,084	307,325
20	Remaining CAP Capacity :		32,560	29,102	60,914	28,999	26,499	12,729	(5,047)	14,664	10,897	10,125	1,916	229,675

The values in Table 2 reflect the delivery amounts at the CAP turnout and do not account for losses incurred between the turnout and the actual point of use. Those losses must be calculated and deducted from the deliveries to determine the actual credits earned by the AWBA.

No recovery is anticipated in 1999. The AWBA intends to develop recovery concepts during 1999 to ensure that the benefit of the credits developed will be realized by the area in which the funds are collected.

NEW PARTNERS

In 1999, the Annual Operating Plan anticipates recharging water at several new USFs. For the first time, the Plan includes recharging water at a privately owned USF located outside of any AMA. The AWBA staff has held in-depth meetings with these prospective recharge partners over the past year. The prospective recharge partners have also made detailed presentations before the Authority at its public meetings, where Authority members and members of the public had the opportunity to ask questions of the project representatives and to review materials, maps, and financial information.

In addition to the new partner specifically included in the Plan, the AWBA may have several other new partners in 1999, mostly in western Maricopa and LaPaz Counties. These new partners include the McMullen Valley Water Conservation and Drainage District, Arizona Public Service, and West Maricopa Combine. In addition, the AWBA may store up to 3,000 acre feet of water at Kai Farms/Avra (a groundwater savings facility) in the Tucson AMA. The AWBA staff will continue to meet with these partners and discuss the potential for inclusion in the 1999 Annual Plan with anyone interested in becoming an AWBA partner.

The AWBA staff has prepared an issue paper summarizing some of the implications of recharging water outside the AMA and ways that any potential problems can be addressed. This paper was distributed and discussed at the AWBA's November and December 1998 meetings.

The Secretary of the Interior has not yet promulgated rules governing the interstate banking of Colorado River water. Until the Secretary promulgates such rules and the Director of the Department of Water Resources deems them acceptable, no interstate banking can be included in the Plan of Operations. If those actions occur and the AWBA determines that interstate banking is appropriate during 1999, the AWBA could amend its Plan of Operation after providing adequate public notice.

PRICING

For 1999, the CAWCD Board adopted a rate for the delivery of the AWBA's water of the pumping energy plus a \$5 contribution to the fixed operation and maintenance cost of the CAP system for a total cost of \$43 per acre foot. The AWBA's policy of recovering \$21 from its in-lieu partners will continue for 1999.

Table 3 reflects the water delivery rate the CAP will charge the AWBA, the rate the GSF operators will pay for use of the AWBA's water, and the various rates the AWBA will be charged to utilize the different USFs.

Table 3

1999 Water Rates	
CAP's delivery rate to AWBA	\$43 per acre foot
Groundwater Savings Facility operator portion of delivery	\$21 per acre foot ¹
Underground Storage Facility rate paid by AWBA	
GRUSP (SRP)	\$14 per acre foot
Avra Valley (CAP)	\$15 per acre foot (estimate)
Pima Mine Road (CAP)	\$10 per acre foot (estimate)
Central Avra Valley (Tucson Water)	\$14 per acre foot (estimate) ²
Lower Santa Cruz (CAP/Pima County)	\$20 per acre foot (estimate)
Vidler Water Co.	\$ 0 for Pilot Phase

¹ This rate is paid directly to CAP by the GSF operators and is not available as revenue to the AWBA. The AWBA's rate for delivery of in lieu water is thus reduced to \$22/af.

² In 1998, the rate was actually less than \$14. Because of favorable energy costs, it was closer to \$12.

The CAWCD has established a subcommittee to review the existing delivery rate for the AWBA's water. Two members of the AWBA sit on this subcommittee. The subcommittee continues to analyze long-term delivery rates of the AWBA's water for inclusion in the CAWCD's future pricing decisions.

The estimated total cost of the AWBA's 1999 Plan of Operation is \$10,800,000, which includes the USF use fees and the CAP delivery rate minus cost recovery from the GSF operator by the CAP.

ACCOUNTING

The AWBA's enabling legislation required the development of an accounting system that allows the tracking of all long-term storage credits accrued by the AWBA and the funding sources from which they were developed. The Arizona Department of Water Resources has established accounts that track both credits and funds.

Table 4 provides estimates of the funds available including funds carried over from previous years, the funds to be expended, and the credits that will accrue to those accounts based on the 1999 Plan.

Table 4

1999 Plan of Operation				
	Available ¹	Funding Expended	Amount	Credits ² Location
<u>Withdrawal Fee</u>				
Phoenix AMA	\$5,200,000	\$585,000	14,000	Phoenix AMA
Tucson AMA	\$1,400,000			
Pinal AMA	\$1,900,000	\$845,000	35,000	Pinal AMA
<u>Four Cent Tax</u>				
Maricopa County	\$7,700,000	\$6,048,000	140,000	Phoenix AMA
Pima County	\$1,900,000	\$1,300,000	21,000	Tucson AMA
Pinal County	\$230,000	\$230,000	9,000	Pinal AMA
<u>Other</u>				
General Fund	\$1,800,000	\$1,794,000	59,000	
<i>Phoenix AMA</i>		\$420,000	10,000	<i>Phoenix AMA</i>
<i>Tucson AMA</i>				
<i>Pinal AMA</i>		\$1,098,000	45,000	<i>Pinal AMA</i>
<i>LaPaz County</i>		\$276,000	4,000	<i>LaPaz County</i>
California	Not applicable			
Nevada	Not applicable			
Total	\$20,130,000	\$10,802,000	278,000	

¹ Does not include groundwater savings facility partners' payment. The AWBA's partners make payments directly to the CAWCD.

² Estimate based on annual deliveries (annual delivery - 5% losses - 5% cut to the aquifer).

Table 5 provides an estimate of the funds expended and the credits that will accrue to various accounts based on the AWBA's recharge activities since its inception.

Table 5
Cumulative Totals
(1997-1998)

	Funds		Credits ¹	
	Expended	Amount	Location	
<u>Withdrawal Fee</u>				
Phoenix AMA	\$0	0		
Tucson AMA	\$0	0		
Pinal AMA	\$280,000	13,000	Pinal AMA	
<u>Four Cent Tax</u>				
Maricopa County	\$7,700,000	231,000	Phoenix AMA	
Pima County	\$720,000	13,000	Tucson AMA	
Pinal County	\$370,000	2,000	Pinal AMA	
<u>Other</u>				
General Fund	\$4,190,000	212,000		
<i>Phoenix AMA</i>	<i>\$990,000</i>	<i>34,000</i>	<i>Phoenix AMA</i>	
<i>Tucson AMA</i>	<i>\$0</i>	<i>0</i>		
<i>Pinal AMA</i>	<i>\$3,200,000</i>	<i>178,000</i>	<i>Pinal AMA</i>	
Total	\$13,260,000	489,000		

¹ Estimate based on annual deliveries (annual delivery - 5% losses - 5% cut to the aquifer).

PUBLIC REVIEW AND COMMENT

The AWBA staff held a public meeting in conjunction with the Groundwater User Advisory Councils (GUACs) for the Phoenix, Tucson, and Pinal AMAs and the LaPaz County Board of Supervisors as required by the AWBA's enabling legislation. In general, the GUACs and the County were supportive of the AWBA's efforts to date. Some of the specific concerns expressed by these entities appear below.

At the Phoenix GUAC meeting, several comments and suggestions were made. First, the monies collected within the county should be spent within the county. Second, there is some general concern about recovery in times of water shortage. Recovering well water and putting it back in the canal may not economically viable. It was suggested that rather than the CAP undertaking recovery, the recovery should be undertaken by CAP subcontractors with their own wells. Third, the AWBA was advised to use caution when developing facilities outside the AMAs because storing water outside of the AMA does not contribute to meeting the safe yield goals for AMAs as set forth in the Groundwater Management Act. Finally, the AWBA should increase its emphasis on the development of underground storage facilities in the Phoenix AMA.

The Tucson GUAC had several concerns, mostly pertaining to the inclusion of Kai Farms/Avra in the draft Plan of Operation. The Tucson GUAC is concerned about the details of any financial commitment to Kai Farms/Avra and requested more information before it endorses the AWBA's decision to recharge water at that site. The GUAC would like to see the AWBA commit to storing water at other projects in the Tucson AMA to encourage more recharge in the AMA. The GUAC suggested that the AWBA should consider developing a new pricing policy for water storage at groundwater savings facilities. The GUAC members also requested to see the draft Annual Plan of Operation much earlier in the AWBA's drafting process to give the GUAC members more time to confer on specific issues that may arise in the draft.

The Pinal GUAC inquired about the availability of general funds to earn credits in Pinal County.

At the AWBA's presentation before the LaPaz County Board of Supervisors, a member of the public asked the Authority to support a "point of delivery" pricing structure as opposed to the current "postage stamp" delivery rate.

Arizona Water Banking Authority

500 North Third Street, Phoenix, Arizona 85004

Telephone 602-417-2418

Fax 602-417-2401

www.awba.state.az.us



AUTHORITY MEMBERS

Rita P. Pearson, Chairman
Tom Griffin, Vice-Chair
Bill Chase, Secretary
Grady Gammage, Jr.
Richard S. Walden

EX OFFICIO MEMBERS

Senator Pat Conner
Representative Gail Griffin

December 8, 1998

Mr. John L. Boyer, Environmental Consultant
Arizona Public Service
Mail Station 8931
P.O. Box 53999
Phoenix, Arizona 85072-3999

Re: APS-Bouse Wash Underground Storage Facility

Dear Mr. Boyer,

You have requested that the Arizona Water Banking Authority (AWBA) include APS's Bouse Wash underground storage facility in the AWBA's Annual Plan of Operation for 1999. I hope this letter will clarify some of our concerns about including the Bouse Wash USF in the Plan *at this time* and provide you with a clearer understanding of the process of promulgating and amending the Annual Plan.

APS has applied for an Underground Storage Facility permit and a water storage permit for the Bouse Wash USF. At this time, that application is still under review with the Department of Water Resources. The AWBA reluctantly includes facilities in its Annual Plan of Operation that are not fully permitted at the time of promulgation of the Plan. In the past, the AWBA has included several facilities that were not fully permitted at the time of Plan promulgation and projected large quantities of recharge based on an assumption that those facilities would be up and running in a very short period of time. When those particular facilities were delayed beyond that calendar year, the AWBA's actual recharge operations fell far short of its projections for the year, which causes concern (however unfounded) by members of the Authority and the public. As a practical matter, the AWBA can only obtain its own water storage permit when the facility permit and the facility water storage permit have been obtained. Therefore, the AWBA chose to exclude your facility *at this time* because the appropriate permits have not *yet* been obtained.

Please be advised, however, that the AWBA has not eliminated the possibility of storing water at your facility in 1999. The AWBA statutes provide the AWBA the authority to modify its Plan of Operation as the year progresses. *See* A.R.S. § 45-2456(F)(Supp. 1996). Further, the public process for modifications is abbreviated, allowing the AWBA the flexibility to modify the Plan of Operation at an open meeting of the AWBA as circumstances warrant. Since your facility will not be available for recharge until September 1999, the AWBA has ample time to amend the Plan of Operation and

negotiate an agreement with APS when all permits have been obtained. Therefore, if all permits are obtained over the next few months and your facility is completely operational, it would not be difficult to modify the Plan of Operation to include AWBA storage at your facility.

If Tim or I can assist you further in any way, please do not hesitate to contact one of us.

Sincerely,

Kim Kunasek, Technical Administrator

cc: Mr. Laurence Linser, Bookman Edmonston Engineering
Mr. John Bohon, Arizona Public Service



John L. Boyer
Environmental Consultant
Environmental Department

Tel. 602-250-3196
Fax 602-250-3872
e-mail jboyer@apsc.com

Mail Station 8931
PO Box 53999
Phoenix, Arizona 85072-3999

HAND CARRIED

November 17, 1998

Mr. Timothy Henley, Manager
Arizona Water Banking Authority
500 North Third Street
Phoenix, Arizona 85004

Dear Mr. Henley:

Arizona Public Service Company (APS) requests the Arizona Water Banking Authority (AWBA) include the APS Bouse Recharge Facility in the AWBA's 1999 plan of operation. We will file an application for an underground water storage facility pilot permit with the Arizona Department of Water Resources this week. Concurrent with the pilot permit application, we will file an application for a water storage permit. We anticipate receiving the pilot permit in the spring of 1999 and operating the pilot facility beginning in September 1999. The pilot facility may require up to 3,000 acre-feet of CAP water for recharge in 1999 based on preliminary observed infiltration rates.

We believe the Bouse facility provides the AWBA with expanded storage options. Due to the unique location of the Bouse facility, it can:

1. Operate year-round,
2. Use existing wells to recover stored water, and
3. Provide simplified recovery agreements (recovery is transparent to existing users).

The Bouse facility can assist the AWBA in meeting the following statutory objectives:

1. Storing excess Colorado River water,
2. Firming of Colorado River community supplies; and
3. Interstate banking.

This letter requests the AWBA to provide up to 3,000 acre-feet of water for recharge at the Bouse facility in 1999. We look forward to additional discussions with you regarding this project.

Please contact me with any questions or comments.

Sincerely,

John L. Boyer, Environmental Consultant
Environmental Health and Safety Department

Cc: Drew Swieczkowski, ADWR
John Bohon, APS
Laurence Linser, Bookman Edmonston Engineering

Arizona Water Banking Authority

500 North Third Street, Phoenix, Arizona 85004

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Tom Griffin, Vice-Chair
Bill Chase, Secretary
Grady Gammage, Jr.
Richard S. Walden

EX OFFICIO MEMBERS

Senator Pat Conner
Representative Gail Griffin

December 7, 1998

Mr. James D. Downing, P.E., District Engineer
McMullen Valley Water Conservation & Drainage District
P.O. Box 70
Salome, Arizona 85348

Dear Mr. Downing,

You recently sent the Arizona Water Banking Authority (AWBA) a letter formally requesting the inclusion of the District's Vicksburg Farms direct recharge facility in the AWBA's Annual Plan of Operation for 1999. I hope this letter will clarify some of our concerns about including Vicksburg Farms in the Plan *at this time* and provide you with a clearer understanding of the process of promulgating and amending the Annual Plan.

The District has submitted an Underground Storage Facility permit application (but no water storage permit application) for the Vicksburg Farms facility. At this time, that application is still under review with the Department of Water Resources. The AWBA reluctantly includes facilities in its Annual Plan of Operation that are not fully permitted at the time of promulgation of the Plan. In the past, the AWBA has included several facilities that were not fully permitted at the time of Plan promulgation and projected large quantities of recharge based on an assumption that those facilities would be up and running in a very short period of time. When those particular facilities were delayed beyond that calendar year, the AWBA's actual recharge operations fell far short of its projections for the year, which causes concern (however unfounded) by members of the Authority and the public. As a practical matter, the AWBA can only obtain its own water storage permit when the facility permit and the facility water storage permit have been obtained. Therefore, the AWBA chose to exclude your facility *at this time* because the appropriate permits have not *yet* been obtained.

Please be advised, however, that the AWBA has not eliminated the possibility of storing water at your facility in 1999. The AWBA statutes provide the AWBA the authority to modify its Plan of Operation as the year progresses. *See* A.R.S. § 45-2456(F)(Supp. 1996). Further, the public process for modifications is abbreviated, allowing the AWBA the flexibility to modify the Plan of Operation at an open meeting of the AWBA as circumstances warrant. Since your facility will not be available for recharge until March 1999, the AWBA has ample time to amend the Plan of Operation and negotiate

and agreement with Vicksburg Farms when all permits have been obtained. Therefore, if all permits are obtained over the next few months and your facility is completely operational, it would not be difficult to modify the Plan of Operation to include AWBA storage at your facility.

If Tim or I can assist you further in any way, please do not hesitate to contact one of us.

Sincerely,

Kim Kunasek, Technical Administrator

cc: Rock Cramer
Jay Moyes, Esq.

McMULLEN VALLEY
WATER CONSERVATION & DRAINAGE DISTRICT

P.O. BOX 70 • SALOME, AZ 85348

PHONE (520) 859-3647
FAX (520) 859-3145

November 23, 1998

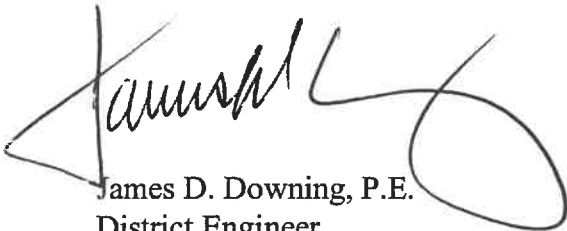
Tim Henley, Section Manager
Surface Water Section
Arizona Dept. Of Water Resources
500 North 3rd Street
Phoenix, AZ 85004

Dear Mr. Henley:

The District has applied to ADWR for an Underground Storage Facility Permit for its direct recharge facility to be located at Vicksburg Farms in the western portion of the District. The District formally requests, subject to the granting of the permit, that the AWBA store 10,000 acre feet of CAP water, beginning on March 1, 1999, at the rate of 1,000 acre feet per month and ending on December 31, 1999. The facility charge for storing the water will be \$11.00 per acre foot.

The District is prepared to enter into the necessary mutually acceptable agreements at your convenience. Should you require further information, please do not hesitate to contact me.

Best regards,



James D. Downing, P.E.
District Engineer

McMULLEN VALLEY WATER CONSERVATION & DRAINAGE DISTRICT

JDD:cd

Arizona Water Banking Authority

500 North Third Street, Phoenix, Arizona 85004

Telephone 602-417-2418

Fax 602-417-2401

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AUTHORITY MEMBERS

Rita P. Pearson, Chairman
Tom Griffin, Vice-Chair
Bill Chase, Secretary
Grady Gammage, Jr.
Richard S. Walden

EX OFFICIO MEMBERS

Senator Pat Comer
Representative Gail Griffin

November 30, 1998

J. John Mihlik, President and Director
West Maricopa Combine, Inc.
2198 East Camelback Road, Suite 340
Phoenix, Arizona 85016

Dear Mr. Mihlik,

You requested an explanation for the Arizona Water Banking Authority's (AWBA) decision not to include West Maricopa Combine (WMC) in its draft 1999 Plan of Operation at this time. I hope this letter will clarify some of our concerns and provide you and your partners with a better understanding of the process of promulgating and amending the Annual Plan.

Currently, the AWBA is aware that the issuance of your storage facility permit is being litigated before the Arizona Office of Administrative Hearings. As of yet, there does not appear to be any clear indication who will prevail in that matter, when the administrative process will conclude, or whether there will be further litigation in superior court among the parties involved. The AWBA would rather not be perceived to be "taking sides" in that litigation; further, it would be highly speculative at this point for the AWBA to plan to store water at your facility until we more clearly understand whether and when your storage facility permit will be issued. For these reasons, we chose not to include your facility in our draft 1999 Plan of Operation.

Please be advised, however, that the AWBA has not eliminated the possibility of storing water at your facility in 1999. The AWBA statutes provide the AWBA the authority to modify its Plan of Operation as the year progresses. See A.R.S. § 45-2456(F)(Supp. 1996). Further, the public process for modifications is abbreviated, allowing the AWBA the flexibility to modify the Plan of Operation at an open meeting of the AWBA as circumstances warrant. A letter from your attorney Bill Sullivan dated November 19, 1998 stated that your facility is not likely to be operational prior to July 1, 1999, which would leave the AWBA ample time to amend the Plan of Operation and negotiate and agreement with WMC. Therefore, if the litigation is resolved and an agreement can be reached between you and the AWBA regarding storage at your facility, it would not be difficult to modify the Plan of Operation to include AWBA storage at your facility.

If Tim or I can assist you further in any way, please do not hesitate to contact one of us.

Sincerely,



Kim Kunasek, Technical Administrator

cc: Fred K. Duren, Jr., P.E., P.G.
Bill Sullivan, Esq.

LAW OFFICES
MARTINEZ & CURTIS, P. C.

MICHAEL A. CURTIS
JAY M. MARTINEZ
WILLIAM P. SULLIVAN
SUSAN D. GOODWIN
JEFFREY A. KATZ
LARRY K. UDALL
ANJA K. WENDEL
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2712 NORTH SEVENTH STREET
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TELEPHONE (602) 248-0372
TELECOPIER (602) 266-8290

OF COUNSEL
JOSEPH F. ABATE
THOMAS A. HINE
G. EUGENE NEIL

REFER TO FILE NO.

1284-1-2

November 19, 1998

Mr. Tim Henley
Arizona Water Banking Authority
500 North Third Street
Phoenix, Arizona 85004

Re: West Maricopa Combine, Inc.'s Offer to Contract for Recharge Capacity

Dear Tim:

The draft Plan of Operation the Authority approved, as a draft, at its November meeting, does not reflect the capacity available from West Maricopa Combine's Facility. We would request that the Plan of Operation be amended to include the West Maricopa Combine Facility as explained more fully below.

The Director of the Arizona Department of Water Resources has issued Underground Facility Permit No. 71-550601 to West Maricopa Combine to recharge up to 25,000 acre feet for Central Arizona Project water within the Hassayampa River. Although the issuance has been appealed, West Maricopa Combine believes it is reasonable to project the operational date of the Facility to be July 1, 1999. The recharge Facility design allows the entire 25,000 acre feet to be recharged over a six month period.

West Maricopa Combine anticipates the Facility will have 24,000 acre feet of recharge capacity available to offer to the Arizona Water Banking Authority during 1999 or 4,000 acre feet per month commencing with July of 1999. As indicated in the presentation made to the Authority in its October meeting, West Maricopa Combine, Inc. is willing to recharge water during 1999 at the rate of \$13.00 per acre foot delivered to the Facility's turnout.

If you have any questions, please do not hesitate to contact either John Mihlik or myself.

Very truly yours,



William P. Sullivan

For the Firm

WPS/tsg

cc: John Mihlik

1284-1-2\letters\henley.1119



CENTRAL ARIZONA PROJECT

P.O. Box 43020 • Phoenix, Arizona 85080-3020 • 23636 North Seventh Street (85024)
(602) 869-2333 • www.cap-az.com

December 14, 1998

Mr. Tim Henley
Arizona Water Banking Authority
500 N. Third Street
Phoenix, AZ 85004

Re: 1999 Annual Plan of Operations

Dear Tim:

At the November Arizona Water Banking Authority (AWBA) meeting you distributed the draft 1999 Annual Plan of Operations and requested written comments prior to the December AWBA meeting. Based on this request, I offer the following comments for your consideration. Some of these were discussed with you previously at the December 4 meeting of the Tucson AMA Institutional Policy Advisory Group (IPAG).

Page 2, Table 1:

The Avra Valley Recharge Project permit capacity is shown as 8,000 acre-feet per year, the correct number is 11,000 acre-feet per year.

Page 3, Last Paragraph:

“CAP schedules the AWBA’s deliveries for those GSF’s they will be operating”. This is incorrect. CAP does schedule deliveries for the State Demonstration Recharge Projects it operates which are Underground Storage Facilities. It does not schedule deliveries for Groundwater Savings Facilities and has not operated any such facilities since 1996.

Page 6, Table 2:

The terms direct and indirect recharge are obsolete terms. It is more appropriate to use Underground Storage Facility (USF) and Groundwater Savings Facility (GSF).

The Lower Santa Cruz Recharge Project permit capacity approved by ADWR is 30,000 acre-feet per year

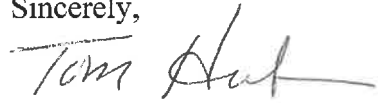
Kai Farms is incorrectly shown as a “direct” recharge project when it is really a Groundwater Savings Facility.

Page 9, Table 3:

Mc Mullen Valley is not included in the Plan of Operations (Table 2) and therefore should probably be deleted from the water rates table. Kai Farms should not be included in this table as an Underground Storage Facility.

Thank you for the opportunity to comment on the 1999 Annual Plan of Operations. Please don't hesitate to call me at 869-2107 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Tom Harbour". The signature is written in a cursive style with a long horizontal stroke at the end.

Tom Harbour
Supervisor, Water Planning Department

cc: John Newman
Brian Henning

Arizona Department of Water Resources
GROUNDWATER USERS ADVISORY COUNCIL
Tucson Active Management Area
Katharine L. Jacobs, Area Director



December 4, 1998

Rita Pearson, Chairperson
Arizona Water Banking Authority
500 N. Third Street
Phoenix, AZ 85004

DEE T. O'NEILL
CHAIR
CHUCK SWEET
VICE-CHAIR
ALAN LURIE
JOHN NACHBAR
JON POST

Dear Rita:

12-07-98P04:41 RCVD

The Groundwater Users Advisory Council (GUAC) for the Tucson AMA met on November 20, 1998. Kim Kunasek of the Arizona Water Banking Authority (AWBA) staff presented the draft Plan of Operation for 1999 at this meeting. In general, the proposed Plan is consistent with the suggestions made by Tucson area interests during development of the Facility Plan. The majority of the discussion revolved around the proposal to include Kai Farms (Avra Valley Irrigation District) as a "direct" recharge facility.

Although Kai Farms was a project that was recommended by the Institutional and Policy Advisory Group (IPAG) subcommittee for inclusion in the Facility Plan, the specifics of this proposal need to be carefully evaluated. The IPAG has consistently sent a message that in the short term, recharge of CAP water should be maximized. We appreciate how difficult this is to achieve, given the limited recharge facilities in the Tucson area. Yet, the AWBA pricing policies have actually limited the capacity further, by setting a statewide price for in-lieu recharge that is more than the current cost of groundwater for Tucson area farmers.

The inclusion of the Kai Farms as a "direct" facility, even though it is in fact an indirect facility, was intended to avoid the problems associated with the current pricing policy. It was suggested at the GUAC meeting that perhaps a third category of facilities should be established, facilities requiring AWBA financial participation to offset the capital costs of developing a new facility. This participation is anticipated to be in the form of providing a revenue stream that can be used to finance some proportion of the capital costs.

Kai Farms is currently permitted to recharge 12,513 acre-feet, but the ditch to deliver water from the CAP canal to the farms is not constructed. There are several farms other than Herb Kai's within the facility boundary. The proposal, as we understand it, is to provide the farms within the facility with CAP water at \$21/AF, but to repay them to offset both the capital and the water costs. It is not clear exactly what the capital costs are, how long the proposed delivery contract would be for, and what proportion of the total costs would actually be paid by the AWBA, the farmers and/or other in-lieu partners. The only information on the storage facility rates provided in the Plan is the language "not yet negotiated." As we understand the proposal, the AWBA would end up paying substantially more per acre-foot for the credits generated at the facility than they would at an existing in-lieu facility.

Dishon, Henley 12/9/98

This is problematic, given that there are existing in-lieu facilities with excess capacity.

We believe the multi-year contract that would be necessary in order to develop the Kai Farms facility sets a new precedent. Although a multi-year contract was established at GRUSP, it was after the facility was constructed, and resulted in reduced facility charges for the AWBA. As far as we know, the facility charge does not reimburse the owners for initial construction costs. The proposal for reimbursing Kai Farms for the use of the facility is unlike that for any other groundwater savings project utilized by the AWBA to date. In such precedent-setting situations, it is important to be well-informed about the specifics of the costs and benefits, and to quantify the long-term commitment of resources to the project. Although the IPAG recommended inclusion of the project in the Facilities Plan because it could be constructed in a short period of time and store a relatively large amount of water, this does not necessarily mean that the region supported funding storage there without consideration of costs. This facility did not rank high in achieving water management benefits such as availability for future water supply or ability to mitigate existing overdraft conditions. The price of the storage credits would not be so critical if the Kai Farms facility were located in a place where recovery for municipal uses was relatively easy.

These concerns should not be taken to be criticisms of the Authority's efforts to try to accommodate the need to develop new facilities. In fact, we would like to see stronger direction from the Authority to work on developing new facilities that have water management benefits in partnership with AMA interests, and we appreciate Tim Henley's recognition that this may require the use of General Fund monies to meet the AMA's needs to firm municipal supplies.

It was mentioned at the GUAC meeting that it would be useful to be able to review the key components of the Plan of Operation earlier in the year, to allow more opportunity for public input. Although the Authority is constrained by CAWCD's timetable in terms of being able to calculate total delivery capacity for the subsequent year (water orders for the subsequent year are not available until November), this information has minimal impact on the storage plans in the Tucson AMA since the volumes are so small. The opportunity to review proposed storage plans before the draft becomes public would be helpful, since potential conflicts may be able to be avoided. It was also suggested that the Plan contain better cost information, so that expenditures at each site could be compared on an annual basis, and funding sources could be tracked by facility.

The Tucson AMA staff was asked to set up a meeting of all the interested parties to discuss the details of the Kai proposal with Tim Henley. Hopefully an accommodation can be reached that will meet with regional approval. However, we wanted you to be aware of the issues in advance of the Authority's meeting on December 16th, when the Plan of Operation is scheduled for adoption.

We look forward to working with you and the Authority's staff further on this matter. Thank you for the opportunity to comment on the Plan.

Sincerely,



Dee O'Neill, Chairperson
Tucson AMA GUAC

December 9, 1998



Tim Henley, Manager
Arizona Water Banking Authority
500 North Third Street
Phoenix, Arizona 85004

Re: Draft 1999 Plan of Operation

Dear Mr. Henley:

Thank you for the opportunity to comment on the Draft 1999 Annual Plan of Operation for the Arizona Water Banking Authority (AWBA). As a municipal water provider who is actively recharging CAP within the Tucson Active Management Area (AMA), the Metropolitan Domestic Water Improvement District (District) requests modifications to the draft plan. Our most significant comments are the following:

1. The District supports the AWBA to include the Avra Valley Irrigation District (AVID) Project identified in the plan. The project must be identified though as a Groundwater Savings Facility (GSF) project rather than an Underground Storage and Recovery Project. The District appreciated meeting last week with the AWBA staff to clarify how the 1999 plan will likely help support the construction of the AVID GSF project. Adoption of this project in the plan by the AWBA will help solve inadequate storage capacity problems within the Tucson AMA. The District supports the GUAC suggestion for the AWBA to create a second GSF category. The new GSF category would be for those facilities that require financial assistance to offset the capital costs of developing new facilities. Municipal water providers want the same equivalent benefits received by municipal providers in the Phoenix and Pinal AMAs from the AWBA storage efforts at GSF projects.
2. The District strongly supports using the unexpended portion (\$60,000) of the General Fund monies for storing CAP water at groundwater saving and/or underground storage facilities in the Tucson AMA in place of expending a similar amount of four cent tax monies.

The District has also attached minor editorial comments for your consideration.

Again, thank you for the opportunity to comment on the draft plan. Please call me at (520) 575-8100, if you have any questions on my comments.

Sincerely,

A handwritten signature in cursive script that reads "Michael Block".

Michael W. Block
District Hydrologist

MWB/mwb

Metropolitan Domestic Water Improvement District
P.O. Box 36870 Tucson, Arizona 85740 (520) 575-8100 (520) 575-8454 FAX

Mr. Tim Henley
Draft 1999 Plan of Operation
December 9, 1998
Page 2

Attachment

c: Mark Stratton, MDWID General Manager
Mark Myers, MDWID Water Policy Consultant
Kathy Jacobs, Director ADWR-TAMA
Sharon Megdal, Pima County Water Policy Consultant
David Hook, Town of Oro Valley
Brad DeSpain, Town of Marana
Alan Forrest, Community Water Company

Though the 1998 Plan of Operation scheduled approximately 350,000 acre feet of water to be recharged around the state, the amount of water recharged in Arizona was lower in 1998 than expected. The reduced water recharge rate was due primarily to weather conditions. Arizona experienced extremely high rainfall associated with the "El Niño" weather pattern in 1998, which cut back dramatically on the quantity of AWBA water needed by irrigation districts. Most of the AWBA recharge activity involves groundwater savings facilities (farms that are part of irrigation districts), but in 1998 the additional rainfall resulted in decreased or discontinued "in lieu" water orders at these groundwater savings facilities.

Include a pie chart illustrating
~~the~~ GWS and USRP in
relation to total recharge by AWBA

1999 PLAN OF OPERATION

When developing the 1999 Plan, the AWBA evaluated four critical factors: (1) the amount of unused water available to the AWBA for delivery, (2) the CAP capacity available to the AWBA for the delivery of unused water, (3) the funds available and the costs required to deliver the unused water, and (4) the capacity available for use by the AWBA at the various recharge facilities.

For water year 1999, the Secretary of the Interior has declared that the Colorado River is in a surplus condition. A surplus declaration means that surplus water would be available to the AWBA as a source of unused water. Therefore, water availability will not be a limiting factor for the AWBA in 1999.

The CAP's 1999 operating plan accommodates the delivery of approximately 1.5 million acre feet of water. However, the plan delivers approximately 1 million acre feet to its subcontractors, which leaves approximately 500,000 acre feet of capacity available for the AWBA. Based on this available capacity, the CAP's operations will not be a limiting factor for the AWBA in 1999.

The funding available to the AWBA from its three funding sources (county *ad valorem* property tax revenues, groundwater pumping fees, and general funds) to pay for the delivery of water in 1999 will be approximately \$20 million including the carryover from the previous years. Given the costs associated with the delivery of water and the fact that the GSF operators continue to pay \$21 of that cost when the water is delivered to their facilities, the \$20 million is adequate to fund the Plan and is not a limiting factor in 1999. For more information about the cost of the plan, please refer to the pricing section, *infra*.

To assist in developing the 1999 Plan, each facility operator submitted an annual delivery schedule to CAP. (CAP schedules the AWBA's deliveries for those GSFs they will be operating.) The CAP staff utilized these schedules to compile an annual schedule for the CAP, including municipal and industrial (M&I) water, water for Indian tribes, incentive recharge water, agricultural pool water, and AWBA water. As discussed previously, this integrated schedule was developed to conform to a 1.5 million acre foot delivery year. Concurrently, the AWBA staff met with the facility operators to discuss their delivery schedules and confirm their continued interest in participating with the AWBA. These discussions confirmed that the availability of substantial permitted recharge

deliveries to the western portion of the aqueduct, New Waddell Dam releases to the aqueduct in the summer months and scheduled maintenance. During the fall and winter months, the capacity available to AWBA is constrained because the CAP is making deliveries to Lake Pleasant.

Lines Three through Nineteen represent the AWBA's 1999 Plan of Operation. This section identifies the AWBA's partners for 1999 and the amount of water scheduled to be recharged. The second column in this section identifies the AWBA's water storage permit capacities for each facility and the amount of that capacity that is available to the AWBA in 1999. The capacity available does not always equal the storage permit capacity because the storage facility operators may have agreements with other storage partners.

Line Twenty lists the CAP capacity remaining after the AWBA's deliveries are scheduled. The amount in parentheses in the months of July and December represents an over-commitment of capacity in those months. CAP has shown in the past that there is some operational flexibility to help meet deliveries in those months. The AWBA staff will work closely with the CAP staff and our partners in an attempt to meet the scheduled deliveries during those months.

Include a pie chart for illustrating the
of ^{1999 water stored} ~~credits~~ by GWS and USRP

Table 2
ARIZONA WATER BANKING AUTHORITY
Water Delivery Schedule
Calendar Year 1999
(ACRE-FEET)

	January	February	March	April	May	June	July	August	September	October	November	December	Total
1 Estimated Total CAP Deliveries + Losses : (M&I, Indian, Ag Pools 1 & 2, Incentive Recharge)	35,000	35,000	78,000	108,000	108,000	144,000	175,000	137,000	65,000	45,000	30,000	28,000	988,000
2 Available Excess CAP Capacity for AWBA :	45,000	45,000	89,000	56,000	57,000	43,000	20,000	56,000	45,000	31,000	25,000	25,000	537,000
A W B A - Recharge Sites :													
LAPAZ :													
Direct >	410	410	410	410	410	410	410	410	410	410	410	410	4,920
APS								500	500	500	500	500	2,000
PHOENIX AMA :													
Direct >	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	90,000
AGUA FRIA	0	0	0	0	0	0	0	0	0	0	0	0	10,000
MWD	0	588	1,765	2,941	2,941	2,941	2,941	1,765	1,765	1,765	0	0	20,000
NEW MAGMA	2,000	2,000	3,200	2,500	3,000	3,500	3,700	9,700	9,600	3,500	2,500	2,000	50,000
QUEEN CREEK	0	0	0	0	0	0	3,946	7,270	3,720	1,600	1,050	2,460	20,000
TONOPAH ID	0	0	0	0	0	0	0	0	0	0	2,000	1,000	5,000
CAIDD	0	0	0	0	0	0	0	4,325	3,428	3,080	2,233	1,934	20,000
HOHOKAM	0	0	4,581	6,000	7,500	4,800	0	6,600	2,800	1,500	100	1,200	15,000
MSIDD	730	2,600	8,530	5,300	7,800	9,770	5,100	1,140	3,430	520	1,040	2,730	35,081
AVRA VALLEY	0	0	0	750	750	750	750	750	750	400	750	750	7,000
CAVSARP	600	600	600	600	600	600	700	700	700	600	600	600	7,500
PIMA MINE RD	1,200	1,200	500	0	0	0	0	0	0	0	0	0	5,000
LOWER SANTA CRUZ	0	0	0	0	0	0	0	0	0	0	0	0	10,000
KAI FARMS	0	0	0	0	0	0	0	0	0	0	500	2,000	3,000
TOTAL (Direct + Indirect) :	12,440	14,898	27,086	26,001	30,501	30,271	25,047	41,336	34,603	21,375	24,183	28,584	319,325
Remaining CAP Capacity :	32,560	30,102	61,914	29,999	26,499	12,729	(5,047)	14,664	10,397	9,625	817	(3,584)	217,675

When ?

This does not appear to reflect the Oct 99 shut down of the AP canal for maintenance of the Tucson plants. See

Table 3

1999 Water Rates	
CAP's delivery rate to AWBA	\$43 per acre foot
GSF operator portion of delivery rate	\$21 per acre foot ¹
Unredground Storage Facility rate paid by AWBA	
GRUSP (SRP)	\$14 per acre foot
Agua Fria (CAP)	\$10 per acre foot (estimate)
Avra Valley (CAP)	\$15 per acre foot (estimate)
Pima Mine Road (CAP)	\$10 per acre foot (estimate)
Central Avra Valley (Tucson Water)	\$14 per acre foot (estimate) ²
Lower Santa Cruz (CAP/Pima County)	\$20 per acre foot (estimate)
Vidler Water Co.	0 for Pilot Phase
Arizona Public Service	not yet negotiated
Mc Mullen Valley	not yet negotiated
Kai Farms <i>facility name</i>	not yet negotiated

¹ This rate is paid directly to CAP by the GSF operators and is not available as revenue to the AWBA. It does reduce the AWBA rate for delivery of in-lieu water to \$22/af.

² In 1998, the rate was actually less than \$14. Because of favorable energy costs, it was closer to \$12.

The CAWCD has established a subcommittee to review the existing delivery rate for the AWBA's water. Two members of the AWBA sit on this subcommittee. The subcommittee continues to analyze long-term delivery rates of the AWBA's water for inclusion in the CAWCD's future pricing decisions.

The estimated total cost of the AWBA's 1999 Plan of Operation is \$11,200,000, which includes the USF use fees and the CAP delivery rate minus cost recovery from the GSF operator by the CAP.

ACCOUNTING

The AWBA's enabling legislation requires the development of an accounting system that allows the tracking of all long-term storage credits accrued by the AWBA and the funding sources from which they were developed. The Arizona Department of Water Resources has established accounts that track both credits and funds.

Table 4 provides estimates of the funds available including funds carried over from previous years, the funds to be expended, and the credits that will accrue to those accounts based on the 1999 Plan.

Table 4

1999 Plan of Operation					
	Available ¹	Funding Expended	Amount	Credits ²	Location
Withdrawal Fee					
Phoenix AMA	\$5,200,000	\$1,260,000	27,000		Phoenix AMA
Tucson AMA	\$1,400,000	0	0		
Pinal AMA	\$1,900,000	\$890,000	35,000		Pinal AMA
Four Cent Tax					
Maricopa County	\$7,700,000	\$6,200,000	140,000		Phoenix AMA
Pima County	\$1,900,000	\$1,300,000 + 1,250,000	21,000		Tucson AMA
Pinal County	\$230,000	\$230,000	9,000		Pinal AMA
Other					
General Fund	\$1,800,000	\$1,740,000	57,000		
<i>Phoenix AMA</i>		\$250,000	6,000		<i>Phoenix AMA</i>
<i>Tucson AMA</i>		60,000			
<i>Pinal AMA</i>		\$1,100,000	45,000		<i>Pinal AMA</i>
<i>LaPaz Cnty</i>		\$390,000	6,000		<i>LaPaz Cnty</i>
Total	\$20,130,000	\$11,620,000	289,000		

¹ Does not include in-lieu partners' payment. The AWBA's partners' make payments directly to CAP
² Estimate based on annual deliveries (annual delivery - 5% losses - 5% cut to the aquifer)

REFERENCE TITLE:

State of Arizona
(Chamber of Origin)
Forty-fourth Legislature
First Regular Session
1999

_. B. _____

Introduced by _____

AN ACT

AMENDING TITLE 45, CHAPTER 14, ARIZONA REVISED STATUTES, TO ALLOW THE ARIZONA WATER BANKING AUTHORITY TO FACILITATE WATER STORAGE IN ARIZONA.

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 45-2401, Arizona Revised Statutes, is amended to read:

3 45-2401. Declaration of policy and purpose

4 A. The legislature finds that this state is currently and temporarily underutilizing both the
5 entitlement to Colorado river water confirmed to it by the United States supreme court in
6 Arizona v. California, 373 U.S. 546 (1963), and the central Arizona project, which has the
7 capacity to divert into this state a significant portion of this state's entitlement to Colorado river
8 water. The legislature further finds that, due to the low priority on the Colorado river of the
9 central Arizona project and other Arizona Colorado river water users, the susceptibility of this
10 state to future shortages of water on the Colorado river is a threat to the general economy and
11 welfare of this state and its citizens.

12 B. THE LEGISLATURE FURTHER FINDS THAT WATER USERS WITHIN THE
13 CENTRAL ARIZONA PROJECT SERVICE AREA ALSO RELY ON OTHER SURFACE
14 WATER SUPPLIES, THAT THESE SUPPLIES ARE SUSCEPTIBLE TO FUTURE
15 SHORTAGES OF WATER AND THAT THESE SHORTAGES ARE A THREAT TO THE
16 GENERAL ECONOMY AND WELFARE OF THIS STATE AND ITS CITIZENS.

17 B. C. The legislature further finds that future water needs in the states of California and
18 Nevada could exceed the entitlements of those states to Colorado river water. Those future water
19 needs could thereby affect the general economy and welfare of this state and its citizens because
20 of the close economic ties among Arizona, California and Nevada.

1 D. THE LEGISLATURE FURTHER FINDS THAT ARIZONA WATER USERS
2 COULD MORE EFFICIENTLY MANAGE, DISTRIBUTE AND USE AVAILABLE WATER
3 RESOURCES THROUGH THE STORAGE OF WATER SUPPLIES AND THROUGH
4 STORED WATER LENDING ARRANGEMENTS, BUT THAT NOT ALL OF THESE
5 ARIZONA WATER USERS HAVE THE OPPORTUNITIES OR RESOURCES NEEDED TO
6 STORE WATER OR ENTER INTO STORED WATER LENDING ARRANGEMENTS.

7 E. E. The legislature further finds that for the purposes of this chapter diverting
8 Colorado river water for storage off of the Colorado river system is a consumptive use of that
9 water.

10 D. F. The legislature further finds that water banking is complimentary and compatible
11 with existing water management efforts. The Arizona water banking authority will compliment
12 and assist the activities of the central Arizona water conservation district in its mission to provide
13 a dependable and cost-effective water supply.

14 E. G. The legislature therefore finds that it is in the best interest of the general economy
15 and welfare of this state and its citizens to:

16 1. Use the central Arizona project to store otherwise unused Arizona entitlement to
17 Colorado river water within this state to meet future water needs within this state.

18 2. Provide the opportunity to the states of California and Nevada to store currently
19 unused Colorado river water in Arizona to meet future needs in those states.

20 3. PROVIDE THE OPPORTUNITY TO FACILITATE THE STORAGE OF WATER,
21 AS WELL AS STORED WATER LENDING ARRANGEMENTS, BY ENTITIES IN
22 ARIZONA WHICH MAY NOT HAVE THE OPPORTUNITIES OR RESOURCES NEEDED
23 TO STORE WATER.

24 F. H. The public policy and general purposes of this chapter are to:

25 1. Increase utilization of Arizona's Colorado river entitlement that was confirmed to
26 Arizona by the United States supreme court in article ii(b)(1), (2) and (6) of the decree entered at
27 Arizona v. California, 376 U.S. 340 (1964), and that would otherwise be unused in Arizona, by
28 delivering that water into this state through the central Arizona project aqueducts.

29 2. Store water brought into this state through the central Arizona project to protect
30 Arizona municipal and industrial water users against future water shortages on the Colorado river
31 and disruptions of operation of the central Arizona project.

32 3. Store water brought into this state through the central Arizona project to fulfill the
33 water management objectives of this state set forth in chapter 2 of this title.

34 4. Provide the opportunity for storing water brought into this state through the central
35 Arizona project to be available to implement the settlement of water right claims by Indian
36 communities within Arizona.

37 5. Provide the opportunity to authorized agencies in the states of California and Nevada
38 to store otherwise unused Colorado river water in Arizona to assist those states in meeting future
39 water needs.

40 6. PROVIDE THE OPPORTUNITY TO FACILITATE THE STORAGE OF WATER,
41 AS WELL AS STORED WATER LENDING ARRANGEMENTS, BY ENTITIES IN
42 ARIZONA WHICH MAY NOT HAVE THE OPPORTUNITIES OR RESOURCES NEEDED
43 TO STORE WATER.

1 Section 2. Section 45-2402, Arizona Revised Statutes, is amended to read:

2 45-2402. Definitions

3 Unless the context otherwise requires, the terms defined in sections 45-101, 45-402 and 45-
4 802.01 have the same meaning in this chapter and for purposes of this chapter:

5 1. "Authority" means the Arizona water banking authority.

6 2. "Banking fund" means the Arizona water banking fund.

7 3. "Central Arizona water conservation district" or "CAWCD" means the multi-county
8 water conservation district established under title 48, chapter 22.

9 4. "Commission" means the Arizona water banking authority commission.

10 5. "Decree" means the decree entered by the United States supreme court in Arizona v.
11 California, 376 U.S. 340 (1964).

12 6. "WATER BANKING SERVICES" MEANS SERVICES PROVIDED BY THE
13 AUTHORITY TO PERSONS AND INDIAN COMMUNITIES IN THIS STATE TO
14 FACILITATE FOR THOSE PERSONS AND INDIAN COMMUNITIES STORAGE OF
15 WATER AND STORED WATER LENDING ARRANGEMENTS. WATER BANKING
16 SERVICES INCLUDE ONLY ARRANGEMENTS BY WHICH WATER WILL BE MADE
17 AVAILABLE FOR USE IN ARIZONA. WATER BANKING SERVICES DO NOT INCLUDE
18 INTERSTATE WATER BANKING UNDERTAKEN BY THE AUTHORITY PURSUANT TO
19 ARTICLE 4 OF THIS CHAPTER. WATER BANKING SERVICES MAY INCLUDE, BUT
20 ARE NOT LIMITED TO:

21 a. STORAGE OF WATER

22 b. OBTAINING WATER STORAGE PERMITS

23 c. ACCRUING, EXCHANGING, AND ASSIGNING LONG-TERM STORAGE
24 CREDITS.

25 d. LENDING AND OBTAINING REPAYMENT OF LONG-TERM STORAGE
26 CREDITS.

27 7. "WATER BANKING SERVICES AGREEMENT" MEANS AN AGREEMENT
28 ENTERED INTO BETWEEN THE AUTHORITY AND A PERSON OR INDIAN
29 COMMUNITY IN THIS STATE UNDER WHICH THE AUTHORITY WILL PROVIDE
30 WATER BANKING SERVICES TO THAT PERSON OR INDIAN COMMUNITY.

31 Section 3. Section 45-2423, Arizona Revised Statutes, is amended to read:

32 45-2423. Powers and duties of authority

33 A. The authority, acting through its commission, shall:

34 1. Administer the Arizona water banking fund in accordance with this chapter.

35 2. Coordinate its staffing needs with the director and CAWCD.

36 3. Coordinate the storage of water and distribution and extinguishment of long-term
37 storage credits with the director in accordance with this chapter and the water management
38 objectives set forth in chapter 2 of this title.

39 4. Coordinate with CAWCD for the purchase, delivery and storage of Colorado river
40 water delivered through the central Arizona project in accordance with this chapter.

41 5. Coordinate and confer with state agencies, municipal corporations, special districts,
42 authorities, other political subdivisions, private entities, Indian communities and the United
43 States on matters within their jurisdiction relating to the policy and purposes of this chapter.

1 6. Determine, on an annual basis, the quantity of Colorado river water to be stored by the
2 authority and where that storage will occur.

3 7. Account for, hold and distribute or extinguish long-term storage credits in accordance
4 with this chapter.

5 8. Comply with all aspects of chapter 3.1 of this title.

6 9. Adopt an official seal for the authentication of its records, decisions and resolutions.

7 10. Keep the minutes of its meetings, all records, reports and other information relating
8 to its work and programs in permanent form, systematically indexed and filed.

9 B. The authority, acting through its commission, may:

10 1. Apply for and hold water storage permits.

11 2. Accrue, exchange, ASSIGN, LEND and hold long-term storage credits in accordance
12 with this chapter.

13 3. Exchange Colorado river water for any type of water in accordance with chapter 4 of
14 this title.

15 4. ENTER INTO WATER BANKING SERVICES AGREEMENTS.

16 5. CHARGE REASONABLE FEES FOR WATER BANKING SERVICES.

17 6. APPLY FOR AND HOLD ANY WATER QUALITY PERMIT REQUIRED FOR
18 WATER STORAGE BY THE DEPARTMENT OF ENVIRONMENTAL QUALITY UNDER
19 TITLE 49, CHAPTER 2, ARTICLE 3 AND BY FEDERAL LAW.

20 4. 7. Make and execute all contracts, including intergovernmental agreements pursuant
21 to title 11, chapter 7, article 3, that shall be signed by the chairperson, or in the chairperson's
22 absence the vice-chairperson, and attested by the secretary, necessary to:

23 (a) Obtain for storage Colorado river water delivered through the central Arizona project.
24 Agreements by which the authority obtains Colorado river water are exempt from the
25 requirements of title 41, chapter 23.

26 (b) OBTAIN FOR STORAGE EFFLUENT, BUT ONLY AFTER THE AUTHORITY
27 HAS STORED ALL AVAILABLE EXCESS CENTRAL ARIZONA PROJECT WATER OR
28 WHEN CENTRAL ARIZONA PROJECT WATER IS OTHERWISE UNAVAILABLE OR
29 UNDELIVERABLE.

30 (b) (c) Affiliate water storage permits held by the authority with storage facility permits.

31 (c) (d) Store Colorado river water AND EFFLUENT at permitted storage facilities.

32 (d) (e) Distribute long-term storage credits earned by the authority to make water
33 available to municipal and industrial users of Colorado river water in this state that are inside or
34 outside of the CAWCD service area, in accordance with the provisions of this chapter.

35 (e) (f) Store Colorado river water in Arizona on behalf of appropriately authorized
36 agencies in California and Nevada.

37 (f) (g) Cause a decrease in Arizona diversions from the Colorado river, ensuring that
38 Arizona will use less than its full entitlement to Colorado river water in years in which California
39 and Nevada agencies are contractually authorized to call on the water stored on their behalf by
40 the authority.

41 (g) (h) Distribute long-term storage credits earned by the authority on behalf of agencies
42 in California and Nevada to Colorado river water users in Arizona to use in place of Colorado
43 river water that would have otherwise been used by those Arizona users.

1 5- 8. Sue and be sued.

2 6- 9. Perform all other acts necessary for the authority to carry out its purposes, powers
3 and duties in accordance with this chapter.

4 7. 10. Submit a request for a general fund appropriation to the legislature each year. A
5 request shall be accompanied by a budget detailing how the appropriation would be used and
6 justifying the need for the appropriation.

7 11. FORM TEMPORARY COMMITTEES AS DEEMED NECESSARY BY THE
8 AUTHORITY TO PROVIDE THE AUTHORITY WITH ADVICE ON ISSUES IDENTIFIED
9 BY THE AUTHORITY. ADVISORY COMMITTEES MAY CONSIST OF MEMBERS OF
10 THE PUBLIC SELECTED BY THE AUTHORITY, MEMBERS OF THE AUTHORITY AND
11 AUTHORITY STAFF.

12 Section 4. Section 45-2425, Arizona Revised Statutes, is amended to read:

13 45-2425. Arizona water banking fund

14 A. The Arizona water banking fund is established. The state treasurer shall establish
15 subaccounts of the banking fund based on funding sources. The authority shall administer the
16 fund in accordance with this chapter.

17 B. The banking fund consists of all of the following:

18 1. Monies appropriated from the state general fund by the legislature.

19 2. Reimbursement for the distribution of long-term storage credits, collected by the
20 authority in accordance with section 45-2457, subsection B, paragraph 2.

21 3. Monies paid to the authority by the recipients of in lieu water at a groundwater savings
22 facility, in accordance with section 45-2455, subsection C.

23 4. Monies collected in accordance with section 45-611, subsection C, paragraph 3.

24 5. Monies deposited in the fund in accordance with section 48-3715.03, subsection B.

25 6. Monies paid to the authority by agencies that have entered into interstate banking
26 agreements with the authority in accordance with section 45-2471.

27 7. MONIES PAID TO THE AUTHORITY BY PERSONS AND INDIAN
28 COMMUNITIES IN THIS STATE THAT HAVE ENTERED INTO WATER BANKING
29 SERVICES AGREEMENTS WITH THE AUTHORITY IN ACCORDANCE WITH SECTION
30 45-2455.01.

31 C. In addition to the monies prescribed in this section, the authority may accept any gifts,
32 grants or donations and deposit those monies in the banking fund.

33 D. Monies in the banking fund are exempt from lapsing under section 35-190. Interest
34 earned on monies in the banking fund shall be credited to the banking fund.

35 E. The authority may use the banking fund to pay all reasonable expenses incurred in
36 carrying out its duties and responsibilities in accordance with this chapter.

37 Section 5. Section 45-2426, Arizona Revised Statutes, is amended to read:

38 45-2426. Annual report

39 A. The commission shall make and submit to the governor, president of the senate and
40 speaker of the house of representatives on or before July 1 of each year a report containing a full
41 and complete account of its transactions and proceedings for the preceding calendar year.

42 B. The report shall contain all of the following:

43 1. An accounting of all monies expended from the banking fund.

- 1 2. An accounting of all monies in the banking fund remaining available to the authority.
- 2 3. The amount of water stored by the authority.
- 3 4. The number of long-term storage credits distributed or extinguished by the authority.
- 4 5. The purposes for which long-term storage credits were distributed or extinguished by
- 5 the authority.

6 6. A DESCRIPTION OF THE WATER BANKING SERVICES AND INTERSTATE
7 WATER BANKING TO BE UNDERTAKEN BY THE AUTHORITY DURING THE
8 FOLLOWING TEN YEAR PERIOD, AND A PROJECTION OF THE CAPACITY OF THE
9 AUTHORITY DURING THAT PERIOD TO UNDERTAKE THOSE ACTIVITIES IN
10 ADDITION TO STORING COLORADO RIVER WATER BROUGHT INTO THE STATE
11 THROUGH THE CENTRAL ARIZONA PROJECT FOR ALL OF THE FOLLOWING
12 PURPOSES:

13 a. PROTECTING ARIZONA MUNICIPAL AND INDUSTRIAL WATER USERS
14 AGAINST FUTURE WATER SHORTAGES ON THE COLORADO RIVER AND
15 DISRUPTIONS OF OPERATION OF THE CENTRAL ARIZONA PROJECT.

16 b. FULFILLING THE WATER MANAGEMENT OBJECTIVES OF THIS STATE AS
17 SET FORTH IN CHAPTER 2 OF THIS TITLE.

18 c. MAKING WATER AVAILABLE TO IMPLEMENT THE SETTLEMENT OF
19 WATER RIGHT CLAIMS BY INDIAN COMMUNITIES WITHIN ARIZONA.

20 6-7. Any other matter determined by the authority to be relevant to the policy and
21 purposes of this chapter.

22 Section 6. Section 45-2427, Arizona Revised Statutes, is amended to read:

23 45-2427. Limitation on powers

24 A. This chapter does not authorize the authority to exercise any right of eminent domain.

25 B. The authority shall not store Colorado river water that would otherwise have been
26 used in this state.

27 C. The authority shall not enter into contracts with agencies in California and Nevada for
28 the storage of water on their behalf until both of the following occur:

29 1. Regulations are in effect, promulgated by the secretary of the interior of the United
30 States, that facilitate and allow the contractual distribution of unused entitlement under article
31 II(b)(6) of the decree.

32 2. The director finds that the rules promulgated by the secretary of the interior adequately
33 protect this state's rights to Colorado river water, as those rights are defined by the decree.

34 D. THE AUTHORITY SHALL NOT ENTER INTO WATER BANKING SERVICES
35 AGREEMENTS THAT WILL PROVIDE WATER FOR USE OUTSIDE ARIZONA. THE
36 AUTHORITY MAY CANCEL ANY WATER BANKING SERVICES AGREEMENT,
37 WITHOUT PENALTY OR FURTHER OBLIGATION, IF, AFTER ENTERING INTO A
38 WATER BANKING SERVICES AGREEMENT, THE AUTHORITY FINDS THAT THE
39 AGREEMENT WILL PROVIDE WATER FOR USE OUTSIDE ARIZONA. NOTICE OF
40 THIS SUBSECTION SHALL BE INCLUDED IN EVERY WATER BANKING SERVICES
41 AGREEMENT ENTERED INTO BY THE AUTHORITY. THE CANCELLATION UNDER
42 THIS SUBSECTION SHALL BE EFFECTIVE WHEN WRITTEN NOTICE PROVIDED BY
43 THE AUTHORITY IS RECEIVED BY ALL OTHER PARTIES TO THE WATER BANKING

1 SERVICES AGREEMENT.

2 Section 7. Title 45, chapter 14, is amended by adding a new section 45-2455.01, to read:
3 45-2455.01. Water banking services agreements

4 A. THE AUTHORITY MAY ENTER INTO A WATER BANKING SERVICES
5 AGREEMENT UNDER WHICH THE AUTHORITY WILL LOAN LONG-TERM STORAGE
6 CREDITS TO A PERSON OR AN INDIAN COMMUNITY IN THIS STATE IF ALL OF THE
7 FOLLOWING APPLY:

8 1. THE PERSON OR INDIAN COMMUNITY COULD HAVE LEGALLY
9 OBTAINED THE WATER THAT WAS STORED TO ACCRUE THE LONG-TERM
10 STORAGE CREDITS THAT WILL BE LOANED UNDER THE AGREEMENT, COULD
11 HAVE ACCRUED, IN ACCORDANCE WITH CHAPTER 3.1 OF THIS TITLE, THE LONG-
12 TERM STORAGE CREDITS THAT WILL BE LOANED AND COULD OTHERWISE
13 LEGALLY STORE WATER IN ACCORDANCE WITH THE LAWS OF THIS STATE.

14 2. THE AGREEMENT REQUIRES THE PERSON OR INDIAN COMMUNITY TO
15 PAY THE AUTHORITY ALL COSTS INCURRED BY THE AUTHORITY IN ACCRUING
16 THE LONG-TERM STORAGE CREDITS TO BE LOANED UNDER THE AGREEMENT.

17 3. THE AGREEMENT REQUIRES THAT THE COSTS, SPECIFIED IN
18 PARAGRAPH 2 OF THIS SUBSECTION, FOR EACH LONG-TERM STORAGE CREDIT
19 TO BE LOANED UNDER THE AGREEMENT ARE TO BE PAID TO THE AUTHORITY
20 BEFORE THE AUTHORITY DISTRIBUTES THE CREDIT PURSUANT TO THE
21 AGREEMENT.

22 4. THE AGREEMENT REQUIRES THE PERSON OR INDIAN COMMUNITY TO
23 REIMBURSE THE AUTHORITY FOR THE COSTS OF REPLACING EACH LONG-TERM
24 STORAGE CREDIT LOANED UNDER THE AGREEMENT, TO THE EXTENT THAT COST
25 EXCEEDS THE AMOUNT PAID IN ACCORDANCE WITH PARAGRAPH 3 OF THIS
26 SUBSECTION.

27 5. THE AGREEMENT REQUIRES THE AUTHORITY TO USE GOOD FAITH
28 EFFORTS TO REPLACE THE LONG-TERM STORAGE CREDIT AT A REASONABLE
29 COST TO THE PERSON OR INDIAN COMMUNITY.

30 6. THE AGREEMENT REQUIRES THAT IF THE AUTHORITY IS UNABLE TO
31 REPLACE THE LONG-TERM STORAGE CREDITS FOR ANY REASON DURING THE
32 TEN YEARS FOLLOWING THE DISTRIBUTION OF THE CREDIT, THE PERSON OR
33 INDIAN COMMUNITY SHALL NOT BE EXCUSED FROM REIMBURSING THE COSTS
34 SPECIFIED IN PARAGRAPH 4 OF THIS SUBSECTION, AND THE PERSON OR INDIAN
35 COMMUNITY SHALL PAY TO THE AUTHORITY AT THE END OF THAT TEN YEAR
36 PERIOD THE APPROXIMATE COST THE AUTHORITY WILL EXPEND IN REPLACING
37 THE CREDITS DISTRIBUTED, LESS THE AMOUNT PAID PURSUANT TO PARAGRAPH
38 2 OF THIS SUBSECTION.

39 7. THE AGREEMENT MAY PROVIDE THAT, SUBJECT TO APPROVAL BY THE
40 AUTHORITY, THE OTHER PARTY TO THE AGREEMENT MAY ASSIGN TO THE
41 AUTHORITY THE NUMBER OF LONG-TERM STORAGE CREDITS LOANED TO THE
42 PARTY IN LIEU OF THE PARTY PAYING THE COSTS REQUIRED BY PARAGRAPHS 4,
43 5 AND 6.

1 B. THE AUTHORITY MAY ENTER INTO A WATER BANKING SERVICES
2 AGREEMENT WITH A PERSON OR INDIAN COMMUNITY TO STORE WATER ON
3 BEHALF OF THE PERSON, INDIAN COMMUNITY OR OTHER BENEFICIARY NAMED
4 IN THE AGREEMENT, IF ALL OF THE FOLLOWING APPLY:

5 1. THE PERSON, INDIAN COMMUNITY OR NAMED BENEFICIARY COULD
6 LEGALLY OBTAIN THE WATER THAT THE AUTHORITY WILL STORE UNDER THE
7 AGREEMENT, COULD ACCRUE LONG-TERM STORAGE CREDITS, IN ACCORDANCE
8 WITH CHAPTER 3.1 OF THIS TITLE, FOR THE WATER TO BE STORED AND COULD
9 OTHERWISE LEGALLY STORE WATER IN ACCORDANCE WITH THE LAWS OF THIS
10 STATE.

11 2. THE AGREEMENT REQUIRES THE PERSON OR INDIAN COMMUNITY
12 ENTERING INTO THE AGREEMENT TO PAY TO THE AUTHORITY ALL COSTS THAT
13 ARE OR WILL BE INCURRED BY THE AUTHORITY IN ENTERING INTO AND
14 EXECUTING ITS OBLIGATIONS UNDER A WATER BANKING SERVICES
15 AGREEMENT.

16 C. IN DETERMINING COSTS OF PERFORMING WATER BANKING SERVICES
17 PURSUANT TO SUBSECTIONS A AND B, THE AUTHORITY MAY INCLUDE THE
18 FOLLOWING COSTS:

19 1. THE COST OF ACQUIRING WATER.

20 2. THE COST OF DELIVERING THAT WATER TO A STORAGE FACILITY,
21 INCLUDING FEES FOR THE OPERATION, MAINTENANCE, PUMPING ENERGY AND
22 CAPITAL COSTS OF THE CENTRAL ARIZONA PROJECT, AS ESTABLISHED BY THE
23 CAWCD, AND OTHER AQUEDUCTS.

24 3. THE COST OF STORING WATER, INCLUDING CONSTRUCTION, OPERATION
25 AND MAINTENANCE COSTS ASSOCIATED WITH USING A STORAGE FACILITY.

26 4. A FEE EQUIVALENT TO THE APPROXIMATE AMOUNT OF
27 ADMINISTRATIVE, LEGAL AND TECHNICAL EXPENSES INCURRED BY THE
28 AUTHORITY IN ENTERING INTO AND EXECUTING ITS OBLIGATIONS UNDER A
29 WATER BANKING SERVICES AGREEMENT.

30 5. ANY ADDITIONAL COSTS THE AUTHORITY DEEMS NECESSARY TO
31 ENTER INTO AND EXECUTE ITS OBLIGATIONS UNDER A WATER BANKING
32 SERVICES AGREEMENT.

33 D. A WATER BANKING SERVICES AGREEMENT SHALL REQUIRE A PERSON
34 ENTERING INTO THE AGREEMENT TO OBTAIN A PERFORMANCE BOND TO
35 ENSURE PAYMENT TO THE AUTHORITY OF ALL MONIES OWED TO THE
36 AUTHORITY UNDER THE AGREEMENT, UNLESS THE PERSON IS A GOVERNMENT
37 ENTITY, POLITICAL SUBDIVISION OR MUNICIPAL CORPORATION ORGANIZED
38 UNDER OR SUBJECT TO THE CONSTITUTION AND LAWS OF THIS STATE. IF THE
39 PERSON ENTERING INTO THE WATER BANKING SERVICES AGREEMENT IS AN
40 INDIAN COMMUNITY IN THIS STATE OR A GOVERNMENT ENTITY, POLITICAL
41 SUBDIVISION OR MUNICIPAL CORPORATION ORGANIZED UNDER OR SUBJECT TO
42 THE CONSTITUTION AND LAWS OF THIS STATE, THE BANKING SERVICES
43 AGREEMENT MAY REQUIRE THAT PERSON TO OBTAIN A PERFORMANCE BOND

1 TO ENSURE PAYMENT TO THE AUTHORITY OF ALL MONIES OWED TO THE
2 AUTHORITY UNDER THE AGREEMENT.

3 Section 8. Section 45-2456, Arizona Revised Statutes, is amended to read:

4 45-2456. Annual plan of operation

5 A. By January 1 of each year, the authority shall adopt a plan of operation for that
6 calendar year.

7 B. In developing the plan of operation, the authority shall consider all of the following:

8 1. The amount of Colorado river water available for storage.

9 2. The advice of the department of water resources regarding where water storage would
10 most contribute to fulfilling the water management objectives set forth in chapter 2 of this title.

11 3. The advice of CAWCD regarding the amount and location of water delivery and
12 storage that is feasible.

13 4. The respective costs of storing water at available storage facilities.

14 5. The amount of storage allowed by water storage permits held by the authority.

15 6. The monies available from the banking fund.

16 7. The way in which water stored could be used by the authority to achieve the policy
17 and purposes of this chapter.

18 8. THE OBLIGATIONS OF THE AUTHORITY UNDER ANY WATER BANKING
19 SERVICES AGREEMENT IN WHICH THE AUTHORITY HAS ENTERED.

20 8-9. Any other factor the authority determines to be relevant.

21 C. The authority shall prepare a draft plan of operation each year. The authority shall
22 solicit public comment on the draft plan of operation by presenting the draft plan of operation:

23 1. To the groundwater users advisory councils for the Tucson, Phoenix and Pinal active
24 management areas. The presentation shall be made at publicly noticed open meetings of each
25 advisory council at which members of the public shall be allowed to comment on the draft plan
26 of operation.

27 2. If any water storage during the year is to occur outside of an active management area,
28 to the county board of supervisors for each county in which the storage is to occur. The
29 presentation shall be made at a publicly noticed open meeting of the county board of supervisors
30 at which members of the public shall be allowed to comment on the draft plan of operation.

31 D. The authority may revise the draft plan of operation based on the public comment
32 received.

33 E. An adopted plan of operation shall include all of the following:

34 1. A projection of expenditures for acquiring water.

35 2. A projection of the amount of water to be acquired each month by the authority.

36 3. A projection of the cost of delivering that water through the central Arizona project to
37 a storage facility, including fees for the operation, maintenance, pumping energy and capital costs
38 of the central Arizona project as established by CAWCD.

39 4. A projection of expenditures for water storage.

40 5. A projection of water storage permits to be obtained and a projection of with which
41 storage facility permit each water storage permit will be affiliated.

42 6. A projection of the amount of water to be stored, accounted for by active management
43 area, and if water storage will occur outside of an active management area, by groundwater basin

1 or subbasin.

2 7. A projection of long-term storage credits that will be distributed or extinguished,
3 accounted for by location where the long-term storage credits were stored, the purpose for which
4 the distribution or extinguishment will occur and the persons to whom the long-term storage
5 credits will be distributed.

6 8. A PROJECTION OF LONG-TERM STORAGE CREDITS THAT WILL BE
7 STORED, LOANED, REPLACED OR DISTRIBUTED PURSUANT TO ANY WATER
8 BANKING SERVICES AGREEMENT INTO WHICH THE AUTHORITY HAS ENTERED

9 8.9. Any other matter determined to be relevant by the authority.

10 F. The authority may modify an adopted plan of operation.

11 G. The authority shall operate in accordance with its adopted or modified plan of
12 operation.

13 Section 9. Section 45-2457, Arizona Revised Statutes, is amended to read:

14 45-2457. Accounting; rules of operation

15 A. The authority shall develop an accounting system for the long-term storage credits
16 accrued by the authority. The accounting system shall be designed to allow the authority to
17 determine which funding source of the banking fund paid for each long-term storage credit
18 accrued by the authority.

19 B. The authority shall operate in accordance with all of the following rules of operation:

20 1. The authority shall reserve a reasonable number of long-term storage credits accrued
21 with general fund appropriations for the benefit of municipal and industrial users of Colorado
22 river water in this state that are outside of the service area of CAWCD.

23 2. The authority may distribute long-term storage credits accrued with general fund
24 appropriations for both of the following:

25 (a) To make water available to a municipal and industrial user of Colorado river water in
26 this state that is outside of the service area of CAWCD, if both of the following apply:

27 (i) The municipal and industrial user would otherwise suffer a water shortage. The
28 authority may distribute long-term credits to the extent reasonably necessary to offset the water
29 shortage.

30 (ii) The authority collects reimbursement for the cost to the authority of replacing the
31 long-term storage credits distributed. THE AUTHORITY MAY REPLACE THE LONG-TERM
32 STORAGE CREDITS IN ANY YEAR IT DEEMS APPROPRIATE BUT SHALL USE GOOD
33 FAITH EFFORTS TO REPLACE THE LONG-TERM STORAGE CREDITS AT A
34 REASONABLE COST TO THE PERSON WHO IS RESPONSIBLE FOR REIMBURSING
35 THE AUTHORITY FOR THE CREDITS DISTRIBUTED.

36 (b) To make water available to CAWCD to the extent necessary for CAWCD to meet the
37 demands of its municipal and industrial subcontractors, if all of the following apply:

38 (i) CAWCD's normal diversions from the Colorado river have been or will be disrupted
39 by shortages on the river or by disruptions in the operation of the central Arizona project.

40 (ii) The authority does not distribute for this purpose the long-term storage credits
41 reserved in accordance with paragraph 1 of this subsection.

42 (iii) The authority collects reimbursement from CAWCD for the cost to the authority of
43 replacing the long-term storage credits distributed. THE AUTHORITY MAY REPLACE THE

1 LONG-TERM STORAGE CREDITS IN ANY YEAR IT DEEMS APPROPRIATE BUT
2 SHALL USE GOOD FAITH EFFORTS TO REPLACE THE LONG-TERM STORAGE
3 CREDITS AT A REASONABLE COST TO CAWCD.

4 3. The authority may distribute or extinguish long-term storage credits accrued with
5 general fund appropriations to implement the settlement of water right claims by Indian
6 communities in this state.

7 4. On request from the director, the authority may extinguish long-term storage credits
8 accrued with general fund appropriations to fulfill the water management objectives set forth in
9 chapter 2 of this title.

10 5. The authority may exchange long-term storage credits accrued with general fund
11 appropriations for long-term storage credits held by other persons if the long-term storage credits
12 received by the authority were stored in a location that better enables the authority to fulfill the
13 purposes and policies of this chapter than were the long-term storage credits exchanged by the
14 authority. For the purposes of this paragraph, the authority may make exchanges of long-term
15 storage credits stored in one active management area for long-term storage credits stored in a
16 different active management area or of long-term storage credits stored in one groundwater basin
17 for long-term storage credits stored in a different groundwater basin.

18 6. The authority shall distribute or extinguish long-term storage credits accrued with
19 monies collected in accordance with section 45-611, subsection C, paragraph 3 only for the
20 benefit of the active management area in which the monies were collected. The authority may
21 distribute or extinguish these long-term storage credits to implement the settlement of water right
22 claims by Indian communities in this state or, on request from the director, to meet the water
23 management objectives set forth in chapter 2 of this title.

24 7. The authority shall distribute long-term storage credits accrued with monies deposited
25 in the fund in accordance with section 48-3715.03, subsection b B only for the benefit of the
26 county in which the monies were collected. The authority shall distribute these long-term storage
27 credits to CAWCD to the extent necessary to meet the demands of CAWCD's municipal and
28 industrial subcontractors during times in which CAWCD's diversions from the Colorado river
29 have been or will be disrupted by shortages on the Colorado river or by disruptions in operation
30 of the central Arizona project.

31 8. FOR EACH COUNTY WITHIN THE CAWCD SERVICE AREA, UPON A
32 DETERMINATION BY THE AUTHORITY THAT THE NUMBER OF LONG-TERM
33 STORAGE CREDITS ACCRUED WITH MONIES DEPOSITED IN THE FUND IN
34 ACCORDANCE WITH SECTION 48-3715.03, SUBSECTION B, EXCEEDS THE NEEDS
35 SPECIFIED IN PARAGRAPH 7 OF THIS SUBSECTION FOR THAT COUNTY, THE
36 AUTHORITY SHALL DISTRIBUTE THOSE EXCESS LONG-TERM STORAGE CREDITS
37 TO MUNICIPAL WATER PROVIDERS WITHIN THAT COUNTY THAT ARE AT THE
38 TIME OF DISTRIBUTION EXPERIENCING SURFACE WATER SUPPLY SHORTAGES
39 NOT ASSOCIATED WITH THE CENTRAL ARIZONA PROJECT. THE AUTHORITY
40 SHALL DISTRIBUTE TO EACH SUCH MUNICIPAL WATER PROVIDER THE LESSER
41 OF THE FOLLOWING NUMBER OF LONG-TERM STORAGE CREDITS:

42 a. THE TOTAL NUMBER OF CREDITS DETERMINED TO BE AVAILABLE BY
43 THE AUTHORITY UNDER THIS PARAGRAPH MULTIPLIED BY THE PERCENTAGE

1 CREATED BY DIVIDING A NUMERATOR EQUALING THE AMOUNT OF REVENUES
2 PAID PURSUANT TO SECTION 48-3715.02, SUBSECTIONS B AND C, BY TAXPAYERS
3 WHICH ARE WITHIN BOTH THE BOUNDARIES OF THE MUNICIPAL PROVIDER THAT
4 IS EXPERIENCING THE SHORTAGE AND THE BOUNDARIES OF THE SURFACE
5 WATER SUPPLY SYSTEM THAT IS EXPERIENCING THE SHORTAGE BY A
6 DENOMINATOR EQUALING THE TOTAL REVENUES PAID PURSUANT TO SECTION
7 48-3715.02, SUBSECTIONS B AND C, BY ALL TAXPAYERS WHICH ARE LOCATED
8 WITHIN BOTH THE BOUNDARIES OF A MUNICIPAL WATER PROVIDER AND THE
9 BOUNDARIES OF A SURFACE WATER SUPPLY SYSTEM IN THE COUNTY. IN
10 MAKING THESE CALCULATIONS, THE AUTHORITY SHALL USE THE AMOUNTS OF
11 REVENUE PAID BY TAXPAYERS DURING THE MOST RECENT TAX YEAR FOR
12 WHICH THIS INFORMATION IS AVAILABLE.

13 b. TWENTY PERCENT OF THE TOTAL SURFACE WATER SHORTAGE THE
14 MUNICIPAL AND INDUSTRIAL WATER PROVIDER IS EXPERIENCING.

15 9. THE AUTHORITY SHALL DISTRIBUTE OR REPLACE LONG-TERM STORAGE
16 CREDITS ACCRUED WITH MONIES COLLECTED PURSUANT TO WATER BANKING
17 SERVICES AGREEMENTS IN ACCORDANCE WITH THE TERMS OF THOSE
18 AGREEMENTS.

19 C. Any other long-term storage credits accrued by the authority may be distributed or
20 extinguished by the authority in accordance with the policy and purposes of this chapter.

21 D. Except as provided by subsection B, paragraph 7 of this section and except as
22 provided by agreements entered into by the authority, the decision to distribute or extinguish any
23 long-term storage credit accrued by the authority is at the complete discretion of the authority.

24 Section 10. Section 48-3715, Arizona Revised Statutes, is amended to read:

25 48-3715. Tax levy

26 A. On or before the second Monday in August of each year, the clerk of the county board of
27 supervisors of each county within the district shall certify to the district board the total assessed
28 valuation of all taxable property in the county. On or before the third Monday in August of each year,
29 the district board shall fix the amount to be raised by direct taxation for the purpose of carrying out
30 the provisions of this chapter, and shall levy a tax sufficient to raise such amount. Such tax shall not
31 exceed ten cents on each one hundred dollars of assessed valuation in the district. The district board
32 shall forthwith certify such tax rate to the board of supervisors of each county within the district,
33 which boards at the time of levying general county taxes shall levy and cause to be collected taxes
34 on the taxable property within such county at the tax rate fixed by the district board. The tax when
35 collected shall be paid to the state treasurer and be credited to the district fund to be expended by the
36 district only for purposes authorized by this chapter, which shall include costs and expenses of
37 administration.

38 B. The district board shall charge and collect a fee in lieu of taxes paid pursuant to subsection
39 A for each acre-foot of central Arizona project water purchased or leased and delivered to or credited
40 to a purchaser or lessee. The amount of this fee shall be computed by dividing the sum of the taxes
41 levied in each county within the district pursuant to subsection A in the PREVIOUS year in which
42 the fee is charged by the AVERAGE ANNUAL amount of Colorado river water available for
43 ~~diversion into the central Arizona project as determined by the secretary during that year~~

1 DELIVERED THROUGH THE CENTRAL ARIZONA PROJECT SYSTEM FOR NON-FEDERAL
2 MUNICIPAL AND INDUSTRIAL AND AGRICULTURAL USE OVER THE PREVIOUS THREE
3 (3) YEARS. This fee does not apply to:

4 1. Indian tribes with respect to water used directly on Indian reservation land in this state or
5 on land owned in this state by the Indian tribe.

6 2. Water service providers whose customers are real property owners within the service area
7 of the district and who pay the tax levied pursuant to subsection A. For purposes of this paragraph,
8 "water service provider" means any person that has any obligation or duty of any nature to deliver
9 water within the district's service area.

10 3. Persons who have entered into a contract with the district under which they agree to make
11 payments in lieu of the tax levied pursuant to subsection A.

12 4. Persons that are real property owners within the service area of the district and that will
13 use the water within the district's service area.

14 5. The Arizona water banking authority if that authority is acquiring water that will be used
15 for the benefit of those persons prescribed in this subsection.
16