

ARIZONA WATER BANKING AUTHORITY
Wednesday, June 22, 2005

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3	Jim PETERSON	(520) 297-2771
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14	Frank M. Spawton	402-544-2400
15	Lee Albright	702-862-3775
16	Tom Nake	702-862-3702
17	Kathryn Orin	on file
18	Jan Carr	
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21	Denise Forbes	602 440 4884
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Arizona Water Banking Authority
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PLEASE POST

NOTICE OF PUBLIC MEETING

Pursuant to A.R.S. § 38-431.02, notice is hereby given that there will be a meeting of the Arizona Water Banking Authority Commission on June 22, 2005 at 10:00 a.m. at the Arizona Department of Water Resources, 500 North Third Street, Phoenix, Arizona 85004, Third Floor Conference Room B. The meeting is open to the general public. A copy of the agenda for the meeting is posted below.

Dated this 21ST day of June, 2005

FINAL AGENDA

Arizona Water Banking Authority Commission Meeting

- I. Welcome/Opening Remarks
- II. Approval of Minutes of March 16, 2005 AWBA Meeting
- III. Water Banking Staff Activities
 - Deliveries
 - Update regarding Indian Farming Study Commission
 - Status of 7 basin states discussions
 - Legislative activity
- IV. 2004 Annual Report
 - Overview of 2004 Annual Report
 - Discussion regarding Ten Year Plan 2006-2015
 - Approval of 2004 Annual Report and Ten Year Plan
- V. FY 2006 Administrative Budget
 - Overview of 2006 administrative budget
 - Adoption of 2006 administrative budget
- VI. Discussion and Potential Approval of Amendments to Excess Water Contract
- VII. Discussion Regarding Status of Agreement to Firm Future Supplies
- VIII. Interstate Water Banking
 - Update on discussions regarding expenditure of funds obtained pursuant to the Amended Agreement for Interstate Water Banking
 - Status of CAP/MWD discussions regarding long-term storage credits developed pursuant to the demonstration project

IX. Call to the Public

Future Meeting Date:
Wednesday, September 21, 2005

*This is a tentative agenda that is subject to change prior to the scheduled meeting date. Please contact the AWBA at (602) 417-2418 24 hours in advance of meeting for final agenda.

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

ARIZONA WATER BANKING AUTHORITY
Draft Minutes¹

March 16, 2005
Arizona Department of Water Resources



AUTHORITY MEMBERS
Herbert R. Guenther, Chairman
Charles L. Cahoy, Secretary
John Mawhinney
Maureen R. George
William K. Perry

EX OFFICIO MEMBERS
Representative Jake Flake
Senator Linda Binder

Welcome/Opening Remarks

Senator Herb Guenther welcomed the attendees. John Mawhinney and Maureen George were not present at the start of the meeting. Mr. Mawhinney joined the meeting during executive session.

Introduction of New Authority Member

Sen. Guenther introduced William K. Perry as the newest member of the Authority. Mr. Perry was elected president of the CAWCD board on March 3, 2005, replacing George Renner.

Consideration of Motion for Executive Session for Consultation with AWBA Attorneys to Obtain Legal Advice Regarding Potential Appropriation of AWBA Funds

On a motion by Mr. Perry and a second by Chuck Cahoy, the Authority convened in executive session.

Reconvene in Open Session

Consideration of Action Pursuant to Executive Session

Sen. Guenther announced that there was no action to be taken pursuant to the executive session.

Approval of Minutes of December 9, 2004 Meeting

The Authority approved the minutes of the meeting with a minor change.

Water Banking Staff Activities

Tim Henley reviewed water deliveries and stated that deliveries are pretty much right on projected but only because not much was planned early in the year. There was a question regarding CAP releasing water to the Salt River. Mr. Henley noted that it was a CAP operational issue and that the water was released to avoid a flood event.

Mr. Henley informed the Authority that staff were beginning work on the 2004 Annual Plan of Operation that would be submitted to the Governor and legislature at the end of June. He informed the Authority that if there was anything specific they wanted included in the report, they should contact AWBA staff. He noted that there would be information in the report regarding the amended agreement for interstate water banking and the Indian settlements.

Mr. Henley noted that the two agreements approved at the December 2004 meeting had both been executed.

Mr. Henley provided an update regarding the Multi-Species Conservation Program. He noted that the signing ceremony would take place at Hoover Dam on April 4 after almost a decade of work. He noted that a question has been raised about the AWBA obtaining a certificate of inclusion for the MSCP. Chuck Cahoy stated that he has discussed this issue with staff on a number of occasions. He noted

¹ Please note that these are not formal minutes but a summary of discussion and action of the meeting. Official minutes are prepared prior to the next Authority meeting and are approved at that meeting.

that it is probably not a necessity to obtain a certificate of inclusion, however, it wouldn't be harmful and may ultimately be needed at some future point in time. He requested that staff review the process for obtaining a certificate of inclusion. Gregg Houtz stated that he thought it would be a good idea and Mr. Mawhinney voiced his support of the AWBA obtaining a certificate.

Discussion Regarding Status of Agreement to Firm Future Supplies

Mr. Henley reiterated that the agreement had been executed and that the Mohave County Water Authority is in the process of discussions with potential participants. Mr. Henley noted that participants have until July 1, 2005 to become parties to the agreement. Tom Griffin noted that the MCWA is still waiting to hear from participants.

Discussion and Potential Action Regarding 2005 Annual Plan of Operation

Mr. Henley noted that when the 2005 Plan was adopted in December of 2004, there was limited water available to the AWBA. Consequently, the Plan was limited and did not include an interstate water banking component. However, over the last three months, the situation has changed due to numerous requests for re-marketing of water from other CAP customers. The end result is an opportunity for the AWBA to store more water for both intrastate and interstate purposes. Because there are adequate funds in Maricopa County, additional storage can be paid for with intrastate funds. However, in Pima and Pinal County, there exists little carryover in funds so the additional storage would be for interstate purposes. A secondary benefit of interstate storage is that water stored for those purposes is full cost water. As some of the water being remarketed has a take-or-pay component, interstate storage allows the original customer to cover all of their costs through the remarket. Additionally, Mr. Henley stated that the Plan had a GSF cost share of \$30 an acre-foot. However, due to planning and commitments already made, the large GSF operations would not be willing to take additional water at \$30 an acre foot. Staff surveyed the GSF and identified that a \$26 cost share would insure maximum GSF participation.

Mr. Henley requested that the Authority approve an amendment to the Plan to permit interstate water banking and to approve the \$26 GSF cost share. He noted that GSF participants had been informed that the \$26 water would only be available after all their Ag settlement pool water and \$30 AWBA water had been utilized. Mr. Perry asked how much water total would be utilized in this manner. Mr. Henley stated that the USFs could take an additional 80,000 acre-feet and that the GSFs would take approximately 75,000 acre-feet of additional water at \$26. He noted that this would still leave available CAP capacity and that staff would also look at the Vidler facility although the agreement between Vidler and the AWBA has terminated.

There was a question regarding whether Arizona would be able to fully utilize its 2.8 MAF allocation in 2005. Larry Dozier stated that it was highly likely that Arizona would not use 2.8 MAF this year. He noted that the limiting factor would be recharge facility capacity. However, he also stated that he thought that the other Lower Basin states would not fully utilize their entitlement either.

A motion was made and seconded to amend the Plan to include interstate water banking and a \$26 cost share for GSF. Tom Buschatzke of the City of Phoenix stated the city's support of the amended Plan and inclusion of interstate water banking even in Maricopa Count. Paul Orme, counsel for CAIDD and MSIDD, stated the agricultural district's support of the reduced GSF cost share. Mr. Mawhinney stated that he would like it to be of record that he thinks it is advisable for the Authority to initiate policy discussions regarding the types of things that could be done with the \$100 million of Nevada money. He stated that he would like to see some clarity and priorities regarding expenditure of the money.

Discussion and Potential Approval of Amendments to Excess Water Contract

Mr. Henley informed the Authority that Section 10 of the agreement had been provided to them and that this was the section being amended. He noted that when the contract had originally been negotiated, the AWBA paid via 12 levelized monthly payments. Now, CAP would like to bill the AWBA on a monthly basis for actual deliveries and the amendments permit that. Mr. Dozier noted that it should be more efficient for both AWBA and CAP staff. Mr. Cahoy noted that he would prefer redline strikeout versions of future contracts. The amendments were approved.

Interstate Water Banking

Mr. Henley started the discussion by noting that the question regarding the \$100 million became “What does the AWBA do with these funds?” He noted that AWBA staff met with the state treasury office to discuss ways to maximize interest earnings of the money and that they identified the Local Government Investment Pool (LGIP) as a potential investment option. AWBA participation in the LGIP would require new authority or agreement with an authorized entity. Senator Guenther asked how much water could be purchased and stored with \$100 million. Mr. Henley stated that he thought it could develop about 1 MAF of credits. There was discussion regarding the various investment options available to the AWBA within the LGIP and development of a policy to prioritize uses for the money. Mr. Cahoy requested that staff continue to examine all of the options available and supported the idea of identifying priorities of use for the money. Mr. Guenther informed the Authority that HB 2735 had been introduced the previous evening. Part of HB 2735 dealt with the AWBA and required annual reporting with respect to monies received pursuant to interstate water storage agreements.

Mr. Henley provided background information regarding the storage credits developed by CAWCD under the 1990s demonstration project. In 2004, MWD requested recovery of the 89,000 acre feet of credits developed on their behalf in 2005. In the process of negotiating the recovery, CAP has offered to pay MWD for the credits. In that way, the credits would not need to be recovered in 2005 and CAP would just retain possession of the credits. There has not yet been any response from MWD. This could benefit the AWBA as the CAP may offer the 89,000 acre-feet of credits to the AWBA.

Discussion Regarding Indian Firming

Mr. Henley noted that HB 2728 was included in the Authority member’s packets and that it had passed the House and was before the Senate that afternoon. He summarized some key provisions:

- Section 2 extends withdrawal fees past 2016 in the Pinal AMA
- Page 24 describes the replenishment obligation. ADWR through the Director calculates the replenishment obligation annually
- Section 26-24 establishes replenishment bank and identifies the AWBA as the entity responsible for maintaining the bank. The federal legislation doesn’t make this distinction but Pinal water users thought AWBA most likely candidate without creating a new entity.
- Page 34 describes the creation of a study commission to address firming the supplies and how the obligations will be best met.
- Some changes to the AWBA statutes were required, AWBA now has authority to directly deliver water to meet the requirements of chapter 15 of the bill

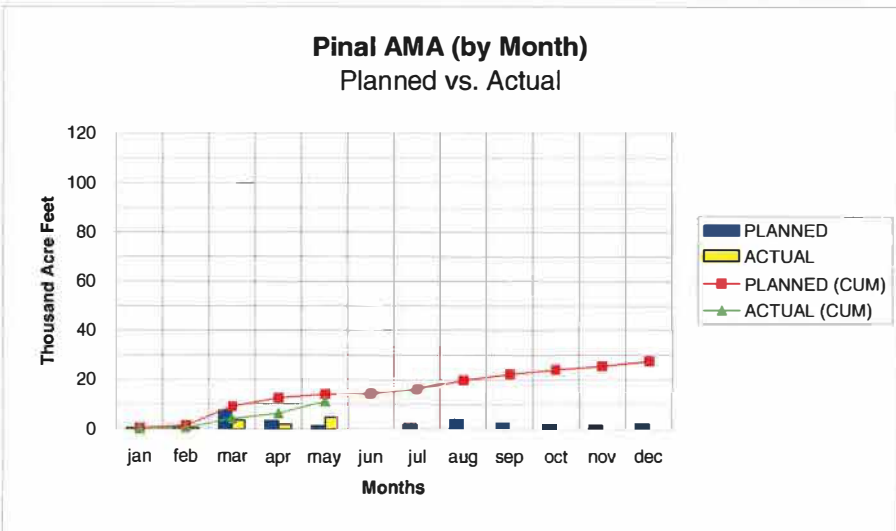
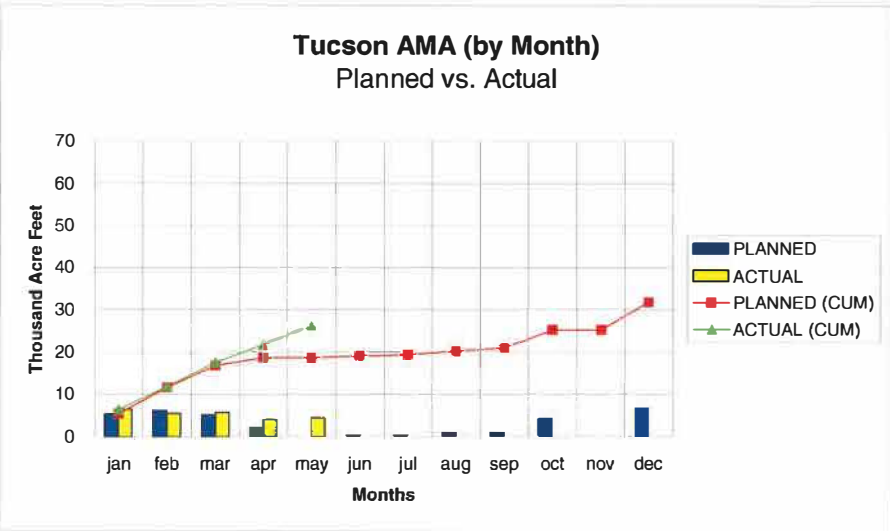
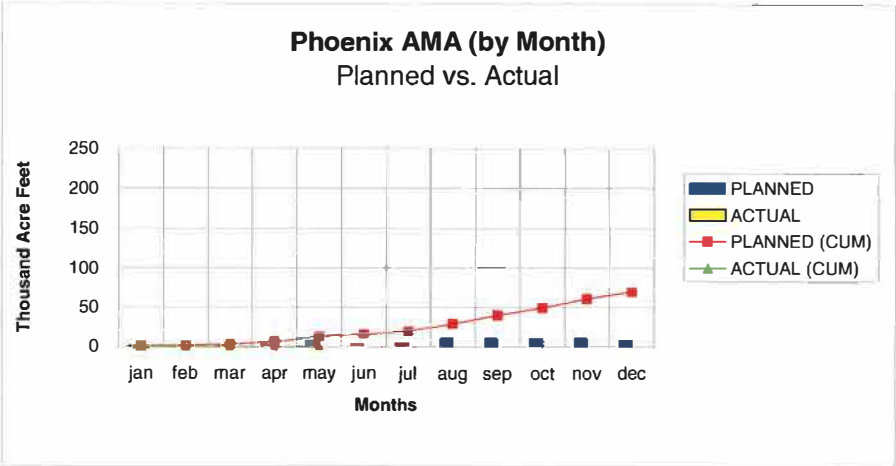
Because of the legislatively created study commission, Mr. Henley noted that the AWBA Indian Firing Committee would not meet anymore. Gregg Houtz noted that meeting the AWBA's responsibilities would probably require an IGA between the AWBA and the tribe. He noted that the deadline for all required actions was December 31, 2007.

Call to the Public

Questions and comments made by the public are included in the above discussion under the agenda item in which they were made. There was no additional public comment at this time.

The meeting concluded at 12:15 p.m.

2005 Plan of Operation



Actual deliveries updated <i>Plan of Operation</i>	15-Jun-05 <i>1-Jan-05</i>	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
Phoenix AMA														
GRUSP	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
AGUA FRIA	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	<i>500</i>	<i>0</i>	<i>0</i>	<i>1,000</i>	<i>1,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,000</i>	<i>1,500</i>	<i>0</i>	<i>5,000</i>
CHCID	0	0	0	0	15	0	0	0	0	0	0	0	0	15
	<i>0</i>	<i>0</i>	<i>50</i>	<i>50</i>	<i>50</i>	<i>100</i>	<i>75</i>	<i>75</i>	<i>50</i>	<i>83</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>533</i>
NMIDD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>4,000</i>	<i>1,500</i>	<i>3,000</i>	<i>6,000</i>	<i>6,500</i>	<i>6,000</i>	<i>5,584</i>	<i>2,500</i>	<i>0</i>	<i>35,084</i>
QCID	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2,285</i>	<i>2,000</i>	<i>800</i>	<i>960</i>	<i>1,600</i>	<i>0</i>	<i>7,645</i>
TID	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
SRP	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	<i>800</i>	<i>800</i>	<i>800</i>	<i>800</i>	<i>800</i>	<i>0</i>	<i>0</i>	<i>800</i>	<i>800</i>	<i>800</i>	<i>800</i>	<i>800</i>	<i>800</i>	<i>8,000</i>
MWD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,050</i>	<i>1,050</i>	<i>1,050</i>	<i>1,050</i>	<i>1,050</i>	<i>1,050</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>6,300</i>
HIEROGLYPHIC	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	<i>0</i>	<i>100</i>	<i>100</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,767</i>	<i>2,417</i>	<i>2,416</i>	<i>0</i>	<i>6,800</i>
Subtotal	0	0	0	0	15	0	0	0	0	0	0	0	0	15
Total to date	0	0	0	0	15	15	15	15	15	15	15	15	15	15
<i>Projected total to date</i>	<i>1,300</i>	<i>2,200</i>	<i>3,150</i>	<i>6,050</i>	<i>12,950</i>	<i>15,600</i>	<i>19,725</i>	<i>29,935</i>	<i>40,335</i>	<i>49,785</i>	<i>60,546</i>	<i>69,362</i>	<i>69,362</i>	<i>69,362</i>
Pinal AMA														
CAIDD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2,000</i>	<i>2,000</i>	<i>1,500</i>	<i>1,000</i>	<i>1,000</i>	<i>1,500</i>	<i>0</i>	<i>9,000</i>
MSIDD	63	0	0	2,000	4,818	0	0	0	0	0	0	0	0	6,881
	<i>300</i>	<i>0</i>	<i>1,960</i>	<i>880</i>	<i>1,440</i>	<i>0</i>	<i>0</i>	<i>1,750</i>	<i>920</i>	<i>720</i>	<i>450</i>	<i>580</i>	<i>0</i>	<i>9,000</i>
HIDD	103	482	3,752	0	0	0	0	0	0	0	0	0	0	4,337
	<i>275</i>	<i>1,000</i>	<i>5,600</i>	<i>2,625</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>9,500</i>
Subtotal	166	482	3,752	2,000	4,818	0	0	0	0	0	0	0	0	11,218
Total to date	166	648	4,400	6,400	11,218	11,218	11,218	11,218	11,218	11,218	11,218	11,218	11,218	11,218
<i>Projected total to date</i>	<i>575</i>	<i>1,575</i>	<i>9,135</i>	<i>12,640</i>	<i>14,080</i>	<i>14,080</i>	<i>16,080</i>	<i>19,830</i>	<i>22,250</i>	<i>23,970</i>	<i>25,420</i>	<i>27,500</i>	<i>27,500</i>	<i>27,500</i>
Tucson AMA														
Avra Valley	402	308	107	0	0	0	0	0	0	0	0	0	0	817
	<i>338</i>	<i>338</i>	<i>338</i>	<i>0</i>	<i>0</i>	<i>338</i>	<i>338</i>	<i>338</i>	<i>300</i>	<i>247</i>	<i>0</i>	<i>650</i>	<i>0</i>	<i>3,225</i>
Clearwater	0	0	500	500	500	0	0	0	0	0	0	0	0	1,500
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>4,000</i>	<i>0</i>	<i>6,000</i>	<i>0</i>	<i>10,000</i>
Pima Mine	2,185	1,497	1,289	0	3,964	0	0	0	0	0	0	0	0	8,935
	<i>2,040</i>	<i>2,040</i>	<i>2,040</i>	<i>819</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>6,939</i>
Lower Santa Cruz	3,847	3,652	3,809	3,569	0	0	0	0	0	0	0	0	0	14,877
	<i>3,000</i>	<i>3,800</i>	<i>2,800</i>	<i>1,100</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>10,700</i>
Kai Red Rock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>500</i>	<i>500</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,000</i>
Subtotal	6,434	5,457	5,705	4,069	4,464	0	0	0	0	0	0	0	0	26,129
Total to date	6,434	11,891	17,596	21,665	26,129	26,129	26,129	26,129	26,129	26,129	26,129	26,129	26,129	26,129
<i>Projected total to date</i>	<i>5,378</i>	<i>11,556</i>	<i>16,734</i>	<i>18,653</i>	<i>18,653</i>	<i>18,991</i>	<i>19,329</i>	<i>20,167</i>	<i>20,967</i>	<i>25,214</i>	<i>25,214</i>	<i>31,864</i>	<i>31,864</i>	<i>31,864</i>
TOTAL														
TOTAL	6,600	5,939	9,457	6,069	9,297	0	0	0	0	0	0	0	0	37,362
Total to date	6,600	12,539	21,996	28,065	37,362	37,362	37,362	37,362	37,362	37,362	37,362	37,362	37,362	74,724
<i>Projected total to date</i>	<i>7,253</i>	<i>15,331</i>	<i>29,019</i>	<i>37,343</i>	<i>45,683</i>	<i>48,671</i>	<i>55,134</i>	<i>69,932</i>	<i>83,552</i>	<i>98,969</i>	<i>111,180</i>	<i>128,726</i>	<i>128,726</i>	<i>128,726</i>

MEMORANDUM

To: Tim Henley, Manager of AWBA

From: Gregg Houtz, Legal Division *GHT*

Subject: ESA Coverage for the AWBA

Date: April 12, 2005

The Arizona Water Banking Authority (AWBA) has contracts for delivery of Colorado River water through the Central Arizona Project (CAP) for underground storage. Environmental compliance for the CAP is authorized and mandated as a federal reclamation project, through the National Environmental Policy Act (NEPA) and the Endangered Species Act (ESA). You have asked to what extent AWBA activities are covered under CAP's environmental compliance, and should the AWBA be a permit holder under the Lower Colorado River Multi-Species Conservation Program (MSCP).

NEPA Compliance and Biological Opinions

Environmental compliance by the Bureau of Reclamation, including NEPA and ESA section 7 consultations with the U.S. Fish and Wildlife Service, has resulted in at least three ESA Biological Opinions. The 1994, 1996 and 1999 Biological Opinions have mandated actions (including mitigation measures) that cover all current and proposed deliveries within the current CAP service area. The result is that all current activities of the CAP and its customers (including the AWBA) have adequate environmental protection for delivery of water.

Environmental compliance for interstate banking activities falls with the Environmental Impact Statement (EIS) conducted pursuant to the Secretary Interstate Banking Regulations. The AWBA has operated in compliance with those regulations, and therefore, maintains the environmental protections that the EIS provides. Should the Regulations change to offer differing approaches to development of Intentionally Created Unused Apportionments, the Secretary will need to have additional NEPA compliance, which may provide different environmental requirements.

Lower Colorado River Multi-Species Conservation Program

On April 4, 2005, the Bureau of Reclamation, the U.S. Fish and Wildlife Service and some 36 non-federal entities, including the CAP, formally entered into the Lower Colorado River Multi-Species Conservation Program (MSCP). Under the MSCP, ESA coverage is provided to the entities diverting Colorado River water, or contracting for

power generation. Prior to this, a section 7 Biological Opinion was issued for the Bureau of Reclamation for the past and current diversions (including CAP), along with the other operations of the River. That Biological Opinion expires at the end of April 2005. The MSCP is a unique joint program, with a section 7 (Federal activities) biological opinion and incidental take statement, and a section 10 (non-federal incidental take) permit, covering present and future activities, as described in the program documents, for the next 50 years.

Under the MSCP, all current and anticipated diversions by the CAP are covered for the benefit of all CAP water users. The MSCP covers impacts of operations and maintenance of facilities within the floodplain of the Colorado River and to the full pool elevation of its reservoirs, including pumping and diversion of water by CAP at the Mark Wilmer Pumping Plant. It also includes future actions in Arizona such as water transfers and intrastate and interstate water banking by the AWBA. Based on the Biological Opinions and EIS discussed above along with the MSCP, environmental coverage exists for all of the past, present and future activities of CAP customers, including AWBA.

The City of Mesa and the Salt River Project, both CAP customers, have also become MSCP permit holders. In both cases, the coverage sought was for participation in power generation by the Parker-Davis Project, an activity that AWBA is not a participant. Mesa is the only CAP long-term contract customer to also be a MSCP permit holder.

In discussions with CAP staff and other CAP water users, there are concerns about AWBA becoming a MSCP section 10 permit holder at this time. They are concerned that such additional coverage implies that other CAP contractors are not covered by CAP's MSCP permit. Because there is no over-riding legal requirement to file for a permit, it would seem to be prudent to take no action that will create an undue concern with other CAP contractors.

The MSCP outlines a process for future applications for coverage under the section 10 permit. A future action would be analyzed to see if it falls within the current and future MSCP coverage of activities, or whether the MSCP actions adequately address the activity of the application.

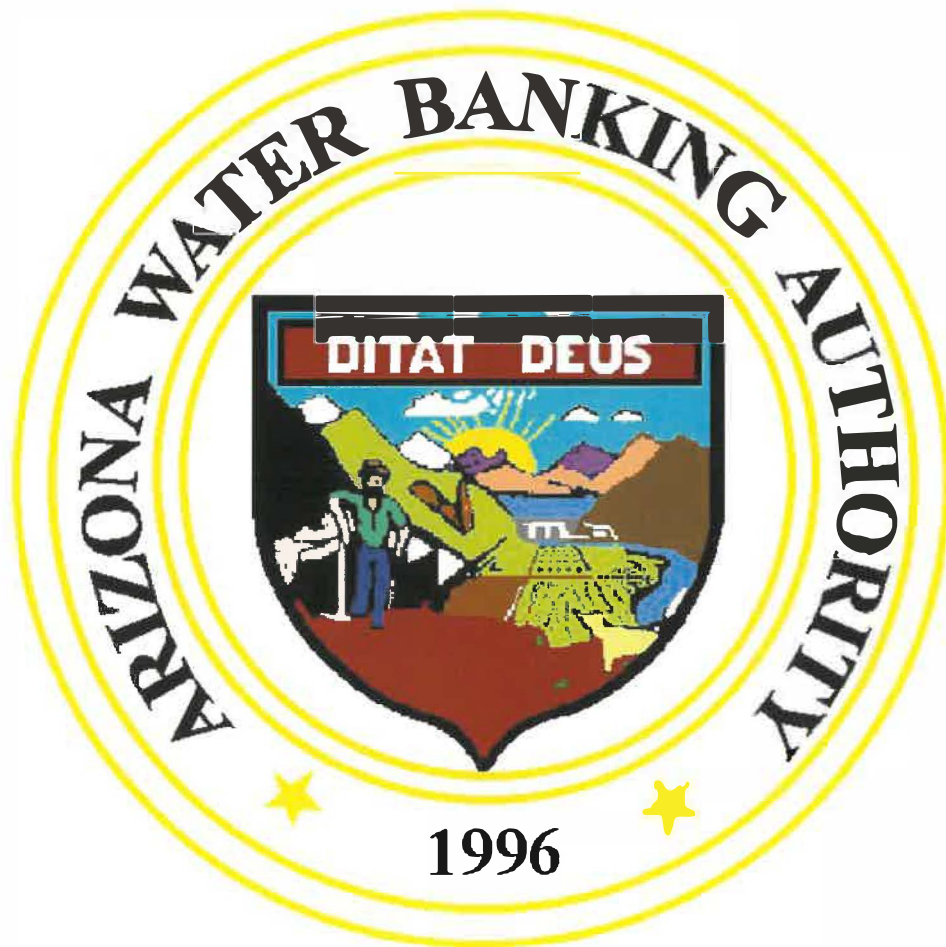
Summary

Past, current and anticipated activities of the AWBA are covered under the CAP Biological Opinions, the Interstate Banking EIS, and the MSCP section 10 permit. There is, at this time, no need to seek additional protection as a separate MSCP section 10 permit holder. Should the AWBA decide to take on an activity separate and apart from current activities, additional review of needed environmental compliance is warranted.

DRAFT - dated June 15, 2005

ARIZONA WATER BANKING AUTHORITY

ANNUAL REPORT
2004



Submitted

July 1, 2005

DRAFT - dated June 15, 2005

Arizona Water Banking Authority
Annual Report
2004

Honorable Janet Napolitano
Governor of Arizona

Members

Herbert R. Guenther
Chairman

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Vice-chairman

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Member

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Senator Linda Binder
Representative Jake Flake

DRAFT - dated June 15, 2005

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DRAFT - dated June 15, 2005

Arizona Water Banking Authority Annual Report Requirement

Arizona Revised Statutes § 45-2426 mandates that the Arizona Water Banking Authority (AWBA) file an annual report with the Governor, President of the Senate and Speaker of the House of Representatives on or before July 1 of each year for the previous calendar year. The report is required to be a full and complete account of the AWBA's transactions and proceedings and must include the following:

1. An accounting of all monies expended from the banking fund.
2. An accounting of all monies in the banking fund remaining available to the AWBA.
3. The amount of water stored by the AWBA.
4. The number of long-term storage credits distributed or extinguished by the AWBA.
5. The purposes for which long-term storage credits were distributed or extinguished by the AWBA.
6. A description of the water banking services and interstate water banking to be undertaken by the AWBA during the following ten year period and a projection of the capacity of the AWBA during that period to undertake those activities in addition to storing Colorado River water brought into the state through the Central Arizona Project (CAP) for all of the following purposes:
 - a. Protecting this state's municipal and industrial (M&I) water users against future water shortages on the Colorado River and disruptions of operation of the CAP.
 - b. Fulfilling the water management objectives of the state.
 - c. Making water available to implement the settlement of water rights claims by Indian communities within Arizona.
7. Any other matter determined by the authority to be relevant to the policy and purposes of the AWBA.

Update

Calendar year 2004 can best be described as a year of limits as the AWBA faced significant constraints with respect to availability of funds and water. The limits were somewhat lessened with respect to water as additional water became available for storage throughout the course of the year and the AWBA was able to fully utilize it. There was not, however, any increases in the amount of funds available to the AWBA. In fact, Senate Bill 1402 that was signed by the governor on May 28, 2004 transferred an additional \$2 million from the AWBA Fund for fiscal year (FY) 2004-2005. Additionally, the Central Arizona Water Conservation District (CAWCD) Board resolved for the second year in a row to retain the 4¢ *ad valorem* tax revenues for FY 2004-2005. Consequently, it remained a year of limits with respect to available funds and it appears that these fund limitations will continue for many years.

With respect to membership, there were no changes to the AWBA Commission in 2004 as shown in Figure 1.

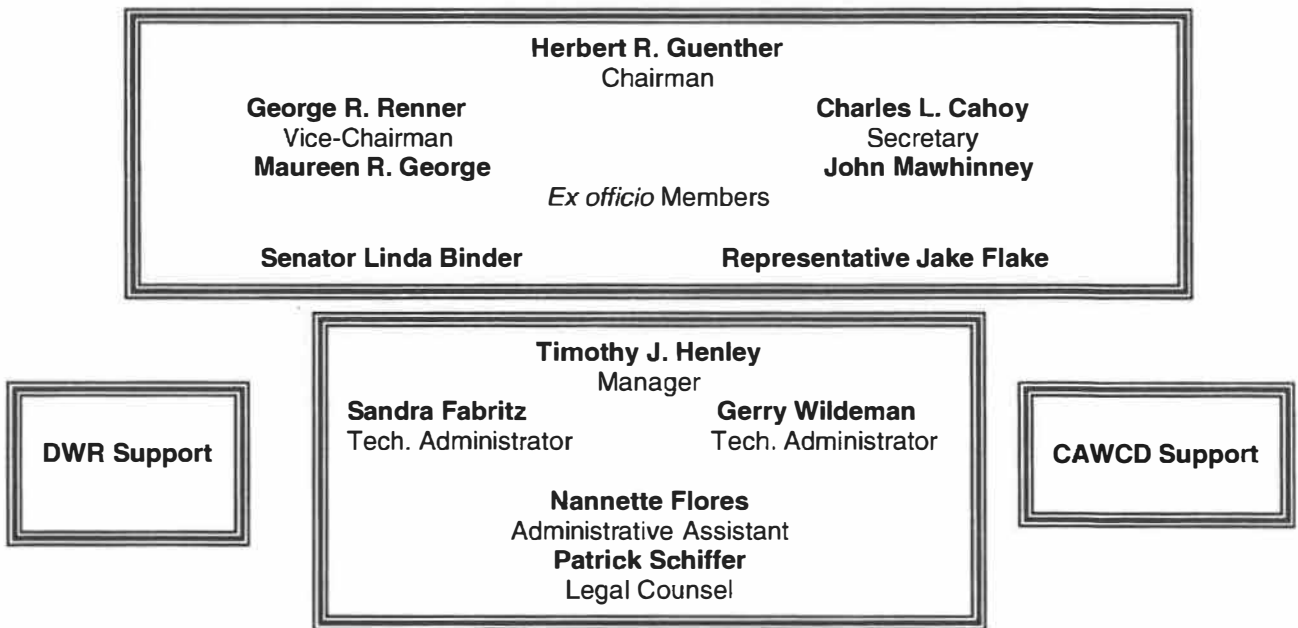


Figure 1. Arizona Water Banking Authority Organizational Chart for 2004

In 2004, the AWBA continued its quarterly meeting schedule with special meetings, workshops and study sessions scheduled as needed. A meeting of the Indian Firming Technical Committee was held on February 23, 2004. This meeting was the final meeting of the Indian Firming Technical Committee as the process was put on hold until such time as the status of the federal legislation became more clear and the state's obligations more defined. The Arizona Water Settlements Act, sponsored by Arizona Senator John Kyl, was ultimately signed into law on December 10, 2004. Further AWBA activity related to Indian firming pursuant to the Arizona Water Settlements Act will be discussed in next year's annual report. On February 24, 2004, the AWBA held a work study session to discuss the AWBA's accounting, income and budget process in addition to the Active Management Areas (AMA) water management objectives and priorities. Additional discussion regarding the AMA's objectives and priorities can be found in the Activities and Projects section of this report.

Recovery, including development of intentionally created unused apportionment (ICUA), continued to be an issue of import in 2004 even though no actual recovery was completed. In recognition of this, Senator Guenther sent a letter dated July 29, 2004 to Sid Wilson, general manager of the CAP requesting that the CAP initiate a process for development of a general recovery plan. By letter dated August 17, 2004, Mr. Wilson informed Senator Guenther that he had designated Larry Dozier, Deputy General Manager of CAP, to work with Tim Henley, Manager of the AWBA, to organize a team to develop the recovery plan. Due to higher priority issues throughout the year, there was not extensive action taken on the recovery plan. However, the AWBA and CAP will continue to pursue development of the recovery plan in 2005.

The amendment to the Agreement for Interstate Water Banking among the AWBA, the Southern Nevada Water Authority (SNWA) and the Colorado River Commission of Nevada (CRCN) was a significant event in 2004. Due to the importance of this agreement to the state of Arizona, a special meeting of the AWBA was called on November 15, 2004 to discuss the potential impacts of the proposed amendments. More detailed information regarding this topic can be found in the Activities and Projects section of this report. The value of maintaining a positive relationship between Arizona and Nevada should not be underestimated. As a result of the current situation between the two states, the CRCN and the SNWA sent a joint letter to the general manager of the CAP reiterating their support of Arizona's position regarding the CAP's subordinate position in the Lower Basin. The letter stated that Nevada would support either more equitable shortage sharing or amendment of the portion of the Colorado River Basin Project Act that establishes the CAP's junior priority.

The AWBA annually coordinates with current and potential recharge entities in the process of development of the Annual Plan of Operation (Plan) for the following year. As previously discussed, the 2004 Plan was limited by the availability of water and there was uncertainty late in the planning process exactly how much water would be available. The original 2004 Plan was developed using essentially every acre foot of CAP water that was available. The Plan was later amended by the AWBA on September 15, 2004 as a result of two events. First, the lack of precipitation led to inadequate water supplies for one of the agricultural districts that partners with the AWBA at the same time that two underground storage facilities were experiencing significant decreases in capacity available to the AWBA. Second, the SNWA requested that the AWBA store 10,000 acre feet of their unused Colorado River entitlement within Arizona. Consequently, the Plan was amended to transfer 9,000 acre feet of water proposed for storage at the Hieroglyphics Mountain Recharge Project (HMRP) and the Agua Fria Recharge Project (AFRP) to the New Magma Irrigation and Drainage District (NMIDD) and the Granite Reef Underground Storage Project (GRUSP) and 10,000 acre feet of additional storage was included on behalf of the SNWA at the Central Arizona Irrigation and Drainage District (CAIDD) and the Maricopa-Stanfield Irrigation and Drainage District (MSIDD).

Additional interstate water storage was done in December of 2004 to insure full utilization of CAP supplies. This storage was completed at underground storage facilities in the Tucson AMA.

The theme of limitations carried over into development of the 2005 Plan as there continued to be increased demand for excess CAP water and little water available for the AWBA. The original 2005 Plan approved in December of 2004 projected less than 129,000 acre feet of AWBA storage. However, record precipitation levels early in 2005 led to significant changes in the water demands of many CAP customers resulting in a number of requests for remarketing of scheduled water. As a result of the remarket requests, CAP informed the AWBA that more than 300,000 acre feet of additional water was available for delivery. In recognition of the financial constraints associated with intrastate storage in the Tucson and Pinal AMA, the 2005 Plan was amended to include interstate water banking in an effort to assist CAP fulfill the remarket requests. As an added incentive to encourage groundwater savings facilities (GSF) to increase their use of CAP water, the AWBA reduced the cost share portion of interstate water taken in 2005 to \$26 an acre foot. This was done in recognition of the extreme importance of full utilization of Arizona's Colorado River entitlement. For the 2005 Plan, the entities scheduled for delivery are SRP's GRUSP and GSF facilities, the CAWCD's HMRP, AFRP, Avra Valley Recharge Project, Pima Mine Road, Lower Santa Cruz Recharge Project and Tonopah Desert Recharge Project, Chandler Heights Citrus Irrigation District, NMIDD, Queen Creek Irrigation District, CAIDD, Hohokam Irrigation and Drainage District, MSIDD, Tucson's Central Avra Valley Storage and Recovery Project and Herb Kai's Red Rock Facility.

In 2004, the AWBA recharged a total of 285,542 acre feet of water; 270,284 acre feet for intrastate purposes and 15,258 acre feet of water on behalf of the SNWA. This included the first storage at the Tonopah Irrigation District (TID), even though the TID had been included in previous Plans of Operation. Additionally, it also included the first storage of interstate water in the Tucson AMA and the first interstate storage in underground storage facilities (USF). The quantity of water received by each facility is described in Appendix A. The Phoenix Active Management Area (AMA) stored 158,885 acre feet of water, the Tucson AMA stored 73,169 acre feet of water and the Pinal AMA stored 53,488 acre feet of water. For the second year since inception, the AWBA stored more water at USF than GSF.

Total consumptive use of Colorado River water by Arizona for 2004 was approximately 2.80 million acre feet. Distribution of that quantity was approximately 1.13 million acre feet for direct uses along the Colorado River and CAP diversions of approximately 1.67 million acre feet. AWBA storage, absent the 10,000 acre feet of Nevada's entitlement stored in Pinal County, accounted for approximately 16% of the CAP water delivered.

For more information about the Arizona Water Banking Authority, consult the AWBA web page at <http://www.awba.state.az.us> or contact Tim Henley (tjhenley@azwater.gov), Sandy Fabritz-Whitney (safabritz@azwater.gov) or Gerry Wildeman (glwildeman@azwater.gov) or by phone at 602-417-2418.

Activities and Projects - 2004

Interstate Issues

Amended Agreement for Interstate Water Banking

On July 3, 2001, the Agreement for Interstate Water Banking (2001 Agreement) among the AWBA, the SNWA and the CRCN was executed¹. In the 2001 Agreement, the AWBA agreed to use its "best efforts" to store water in Arizona in an amount sufficient to develop an aggregate total of 1.2 million acre feet of long-term storage credits. Those credits would then be recovered to develop ICUA for Nevada as a temporary supply of water to allow Nevada time to develop other longer term water supplies. The 2001 Agreement contained specific provisions to insure that any water stored for Nevada was water that could not be utilized by water users in Arizona. Nevada would pay the full cost of water delivery and storage in addition to all costs associated with recovery of the long-term storage credits. The 2001 Agreement was negotiated recognizing the surplus provisions of the Interim Surplus Guidelines (ISG).

The ISG published on January 25, 2001 by the United States Department of the Interior, control the operation of the Lower Colorado River system for the next 15 years. The ISG provide more liberal surpluses to allow a transition period for California to reduce its reliance on Colorado River water and to implement measures to limit its total uses of Colorado River water in the state to 4.4 million acre feet. Consequently, at the time the 2001 Agreement was negotiated, Nevada anticipated that its water needs would be met through 2016 by surplus water made available through the ISG. After 2016, Nevada intended to utilize credits stored on its behalf in the Arizona water bank. However, in 2004, surpluses under the ISG were not available because the projected storage content of Lake Mead was below the critical threshold content established in the ISG. Consequently, Nevada began exploring alternative ways to meet their water supply needs and approached Arizona with a proposal to amend the existing agreement in such a manner that Nevada's water supply could be made more secure in the shorter term. Nevada began negotiations regarding the amendments with AWBA and CAP staff.

A spreadsheet illustrating the potential amendments being negotiated was presented at the AWBA meeting on September 15, 2004. In summary, the amendments were as follows: (1) guaranteed Nevada a total of 1.25 million acre feet of credits; (2) recognized that water other than Colorado River water may be the source of credits; (3) Nevada would pay the full cost of delivery, storage and recovery in addition to an additional sum of money to mitigate the risk of the guarantee; (4) identified a set schedule for recovery of long-term storage credits; (5) a sufficient supply would be recovered to allow Nevada to use 340,000 acre feet during a declared shortage on the Colorado River.

These proposed components were discussed at the November meeting of the CAWCD board and a special meeting of the AWBA held on November 15, 2004. There was extensive discussion at the November 15th meeting and the general consensus was that additional information was needed by the public. To that end, a discussion paper was prepared by AWBA staff and distributed on November 29, 2004. The discussion portion included pertinent background information, a review of the current agreement and the proposed changes, a description of the benefits to Arizona, and a timeline for negotiation of the amendments. Additionally, within the discussion paper, AWBA staff

¹ For purposes of this discussion, the SNWA and the CRCN will be collectively referred to as "Nevada".

answered the most frequently asked questions regarding the amendments. To insure that the public was adequately informed, the discussion paper was widely disseminated and AWBA staff attended various meetings throughout the Phoenix and Tucson metropolitan areas to discuss the amendments and answer questions. The amended Agreement for Interstate Water Banking (Amended Agreement) was approved by the AWBA Commission on December 9, 2004 and executed on February 3, 2005. Copies of the Amended Agreement can be obtained from the AWBA web page.

The two most significant provisions of the Amended Agreement are that Arizona has now guaranteed Nevada that a sum total of 1.25 million acre of credits will be developed on their behalf. In exchange for this guarantee, Nevada will pay Arizona \$100 million above the actual cost of water delivery and storage. The disposition of the \$100 million was a concern in 2004 and has continued to be an issue of import in 2005.

Requests for Creation of Intentionally Created Unused Apportionment

As discussed in the 2003 Annual Report, there was ultimately no ICUA developed in 2004 even though requests had been made by both California and Nevada in 2003. Those requests resulted in CAWCD applying for and obtaining two recovery well permits to facilitate development of ICUA. In the end, the success of conservation programs in Nevada and decreased diversions in California negated the need for ICUA in 2004. The two state's Colorado River use in 2004 was 283,400 acre feet and 4.3 million acre feet, respectively. Therefore, even with the storage of 10,000 acre feet of Nevada's entitlement in Arizona, neither state fully utilized their Colorado River entitlements.

Notwithstanding the events in 2004, California anticipated a need for development of ICUA in 2005. By letter dated September 2, 2004, the Metropolitan Water District (MWD) of Southern California requested development of 40,000 acre feet of ICUA based on credits stored pursuant to the 1992 agreement between MWD and CAP. Because the AWBA is the only entity that can cause ICUA to be developed and the AWBA and MWD have not yet executed the agreements needed for either interstate water banking or development of ICUA, the two entities began negotiating an agreement to authorize development of ICUA. The agreement was not finalized as MWD again realized that the ICUA would not be needed to meet water demands. Late in the year, MWD and CAP began discussing alternatives with respect to the 89,000 acre feet of long-term storage credits held by CAP. One proposal was that CAP would repay MWD the money invested in developing the credits, plus interest. In the event that this proposal was accepted, the 89,000 acre feet of credits could potentially be available for purchase by the AWBA. Discussions regarding this proposal continue in 2005.

Interstate Water Banking

The AWBA sub-account for Nevada had a balance of 111,098 acre feet of long-term storage credits at the beginning of 2004. That balance was comprised of 50,000 acre feet of credits transferred from CAWCD for storage done in the early 1990's under the demonstration project. Additionally, Nevada earned 61,098 acre feet of credits for storage completed in 2002.

The original 2004 Annual Plan of Operation did not include an interstate water banking component as water supplies available to the AWBA were limited. However, by letter dated September 7, 2004, Nevada requested that the AWBA store within Arizona 10,000 acre feet of Nevada's unused Colorado River entitlement. Due to the response to drought restrictions imposed within Nevada, the state anticipated that it would not fully utilize its basic Colorado River apportionment. The AWBA approved an amended Plan of Operation to include the 10,000 acre feet of storage on September 15, 2004. On October 8, 2004, the Bureau of Reclamation released the 10,000 acre feet for consumptive use within

Arizona. From October through December, the 10,000 acre feet of Nevada's unused apportionment was stored at three groundwater savings facilities in Pinal County.

In late November, the CAP informed AWBA staff that additional water would be available for storage in December of 2004 as the project increased diversions in an attempt to fully utilize Arizona's 2.8 million acre foot allocation. Due to funding and storage facility capacity issues, the determination was made to store the additional water on behalf of Nevada. Consequently, an additional 5,258 acre feet of water were stored at underground storage facilities in Pima County for interstate purposes. The 15,258 acre feet of storage yielded 14,162 acre feet of long-term storage credits bringing the total 2004 ending balance of the Nevada sub-accounts to 125,260 acre feet.

Agreement to Firm Future Supplies

Pursuant to statute, the AWBA is required to reserve a reasonable number of long-term storage credits developed with general fund appropriations for the benefit of on-river M&I water users during times of shortage. On January 1, 1998, the AWBA adopted a motion that identified 420,000 acre feet as the reasonable number of long-term storage credits for on-river M&I firming. On March 20, 2002, the AWBA adopted a resolution that provided priorities of use for the general fund credits and identified on-river M&I firming as the first priority.

The manner in which the general fund credits would be reserved, and then recovered and distributed during a shortage, has long been an issue of concern to the on-river users. The issue once again came to the forefront in light of the significant commitment made to Nevada by the AWBA under the Amended Agreement for Interstate Water Banking. In recognition of the concerns, the AWBA and the Mohave County Water Authority (MCWA) entered into the Agreement to Firm Future Supplies (Agreement to Firm). The Agreement to Firm recognizes that the MCWA can enter into subcontracts with on-river M&I water users having the same priority as the CAP. These are the water users for whom the AWBA must firm M&I supplies. Upon execution of the subcontracts and payment of the appropriate fees, the AWBA would reserve the appropriate quantity of long-term storage credits as described in the Agreement to Firm.

A draft of the Agreement to Firm was presented for discussion and comment at the September 15, 2004 meeting of the AWBA. The Agreement to Firm was approved by the AWBA on December 9, 2004 and ultimately executed by the parties on February 4, 2005. The deadline for MCWA to include on-river M&I water users under the coverage of the Agreement to Firm is July 15, 2005.

February 2004 Work Study Session

AMA Priorities

Due to the nature of the AWBA's operations and policies, the AWBA often serves as a mechanism for the CAP to maximize their flexibility. One example of this occurred in 2004 when the CAP notified the AWBA in November that additional water would be available within Arizona's 2.8 million acre foot entitlement. That water was ultimately stored in December in Pima County on behalf of Nevada. At other times, the AWBA water deliveries are decreased as the CAP meets the water demands of other higher priority users.

When these types of increased and decreased water quantity events occur, AWBA staff must make decisions regarding location and volume of water. Due to the nature of the events, oftentimes the

decisions must be made in a very short time frame and the significance of the decisions is increasingly important as funds and water supplies are constrained. In recognition of this, the AWBA Commission directed staff to consult with the Phoenix, Pinal and Tucson AMA directors to identify priorities for storage. The respective AMA's provided information regarding priorities and the AWBA incorporated the recommendations into the 2005 Annual Plan of Operation.

Authorized Use of Groundwater Withdrawal Fees

Concurrent with the discussion regarding priorities, AWBA and ADWR legal staff and the Phoenix, Pinal and Tucson AMA directors addressed the issue of authorized uses of groundwater withdrawal fee revenues. This became an issue of import as the ten-year plan for the time period 2005-2014 illustrated that both Pima and Pinal Counties would not meet their M&I firming goal through expenditure of only 4¢ *ad valorem* tax revenues. In order to meet the M&I firming goal, Pinal and Pima Counties might be required to expend revenues in excess of the 4¢ *ad valorem* revenues projected to be collected through 2016.

Specifically, the issue is a result of the statutory limitations regarding uses for which specific funds can be expended. Therefore, the question posed was whether or not M&I firming could be considered a groundwater management objective. The legal opinion received from ADWR stated that M&I firming of CAP water within an AMA qualifies as an important water management objective. Consequently, the AWBA could utilize long-term storage credits developed with groundwater withdrawal fees for M&I firming in the future if the need arises. To date, no credits have been identified for specific purposes other than the general purposes described in statute.

Accounting, Income and Budget Discussion

Staff provided the AWBA with information regarding the development of the AWBA budgets and other aspects relating to income flow and accounting associated with the AWBA Fund. This discussion was identified as necessary at the December 2003 meeting of the AWBA wherein the water delivery budget was discussed. The accounting associated with the water delivery budget has become significantly more complicated in light of the CAWCD decision to retain the 4¢ *ad valorem* tax revenues. In essence, revenues for water delivery and storage now have the potential to be expended by two parties, the AWBA and the CAWCD. Additionally, it has always been difficult to prepare a water delivery budget based on the fiscal year for water deliveries that actually are completed on a calendar year basis. To that end, AWBA staff requested a legal opinion regarding approval of an administrative budget on a fiscal year basis and approval of a water delivery budget on a calendar year basis in conjunction with the following year's Annual Plan of Operation. Legal review determined that this could be done. Therefore, the AWBA adopted the administrative budget for FY 2005 (July 1, 2004- June 30, 2005) on June 17, 2004. The water delivery budget for calendar year 2005 was approved at the December 9, 2004 meeting of the AWBA.

Legislative Issues

On June 1, 2004, Governor Napolitano signed House Bill 2590 that amended the statute regarding recovery of long-term storage credits. Under the revised statute, when the water stored is Colorado River water and the recovering entity is not the entity that stored the water, there is no requirement to obtain consent nor is there a requirement for the director of ADWR to determine that the recovery is consistent with the AMA management plan and goals. This provides additional insurance to the

AWBA and its constituents that long-term storage credits will be available for recovery when needed in the future.

Impacts to the Water Banking Fund Accounts and Revenues

There are three primary revenue sources available to the AWBA and each was impacted to some extent in 2004, largely as a result of the continuing state budget crisis. In some cases, the impacts were to current revenues and in some cases the impacts were to existing monies in the Water Banking Fund (Fund). The three revenue sources are a general fund appropriation, groundwater withdrawal fees and an *ad valorem* property tax. Pursuant to statute, there are restrictions and limitations to how the different revenue sources can be expended with regard to purpose and location of use. The AWBA has the most flexibility in using long-term storage credits developed with the general fund appropriation revenues. It should be borne in mind that there is overlap between the fiscal year (FY), upon which the state budget operates, and the calendar year (CY), upon which the AWBA operates and this report is prepared. Consequently, CY 2004 included activity that occurred in the last half of FY 2004 and the first half of FY 2005.

Existing Fund Account Balance Impacts

On June 17, 2003, Governor Napolitano signed HB 2531, the General Appropriations Act for FY 2004 that included a fund transfer from the AWBA to the general fund in the amount of \$9 million. Due to the nature of the AWBA Fund accounts, it was the AWBA's belief that the transfer could only come from the groundwater withdrawal fee accounts. Consequently, the transfer was completed on June 25, 2004 with the full \$9 million coming from the Phoenix AMA account. With 2004 expenditures and the legislative transfer, essentially all funds in the AWBA withdrawal fee accounts were utilized. On May 28, 2004, the governor signed SB 1402 that transferred an additional \$2 million from the AWBA Fund for FY 2005. This transfer specifically identified that the \$2 million could not come from 4¢ *ad valorem* tax revenues, therefore, the withdrawal fee accounts will again be impacted in 2005.

Revenue Impacts

Historically, the AWBA has received an annual \$2 million general fund appropriation from the state legislature but budget problems have impacted the appropriation over the last few years. In CY 2004, the AWBA did not receive any general fund appropriation money.

The CAWCD is statutorily authorized through 2016 to levy an *ad valorem* property tax in the three-county CAP service area that cannot exceed four cents per \$100 of assessed valuation and is used either for repayment or OM&R costs of the CAP. If the taxes levied are not needed for those purposes, an annual resolution of the CAWCD Board can direct them to the AWBA Fund. For the second time since the AWBA's inception, the CAWCD Board resolved that all taxes to be levied would be retained by CAWCD. CAWCD has determined that it will use these funds to support their OM&R activities thus reducing the cost of water to the AWBA.

2005 Annual Plan of Operation

Pursuant to the amended 2005 Plan, the AWBA projects recharge in excess of 280,000 acre feet. Of this quantity, more than 120,000 acre feet are projected to be recharged at underground storage facilities (USF) and more than 160,000 acre feet are projected to be recharged at groundwater

savings facilities (GSF). The amended 2005 Annual Plan of Operation is available on the AWBA web page.

Media Coverage

The AWBA received very limited press coverage during 2004 with the majority of articles being published in association with the amended Agreement for Interstate Water Banking.

“AZ, Nevada are Partners in Major Water Banking Deal”, Arizona Water Resource 13(3), November-December 2004

“AZ OKs Nevada deal to bank water”, Arizona Daily Star, December 10, 2004

“Nevada to get some Arizona water”, Arizona Republic, December 10, 2004

“Water deal OK’d in Arizona”, Las Vegas Review Journal, December 10, 2004

Agreement and Facility Permit Activity

There was no new agreement or facility permit activity in 2004.

Web Page

The AWBA has maintained a web page (<http://www.awba.state.az.us>) since 1997 to provide timely and accurate information regarding the AWBA’s activities to the water community. The web page contains information about the AWBA, AWBA members and staff, the AWBA’s recharge partners, monthly water deliveries, AWBA announcements and scheduled meetings and meeting minutes. It also contains publications and documents that may be downloaded and provides links to other water related web sites. The AWBA staff continue to review and update the web page to insure that it contains accurate information that can be accessed in an efficient manner.

Monies Expended from the Banking Fund

Arizona Revised Statutes § 45-2425 mandates the various sources of monies for the Water Banking Fund (Fund) that is administered by the AWBA per the statute. In 2004, the AWBA obtained its funding from the following sources:

1. Fees for groundwater pumping are collected within the Phoenix, Pinal and Tucson AMAs. Fees for water banking purposes are charged at \$2.50 per acre-foot. The fees for groundwater pumping are statutorily available to the AWBA through 2016. Long-term storage credits accrued with these monies must be used to benefit the AMA in which they were collected.
2. The CAWCD is statutorily authorized through 2016 to levy an *ad valorem* property tax in the three-county CAP service area that cannot exceed four cents per \$100 of assessed valuation and is used either for repayment or OM&R costs of the CAP. If the taxes levied are not needed for those purposes, an annual resolution of the CAWCD board can direct them to the Fund. In August of 2003, the CAWCD board resolved that all taxes to be levied for the following tax year would be retained by the CAWCD. Consequently, there were no *ad valorem* tax revenues deposited into the Fund in 2004. Money from this source must be used to benefit the county in which it was collected.

Table 1 shows the money the AWBA received and expended in 2004 by source of funds. Table 2 shows the total money received, expended and remaining in the Fund through December 2004 by source of funds. The money listed as "Available" is money that is remaining in the Fund. Any money that remains in the Fund is available to be expended in subsequent years; any interest that accrues on this money is credited to the Fund and is available for use.

Table 1. Monies Collected and Expended in 2004 by Source of Funds

Source of Funds	Money Collected	Money Expended
General Fund	\$0	\$0
Interstate Water Banking - Nevada	\$2,899,647	\$2,899,647 ¹
4¢ Ad valorem Tax		
Maricopa County	\$11,185,771	\$9,243,901
Pinal County	\$452,797	\$452,800 ²
Pima County	\$2,211,073	\$4,706,618
Subtotal for <i>Ad valorem</i>	\$13,849,641	\$14,403,319
Groundwater Withdrawal Fee		
Phoenix AMA	\$2,334,577	\$1,321,349
Pinal AMA	\$1,216,584	\$1,373,696
Tucson AMA	\$557,633	\$757,633
Subtotal for Withdrawal Fees	\$4,108,794	\$3,452,678
TOTAL	\$20,858,082	\$20,755,644

¹This amount is the total reconciled amount for interstate deliveries and storage

² Expenditure from CAP accounts

Table 2. Monies Collected and Expended through December 2004 and Monies Remaining Available to the Authority

Source of Funds	Money Collected	Money Expended	Money Available
General Fund	\$10,695,000	\$10,695,000	\$0
Interstate Water Banking - Nevada	\$11,646,592	\$11,646,592	\$0
4¢ Ad valorem Tax			
Maricopa County	\$65,043,808	\$39,675,291	\$25,368,517
Pinal County	\$2,503,878	\$2,503,878	\$0
Pima County	\$13,399,261	\$12,969,492	\$429,769
Subtotal for <i>Ad valorem</i>	\$80,946,947	\$55,148,661	\$25,798,286
Groundwater Withdrawal Fee			
Phoenix AMA	\$8,573,652 ¹	\$7,573,652	\$1,000,000
Pinal AMA	\$7,735,632	\$7,781,525	\$-45,893
Tucson AMA	\$4,723,361	\$4,723,361	\$0
Subtotal for Withdrawal Fees	\$21,032,645	\$20,078,538	\$954,107
TOTAL	\$124,321,184	\$97,568,791	\$26,752,393

¹ Total money collected was decreased to reflect the \$9 million legislative transfer. Carryover retained for \$2 million legislative transfer for FY 2005.

Long-term Storage Credits

The AWBA has established Long-term Storage Accounts with ADWR. The Phoenix AMA account number is 70-441150, the Tucson AMA account number is 70-411150 and the Pinal AMA account number is 70-431135. After receiving the AWBA's annual reports for its water storage and water transfer permits and the annual reports for the recharge facilities, ADWR calculates and issues long-term storage credits to the appropriate accounts. The AWBA receives credit for 95% of the recoverable quantity of stored water. The 5% that is not credited is termed the cut to the aquifer and provides additional groundwater replenishment benefits. This cut to the aquifer is mandated by statute and applies to almost all storage of water for long-term credit, with some exceptions. The recoverable amount of stored water is determined by subtracting facility losses from the quantity of water delivered to the facility. After credits are issued to the account, AWBA staff allocate the credits to the appropriate sub-accounts based on source of funding. The number and distribution of long-term storage credits for 2004 are listed in Table 3. The cumulative totals of long-term storage credits accrued by the AWBA through December 2004 are listed in Table 4.

Table 3. Number and Location of Long-term Storage Credits Accrued in 2004

Location and Funding Source	Long-term Storage Credits Accrued (AF)
Phoenix AMA	
4¢ <i>Ad valorem</i> Tax	128,674
Groundwater Withdrawal Fee	18,393
General Fund	0
AMA Total	147,067
Pinal AMA	
4¢ <i>Ad valorem</i> Tax	9,984
Groundwater Withdrawal Fee	30,289
General Fund	0
Interstate - Nevada	9,191
AMA Total	49,464
Tucson AMA	
4¢ <i>Ad valorem</i> Tax	55,220
Groundwater Withdrawal Fee	8,896
General Fund	0
Interstate - Nevada	4,971
AMA Total	69,087
Totals by Funding Source	
4¢ <i>Ad valorem</i> Tax	193,878
Groundwater Withdrawal Fee	57,578
General Fund	0
Interstate - Nevada	14,162
TOTAL	265,618

Table 4. Cumulative Total and Location of Long-term Storage Credits Accrued through December 2004

Location and Funding Source		Long-term Storage Credits Accrued (AF)
Phoenix AMA		
	4¢ <i>Ad valorem</i> Tax	871,408
	Groundwater Withdrawal Fee	131,574
	General Fund	59,937
	AMA Total	1,062,919
Pinal AMA		
	4¢ <i>Ad valorem</i> Tax	90,645
	Groundwater Withdrawal Fee	248,956
	General Fund	296,814
	Interstate Water Banking - Nevada	120,289
	AMA Total	756,704
Tucson AMA		
	4¢ <i>Ad valorem</i> Tax	185,271
	Groundwater Withdrawal Fee	66,238
	General Fund	39,748
	Interstate Water Banking - Nevada	4,971
	AMA Total	296,228
Totals by Source of Funds		
	4¢ <i>Ad valorem</i> Tax	1,147,324
	Groundwater Withdrawal Fee	446,768
	General Fund	396,499
	Interstate Water Banking - Nevada	125,260
	TOTAL	2,115,851

Since inception, the AWBA has focused its efforts on developing long-term storage credits for firming purposes and the AWBA has identified 2,700,000 acre feet as reasonable to firm the CAP M&I subcontracts over the next 100 years. This would be divided 58% to Maricopa County, 32% to Pima County and 9% to Pinal County based on a pro-rata distribution to the three counties on the basis of CAP M&I subcontracts. The AWBA has also identified 420,000 acre feet as reasonable to firm the on-river communities over the next 100 years. In 2002, the AWBA adopted a resolution that identified on-river firming as the highest priority of use for the general fund credits and established priorities for other uses (Indian settlements, etc.). Consequently, all or part of the general fund credits could be utilized to firm on-river M&I users. Table 5 illustrates the progress made by the AWBA towards meeting its established goals.

Table 5. Identified Uses of Long-term Storage Credits Accrued through December 2004 and Percentage of AWBA Goals Achieved

Location and Objective	Goal (AF of Credits)	LTS Credits Accrued (AF)	Percent of Goal Achieved
Phoenix M&I Firming ¹	1,566,000	871,408	56%
Phoenix Groundwater Mgmt ²		131,574	N/A
Pinal M&I Firming ¹	243,000	90,645	37%
Pinal Groundwater Mgmt ²		248,956	N/A
Tucson M&I Firming ¹	864,000	185,271	21%
Tucson Groundwater Mgmt ²		66,238	
General Fund ³			
On-River M&I Firming ⁴	420,000	396,499	94% ⁵
Interstate Water Banking - NV	1,250,000 ⁶	125,260	10%

¹ All three Active Management Areas have stated that withdrawal fees could be utilized in addition to 4¢ *ad valorem* tax revenues for M&I firming if needed to reach firming goals.

² Specific water management objectives have not yet been identified or quantified.

³ Specific uses of general fund credits have not been determined by the AWBA.

⁴ By resolution passed in 2002 the AWBA established on-river firming as the highest priority of use for credits accrued through expenditure of general fund appropriations.

⁵ This percentage reflects full utilization of general fund credits accrued to date and would change as other objectives are identified by the AWBA.

⁶ Pursuant to the Amended Agreement for Interstate Water Banking the AWBA has committed to have this number of long-term storage credits within the Nevada sub-account.

The average annual cost for the AWBA to obtain one acre foot of long-term storage credit is presented in Table 6. Table 6 illustrates that the unit cost per long-term storage credit has increased each year the AWBA has been in operation with the exception of 2001. Increases are typically a function of three primary factors: annual increases in the cost per acre foot of water delivered, annual increases in the cost of storage facilities and increased percentage of total water stored in USFs. In 2004, the AWBA stored more water in USFs than in GSFs. Although earlier plans projected more storage in USFs than GSFs, this was the first time since inception that the storage actually took place. It is anticipated that the increasing trend in cost of developing credits will continue in the future as more USFs become operational and water delivery and facility costs increase. However, the CAP policy regarding recharge rate facilities that became effective in 2004 should help stabilize costs to some extent.

Table 6. Average Annual Cost for the AWBA to Obtain a Long-term Storage Credit¹

Year	Credits	Funds Expended	Average Cost	% Stored in GSF:% Stored in USF
1996	None	None	\$0	0% : 0%
1997	296,987	\$6,387,000	\$21.51	85% : 15%
1998	202,542	\$7,143,000	\$35.27	68% : 32%
1999	232,142	\$8,733,000	\$37.61	68% : 32%
2000	272,122	\$11,163,000	\$41.02	60% : 40%
2001	269,687	\$10,893,590	\$40.39	62% : 38%
2002	255,000	\$13,700,300	\$53.73 ²	64% : 36%
2003	200,327	\$11,077,666	\$55.30	47% : 53%
2004	251,456	\$17,855,997	\$71.01 ²	41% : 59%

¹ The information in this table was obtained from previous Annual Reports. Any differences between the number of credits displayed here and the total cumulative number in Table 4 are due to the on-going nature of the accounting process.

² Average cost is for intrastate credits only.

Long-term Storage Credits Distributed or Extinguished by the Authority

The long-term storage credits developed by the AWBA to date have been identified as reserved for four purposes: firming the post-1968 Colorado River municipal and industrial (M&I) entitlements; firming the post-1968 M&I entitlements for entities outside the CAP service area; fulfilling the water management objectives set forth in Chapter 2 of Title 45 (Arizona Revised Statutes); and for interstate water banking purposes pursuant to agreements with Nevada. Credits for firming purposes may be distributed or extinguished when the Colorado River system is deemed to be in a shortage or if there is an operational disruption of the CAP. There were no shortages or unplanned CAP operational problems, therefore, no credits were distributed or extinguished for these purposes in 2004. Credits may be distributed or exchanged for water management purposes upon request of the director of ADWR. There were no requests made for distribution or extinguishment of credits for water management purposes in 2004.

Under the 1999 amendments to the AWBA legislation, the AWBA is authorized to develop credits with monies collected pursuant to water banking services agreements. In 2004, no credits were developed or distributed under such agreements. Additionally, there was no recovery of long-term storage credits for interstate purposes in 2004².

² The SNWA and MWD did request development of ICUA for 2004, however, changing circumstances led to withdrawal of the requests. For more information see discussion under "Interstate Issues" in the Activities and Projects section.

Ten Year Plan for Calendar Year 2004

Introduction

Preparation of the ten year plan is statutorily mandated. The ten year plan must include a description of any water banking activities the AWBA intends to undertake in addition to the three primary AWBA functions of firming for M&I supplies, assisting in Indian water rights settlements, and fulfilling state water management objectives. The ten year plan is presented in Table 7. The ten year plan must also provide an analysis of the AWBA's ability to complete those activities. This analysis is provided in Table 8. The ten year plan is not a guarantee of future storage activities and is completed for planning purposes only. In any given year, the AWBA's activities are governed by the annual Plan of Operation.

The ten year plan for the year 2004 analyzes activity for the period 2006-2015 (Table 7) and was derived using the information found in Appendices B through G. AWBA accounting for previous years can be found in the 2004 Annual Report. AWBA staff developed the ten year plan based on the following guiding principles:

1. The intent of the plan is to evaluate if the AWBA can engage in water banking activities beyond the scope of the currently established AWBA role and to what extent.
2. The plan covers a ten year time period beginning with the next calendar year. For example, this ten year plan covers the time period 2006-2015.
3. The plan will be updated annually based on current priorities of the AWBA.
4. The plan is an important tool to be utilized in development of the next year's annual Plan of Operation.

Ten Year Plan Components

The following factors are recognized to be important elements in developing the model used to generate the ten year plan. Inclusion or exclusion of a specific factor or component of a factor was based on whether the extent of the effect of the factor could be predicted over the planning period, and whether the factor was anticipated to be at issue over the planning period.

1. Storage Partners and Storage Capacity

The AWBA has 13 water storage permits for GSFs with a total storage capacity of 743,359 acre-feet per annum. Appendix C describes the storage partners, storage permits and capacity available for use by the AWBA. It also identifies the partners that the AWBA included in development of this ten year plan.

All of the facility permits associated with GSFs expire within this ten year plan. In most instances, the AWBA's water storage permits expire simultaneously with the partners' facility permits. Consequently, any difficulty on the part of the partners or the AWBA to obtain new permits could affect the ability of the AWBA to maintain adequate storage capacity to fulfill water banking activities. Discussions with ADWR recharge staff have indicated that there have been some changes in the process for obtaining a GSF facility permit. First, due to the rapid rate of urbanization in the AMA's, ADWR recently began issuing GSF permits with a 5 year

Table 7. Ten Year Plan

ARIZONA WATER BANKING AUTHORITY – 10 YEAR PLAN 2006 – 2015 (Acre feet)															
YEAR	(a)	(b)		(c)		(d)		(e)		(f)		(g)	(h)		(i)
	CAP Water Avail for AWBA	CAP M&I Firming (4¢ tax)		Water Management (Withdrawal Fees)		General Fund		Indian Settlement		Loaned Credits		Storage for Others	Interstate Banking		
		Delivered	Credits	Delivered	Credits	Delivered	Credits	Delivered	Credits	Delivered	Credits		Water Avail.	AWBA Capacity Avail.	Credits
Pre-Plan ^(j)	n/a	1,220,200		509,429		396,499									270,156
2006	633,159	227,134	209,906	92,575	84,432	0	0	0	0	0	0		313,450	213,139	200,000
2007	621,749	278,173	254,050	78,355	71,589	0	0	0	0	0	0		265,220	214,699	200,000
2008	634,365	269,648	245,235	93,146	85,127	0	0	0	0	0	0		271,571	214,834	200,000
2009	613,364	258,340	235,380	102,821	93,998	0	0	0	0	0	0		252,202	215,844	200,000
2010	544,735	282,539	257,145	100,135	91,476	0	0	0	0	0	0		162,061	202,423	152,337
2011	513,688	169,605	155,447	95,342	87,088	0	0	0	0	0	0		248,740	326,855	27,507
2012	509,982	325,886	296,048	91,195	83,286	0	0	0	0	0	0		92,901	178,065	0
2013	471,855	225,718	205,845	87,514	79,921	0	0	0	0	0	0		158,623	267,374	0
2014	443,673	251,611	229,099	83,125	75,475	0	0	0	0	0	0		108,937	249,529	0
2015	434,421	200,792	183,314	77,460	71,222	0	0	0	0	0	0		156,169	304,421	0
TOTAL		3,491,669		1,333,043		396,499									1,250,000

FOOTNOTES:
 (a) See Appendix B
 (b) See Appendix D
 (c) See Appendix E
 (d) See Appendix F
 (e) No Indian settlement requirements included in this ten year plan
 (f) Currently no requests for loaned credits
 (g) Currently the AWBA is not providing banking services for others
 (h) Available CAP Supplies minus AWBA intrastate delivery requirements
 (i) See Appendix G
 (j) Cumulative totals for 1997-2005; 2004 actual credits and 2005 credits estimated based on projected deliveries

Table 8. AWBA Percentage of Goals Achieved through 2015

Location and Objective	Goal (AF of Credits)	LTS Credits Accrued (AF)¹	Percent of Goal Achieved
Phoenix M&I Firming	1,566,000	2,638,660 ²	168%
Phoenix Groundwater Mgmt ³		591,160	N/A
Pinal M&I Firming	243,000	196,832	81%
Pinal Groundwater Mgmt ³		600,838	N/A
Tucson M&I Firming	864,000	656,270	76%
Tucson Groundwater Mgmt ³		141,049	N/A
General Fund ⁴			
On-River M&I Firming ⁵	420,000	396,499	94% ⁶
Interstate Water Banking - NV	1,250,000 ⁷	1,250,000 ⁸	100%

¹Cumulative totals for 1997-2005; actual credits through 2004 and 2005 credits estimated based on projected deliveries.

²The M&I firming goal will be met in 2009.

³Specific water management objectives have not yet been identified or quantified, however, all three AMAs have stated that withdrawal fees could be utilized in addition to 4¢ *ad valorem* tax revenues for M&I firming if needed to reach firming goals. If withdrawal fees are utilized for M&I firming, the Pinal firming goal will be met. With full utilization of withdrawal fees in the Tucson AMA, the percent of goal achieved through 2015 is 93%.

⁴Specific uses of general fund credits have not been determined by the AWBA.

⁵By resolution passed in 2002 the AWBA established on-river firming as the highest priority of use for credits accrued through expenditure of general fund appropriations.

⁶This percentage reflects full utilization of general fund credits and could change as other objectives are identified by the AWBA.

⁷Pursuant to the Amended Agreement for Interstate Water Banking the AWBA has committed to store this quantity of water on behalf of the Southern Nevada Water Authority.

⁸The goal will be met in 2011.

term instead of the usual ten year term unless the applicant can prove that development is not an issue. Additionally, because of development, the acreage available for irrigation has been reduced which can reduce the volume of water included in the GSF. There are also other operational issues currently associated with renewal of a GSF facility permit that can make the process more difficult. Furthermore, all of the agreements for water storage expire within this ten year planning period. Impacts of this nature cannot be predicted and, consequently, although they are recognized they were not included in development of this ten year plan.

The AWBA currently has nine water storage permits for USFs with a total storage capacity of 611,000 acre-feet per annum. Additionally, the AWBA recently submitted an application for water storage permit at the new CAWCD facility, the Tonopah Desert Recharge Project (TDRP). The TDRP is a constructed facility located in the Hassayampa sub-basin within the Phoenix AMA, northwest of Tonopah, Arizona. Upon receipt of this water storage permit, the USF capacity permitted to the AWBA will be 761,000 acre feet for the time period 2005-2008 and 698,500 acre feet for the remainder of the planning period. The USF permit issued for the Pima Mine Road facility limits total storage for the term of the permit to 500,000 acre-feet with the ability to request an amendment to 600,000 acre-feet. Based on historic volumes of

storage at the PMR facility, it is not anticipated that this storage quantity limitation will be a factor within this ten year plan. The GRUSP permit is the only facility permit that expires within this planning period.

As previously described in the GSF discussion, any difficulty in obtaining new permits could impact the capacity available to the AWBA. As the process of obtaining a new USF permit can be more complex and extensive than obtaining a new GSF permit, the possibility of impact is greater. However, impacts of this nature cannot be predicted and are not included in the analysis of this ten year plan.

2. Recovery

This ten year plan includes a recovery component for interstate purposes pursuant to the Amended Agreement for Interstate Water Banking (Amended Agreement). The Amended Agreement authorized Nevada to request development of intentionally created unused apportionment (ICUA), if needed, as follows: in 2007 and 2008, an amount not exceeding 20,000 acre feet; in 2009 and 2010, an amount not exceeding 30,000 acre feet; and in subsequent years, an amount not exceeding 40,000 acre feet. This ten year plan does not include development of ICUA for California. Recovery of credits stored by the Metropolitan Water District (MWD) of Southern California is not included in light of current discussions between MWD and the CAP. It is anticipated that the two parties will reach an agreement wherein the long-term storage credits accrued by MWD under the Demonstration Project in the early 1990's will be returned to the CAP for monetary reimbursement.

This ten year plan does not include a recovery component for M&I firming or Indian settlements because shortages on the Colorado River are not anticipated within the scope of this ten year plan. As a result of the on-going drought and public concern regarding reservoir levels, the CAP ran dry year scenario models of the Colorado River system. Those model runs identified a potential for shortage in 2011. However, in light of the precipitation received since last winter, that date has likely moved to 2012 or 2013. Nonetheless, based on projected M&I demand levels, there will be no shortages to M&I users within the scope of this ten year plan, even with the dry year hydrology used by CAP in modeling. Recovery for Indian firming purposes is also not anticipated in the scope of this ten year plan due to demand levels. Although recovery is not anticipated within the scope of this ten year plan, the AWBA will participate with CAP in development of a general recovery plan as discussed in the Update section of the 2004 Annual Report.

3. Water management objectives

The early activities of the AWBA were focused on achieving the goal of full utilization of Arizona's Colorado River allocation and Arizona met this goal from 2002 until 2004. Another primary objective of the AWBA was meeting the M&I firming goals and the AWBA has stored almost 1 MAF of credits for that purpose. As discussed in the Activities and Projects section of the 2004 Annual Report, the issues of water management priorities, expenditure of withdrawal fees and other water management activities have recently been addressed by the AWBA. It is anticipated that the evaluation of water management activities will become even more significant and complex as the available excess CAP water and storage facility capacity becomes limited, new storage facilities are sited and AWBA's funding sources are impacted by economic factors.

Central Arizona Groundwater Replenishment District (CAGRD) Replenishment Reserve

Pursuant to statute, the CAGRD must develop a 20% replenishment reserve. The CAGRD replenishment reserve shares co-equal priority for excess water with AWBA M&I firming. However, the reserve has a higher priority for excess CAP water than the AWBA's deliveries for other non-firming purposes (i.e. water management). Therefore, a component for the proposed replenishment reserve as well as the advance replenishment was included in the model for this ten year plan.

The CAP Water Forecast Group

The group is composed of CAP, CAGRD, ADWR and AWBA staff and was formed to facilitate consistency and understanding between the entities with regard to assumptions used for short- and long-term Colorado River water supply and demand forecasts. Portions of this ten year plan were developed using projections obtained from the forecast group.

AWBA General Fund Appropriation

Since inception, the AWBA has received an annual general fund appropriation of \$2 million. To date, the AWBA has primarily utilized the money to augment the revenues generated in Pinal County to develop credits to be used to firm on-river uses. It is recognized that the economic factors resulting in the loss of the AWBA's general fund appropriation will exist for some time. Therefore, the ten year plan was developed with no general fund appropriation.

4. Modifications within CAP with regard to pricing and pool allocation

In May 2000, the CAWCD Board adopted a policy for marketing the non-Indian agriculture (NIA) pool of excess water. This policy established a NIA pool of 400,000 acre-feet from 2004-2016. The pool will decline to 300,000 acre-feet from 2017-2023 and to 225,000 acre-feet from 2024-2030. This use will be the highest priority use for excess water. It is recognized that this is a factor that could impact the AWBA's ability to participate in recharge at groundwater savings facilities, however, it is difficult to predict an effect. Therefore, only the 400,000 acre-foot pool concept was utilized in this ten year plan.

The CAWCD Board has also discussed the marketing of excess water for other users including the CAGRD replenishment and replenishment reserve, incentive recharge programs, other M&I uses and the AWBA. These discussions have centered on the recognition that policies were developed to insure full utilization of CAP and Arizona's Colorado River allocation and included subsidized water rates to encourage CAP use. However, in light of Arizona's full use of its 2.8 million acre foot entitlement from 2002-2004, such subsidies may no longer be necessary. In April 2005, CAP presented potential alternatives with respect to the incentive recharge pool. One alternative was discontinuation of the pool except for the AWBA, one alternative was elimination of the pool at a later date, and one was maintaining the current pool policy. The CAP has not yet established policy with respect to the various excess water pools, however, in light of the current discussions this ten year plan included a component for decreased availability of the incentive recharge pool.

5. Participation in Indian settlements

One objective of the AWBA is assisting with the settlement of water rights claims by Indian communities within Arizona. The state of Arizona has a 100 year firming obligation under the Arizona Water Settlements Act that was executed on December 10, 2004. In order to meet the obligation, it is anticipated that the state may rely on the AWBA in some manner. Additionally, pursuant to House Bill 2728 executed on April 18, 2005, the AWBA has statutorily mandated responsibilities for the Southside Replenishment obligation. The Arizona legislature created the Arizona water firming program study commission to evaluate the potential alternatives for meeting these obligations. The commission held its first meeting in May of 2005 and must present their final recommendations to the legislature by January 6, 2006. While it is recognized that the AWBA will play a significant role in Indian settlement obligations, due to the on-going nature of the commission process, there was no Indian settlement component included in this ten year plan.

6. New recharge facilities and/or expanded capacities at existing facilities

The AWBA is currently in the process of completing a revised inventory of existing storage facilities in the state as required by A.R.S. § 45-2452. The revised inventory will be utilized in developing future ten year plans.

The CAP has been active in the evaluation of locations for additional storage facilities. In January 2002, the CAP initiated a regional feasibility study for sites in the East Salt River Valley. Out of this study two sites were identified, with one more favorable site located on the Queen Creek Wash. CAP is moving forward with design, land acquisition, and permitting of the Superstition Mountain USF and anticipates this facility (designed for 80,000 acre-feet of storage capacity) will be operational in mid-2006. The CAP also conducted a Western Arizona Recharge Capacity Feasibility Study in 2002. Construction will begin on the Tonapah Desert USF in the summer of 2004 and is anticipated to be operational by 2005, with 100,000 acre-feet of storage capacity. The AWBA has recognized additional capacity available in Maricopa County in this ten year period as a result of the anticipated construction of these facilities.

The SRP has applied to ADWR for a recharge facility permit for a project located in the west valley near the confluence of the Agua Fria River and New River. The project has a planned initial capacity of 30,000 acre-feet increasing to a maximum of 100,000 acre-feet. Storage at this facility was not included in this ten year plan because of uncertainty regarding development of an agreement between AWBA and SRP, cost of storage and availability of capacity to the AWBA.

7. Interstate banking

The ten year plan includes an interstate water banking component for Nevada but does not include California.

Conclusion

The ten year plan is intended to serve as a guide to assist the AWBA in the development of the Annual Plan of Operation (Plan). The AWBA is required to develop a Plan for activities to be undertaken the following calendar year. As part of the Annual Report, the ten year plan is reviewed and updated annually. Therefore, it is possible that the ten year plan may change significantly depending on the goals set by the AWBA.

Appendices

Appendix A.
**Colorado River Water Deliveries for Water Banking Purposes for Calendar Year 2004 by
Partner and Active Management Area**

Phoenix Active Management Area

Partner	Quantity of Water (AF)
Agua Fria Recharge Project	16,300
Chandler Heights Citrus Irrigation District	576
Granite Reef Underground Storage Project	56,500
Hieroglyphic Mountains Recharge Project	21,398
New Magma Irrigation and Drainage District	46,117
Queen Creek Irrigation District	7,499
Salt River Project GSF	8,000
Tonopah Irrigation District	2,495

Pinal Active Management Area

Partner	Quantity of Water (AF)
Central Arizona Irrigation and Drainage District	13,821 ¹
Hohokam Irrigation and Drainage District	16,700 ¹
Maricopa-Stanfield Irrigation and Drainage District	22,967 ¹

Tucson Active Management Area

Partner	Quantity of Water (AF)
Avra Valley Recharge Project	6,084 ¹
Central Avra Valley Storage and Recovery Project	6,000
Kai-Red Rock	1,100
Lower Santa Cruz Recharge Project	41,720 ¹
Pima Mine Road Recharge Project	18,265 ¹

¹Includes both intrastate and interstate deliveries

APPENDIX B
CAP DELIVERY SCHEDULE

(Acre feet)

Year	CAP Demands				Average Year Supply ⁵	Available for AWBA ⁶
	M&I ¹	Indian ²	Ag ³	Total ⁴		
2006	374,541	102,300	400,000	891,841	1,525,000	633,159
2007	385,951	102,300	400,000	903,251	1,525,000	621,749
2008	368,835	106,800	400,000	890,635	1,525,000	634,365
2009	374,836	121,800	400,000	911,636	1,525,000	613,364
2010	422,937	142,328	400,000	980,265	1,525,000	544,735
2011	434,384	161,928	400,000	1,011,312	1,525,000	513,688
2012	420,625	179,393	400,000	1,015,018	1,525,000	509,982
2013	433,652	204,493	400,000	1,053,145	1,525,000	471,855
2014	461,834	204,493	400,000	1,081,327	1,525,000	443,673
2015				1,090,579	1,525,000	434,421

- (1) Includes M&I, CAGR, CAGR replenishment reserve, Indian M&I lease and M&I incentive water
- (2) From settlement discussions
- (3) Based on current agricultural pool policy, includes 32,537 for Harquahala
- (4) Includes secondary excess uses of 15,000 AF per annum 2006 through 2014.
- (5) Based on average year delivery of 1,600,000 AF per year minus losses
- (6) Average year supply minus CAP demands; AWBA last priority for intrastate use

**APPENDIX C
STORAGE FACILITIES AVAILABLE TO THE AWBA¹
(as used in the 10 year plan)**

AMA and Facility Type	Facility Permit Expiration	Facility Permitted Capacity (AF)	Capacity Available to AWBA² (AF)	Year Water Last Stored	Volume of Water Last Stored (AF)
PHOENIX – GSF³					
New Magma IDD	12/2007	54,000	45,000	2004	46,117
Queen Creek ID	12/2004	28,000	3,000	2004	7,499
Salt River Project	12/2005	200,000	20,000	2004	8,000
PHOENIX – USF					
GRUSP	12/2010	200,000	50,000	2004	56,500
Agua Fria Recharge Project	05/2019	100,000	40,000	2004	16,300
Hieroglyphic Mtns.	12/2021	35,000	26,000	2004	21,398
Tonopah Desert RP				⁴	
PINAL – GSF					
Central Arizona IDD	12/2007	110,000	15,000	2004	13,821
Hohokam IDD	12/2007	55,000	50,000	2004	16,700
Maricopa-Stanfield IDD	12/2004	120,000	50,000	2004	22,967
TUCSON – GSF³					
Kai – Red Rock	12/2006	11,231	3,000	2004	1,100
TUCSON – USF					
Avra Valley	03/2018	11,000	7,000	2004	6,084
CAVSARP	07/2021	60,000	40,000 ⁵	2004	6,000
Lower Santa Cruz	09/2019	50,000	40,000	2004	41,720
Pima Mine Road	09/2020	30,000	28,000	2004	18,265
Other Facilities Currently or Anticipated to be Available to the AWBA					
Vidler – USF	09/2020	100,000	80,000	⁴	0
West Maricopa Combine - USF	05/31/2021	25,000		⁴	0
Superstition Mountain ⁶		80,000	40,000		n/a
SRP New River – USF ⁶					n/a

Footnotes:

- (1) As additional facilities are developed, they will be included in future plans. However, it should be recognized that availability of water and funding will likely be the limiting factors in future plans.
- (2) This does not reflect the actual “permitted” volume for these facilities, instead for the purposes of this plan, staff relied on average historical storage volumes and potential for future storage.
- (3) The AWBA holds water storage permits at Chandler Heights Citrus ID (3KAF), Maricopa Water District (18KAF), Roosevelt Water Conservation District, BKW Farms (16KAF), Kai-Avra (12KAD) and the Tonopah (15KAF) GSFs. These were not considered significant uses in this 10 year outlook.
- (4) No deliveries to date.
- (5) 20,000 acre-feet of additional capacity included beginning in 2003.
- (6) Not yet permitted.

APPENDIX D
Credits Developed for M&I Firming Utilizing the 4¢ Tax ¹
(Acre feet)

	Year	Groundwater Savings			Underground Storage		
		Capacity Available ⁴	Capacity Used	Credits Earned	Capacity Available ⁴	Capacity Used	Credits Earned
PHOENIX AMA²	Pre-plan ³			516,308			410,531
	2006	29,991	29,991	26,992	195,666	100,874	90,787
	2007	30,960	30,960	27,864	244,349	180,261	162,235
	2008	30,960	30,960	27,864	243,533	189,018	170,116
	2009	30,714	30,714	27,643	239,578	171,300	154,170
	2010	30,269	30,269	27,242	239,194	196,103	176,493
	2011	29,754	29,754	26,779	231,113	85,045	76,540
	2012	29,713	29,713	26,742	243,121	242,608	218,347
	2013	29,105	29,105	26,194	242,403	144,257	129,831
	2014	31,174	26,498	23,848	237,885	173,904	156,514
	2015	32,539	23,853	21,468	239,037	126,835	114,152
	Total			778,944			1,859,716
PINAL AMA²	Pre-plan ³			98,284			
	2006	85,359	7,268	6,687	-	-	-
	2007	89,646	8,081	7,435	-	-	-
	2008	81,978	10,728	9,869	-	-	-
	2009	76,825	12,641	11,629	-	-	-
	2010	77,175	12,767	11,746	-	-	-
	2011	79,680	12,153	11,181	-	-	-
	2012	81,966	11,589	10,662	-	-	-
	2013	83,493	11,067	10,182	-	-	-
	2014	84,908	10,584	9,738	-	-	-
	2015	86,224	10,136	9,325	-	-	-
	Total			196,738			
TUCSON AMA²	Pre-plan ³			4,349			190,728
	2006	0	0	0	89,256	89,000	85,440
	2007	0	0	0	87,916	58,870	56,516
	2008	0	0	0	88,011	38,943	37,385
	2009	0	0	0	87,068	43,685	41,938
	2010	0	0	0	98,324	43,400	41,664
	2011	0	0	0	107,913	42,652	40,946
	2012	0	0	0	109,151	41,977	40,297
	2013	0	0	0	98,092	41,290	39,638
	2014	0	0	0	107,173	40,625	39,000
	2015	0	0	0	107,413	39,968	38,369
	Total			4,349			651,921

Footnotes:

- (1) Development of M&I firming credits followed utilization of groundwater withdrawal fees.
- (2) M&I firming targets are Phoenix AMA-1.566 MAF, Tucson AMA-864 KAF, and Pinal AMA 243 KAF.
- (3) Cumulative totals for 1997-2005; 2005 credits estimated based on projected deliveries.
- (4) The capacity available is based on the capacity remaining at the USFs and GSFs after all higher priority demands have been met.

APPENDIX E
Credits Developed for Meeting AMA Water Management Goals
Utilizing Withdrawal Fees ¹
(Acre feet)

	Year	Groundwater Savings			Underground Storage		
		Capacity Available ³	Capacity Used	Credits Earned	Capacity Available ³	Capacity Used	Credits Earned
PHOENIX AMA	Pre-plan ²			114,679			40,331
	2006	69,746	39,755	35,780	210,155	14,489	13,040
	2007	72,000	41,040	36,936	246,933	2,584	2,326
	2008	72,000	41,040	36,936	252,024	8,491	7,642
	2009	71,429	40,714	36,643	251,912	12,335	11,101
	2010	70,393	40,124	36,112	251,415	12,221	10,999
	2011	69,196	39,442	35,498	250,132	11,019	9,917
	2012	69,100	39,387	35,448	252,717	9,596	8,637
	2013	67,686	38,581	34,723	251,024	8,621	7,759
	2014	66,300	35,126	31,613	247,345	9,460	8,068
	2015	64,158	31,620	28,458	248,002	8,964	8,514
	Total				462,826		
PINAL AMA	Pre-plan ²			303,912			0
	2006	115,000	29,641	27,270	-	-	-
	2007	115,000	25,354	23,325	-	-	-
	2008	115,000	33,022	30,380	-	-	-
	2009	115,000	38,175	35,121	-	-	-
	2010	115,000	37,825	34,799	-	-	-
	2011	115,000	35,320	32,494	-	-	-
	2012	115,000	33,034	30,391	-	-	-
	2013	115,000	31,507	28,987	-	-	-
	2014	115,000	30,092	27,685	-	-	-
	2015	115,000	28,776	26,474	-	-	-
	Total				600,838		
TUCSON AMA	Pre-plan ²			8,296			42,211
	2006	5,000	5,000	4,800	92,946	3,690	3,542
	2007	5,000	5,000	4,800	92,294	4,378	4,203
	2008	5,000	5,000	4,800	93,604	5,593	5,369
	2009	5,000	5,000	4,800	93,665	6,597	6,333
	2010	5,000	5,000	4,800	103,289	4,965	4,767
	2011	5,000	5,000	4,800	112,474	4,561	4,379
	2012	5,000	5,000	4,800	113,329	4,178	4,011
	2013	5,000	5,000	4,800	101,897	3,805	3,653
	2014	5,000	5,000	4,800	110,620	3,447	3,309
	2015	5,000	5,000	4,800	110,513	3,100	2,976
	Total				56,296		

- (1) Expenditure of withdrawal fees was given the highest priority.
- (2) Cumulative totals for 1997-2005; 2005 credits estimated based on projected deliveries, as amended.
- (3) The capacity available is based on the capacity remaining at the USFs and GSFs after all higher priority demands have been met.

APPENDIX F
Credits Developed Utilizing Annual General Fund Appropriations^{1,2}
(Acre feet)

	Year	Groundwater Savings			Underground Storage		
		Capacity Available	Capacity Used	Credits Earned	Capacity Available	Capacity Used	Credits Earned
PHOENIX AMA	Pre-plan ³			37,964			21,973
	2006	0	0	0	94,792	0	0
	2007	0	0	0	64,088	0	0
	2008	0	0	0	54,515	0	0
	2009	0	0	0	68,277	0	0
	2010	0	0	0	43,091	0	0
	2011	0	0	0	154,068	0	0
	2012	0	0	0	513	0	0
	2013	0	0	0	98,146	0	0
	2014	4,676	0	0	63,981	0	0
	2015	8,685	0	0	112,202	0	0
	Total			37,964			21,973
PINAL AMA	Pre-plan ³			296,814			
	2006	78,091	0	0	-	-	-
	2007	81,565	0	0	-	-	-
	2008	71,251	0	0	-	-	-
	2009	64,184	0	0	-	-	-
	2010	64,408	0	0	-	-	-
	2011	67,527	0	0	-	-	-
	2012	70,378	0	0	-	-	-
	2013	72,425	0	0	-	-	-
	2014	74,324	0	0	-	-	-
	2015	76,088	0	0	-	-	-
	Total			296,814			
TUCSON AMA	Pre-plan ³			2,306			37,442
	2006	0	0	0	256	0	0
	2007	0	0	0	29,046	0	0
	2008	0	0	0	49,069	0	0
	2009	0	0	0	43,383	0	0
	2010	0	0	0	54,924	0	0
	2011	0	0	0	65,260	0	0
	2012	0	0	0	67,174	0	0
	2013	0	0	0	56,802	0	0
	2014	0	0	0	66,548	0	0
	2015	0	0	0	67,445	0	0
	Total			2,306			37,442

Footnotes:

- (1) The ten year plan does not include a component for General Fund appropriations
- (2) The on-river M&I firming target is 420 KAF.
- (3) Cumulative totals for 1997-2005; 2005 credits estimated based on projected deliveries.

APPENDIX G
Potential Credits Developed for Interstate Water Banking¹
(Acre feet)

Year	Available CAP Supplies²	Available AWBA Capacity³	Remaining Supply⁴	Interstate Credits⁵
Pre-plan ⁶				270,156
2006	313,450	213,139	50,522	200,000
2007	265,220	214,699	56,736	200,000
2008	271,571	214,834	36,358	200,000
2009	252,202	215,844	0	200,000
2010	162,061	202,423	0	152,337
2011	248,740	326,855	219,477	27,507
2012	92,901	178,065		0
2013	158,623	267,374		0
2014	108,937	249,529		0
2015	156,169	304,421		0
Total				1,250,000

Footnotes:

- (1) The AWBA has an obligation to have 1,250,000 acre feet of credits for the SNWA.
- (2) Water available for Interstate Banking is calculated by subtracting the water delivered and stored by individual subcontractors, contractors, and the AWBA for intrastate water banking from the Total Available Supply (see Appendix B).
- (3) Reflects the unused capacity available to the AWBA at USFs and GSFs in the Phoenix, Pinal, and Tucson AMAs as well as capacity available from other storage facilities permitted by the AWBA outside of the AMAs. Additional capacity may be available at individual facilities based on the utilization by individual water storage permit holders
- (4) Remaining supplies after subtracting the water delivered and stored by individual subcontractors, contractors, and the AWBA for intrastate water banking and water delivered for interstate water banking.
- (5) Based on the Available Supplies or the Available AWBA Capacity, whichever is less, resulting stored water multiplied by an average 6% cut and loss factor.
- (6) Cumulative totals for 1997-2005; 2005 credits estimated based on projected deliveries

ARIZONA WATER BANKING AUTHORITY
(FY 2005 - July 2004 thru June 2005)

	<u>Approved</u>	<u>Actual</u>
FY 2005 ADMINISTRATIVE BUDGET	\$594,300	\$432,616
<hr/> <hr/>		
Administration Account Balance		
Projected End-of-Fy04	\$956,000	\$1,013,140
Projected End-of-Fy05	\$861,700	\$887,544

ARIZONA WATER BANKING AUTHORITY

FY 2005 ADMINISTRATIVE BUDGET**\$594,300****\$432,616**

STAFFING

	Total FTE	Cost	Actual Cost
Department of Water Resources Cost of Services		\$507,000	\$406,116
Personnel Services	4.5	\$245,800	\$193,810
Water Bank Manager			
Water Bank Technical Administrator			
Administrative Assistant			
Attorney			
Employee Related Expenditures (at 28.75% of Personnel Services)		\$70,700	\$60,522
Indirect Cost (at 60.20% of Personnel Service & ERE)		\$190,500	\$151,784
Central Arizona Project Cost of Services		\$10,000	\$10,000
Personnel Services & ERE		\$10,000	\$10,000
Water System Engineer			
Customer Service Coordinator			
Hydrologist			
Administrative Support			
Subtotal Staffing		\$517,000	\$416,116

OTHER COSTS

Professional & Outside Services		\$50,000	\$0
Travel		\$20,700	\$11,700
Instate Travel		\$14,750	\$9,200
Out of State Travel		\$5,950	\$2,500
Other Operating Expenses		\$6,600	\$4,800
Standard per employee	4.5	\$600	\$2,700
Miscellaneous		\$3,900	\$2,100
Equipment		\$0	\$0
		\$0	\$0
Subtotal Other Costs		\$77,300	\$16,500

Attachment 2006-1

ARIZONA WATER BANKING AUTHORITY
(FY 2006 - July 2005 thru June 2006)

FY 2006 ADMINISTRATIVE BUDGET **\$639,900**

Administration Account Balance

Projected End-of-Fy05 **\$887,544**

Projected End-of-Fy06 **\$647,644**

ARIZONA WATER BANKING AUTHORITY

FY 2006 ADMINISTRATIVE BUDGET**\$639,900****STAFFING**

	Total FTE	Cost
Department of Water Resources Cost of Services		\$572,000
Personnel Services	4.5	\$276,000
Water Bank Manager		
Water Bank Technical Administrator		
Administrative Assistant		
Attorney		
Employee Related Expenditures (at 31.3% of Personnel Services)		\$86,400
Indirect Cost (at 57.83% of Personnel Service & ERE)		\$209,600
Central Arizona Project Cost of Services		\$10,000
Personnel Services & ERE		\$10,000
Water System Engineer		
Customer Service Coordinator		
Hydrologist		
Administrative Support		
Subtotal Staffing		\$582,000

OTHER COSTS

Professional & Outside Services		\$25,000
Travel		\$24,700
Instate Travel		\$15,150
Out of State Travel		\$9,550
Other Operating Expenses		\$6,200
Standard per employee	4.5	\$600
Miscellaneous		\$3,500
Equipment		\$2,000
		\$2,000
Subtotal Other Costs		\$57,900

Attachment 2006-3

ARIZONA WATER BANKING AUTHORITY

TRAVEL

	Meetings	\$/Meeting	Cost	
INSTATE TRAVEL				
Authority Members				
Chuck Cahoy	5	\$0	\$0	
Maureen George	5	\$250	\$1,250	
Herb Guenther	5	\$0	\$0	
John Mawhinney	5	\$100	\$500	
Bill Perry	5	\$0	\$0	
Subtotal			\$1,750	
Authority Staff				
Manager	5	\$0	\$0	
	6	\$400	\$2,400	(Las Vegas)
Technical Administrators	10	\$0	\$0	
	8	\$200	\$1,600	(Las Vegas)
Admin Assistant	5	\$0	\$0	
Other Support	6	\$400	\$2,400	
Subtotal			\$6,400	
Motor Pool			\$7,000	
Instate Total			\$15,150	
OUT OF STATE TRAVEL				
Authority Members	No out of state travel is anticipated for Authority Members			
Authority Staff				
Manager	3	\$600	\$1,800	
	4	\$1,200	\$4,800	
Technical Administrators	1	\$550	\$550	
Other Support	3	\$800	\$2,400	
Total Out of State			\$9,550	
Total Travel			\$24,700	

Attachment 2006-3 continued

OTHER OPERATING COSTS

		Cost
Miscellaneous		
	Postage	\$1,800
	Special copying	\$200
	Other	\$1,000
	Permits	\$500
		<u>\$3,500</u>
Other Operating Cost		\$3,500

EQUIPMENT

	Units	Unit Cost	Cost
			\$2,000
Subtotal			<u>\$2,000</u>
Total Equipment			\$2,000

AGREEMENT BETWEEN THE CENTRAL ARIZONA
WATER CONSERVATION DISTRICT AND
THE ARIZONA WATER BANKING AUTHORITY
PROVIDING FOR THE DELIVERY OF EXCESS
CENTRAL ARIZONA PROJECT WATER

This Agreement is made as of the 16th day of March, 2005, in pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory thereof or supplementary thereto, including but not limited to the Boulder Canyon Project Act of December 21, 1928 (45 Stat. 1057), as amended, the Reclamation Project Act of August 4, 1939 (53 Stat. 1187), as amended, the Reclamation Reform Act of October 12, 1982 (96 Stat. 1263), and particularly the Colorado River Basin Project Act of September 30, 1968 (82 Stat. 885), as amended (the "Basin Project Act"), between the CENTRAL ARIZONA WATER CONSERVATION DISTRICT ("CAWCD"), and THE ARIZONA WATER BANKING AUTHORITY ("AWBA").

RECITALS

A. The Basin Project Act provides, among other things, that for the purposes of furnishing irrigation and municipal and industrial ("M&I") water supplies to water deficient areas of Arizona and western New Mexico through direct diversion or exchange of water, control of floods, conservation and development of fish and wildlife resources, enhancement of recreation opportunities, and for other purposes, the Secretary shall construct, operate, and maintain the Central Arizona Project ("CAP").

B. The United States and CAWCD have entered into Contract No. 14-06-W-245, Amendment No. 1, dated December 1, 1988 (the "Repayment Contract"), which

is incorporated by reference, providing for the delivery of water and repayment of costs of the CAP.

C. The United States and CAWCD have entered into the Stipulation Regarding a Stay of Litigation, Resolution of Issues During the Stay and for Ultimate Judgment upon the Satisfaction of Conditions, filed with the United States District Court on May 3, 2000, in Central Arizona Water Conservation District v. United States, No. CIV 95-625-TUC-WDB (EHC), No. CIV 95-1720-PHX-EHC (Consolidated Action) (the "Stipulation"), which modifies the Repayment Contract in certain respects.

D. Paragraph 5(d)(2) of the Stipulation grants CAWCD the exclusive right to sell or use Excess Water.

E. The Arizona Legislature has declared that it is the public policy of the State of Arizona to use the CAP to deliver Colorado River water that would otherwise be unused in Arizona for purposes specified in A.R.S. § 45-2401.

F. The Arizona Legislature has created AWBA to implement this policy and has specifically authorized AWBA, in A.R.S. § 45-2423(B)(7), to execute agreements with the CAWCD to obtain water for storage at permitted facilities.

AGREEMENT

Repayment Contract and Stipulation Controlling

1. AWBA expressly acknowledges that this Agreement is subject to the Repayment Contract and Stipulation, including any amendments thereof, and any actions taken and determinations made under those agreements, except as otherwise provided herein. In the event of any inconsistency between this Agreement and the Repayment Contract, the provisions of the Repayment Contract, as modified by the Stipulation, shall be controlling. Definitions included in the Repayment Contract and Stipulation are applicable to this Agreement. The first letters of terms so defined are capitalized herein.

Term

2. The initial term of this Agreement expires on December 31 of the year in which it is executed. This Agreement will be automatically renewed for successive one-year terms until December 31, 2017, unless AWBA notifies CAWCD by October 1 of any year that it does not wish to renew the Agreement for the following year or unless sooner terminated in accordance with Article 12.

Delivery of Water by CAWCD

3. In so far as Project Water supplies and the delivery capability of the Project will permit, and subject to the provisions of the Repayment Contract and Stipulation, CAWCD will deliver Excess Water to AWBA in an amount to be determined in accordance with the terms of this Agreement and at a water service charge calculated in accordance with Article 10. The determination of whether Excess Water is available for delivery in any Year, and, if so, the amount of such Excess Water that is available for delivery under this Agreement in any Year, is a determination within the exclusive discretion of CAWCD; Provided, however, That delivery of Excess Water under this Agreement shall be subject to the prior satisfaction of all water deliveries scheduled pursuant to a long-term contract or subcontract for Project Water service, as that term is used in the Stipulation.

Conditions Relating to Delivery and Use

4. The delivery and use of water under this Agreement is conditioned on the following, and the parties hereby agree that:

(a) All uses of Project Water and Return Flow shall be consistent with Arizona water law unless such law is inconsistent with the Congressional directives applicable to the Central Arizona Project.

(b) Project Water furnished pursuant to this Agreement shall be delivered through Project Works for storage or exchange as permitted by law.

(c) Project Water furnished to AWBA pursuant to this Agreement may not be directly resold or transferred, but AWBA may enter into an arrangement with a groundwater savings facility allowed under state law to store Project Water and may otherwise transfer, assign, distribute, and extinguish long-term storage credits accrued with Project Water as authorized by A.R.S. §§ 45-2401 *et seq.*

(d) Notwithstanding any other provision of this Agreement, Project Water shall not be delivered on behalf of AWBA unless and until CAWCD has issued final environmental clearance for the system or systems through which Project Water is to be conveyed after delivery and CAWCD has satisfied itself that all pipelines, canals, distribution systems, or other conduits that will convey Project Water after delivery under this Agreement will prevent excessive conveyance losses and are constructed, operated, and maintained in accordance with any condition of applicable laws, regulations, or order and to the satisfaction of CAWCD.

Procedure for Ordering Water

5. (a) The amounts, times, and rates of delivery of Excess Water on behalf of AWBA during each Year shall be in accordance with a water delivery schedule for that Year. Such schedule shall be determined in the following manner:

(i) On or about August 1 of each year during the term of this Agreement, AWBA and CAWCD shall meet and confer regarding the development of AWBA's draft plan of operation for the following year.

(ii) On or before September 1 of each year during the term of this Agreement, CAWCD shall provide to AWBA a preliminary schedule for delivery of Excess Water for storage for intrastate purposes during the following year.

(iii) On or before October 1 of each year during the term of this Agreement, AWBA shall provide to CAWCD written comments on the preliminary schedule for delivery of Excess Water during the following year. AWBA shall also identify the volume of Excess Water it anticipates storing for interstate purposes during the following year.

(iv) On or before October 15 of each year during the term of this Agreement, CAWCD shall provide to AWBA a water delivery schedule, by month and by storage facility, for intrastate storage. CAWCD shall also identify the volume of Excess Water it anticipates being available for storage for interstate purposes during the following year.

(v) On or before November 10 of each year during the term of this Agreement, AWBA shall submit to CAWCD a request for the delivery of Excess Water for interstate storage during the following year.

(vi) On or before November 15 of each year during the term of this Agreement, CAWCD shall provide to AWBA a final water delivery schedule for intrastate and interstate storage.

(b) The monthly water delivery schedules may be amended upon AWBA's written request to CAWCD. Proposed amendments shall be submitted by AWBA to CAWCD no later than 15 days before the desired change is to become effective. CAWCD shall accept any request by AWBA to reduce scheduled deliveries and shall take all reasonable actions necessary to effect a request by AWBA to reduce scheduled deliveries. AWBA requests to increase scheduled deliveries shall be subject to review and modification in like manner as the schedule. CAWCD shall notify AWBA of its action on the requested schedule modification within 10 days of CAWCD's receipt of such request.

(c) AWBA shall hold CAWCD, its officers, agents, and employees, harmless on account of damage or claim of damage of any nature whatsoever arising out of or connected with the actions of CAWCD regarding water delivery schedules furnished by or to AWBA.

(d) CAWCD shall not deliver water on behalf of AWBA except in the amounts and in accordance with the schedules developed in accordance with this Article. AWBA shall not be responsible for any payments due CAWCD except for water scheduled and delivered in accordance with this Article.

Project Delivery Point, Measurement
and Responsibility for Distribution of Water

6. (a) Excess Water furnished on behalf of AWBA pursuant to this Agreement shall be delivered at such point(s) on the Water Supply System as are agreed upon in writing by CAWCD and AWBA.

(b) All water delivered from the Water Supply System shall be measured with equipment furnished and installed by the United States and operated and maintained by CAWCD or with equipment furnished, installed, operated and maintained with the approval of CAWCD. Upon the request of AWBA or CAWCD, the accuracy of such measurements shall be investigated by CAWCD and AWBA, and any errors which are mutually determined to have occurred therein shall be adjusted; Provided, however, That in the event the parties cannot agree on the required adjustment, CAWCD's determination shall be conclusive.

(c) Neither the United States nor CAWCD shall be responsible for the control, carriage, handling, use, disposal, or distribution of water beyond the Project delivery point, except as provided in the Master Water Storage Agreement between AWBA and CAWCD. AWBA shall hold the United States and CAWCD harmless on account of damage or claim of damage of any nature whatsoever for which there is legal responsibility, including property damage, personal injury, or death arising out of or connected with the control, carriage, handling, use, disposal, or distribution of water beyond Project delivery point, except as provided in the Master Water Storage Agreement between AWBA and CAWCD.

Interruptions and Reductions

7. In addition to the right of the United States under Subarticle 8.3(a)(iv) of the Repayment Contract to temporarily discontinue or reduce the amount of water to be delivered, CAWCD may discontinue or reduce the quantity of water to be furnished on behalf of AWBA as herein provided for the purposes of investigation, inspection, construction, testing, maintenance, repair, or replacement of any of the Project facilities or any part thereof. CAWCD may also discontinue or reduce the quantity of water to be furnished on behalf of AWBA if there is insufficient Project Water or Project delivery capacity to deliver AWBA's water order, the water orders of other contractors of Excess Water service, and all water deliveries scheduled pursuant to a contract with the United States or a subcontract with the United States and CAWCD providing for Project Water service for a period of 50 years or more. So far as feasible, CAWCD shall attempt to coordinate any such discontinuance or reduction with AWBA and to give AWBA due notice in advance of such discontinuance or reduction. In case of emergency, no notice need be given. The United States, its officers, agents, and employees, and CAWCD, its officers, agents, and employees, shall not be liable for damages when, for any reason whatsoever, any interruption, discontinuance, or reduction in delivery of water occurs.

No Long-Term Commitment to the Delivery of Project Water

8. Nothing in this Agreement shall be construed as an allocation of Project Water to AWBA nor shall this Agreement entitle AWBA to any Project Water other than as provided herein.

Quality of Water

9. CAWCD does not warrant the quality of any Project Water furnished under this Agreement and is under no obligation to construct or furnish water treatment facilities to maintain or better the quality of any Project Water. AWBA waives its right to make a claim against the United States, CAWCD, or any other Project subcontractor or contractor on account

of the quality of Project Water or any changes in water quality caused by the commingling of Project Water with other water during delivery of the Project Water. Water quality and liability issues that arise from the storage of Project Water by CAWCD on behalf of AWBA at CAWCD underground storage facilities shall be governed by the Water Storage Agreement between CAWCD and AWBA.

Water Service Charges

10. (a) By August 1 of each year, CAWCD shall establish water service charges for water to be delivered under this Agreement during the following year for interstate and intrastate storage.

(b) By the 20th of each month, CAWCD shall bill AWBA for water delivered in the preceding month under this Agreement. The payment due shall be computed by multiplying the total amount of water delivered in the preceding month by that portion of the applicable water service charge that is not paid directly to CAWCD by Groundwater Savings Facility Operators in accordance with Article 11.

(c) AWBA shall pay or provide for payment of the amount billed by CAWCD within 30 days.

(d) If, during any year in which water is being delivered for interstate storage under this Agreement, CAWCD determines that its interstate water storage costs will increase 20% or more over the estimates CAWCD used to establish the water service charge for interstate storage for that year, it shall within thirty (30) days of becoming aware of such increase: (1) notify AWBA in writing of the increase and (2) provide AWBA with an estimate of the increased costs for water delivery for interstate storage for that year. Following such notice, CAWCD shall give AWBA a reasonable opportunity to amend its interstate storage schedule for the remainder of that year.

(e) By May 31 of each year, CAWCD shall reconcile the actual operation, maintenance, and replacement costs and energy costs associated with water delivered for interstate storage to the costs estimated when the water service rate for interstate storage was established. If that year-end account reconciliation demonstrates that money is owed to CAWCD, AWBA shall pay the amount owed within 30 days of CAWCD's invoice. If funds are due to AWBA, CAWCD shall pay AWBA the amount due within 30 days of completing the reconciliation. Upon termination of this Agreement for any reason, CAWCD shall provide AWBA a reconciliation for any year or partial year for which a reconciliation has not been performed. The obligation to provide the reconciliation, and of either party to pay any funds as a result of the reconciliation, shall survive termination of this Agreement.

Collection of Water Service Charges
from Groundwater Savings Facility Recipients

11. (a) In accordance with the Intergovernmental Agreement entered into among AWBA, CAWCD, and the Arizona Department of Water Resources, CAWCD has agreed to invoice, collect, and process that portion of the water services fees assessed under this Agreement that AWBA will charge to a Facility Operator of a Groundwater Savings Facility which receives water scheduled by AWBA under this Agreement. On or before October 15 of each year, AWBA shall notify CAWCD of the portion of the water services fee that it will charge to the Facility Operator. In any agreement with a Facility Operator, AWBA shall require the Facility Operator to make timely payment of such fees to CAWCD in accordance with normal CAWCD invoicing and billing practices, shall authorize CAWCD as a third party beneficiary to collect fees owed, as well as interest, administrative fees, and penalty charges on delinquent payments, and shall ensure that CAWCD's rights as a third party beneficiary to collect any unpaid fees, interest, and charges survive termination of the agreement.

(b) CAWCD agrees that a Groundwater Savings Facility Operator shall be entitled to be reimbursed by CAWCD for any portion of the Facility Operator's water services fee that is attributable to water that is scheduled for delivery under this Agreement but that is not subsequently delivered to the Facility Operator. CAWCD agrees that in lieu of reimbursement for scheduled, but undelivered water, the Facility Operator shall be entitled to an equivalent credit against payment in the future of any fees owed CAWCD, should the Facility Operator so desire.

Termination and Cancellation of Contract

12. (a) If AWBA remains in arrears in the payment of any charges due CAWCD for a period of 60 days or more, CAWCD may terminate this Agreement, which termination shall be effective 30 days after mailing written notice of termination to AWBA. AWBA shall remain obligated to pay all charges required to be paid under this Agreement during the time period until and including the date of termination. AWBA's obligation to pay any amounts due but unpaid as of the date of termination shall survive termination of this Agreement. CAWCD's right to terminate this Agreement as provided in this Article 12 shall be in addition to the other rights of CAWCD under this Agreement and to all other rights provided by law.

(b) This Agreement is subject to cancellation in accordance with the provisions of A.R.S. § 38-511.

Charges for Delinquent Payments

13. (a) Each party to this Agreement shall be subject to interest, administrative and penalty charges on delinquent installments or payments owed by that party under this Agreement. The party shall pay an interest charge for each day the payment is delinquent beyond the due date. When a payment becomes 60 days delinquent, the party shall pay an administrative charge to cover additional costs of billing and processing the delinquent payment. When a payment is delinquent 90 days or more, the party shall pay an additional penalty charge of 6 percent per year for each day the payment is delinquent beyond the due date. Further, the

party shall pay any fees incurred for debt collection services associated with a delinquent payment.

(b) The interest charge rate shall be the greater of the rate prescribed quarterly in the Federal Register by the Department of the Treasury for application to overdue payments, or the interest rate of 0.5 percent per month prescribed by Section 6 of the Reclamation Project Act of 1939 (Public Law 76-260). The interest charge rate shall be determined as of the due date and remain fixed for the duration of the delinquent period.

(c) When a partial payment on a delinquent account is received, the amount received shall be applied first to the penalty and administrative charges, second, to the accrued interest, and third to the overdue payment.

Rules, Regulations and Determinations

14. (a) The parties agree that the delivery of water or the use of Federal facilities pursuant to this Agreement is subject to Reclamation law, as amended and supplemented, and the rules and regulations promulgated by the Secretary of the Interior under Reclamation law.

(b) AWBA shall have the right to make determinations necessary to administer this Agreement that are consistent with the expressed provisions of this Agreement, the laws of the United States and the State of Arizona, and the rules and regulations promulgated by the Secretary of the Interior.

Compliance with Environmental Laws

15. The parties, in carrying out this Agreement, shall comply with all applicable environmental laws and regulations of the United States and the State of Arizona and shall obtain all required permits or licenses from the appropriate Federal, State, or local authorities.

Equal Opportunity

16. During the performance of this Agreement, the parties shall comply with all applicable laws and regulations of the United States and the State of Arizona relating to labor, employment, civil rights, and equal opportunity in employment.

Notices

17. (a) Notice, demand or request provided for in this Agreement shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by mail, postage prepaid, or facsimile to the persons specified below:

Central Arizona Water Conservation District
General Manager
P.O. Box 43020
Phoenix, AZ 85080-3020
Facsimile Number: (623) 869-2332

Arizona Water Banking Authority
Manager
500 North Third Street
Phoenix, AZ 85004-3903
Facsimile Number: (602) 417-2401

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

Assignment Limited--Successors and Assigns Obligated

18. The provisions of this Agreement shall apply to and bind the successors and assigns of the parties hereto, but no assignment or transfer of this Agreement or any right or interest therein shall be valid until approved in writing by both parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement

No. EX 139-05 effective the day and year first above-written.

CENTRAL ARIZONA WATER
CONSERVATION DISTRICT

Attest:

Secretary

By:

President

ARIZONA WATER BANKING
AUTHORITY

Attest: Chad L. Cole
Secretary

By: Herbert R. Swenka
Chairman

~~Leave para. 10 as is.~~

Water Service Charges

* * *

10 ____ (e) By May 31 of each year, CAWCD shall reconcile: (1) the actual quantity of water delivered for interstate storage during the previous year to the quantity of water prepaid by AWBA under Article 11 of this Agreement and (2) --the actual operation, maintenance, and replacement costs and energy costs associated with water delivered for interstate storage to the costs estimated when the water service rate for interstate storage was established. If the year-end account reconciliation demonstrates that money is owed to CAWCD, AWBA shall pay the amount owed within 30 days of CAWCD's invoice. If funds are due to AWBA, CAWCD shall pay AWBA the amount due within 30 days of completing the reconciliation. Upon termination of this Agreement for any reason, CAWCD shall provide AWBA a reconciliation for any year or partial year for which a reconciliation has not been performed. The obligation to provide the reconciliation, and of either party to pay any funds as a result of the reconciliation, shall survive termination of this Agreement.

Insert new para. 11 as follows:

Interstate Storage Account

11. (a) AWBA may prepay CAWCD for water to be delivered under this Agreement for interstate storage.
- (b) Any prepayments made by AWBA shall be deposited into a separate interstate storage account established and maintained by CAWCD.
- (c) All interest earned on funds in the interstate storage account shall accrue to and remain in that account.

(d) CAWCD may only use funds in the interstate storage account to pay the costs of delivering and storing water for interstate storage under this Agreement.

(e) Any payment due from AWBA for water actually delivered for interstate storage under this Agreement shall be deducted from the interstate storage account until that account is exhausted.

(f) If funds are due to AWBA as a result of the year-end account reconciliation under subparagraph 10(e), CAWCD shall deposit the amount due in the interstate storage account.

(g) If funds are owed to CAWCD as a result of the year-end account reconciliation under subparagraph 10(e), CAWCD shall deduct the amount due from the interstate storage account. If there are insufficient funds in the interstate storage account to pay the full amount due CAWCD, then AWBA shall pay the balance owed within 30 days of CAWCD's invoice.

(h) Within fifteen days of AWBA's written request, CAWCD shall return all funds in the interstate storage account to AWBA.

Add new para. 20 as follows:

Annual Reporting Requirements

20. By ~~June 10~~ May 31 of each year, CAWCD shall provide to AWBA a report showing:

a. The amount of water delivered for intrastate and interstate storage under this Agreement during the previous calendar year.

b. The amount of money collected by CAWCD from Groundwater Savings Facility Operators in accordance with Article 12 during the previous calendar year.

c. The disposition of tax revenues collected by CAWCD pursuant to A.R.S. §48-3715.02, including the balance remaining as of December 31 of the previous calendar year.

d. All activity in the interstate storage account established under Article 11 of this Agreement, including prepayments by AWBA, interest accrual, and deductions by CAWCD during the previous calendar year.

EXHIBIT A

1. This Exhibit A, made this ____ day of _____, 2005, to be effective under and as part of the Agreement shall become effective on the date of the Agreement's execution and shall remain in effect until superseded by another Exhibit A executed by all of the parties. This Exhibit A may not be amended or superseded by another Exhibit A after July 15, 2005. This Exhibit A or any superseding Exhibit A shall terminate with the termination of the Agreement.

2. Acre-feet of LTS Credits:

Total: 230,304

In Witness of this Agreement, the Parties affix their official signatures below,
acknowledging execution of this Exhibit A on the ____ day of _____, 2005.

Arizona Water Banking Authority

Attest:

By: _____
Charles L. Cahoy, Secretary

By: _____
Herbert R. Guenther, Chairman

Mohave County Water Authority

Attest:

By: _____
Maureen R. George, Secretary/Treasurer

By: _____
Tom Griffin, Chairman

EXHIBIT B

1. This Exhibit B, made this ____ day of _____, 2005, to be effective under and as part of the Agreement shall become effective on the date of the Agreement's execution and shall remain in effect until superseded by another Exhibit B executed by all of the parties. This Exhibit B or any superseding Exhibit B shall terminate with the termination of the Agreement.

2. Acre-feet of LTS Credits developed by AWBA for the benefit of M&I Users:

Total: 396,499

In Witness of this Agreement, the Parties affix their official signatures below,
acknowledging execution of this Exhibit B on the ____ day of _____, 2005.

Arizona Water Banking Authority

Attest:

By: _____
Charles L. Cahoy, Secretary

By: _____
Herbert R. Guenther, Chairman

Mohave County Water Authority

Attest:

By: _____
Maureen R. George, Secretary/Treasurer

By: _____
Tom Griffin, Chairman

**SUBCONTRACT BETWEEN
THE MOHAVE COUNTY WATER AUTHORITY (MCWA)
AND _____
TO FIRM FUTURE SUPPLIES OF COLORADO RIVER WATER**

This Subcontract to Firm Future Supplies of Colorado River Water is made this ____ day of _____ of 2005, by and between the Mohave County Water Authority ("MCWA") and _____ (collectively referred to as the "Parties").

RECITALS

1. MCWA and the Arizona Water Banking Authority (AWBA) entered into an Agreement To Firm Future Supplies (AWBA Agreement) dated February 4, 2005.

2. The AWBA Agreement provides for MCWA to enter into Subcontracts with various Colorado River users possessing contracts for M&I water uses with priorities equal to the Central Arizona Project ("CAP") to include their respective shortages in the AWBA Agreement by no later than June 30, 2005.

3. MCWA advised all of its members, (Lake Havasu City, Bullhead City, Mohavee Valley IDD, Mohave Water Conservation District and Golden Shores Water Conservation District) and the following outside parties of the AWBA Agreement: Arizona State Parks, McAllister Subdivision, Arizona American Water Company, Crystal Beach Water Conservation District.

4. MCWA is required to notify, and has notified, AWBA by July 5, 2005, of the amount of credits to be included in Exhibit A to the AWBA Agreement.

5. MCWA requires the contracted obligation of those parties wishing to firm their supplies to pay for firming pursuant to the terms of the AWBA Agreement as MCWA has no independent source of funding.

For and in consideration of the mutual covenants contained herein, the Parties, agree as follows:

**ARTICLE I
DEFINITIONS**

For the purposes of this Subcontract, the following terms shall have the meaning defined in this Article. Defined terms are identified by initial letter capitalization.

1.1.1. "ADWR" shall mean the Arizona Department of Water Resources.

1.1.2. "AWBA Agreement" shall mean the Agreement to Firm Future Supplies between MCWA and AWBA dated February 4, 2005.

1.1.3. "AWBA" shall mean Arizona Water Banking Authority.

1.1.4. "CAP" shall mean the Central Arizona Project, as authorized by the Colorado River Basin Project Act, 43 U.S.C. 1501 *et seq.*, and as operated under that certain Master Repayment Contract dated December 1, 1988, Contract N. 14-06-W-245 between CAWCD and the United States Bureau of Reclamation, as amended.

1.1.5. "CAWCD" shall mean the Central Arizona Water Conservation District.

1.1.6. "Effective Date" shall mean the date that this Agreement is fully executed by all parties.

1.1.7. "LTS Credits" shall mean long-term storage credits as defined in A.R.S. § 45-802.01.

1.1.8. "M&I Users" shall mean municipal and industrial users of Colorado River water possessing post 1968 contracts for M&I water uses in the State of Arizona that are outside the service area of CAWCD.

1.1.9. "MCWA's LTS Credit Account" shall mean MCWA's LTS Credit account established with ADWR in connection with the AWBA Agreement, which account shall separately track the firming credits held on behalf of each of MCWA's member agencies who have executed an MCWA Subcontract.

1.1.10 "MCWA's Subaccount" shall mean the subaccount established by AWBA in connection with the AWBA Agreement.

1.1.11. "MCWA Subcontract" or "Subcontract" shall mean this contract entered into prior to June 30, 2005, between MCWA and _____ to have MCWA bear a portion of _____ Shortage(s) in the manner provided for in the AWBA Agreement.

1.1.12. "Prepayment" shall mean the payment by MCWA to AWBA of a portion of the Replacement Costs as set forth in Subarticle 3.2. of the AWBA Agreement.

1.1.13. "Replacement Costs" shall mean the cost to replace the LTS Credits as set forth in Subarticle 3.2 of the AWBA Agreement.

1.1.14. "Shortage" shall mean the shortage declared by the Secretary of the United States Department of the Interior in the Annual Operation Plan for Colorado River reservoirs.

1.1.15. "Subcontractor" shall mean an entity that has entered into a MCWA Subcontract.

**ARTICLE 2
ACKNOWLEDGMENT**

2.1. _____ hereby acknowledges that it has reviewed this Subcontract and agrees to be bound by its terms.

2.2. It is specifically acknowledged that the following actions must be taken by MCWA prior to this Subcontract becoming effective:

(1) establishment of MCWA's LTS Credit Account with ADWR, and

(2) execution of a water exchange agreement with an entity that has access to CAP water in order to utilize the LTS credits developed for MCWA under the AWBA Agreement and this Subcontract.

2.3. _____ further acknowledges that MCWA cannot require an entity to enter into an exchange agreement with MCWA, but will use its best efforts to secure such an agreement.

2.4. _____ further acknowledges MCWA will execute Exhibit A to the AWBA Agreement in specific reliance on this Subcontract and _____ agrees to pay its proportional share of all costs and fees due under the AWBA Agreement and this Subcontract.

**ARTICLE 3
FIRMING**

3.1. For the purposes of the AWBA Agreement and this Subcontract, MCWA agrees to bear any Shortage(s) for _____ in the manner provided for in the agreements, but only to the extent such Shortage is covered by the LTS credits for which _____ has paid its prepayment as of the time of such shortage declaration.

3.2. MCWA will set aside for use by _____, _____ acre/feet of LTS Credits reduced by a percentage equal to the number of acre feet of LTS Credits identified in Exhibit B of the AWBA Agreement divided by 420,000 as _____ pays for such credits and AWBA sets them aside for use by MCWA. This number of credits is to firm the existing contract between the United States and _____ in the amount of acre/feet of water; and _____ acre feet of water, pursuant to the Subcontract between MCWA and _____, dated -----

3.3. Pursuant to the terms of the AWBA Agreement, the LTS Credits set aside for use by _____ may only be used in times of a declared Shortage on the Colorado River and only through the exchange agreement authorized by Section 2.2.2. herein, _____ specifically authorizes MCWA to act as its agent in transferring credits pursuant to the exchange agreement.

3.4. The amount of LTS Credits transferred on behalf of _____ by AWBA to the MCWA's LTS Credit Account in any given year pursuant to this Subcontract shall be no greater than the amount of the Shortage actually borne by _____ for that year, and, in no event, shall the sum total exceed the number of acre feet of LTS credits identified in subarticle 3.2 herein. Any LTS Credits transferred to MCWA's LTS Credit Account under this Subarticle not utilized pursuant to a water exchange agreement shall be returned to the MCWA Subaccount before March 1 of the following year unless a Shortage has been declared for said year.

3.5. To the extent _____ transfers or assigns any of its Colorado River water allocation firmed by this Subcontract, the proportionate amount of LTS Credits in MCWA's Subaccount shall be transferred or assigned with the allocation provided, however, that such use may (1) only be in Mohave County, Arizona; (2) only be used for municipal and industrial uses; and (3) must be pursuant to a Subcontract between the transferee/assignee and MCWA.

3.6. By May 31 of each year, MCWA shall provide a report to ADWR, AWBA and _____ showing: (1) the number of LTS Credits transferred to MCWA's LTS Credit Account in the previous calendar year pursuant to Article 3 of the AWBA Agreement and (2) the number of LTS Credits returned to the MCWA Subaccount pursuant to Article 3 of the AWBA Agreement. For each reporting requirement specified herein, the report shall specify the number of LTS Credits that apply to each Subcontractor.

ARTICLE 4 PAYMENTS

_____ specifically agrees it will make all payments due from MCWA under Article 3.2. of the AWBA Agreement in proportion to the number of LTS Credits identified in Article 3.2 of this Subcontract. The payments include, but are not limited to, a \$20.00 per acre foot prepayment payable over twenty (20) consecutive quarterly payments due on the 1st day of March, June, September and December of each year, commencing on September 1, 2005 ($\text{_____} \times \$20.00 = \text{_____}$ divided by 20 = _____ per quarter), any administrative fees of AWBA and the water exchange provider under 2.2.2, as well as annual administrative fees due to MCWA for costs to administer this Subcontract not to exceed 5% of the initial annual payment unless approved by _____, and all costs associated with recovery and replacement for any LTS Credits used.

ARTICLE 5 TERM OF THE SUBCONTRACT

This Subcontract shall be effective when executed by all parties and the conditions of Article 2.2 of this Subcontract have been met. This Subcontract shall terminate when all of the LTS Credits identified in Article 3.2 of this Subcontract have been transferred to

MCWA's LTS Credit Account or on December 31, 2096, whichever is earlier. Any LTS Credits remaining in MCWA's Subaccount at the termination of this Subcontract shall revert to the sole and exclusive benefit of AWBA pursuant to A.R.S. 45-2457, unless this Subcontract, and the AWBA Agreement, are extended by all Parties in a written agreement.

ARTICLE 6 DELINQUENT CHARGES AND SURETY OF PERFORMANCE

6.1 Delinquency charges under the terms of this Subcontract.

- 6.1.1. The Parties agree that monetary damages will be ineffective in remedying any breach of this Subcontract, other than nonpayment, and that a court may order specific performance.
- 6.1.2. All payments due under this Subcontract shall be paid promptly on the date required and, if not paid, shall be delinquent. Interest on delinquent payments may be assessed from the business day of the month on which the charge was due and shall accrue at the prime rate of interest as established by the greater of the rate prescribed in the Federal Register by the Department of the Treasury for application to overdue payments, or the interest rate of 0.5 percent per month described by Section 6 of the Reclamation Project Act of 1939 (Public Law 76-260). The interest charge rate shall be determined as of the due date and remain fixed for the duration of the delinquent period. Any payment received shall first be applied to any interest owed, and then to charges owed.
- 6.1.3. In the event any portion of the charges are disputed, the disputed amount shall be paid when due, but may be accompanied by a written statement indicating the basis for any dispute. If the dispute is found to be valid, _____ shall be refunded any overpayment plus interest, accrued at the rate as set forth in Subarticle 6.1.2., prorated by days from the date payment was credited to MCWA to the date the refund check was issued.
- 6.1.4. In the event any delinquent amount is not paid by _____ within thirty (30) days after receipt by _____ of written notice from MCWA of the delinquency, MCWA shall have the right, without liability of any kind, to suspend its performance under this Subcontract so long as the delinquent amount remains unpaid. Such suspension shall not affect the LTS Credits remaining in MCWA's LTS Credit Account. Nothing herein shall limit the rights of MCWA to use any other available legal remedy to effect collection of delinquent amounts.

6.2. Surety of performance under the terms of this Subcontract

- 6.2.1. In the event that a dispute arises over any action to be undertaken pursuant to the terms of this Subcontract, the Parties recognize and acknowledge that time is of the essence in the conduct of the Parties under the terms of this Subcontract.

**ARTICLE 7
OTHER PROVISIONS**

7.1. Uncontrollable forces.

- 7.1.1. Neither Party shall be considered to be in default in the performance of any of its obligations under this Subcontract when a failure to perform shall be due to uncontrollable forces. The term "uncontrollable forces" shall mean any cause beyond the control of the Party unable to perform such obligation, including, but not limited to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities other than those of the Parties and restraint by court order or public authority, and action or nonaction by, or failure to obtain the necessary authorizations or approvals from, and government agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. Nothing contained herein shall be construed to require either Party to settle any strike or labor dispute in which it is involved.

7.2. Notices

- 7.2.1. Any notice, demand, or request authorized or required by this Subcontract shall be in writing and shall be deemed to have been duly given if mailed, first class postage prepaid, or delivered at the following address:

If to _____:

If to MCWA:

Chairperson
Mohave County Water Authority
P.O. Box 2419
Bullhead City, AZ

7.3. Assignment limited.

7.3.1. The provisions of this Subcontract shall apply to and bind the successors and assigns of the Parties, but no assignment or transfer of this Subcontract or any interest therein shall be valid unless and until approval in writing by the non-assigning Party.

7.4. No third party beneficiary.

7.4.1 This Subcontract is solely for the benefit of the Parties and does not create, nor shall it be construed to create, rights in any third party unless expressly provided herein. No third party may enforce the terms and conditions of this Subcontract.

7.5. Waiver.

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

7.6. Entire agreement.

7.6.1. The terms, covenants and conditions of this Subcontract constitute the entire agreement between the Parties, and no understandings or obligations not expressly set forth in this subcontract shall be binding upon them. This Subcontract may not be modified or amended in any manner unless in writing signed by the Parties.

7.7. Governing law.

7.7.1. This Subcontract shall be governed by and construed in accordance with the laws of the State of Arizona.

7.8. Cancellation

7.8.1. This Subcontract is subject to cancellation in accordance with the provisions of A.R.S. 38-511.

In witness of this Subcontract, the Parties affix their original signatures below, acknowledging execution of this document on the ____ day of _____, 2005.

Mohave County Water Authority

Attest:

By: _____
By: _____

Attest:

By: _____
By: _____

Approved to Form:

By: _____

PLEASE NOTE: In most BUT NOT ALL instances, the page and line numbering of bills on this web site correspond to the page and line numbering of the official printed version of the bills.

Senate Engrossed

State of Arizona
Senate
Forty-seventh
Legislature
First Regular Session
2005

SENATE BILL 1522

AN ACT

AMENDING SECTIONS 45-2425, 49-542.05, 49-543 AND 49-551, ARIZONA REVISED STATUTES; MAKING APPROPRIATIONS; MAKING FUND TRANSFERS; RELATING TO ENVIRONMENTAL BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 45-2425, Arizona Revised Statutes, is amended to read:

45-2425. Arizona water banking fund

A. The Arizona water banking fund is established and shall include subaccounts based on funding sources. The authority shall administer the banking fund in accordance with this chapter.

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

1. Monies appropriated from the state general fund by the legislature.
2. Reimbursement for the distribution of long-term storage credits, collected by the authority in accordance with section 45-2457, subsection B, paragraph 2.
3. Monies paid to the authority by the recipients of in lieu water at a groundwater savings facility, in accordance with section 45-2455, subsection C.

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

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

6. Monies paid to the authority by agencies that have entered into interstate water banking agreements with the authority in accordance with section 45-2471. ALL MONIES RECEIVED THROUGH AN INTERSTATE WATER BANKING AGREEMENT WITH THE STATE OF NEVADA THAT ARE NOT USED TO PURCHASE OR STORE WATER OR OTHERWISE FULFILL CONTRACTUAL OBLIGATIONS WITH THE STATE OF NEVADA ARE SUBJECT TO LEGISLATIVE APPROPRIATION.

7. Monies paid to the authority by persons and Indian communities in this state that have entered into water banking services agreements with the authority in accordance with section 45-2458.

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

D. Monies in the banking fund are exempt from lapsing under section 35-190. On notice from the authority, the state treasurer shall invest and divest monies in the fund as provided by section 35-313, and monies earned from investment shall be credited to the banking fund. THE AUTHORITY MAY INVEST THE MONIES PAID TO THE AUTHORITY IN ACCORDANCE WITH SECTION 45-2471, ARIZONA REVISED STATUTES, WITH THE STATE TREASURER PURSUANT TO SECTION 35-326, ARIZONA REVISED STATUTES.

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

Sec. 2. Section 49-542.05, Arizona Revised Statutes, is amended to read:

49-542.05. Alternative fuel vehicles

A. Except for a vehicle fueled by hydrogen, the following apply:

1. Each original equipment manufactured alternative fuel vehicle that is registered in or used to commute into area A or area B pursuant to section 49-542, subsection A is subject to the emissions inspection requirements prescribed in this article including subsection C of this section.

2. Each alternative fuel vehicle that is not an original equipment manufactured alternative fuel vehicle and that is registered in or used to commute into area A or area B pursuant to section 49-542, subsection A is subject to the emissions inspection requirements

prescribed in this article ~~except that the provisions of section 49-543, subsection B do not apply.~~

B. Except for a vehicle fueled by hydrogen, for each vehicle that is registered in or used to commute into area A or area B as prescribed by section 49-542, subsection A and that is either an original equipment manufactured alternative fuel vehicle or an alternative fuel vehicle that is not an original equipment manufactured alternative fuel vehicle, the vehicle shall be tested before the vehicle is registered in this state as an alternative fuel vehicle both while operating on gasoline and while operating on alternative fuel, if applicable. In the fourth registration year and in subsequent years, the vehicle shall be tested both while operating on gasoline and while operating on alternative fuel, if applicable, pursuant to the requirements of section 49-542.

C. For all emissions inspections before the fourth registration year after purchase or lease of a new original equipment manufactured alternative fuel vehicle, the owner of the vehicle shall do one of the following:

1. Have the vehicle inspected pursuant to this article.
2. Pay a twenty-five dollar fee in area A and a nine dollar fee in area B. The owner shall pay this fee together with the registration fee for the vehicle to the registering officer. The registering officer shall deposit, pursuant to sections 35-146 and 35-147, these fees in the air quality fund established by section 49-551. The registering officer may enter into an intergovernmental agreement with another department of this state to collect and deposit the fee. An owner who chooses to have an emissions inspection pursuant to this article is not required to pay the fee prescribed in this paragraph for that emissions test cycle.

D. The registration renewal notice required for the second and third registration year of a new original equipment manufactured alternative fuel vehicle shall include a notice to the vehicle owner that even though an emissions inspection test is not required pursuant to subsection B of this section the owner may choose to have an emissions inspection because of vehicle emissions performance warranty limitations on emissions components of the vehicle.

E. The department of environmental quality shall compile and maintain data regarding the results of emissions inspections of all alternative fuel vehicles pursuant to this article.

Sec. 3. Section 49-543, Arizona Revised Statutes, is amended to read:

49-543. Emissions inspection costs; disposition; fleet inspection; certificates

A. The director shall fix, regulate and alter in accordance with this section the fees required to be paid for the full costs of the vehicle emissions inspection program pursuant to this article including administration, implementation and enforcement.

~~B. Except as provided in section 49-542.05, for all the emissions inspections prior to the sixth registration year after purchase or lease of a new vehicle, the owner of the vehicle shall do one of the following:~~

~~1. Have the vehicle inspected pursuant to this article.~~

~~2. Pay a twenty five dollar fee in area A and a nine dollar fee in area B. The owner shall pay this fee together with the registration fee for the vehicle to the registering officer. The registering officer shall deposit, pursuant to sections 35-146 and 35-147, these fees in the air quality fund established by section 49-551. The registering officer may enter into an intergovernmental agreement with another department of this state to collect and deposit the fee. An owner who chooses to have an emissions inspection pursuant to this article is not required to pay the fee prescribed in this paragraph for that emissions test cycle.~~

~~C. B.~~ B. Except as provided in section 49-542.05, the registration renewal notice required for the second through fifth registration year of a new vehicle shall include a notice to the vehicle owner that even though an emissions inspection test is not required pursuant to section 49-542, subsection J, paragraph 2, subdivision (d) the owner may choose to have an emissions inspection because of vehicle emissions performance warranty limitations on emissions components of the vehicle.

~~D. C.~~ C. The fees charged for official emissions inspection shall be uniform as applied to each class of vehicle which shall be defined by the director. Except for fees collected by the director pursuant to section 49-546, the inspection fees required to be paid pursuant to this article may be collected with the registration fee by the registering officer at the time and place of motor vehicle registration pursuant to title 28, chapter 7, article 5 and deposited, pursuant to sections 35-146 and 35-147, in the emissions inspection fund in accordance with the rules adopted by the director or may be collected by the independent contractor at the time of inspection by means of an approved check or cash.

~~E. D.~~ D. Any person, except a person who has been issued a certificate of waiver pursuant to section 49-542, subsection L, whose vehicle has been inspected at an official emissions inspection station ~~shall~~, if the vehicle was not found to comply with the minimum standards, SHALL have the vehicle repaired, including recommended repair or replacement of emissions control devices as a result of tampering, and have the right within sixty consecutive calendar days but not thereafter to return the vehicle for one reinspection without charge. The department may provide for additional reinspections without charge. A vehicle shall not be deemed to pass a reinspection unless the tampering discovered during the tampering inspection is repaired with new or reconditioned emissions control devices.

~~F. E.~~ E. The department shall issue certificates of inspection to owners of fleet emissions inspection stations. Each certificate shall be validated by the fleet emissions inspection stations in a manner required by the director at the time that each owner's fleet vehicle

has been inspected or has passed inspection. The validated certificate of inspection shall indicate at the time of registration that the owner's fleet vehicle has been inspected and that the vehicle has passed inspection.

~~G.~~ F. The director shall fix an emissions inspection fee before inspection certificates may be issued to the owner of any fleet emissions inspection station. Such fee shall be uniform for each inspection certificate issued and shall be based ~~upon~~ ON the director's estimated costs to the state of administering and enforcing ~~the provisions of~~ this article as they apply to fleet emissions inspection stations and the vehicles inspected in fleet emissions inspection stations. The director shall deposit, pursuant to sections 35-146 and 35-147, all such monies collected by the director pursuant to this article in the emissions inspection fund.

Sec. 4. Section 49-551, Arizona Revised Statutes, is amended to read:

49-551. Air quality fee; air quality fund; purpose

A. Every person who is required to register a motor vehicle in this state pursuant to section 28-2153 shall pay, in addition to the registration fee, an annual air quality fee at the time of vehicle registration of one dollar fifty cents. Unless and until the United States environmental protection agency grants a waiver for diesel fuel pursuant to section 211(c)(4) of the clean air act, every person who is required to register a diesel powered motor vehicle in this state with a declared gross weight as defined in section 28-5431 of more than eight thousand five hundred pounds and every person who is subject to an apportioned fee for diesel powered motor vehicles collected pursuant to title 28, chapter 7, articles 7 and 8 shall pay an additional apportioned diesel fee of ten dollars.

B. The registering officer shall collect the fees and immediately deposit, pursuant to sections 35-146 and 35-147, the air quality fees in the air quality fund established pursuant to subsection C of this section and shall deposit the diesel fees in the voluntary vehicle repair and retrofit program fund established pursuant to section 49-474.03.

C. An air quality fund is established consisting of monies received pursuant to this section, section 49-542.05, ~~section 49-543~~, gifts, grants and donations, and monies appropriated by the legislature. The department of environmental quality shall administer the fund. Monies in the fund are exempt from the provisions of section 35-190 relating to the lapsing of appropriations. Interest earned on monies in the fund shall be credited to the fund. ~~Monies in the fund that are received pursuant to section 49-543 shall be placed in a separate account and shall only be used for those purposes that are prescribed in subsection F of this section or section 49-551.01. Except as provided in subsection F of this section,~~ Monies in the air quality fund shall be used, subject to legislative appropriation, for:

1. Air quality research, experiments and programs conducted by or for the department for

the purpose of bringing area A or area B into or maintaining area A or area B in attainment status, improving air quality in areas of this state outside area A or area B and reducing emissions of particulate matter, carbon monoxide, oxides of nitrogen, volatile organic compounds and hazardous air pollutants throughout the state.

2. Monitoring visible air pollution and developing and implementing programs to reduce emissions of pollutants that contribute to visible air pollution in counties with a population of four hundred thousand persons or more.

3. Developing and adopting rules in compliance with sections 49-426.03, 49-426.04, 49-426.05 and 49-426.06.

D. The department shall transfer four hundred thousand dollars from the air quality fund to the department of administration for the purposes prescribed by section 49-588 in eight installments in each of the first eight months of a fiscal year.

E. This section does not apply to an electrically powered golf cart or an electrically powered vehicle.

~~F. The disbursement of monies for air quality control programs and measures from the monies received pursuant to section 49-543 shall be pursuant to this subsection. The monies shall be used for programs and measures in counties that contain a portion of area A or area B. The department may use up to five per cent of the annual revenues for the costs of administration. The balance shall be used for funding the following:~~

~~1. A voluntary lawn and garden equipment emissions reduction program established pursuant to section 49-474.02. Five per cent of the monies shall be used for this purpose.~~

~~2. A voluntary vehicle repair and retrofit program established pursuant to section 49-474.03. Fifteen per cent of the monies shall be used for this purpose.~~

~~3. The diesel vehicle low emissions incentive grant program established by section 49-551.01. Thirty per cent of the monies shall be used for this purpose. Grants for fuels shall not exceed the incremental cost differential from conventional diesel fuel, excluding taxes.~~

~~4. The voluntary accelerated purchase of tier 2 and tier 3 equipment described in section 49-558. Grant funding shall not exceed one half of the incremental cost difference between the initial capital cost of tier 2 and tier 3 equipment and conventional diesel equipment. Ten per cent of the monies shall be used for this purpose.~~

~~5. Fifteen per cent for making grants to fund the following activities:~~

~~(a) A travel reduction ordinance program.~~

~~(b) A voluntary no drive day program.~~

~~6. Any other measures or programs that have been evaluated by the department. The evaluation shall include at least a review and assessment of the health and environmental impacts of the measures or programs. The department may evaluate measures or programs adopted by other jurisdictions. Twenty five per cent of the monies shall be used for this purpose. The department may make grants for the purposes of this paragraph.~~

~~7. If the amount of monies authorized pursuant to paragraphs 1 through 6 of this subsection have not been expended or encumbered in any fiscal year, the amount shall be used for funding any of the purposes described in this subsection.~~

~~G. The annual report of the department shall include a section on the grants awarded pursuant to subsection F of this section.~~

Sec. 5. Underground storage tank assurance account; transfer of monies; uses

Notwithstanding any other law, the administrative cap established in section 49-1051, subsection B, paragraphs 2 and 3, Arizona Revised Statutes, is suspended for fiscal year 2005-2006 and the department of environmental quality may transfer \$6,031,000 from the assurance account of the underground storage tank revolving fund for administrative costs of the underground storage tank leak prevention program and funding for the used oil program.

Sec. 6. Off-highway vehicle recreation fund; use

Notwithstanding section 28-1176, Arizona Revised Statutes, the Arizona state parks board may spend up to \$692,100 from the Arizona state parks board portion of the off-highway vehicle recreation fund in fiscal years 2005-2006 and 2006-2007 for parks board operating expenses.

Sec. 7. State parks enhancement fund; use

Notwithstanding section 41-511.11, Arizona Revised Statutes, or any other law, all monies, except those necessary for the lease-purchase payments for the Tonto Natural Bridge State Park, are available for the operating of state parks in fiscal years 2005-2006 and 2006-2007 as appropriated by the legislature in the general appropriations act.

Sec. 8. Arizona water protection fund; use

Notwithstanding section 45-2112, subsection B, Arizona Revised Statutes, the annual appropriation from the state general fund to the Arizona water protection fund for fiscal year 2005-2006 shall be as specified in the general appropriations act.

Sec. 9. In lieu fees; deposit

A. Notwithstanding sections 49-543 and 49-551, Arizona Revised Statutes, or any other law, the first \$10,000,000 in revenues received from in lieu fees pursuant to section 49-543, subsection B, paragraph 2, Arizona Revised Statutes, shall be deposited in the state general fund in fiscal year 2005-2006.

B. Notwithstanding sections 49-543 and 49-551, Arizona Revised Statutes, or any other law, \$500,000 of in lieu fee revenues received in excess of \$10,000,000 shall be deposited in the air quality fund in fiscal year 2005-2006. Monies deposited in the air quality fund pursuant to this subsection shall be appropriated to the department of environmental quality in fiscal year 2005-2006 for operating costs.

C. Notwithstanding sections 49-543 and 49-551, Arizona Revised Statutes, or any other law, in lieu fee revenues received in excess of \$10,500,000 shall be deposited in the air quality fund in fiscal year 2005-2006. Monies deposited in the air quality fund pursuant to this subsection shall be appropriated to the department of environmental quality in fiscal year 2005-2006 for grants to school districts to purchase new school buses and diesel particulate filters. The grants for new school buses shall not exceed the incremental cost difference between conventional diesel fuel school buses, excluding taxes, and new buses that are fueled by compressed natural gas. At least forty per cent of the monies appropriated pursuant to this subsection shall be used for new compressed natural gas buses and at least forty per cent of the monies appropriated pursuant to this subsection shall be used for diesel particulate filters. The remaining monies of the appropriation may be used by the department of environmental quality for purposes prescribed for the air quality fund pursuant to section 49-551, Arizona Revised Statutes. Monies appropriated pursuant to this subsection that are unencumbered or unexpended on June 30, 2008 shall revert to the state general fund.

Sec. 10. Appropriations; purpose; reversion

A. Notwithstanding section 5-323, Arizona Revised Statutes, or any other law, the sum of \$800,000 is appropriated from the watercraft licensing fund established pursuant to section 5-323, Arizona Revised Statutes, in fiscal year 2005-2006 and the sum of \$796,000 is appropriated from the watercraft licensing fund in fiscal year 2006-2007 to the department of administration to comply with this state's obligation relating to the settlement of the Zuni Indian Tribe's water rights claims pursuant to the Zuni Indian Tribe Water Rights Settlement Act of 2003 (P.L. 108-34).

B. The amounts appropriated in subsection A revert to the watercraft licensing fund if the secretary of the interior does not publish notice in the Federal Register on or before December 31, 2006 that the terms of the settlement have been satisfied.

Sec. 11. WQARF transfer from corporate income tax; suspension

Notwithstanding section 49-282, subsection B, Arizona Revised Statutes, or any other

law, the state treasurer shall transfer only \$11,000,000 from the corporate income tax collected pursuant to title 43, chapter 11, article 2, Arizona Revised Statutes, to the water quality assurance revolving fund in fiscal year 2005-2006. These monies are in addition to revenues from sources specified in section 49-282, subsection A, paragraphs 2 through 11 and 13, Arizona Revised Statutes. No monies from the transaction privilege and severance tax clearing account established pursuant to section 42-5029, subsection D, paragraph 4, Arizona Revised Statutes, shall be deposited in the water quality assurance revolving fund in fiscal year 2005-2006.

Sec. 12. Effective date

Sections 49-542.05, 49-543 and 49-551, Arizona Revised Statutes, as amended by this act, are effective from and after June 30, 2006.

Discussion Regarding Investment of Funds Received From Nevada

Through legal consultation, AWBA confirmed that all payment received by the AWBA from SNWA would be required to be deposited into the Agency Fund within the State Treasury Office (STO). AWBA staff then met with STO staff to discuss potential investment options within the STO. STO staff identified the Local Government Investment Pool (LGIP) as a potential alternative investment option for the AWBA, although they were uncertain whether the AWBA was authorized to utilize the LGIP. In the original discussion with the STO, it appeared that use of the LGIP might be desirable in order to obtain a higher rate of return on the investment. However, in later discussions with the STO, it became apparent that the rate of return was not significantly different between the Agency Fund and the LGIP.

Following the second discussion with the STO, AWBA staff met with CAP staff to discuss the issues and to gain a better understanding of how the CAP utilized the LGIP. At the same time, legislative action was occurring with respect to the SNWA payment to the AWBA (HB 2773/SB1522). There were a number of amendments to the legislative bills. The primary issue of consideration relating to the AWBA was the addition of various accounting requirements. SB 1522 was signed by the governor on May 20, 2005 with two primary impacts to the AWBA: (1) the AWBA gained authorization to invest monies received from Nevada in the LGIP; and (2) any monies not used to meet the contractual obligations with Nevada are subject to legislative appropriation. There was no additional accounting requirement for the AWBA under the enacted bill.

The AWBA must deposit all payments from Nevada into the STO's Agency Fund, but now has the ability to also invest in the LGIP. Approximately three months ago, a new pool was formed within the LGIP. The Core pool is intended for use by entities with a longer investment horizon (3-4 years) and has a minimum investment value of \$250,000. Within the Agency Fund and the LGIP there are two types of accounts. The Full Faith Credit (FFC) accounts are backed by the federal government and bear 0% of investment risk. The Diversified Mix (DM) accounts often yield a higher return, but have some investment risk. A decision must now be made regarding investment of the Nevada money within these potential pools.

Specific Pool	Agency Fund		Specific Pool	LGIP	
	Interest Earned (%)			Interest Earned (%)	
	April	May		April	May
Pool 2 - FFC	2.59	2.63	Pool 5 - FFC	2.63	2.76
Pool 3 - DM	2.93	2.82	Pool 7 - DM	2.37	2.61
			Core	2.91	3.45