

ARIZONA WATER BANKING AUTHORITY
Wednesday, December 20, 2006

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6	Dennis Ruk	520-791-2664
7	Alice Brawley-Chesworth	602-262-1828
8	Mark Myers	520-742-0416
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14	Tim Pierson	520-796-1344
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17	Gary Duzar	
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ARIZONA WATER BANKING AUTHORITY
Wednesday, December 20, 2006

No.	NAME (Please print)	Phone No.
1	LARRY TAMASHIRO	(702) 862-3717
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Arizona Water Banking Authority
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Web Page: www.awba.state.az.us

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 December 20, 2006 at 10:00 a.m. at the Arizona Department of Water Resources, 3550 North Central Avenue, Phoenix, Arizona 85012, Upper/Middle Verde conference room on the 2nd floor. The meeting is open to the general public. A copy of the agenda for the meeting is posted below.

Dated this 18th day of December, 2006

FINAL AGENDA

Arizona Water Banking Authority Commission Meeting

- I. Welcome/Opening Remarks
- II. Approval of Minutes of September 20, 2006 Meeting
- III. Water Banking Staff Activities
 - Deliveries
 - Webpage
 - Public meetings
 - Renewal of Water Storage Permit
 - Reporting requirement to Joint Legislative Budget Committee
 - Exhibit at Colorado River Water Users Association
 - Arizona Water Settlements Act firming efforts
- IV. Public Meeting Law
- V. CAWCD Status Report on Recovery Planning
- VI. Discussion and Potential Approval of ICUA Letter Agreement
- VII. Discussion and Potential Approval of Shortage-Sharing Agreement
- VIII. Potential New Water Storage Agreements

Arizona Water Banking Authority meeting

- IX. Discussion and Approval of 2007 Annual Plan of Operation
 - Overview of public comment
 - Approval of 2007 Annual Plan of Operation
- X. Discussion and Approval of CY 2007 Water Delivery Budget
 - Overview of budget
 - Adoption of budget
- XI. \$100 Million Pursuant to Amended Agreement for Interstate Banking
 - Overview
 - Discussion of developing a plan for use of the \$100 million
- XII. Call to the Public

Future Meeting Dates:

Wednesday, March 21, 2007

Wednesday, June 20, 2007

Wednesday, September 19, 2007

Wednesday, December 19, 2007

All visitors must use the south elevators; please stop at the 2nd floor to sign-in and receive a visitor's badge. Badges are to be displayed at all times. Visitors are also required to sign out and return their badges. Thank you for your assistance.

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Virginia O'Connell at (602) 771-8491. Requests should be made as early as possible to allow time to arrange the accommodation.

**ARIZONA WATER BANKING AUTHORITY
Draft Minutes¹**

**September 20, 2006
Arizona Department of Water Resources**



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

EX OFFICIO MEMBERS
The Honorable Jake Flake
The Honorable Lucy Mason

Welcome/Opening Remarks

Chairman Herb Guenther welcomed the attendees. All members of the Authority were present except for *ex-officio* members Senator Jake Flake and Representative Lucy Mason.

Mr. Guenther announced that Chuck Cahoy had resigned from the Commission and introduced Tom Buschatzke, Water Advisor for the City of Phoenix, as the newly appointed member.

Approval of Minutes of June 21, 2006 Meeting

The Authority approved the minutes of the June 21, 2006 meeting.

Water Banking Staff Activities

Virginia O'Connell reviewed water deliveries and stated that intrastate deliveries were slightly less than projected. Deliveries to the Pinal Active Management Area (AMA) were somewhat below target because monsoon rains increased the availability of other surface water supplies to the Gila River Indian Irrigation & Drainage District (GRIIDD) GSF, thus reducing the need for in lieu water. She reminded the Authority that an amendment to the 2006 Plan of Operation to include deliveries to the GRIIDD GSF was approved at the last AWBA meeting. In order to deliver water to the GRIIDD, a portion of the intrastate deliveries previously scheduled for the other three Pinal AMA GSFs was shifted to the GRIIDD GSF and interstate water was in turn used to supplement the three districts. Ms O'Connell commented that interstate deliveries could not at this point be re-classified to intrastate water because it would affect the operational decisions made by the GSF operators after the 2006 Plan was amended. Interstate deliveries were on target.

Kim Mitchell provided an update on the website redesign and noted that the revisions would be a two-step process. The existing files are currently being organized and will be moved to the new format once it becomes available.

Ms. Mitchell informed the Authority that the CAWCD Board adopted the resolution to levy taxes for the 2006-07 tax year for water storage. As in previous years, the ad valorem tax will be 4¢ for each \$100 of assessed value on all taxable property within the three county service area. Ms. Mitchell also noted that CAWCD had commenced charging the AWBA the in lieu tax for credits that have been set aside for the

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.

Mohave County Water Authority (MCWA) under the Agreement to Firm Future Supplies (Agreement to Firm) between the AWBA and MCWA. She reminded the Authority that because MCWA is located outside CAWCD's three county service area, CAWCD is required to charge a fee in lieu of taxes. The in lieu tax rate is \$20 per acre-foot and will be paid quarterly for the next five years. This is the same schedule as the MCWA prepayments to the AWBA under the Agreement to Firm. Mr. Buschatzke asked if monies received through in lieu fees are deposited directly into CAWCD's 4¢ *ad valorem* tax account. Larry Dozier (CAWCD) clarified that the taxes are first deposited into a CAWCD sub account then transferred to the Water Protection Fund at the beginning of each fiscal year.

Ms. Mitchell noted that staff was also in the process of renewing the water storage agreements with Salt River Project for its GSF and for the Granite Reef Underground Storage Project. These agreements are expected to be in place when SRP is ready to partner with the Bank.

Tim Henley briefed the Authority on the Seven-Basin States activities and noted that the Bureau of Reclamation (Bureau) is currently in the process of reviewing the alternative model, which was submitted to the Secretary of the Interior (Secretary) by the basin states as part of the draft EIS. Arizona and Nevada, however, have not reached an agreement thus far with regard to allocating shortages. There are currently two areas of discussion: 1) Determining which formula to utilize to calculate pro-rata shortage allocations; where Arizona had suggested shortage allocations based on entitlements, and 2) Whether the states in fact have a voice in determining shortage allocations or if it is solely at the discretion of the Secretary. The next meeting will be held in Salt Lake City, Utah and may consist of a smaller workgroup.

With regard to Arizona shortage sharing discussions, Mr. Henley noted that a consensus had likely been reached and that a proposal was being drafted. He commented that these discussions were of importance to the AWBA because it is the entity that will have supplies available in times of shortage. The workgroup had concluded that shortages for post-1968 contracts would be allocated based on entitlements and applied to the portion of water available after deliveries to higher priority rights are deducted from the larger shortage declaration. In addition, the proposal will include a provision that allows on-river entities that are currently not included in the Agreement to Firm another opportunity to participate. The MCWA had also proposed that the AWBA establish a revolving fund that utilizes MCWA credit recovery fee payments to purchase additional credits to firm supplies for future shortages. Maureen George thanked ADWR and all those involved in the discussions. Mr. Buschatzke inquired about the status of the shortage discussions with Mexico. Mr. Henley commented that the Bureau has had initial discussions with the International Boundary & Water Commission (IBWC). The pro-rata share of shortages will be based on lower basin uses including Mexico and are currently 16%. Negotiations with Mexico, if any, would not be in the hands of the State, but rather with the IBWC.

Draft 2007 Annual Plan of Operation

Ms. O'Connell noted that only draft Tables 2, 3, and 4 of the Plan of Operation (Plan), which identify deliveries, water and facility costs, and available funding, respectively, were being distributed at this time. She commented further that draft Table 2 was still preliminary because water orders were not due until October, however the proposed deliveries were considered to be relatively close. In her review of the draft Tables, Ms. O'Connell stated that the proposed deliveries totaled nearly 426 kaf, of which 290 kaf were for intrastate deliveries and 129 kaf were for interstate deliveries. The total cost of the draft Plan is \$42.5 million and includes an agricultural partner cost share for storage at groundwater savings facilities (GSFs) of \$31 per acre-foot for intrastate water and \$26 per acre-foot for interstate water. Mr. Guenther questioned why there was a price difference in the cost share. Mr. Henley commented that there would be a lack of interest by the GSF operators if the cost share were equal at \$31 because it would not be cost effective. Paul Orme (public) commented that the GSF operators are required to utilize the more expensive settlement pool and intrastate water before taking any interstate water. If the cost share for interstate water is low enough, by blending costs, the overall cost of water becomes more affordable. William Perry asked how close the AWBA would be in meeting its obligation to Nevada. Ms. O'Connell commented that by the end of 2007, the AWBA would have accrued approximately half of the 1.25 million acre-feet of long-term storage credits needed.

Ms. O'Connell also noted that the \$13.5 million appropriated by the legislature for meeting the State's Settlement firming obligation was not included on draft Table 4 at this time, but would be included in the final draft. Staff recommended that monies from this fund not be utilized until 2008, after the enforceability date of the Arizona Water Settlements Act. John Mawhinney noted that this appropriation is essentially a replacement of the funds that were swept in previous years, however, expenditures from this fund are now limited to meeting the State's Settlement firming requirements. He asked if the AWBA had put in a request for appropriations for next year's budget. Mr. Guenther noted that the AWBA was historically part of ADWR's budget and stated that he would check the status of the proposed budget. Mr. Mawhinney suggested requesting \$1 million and added that the AWBA should consider having a separate budget. Mr. Henley commented that a separate budget would be an action item for the Authority.

Mark Meyers (Town of Marana) asked if the interstate capital charge for state demonstration projects, which is additional funding available for M&I firming in the Tucson AMA, was included on draft Table 4. Gary Givens (CAWCD) responded that these funds were to be deposited into the 4¢ *ad valorem* tax account. Ms. O'Connell noted that staff would discuss the accounting process for these funds at the upcoming meeting with CAWCD and concluded that they would be identified separately in the final draft Plan.

Mr. Henley updated the Authority on partner meetings regarding the 2007 Plan and potential future partners. He noted that the City of Tucson/Tucson Water was in the process of expanding the Clearwater Project, which would provide significant opportunities for recharge in the future. With regard to future partners, Mr. Henley noted that staff had a meeting scheduled the following week with Global Water to discuss storage at the West Maricopa Combine Underground Storage Facility (USF) located in the Hassayampa River. This would be the first time the AWBA would enter into an agreement for a managed facility, other than CAWCD's Agua Fria project, which operates in a different manner. Staff also has a meeting scheduled for October with the Harquahala Valley Irrigation District (HVID), as they have recently been permitted as a GSF and were interested in partnering with the AWBA. Funding sources for storage at this GSF would be limited to general fund appropriations and the 4¢ *ad valorem* tax, however, the cities may not be interested in water storage occurring in the Harquahala Valley INA. Any agreement with HVID would also require a recovery plan. Mr. Guenther commented that if capacity was needed and a recovery plan was in place, the facility could be utilized to help meet the AWBA's obligations. William Perry questioned how a GSF would operate with regard to the groundwater pumping laws associated with an INA. John Bodenchuk (ADWR Recharge Program Manager) explained that the Harquahala GSF would operate in the same manner as a GSF located within an AMA because the permit places a limit on the total annual amount of groundwater and in lieu water the District can utilize, as well as the overall amount of water that can be utilized from all sources of water. All participants in the GSF are required to file an annual report that accurately identifies total water usage from all sources. Ms. Mitchell noted that staff was also in the process of renewing the water storage permit for the Kai Farms-Red Rock GSF in the Tucson AMA.

The final draft Plan will be presented as an action item at the December meeting. The Authority gave staff approval to present the draft Tables at the Groundwater Users Advisory Council's for the three AMAs for public comment.

Interstate Water Banking

Ms. Mitchell briefed the Authority on the draft Interstate Fiscal Year Accounting Report required by House Bill 2869 (Tully Amendment). The report includes fiscal years 2005 and 2006 and provides an accounting of all monies received from Nevada under the Interstate Water Banking Agreement, all disbursements made, any pre-payments forwarded to CAWCD, and all monies available in the account held by the State Treasurer. In addition, because the AWBA operates on a calendar year basis, the report identifies the monies committed for purchase of deliveries and storage of water for the remainder of the calendar year. Mr. Mawhinney recommended including a narrative that discusses the achievements the AWBA has made with regard to the funds that have already been expended. The Authority approved submittal of the Interstate Fiscal Year Accounting Report to the Joint Legislative Budget Committee with the changes discussed.

Mr. Henley notified the Authority that members of the Metropolitan Water District (MWD) in California were considering requesting a portion of Intentionally Created Unused Apportionment (ICUA) for 2007. The AWBA, through the Storage and Interstate Release Agreement (SIRA), the master agreement that allows for individual interstate agreements, is the entity that can release the credits for California. He noted that a letter agreement might be sufficient for meeting SIRA requirements. Mr. Dozier commented that CAWCD was in the process of developing a recovery plan with the Pinal AMA Districts, which is where the credits originated. Mr. Henley commented that the final draft 2007 Plan would not recognize recovery for ICUA, but that it would likely be addressed through an amendment. He added that an agreement with the Districts could be for a longer-term so as to include recovery for Nevada as well. Mr. Dozier noted that the recovery planning meetings were being held regularly and that a draft comprehensive plan should be available for review by mid-2007.

Discussion of Arizona Water Settlements Act Firming Efforts

Mr. Henley noted that the schedule for developing the Arizona firming plan, which was submitted at the last AWBA meeting, was very aggressive and that the new timeframe for completing the plan will be the beginning of next year. The Gila River Indian Community (GRIC) had indicated that if the Bureau and the AWBA could reach a consensus regarding the firming amount, they would proceed with negotiations for an agreement. A meeting has been scheduled with the Bureau for the beginning of October.

Call to the Public

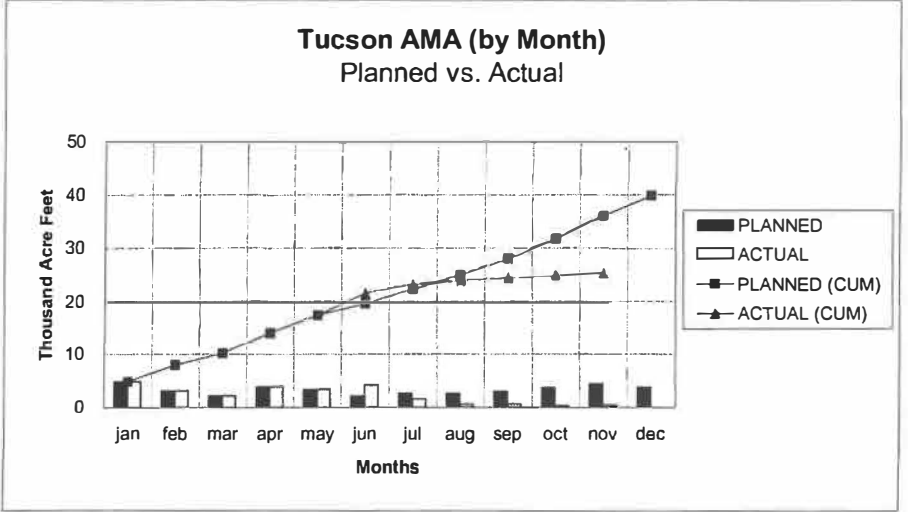
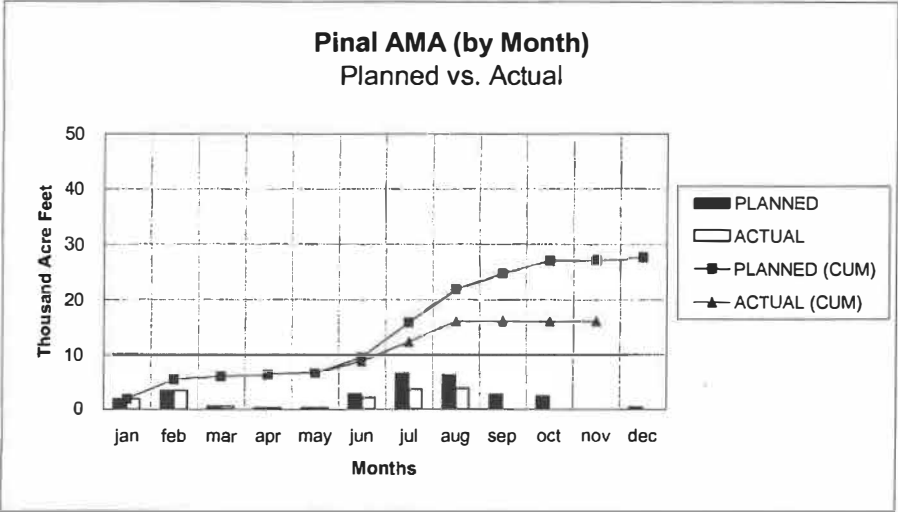
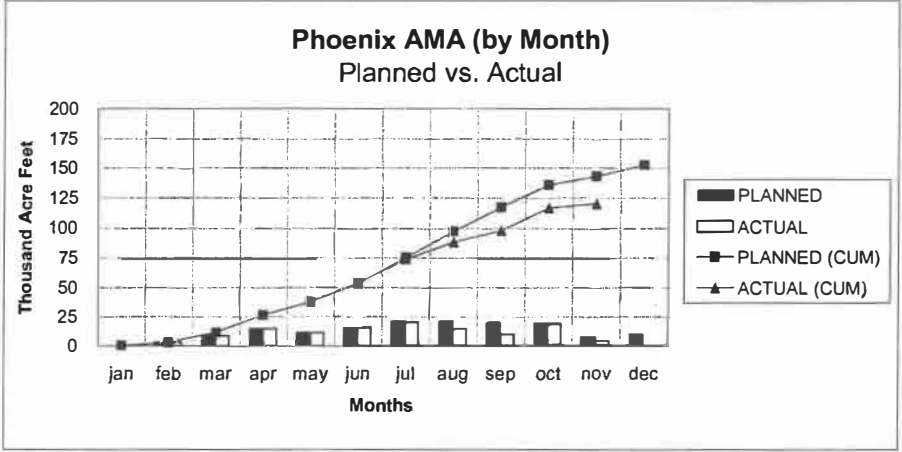
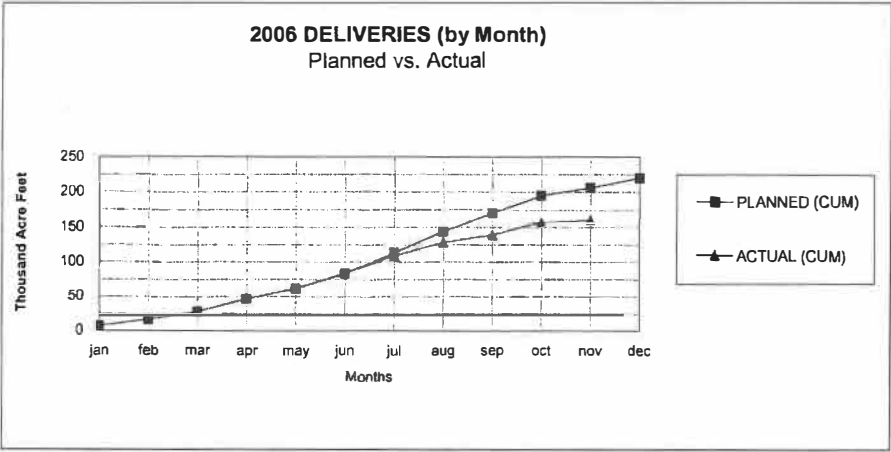
Mr. Guenther announced that Mike Brophy, a prominent water lawyer, had passed away.

There was no additional public comment.

The meeting concluded at 11:45 a.m.

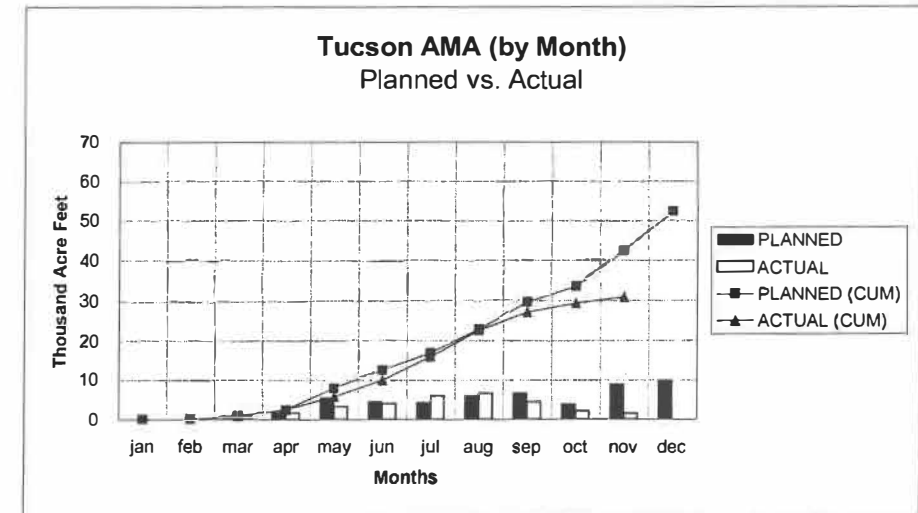
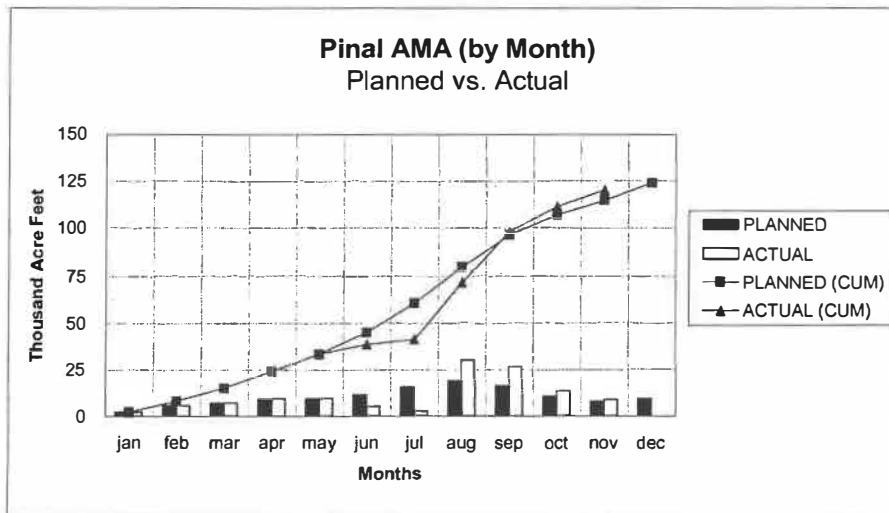
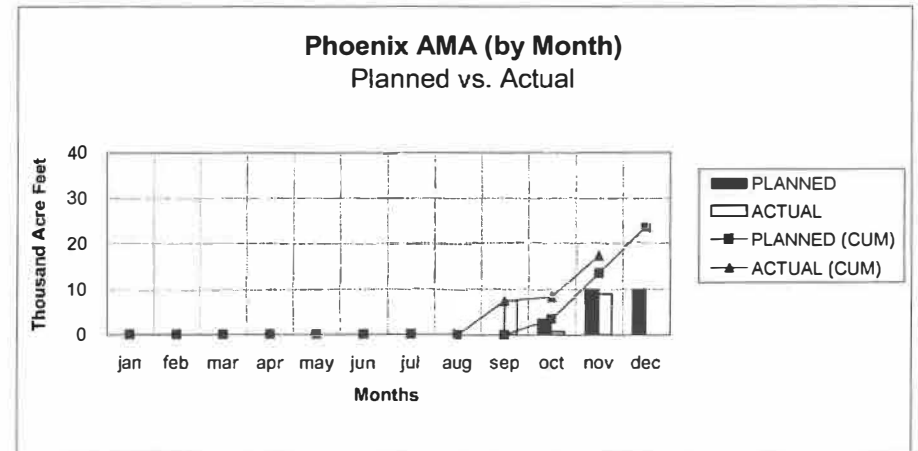
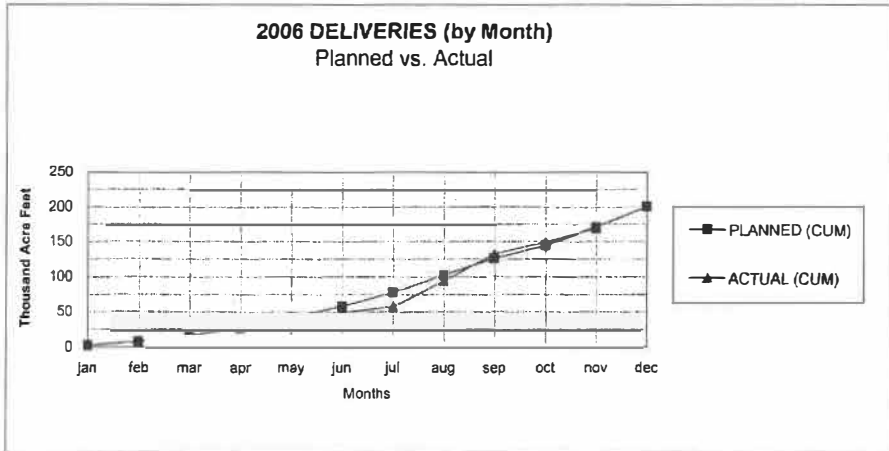
2006 Amended Plan of Operation

INTRASTATE



2006 Amended Plan of Operation

INTERSTATE



Actual deliveries updated
Amended Plan of Operation

13-Dec-06
21-Jun-06

Phoenix AMA
Intrastate

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
GRUSP	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	2,500	2,500	2,500	2,500	10,000
AGUA FRIA	0	0	0	0	0	0	0	1,040	2,231	2,354	2,084	0	7,709
	0	0	0	0	0	249	1,690	2,800	2,800	2,800	2,800	2,800	15,939
HIEROGLYPHIC MTNS	0	0	0	0	0	0	0	1,522	2,119	3,300	1,383	0	8,324
	0	0	0	0	0	0	0	0	2,115	2,300	1,000	2,300	7,715
TONOPAH DESERT	0	3,002	8,529	14,842	11,404	11,384	12,781	10,979	5,546	12,680	0	0	91,127
	0	3,002	8,529	14,842	11,404	10,000	10,000	10,000	6,850	6,500	0	0	81,127
CHCID	0	0	0	0	0	44	35	0	42	47	0	0	168
	0	0	0	0	0	100	100	75	75	83	75	25	533
NMIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
QCID	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	700	1,000	1,700
SRP	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
GRIIDD	0	0	0	0	0	4,323	7,245	957	0	0	0	0	12,525
	0	0	0	0	0	5,687	9,583	8,994	5,556	4,770	0	810	35,400
Subtotal	0	3,002	8,529	14,842	11,404	15,751	20,061	14,498	9,938	18,361	3,467	0	119,853
Total to date	0	3,002	11,531	26,373	37,777	53,528	73,589	88,087	98,025	116,386	119,853	119,853	119,853
<i>Projected total to date</i>	<i>0</i>	<i>3,002</i>	<i>11,531</i>	<i>26,373</i>	<i>37,777</i>	<i>53,813</i>	<i>75,186</i>	<i>97,055</i>	<i>116,951</i>	<i>135,904</i>	<i>142,979</i>	<i>152,414</i>	<i>152,414</i>

Interstate

GRUSP	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
AGUA FRIA	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
HIEROGLYPHIC MTNS	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
TONOPAH DESERT	0	0	0	0	0	0	0	0	7,527	816	8,965	0	17,308
	0	0	0	0	0	0	0	0	0	3,500	10,000	10,000	23,500
CHCID	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
NMIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
QCID	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
SRP	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
TID	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	7,527	816	8,965	0	17,308
Total to date	0	0	0	0	0	0	0	0	7,527	8,343	17,308	17,308	17,308
<i>Projected total to date</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>3,500</i>	<i>13,500</i>	<i>23,500</i>	<i>23,500</i>

Combined

Subtotal	0	3,002	8,529	14,842	11,404	15,751	20,061	14,498	17,465	19,177	12,432	0	137,161
Total to date	0	3,002	11,531	26,373	37,777	53,528	73,589	88,087	105,552	124,729	137,161	137,161	137,161
<i>Projected total to date</i>	<i>0</i>	<i>3,002</i>	<i>11,531</i>	<i>26,373</i>	<i>37,777</i>	<i>53,813</i>	<i>75,186</i>	<i>97,055</i>	<i>116,951</i>	<i>139,404</i>	<i>156,479</i>	<i>175,914</i>	<i>175,914</i>

Actual deliveries updated		13-Dec-06												total
Amended Plan of Operation		21-Jun-06												
		jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	
Pinal AMA														
Intrastate	CAIDD	0	0	0	0	0	0	0	3,300	0	0	0	0	3,300
		0	0	0	0	0	0	1,650	1,650	0	0	0	0	3,300
	MSIDD	1,130	1,560	0	300	310	0	0	0	0	0	0	0	3,300
		1,130	1,560	0	300	310	0	0	0	0	0	0	0	3,300
	HIDD	820	1,897	583	0	0	0	0	0	0	0	0	0	3,300
		820	1,897	583	0	0	0	0	0	0	0	0	0	3,300
	GRIIDD	0	0	0	0	0	2,129	3,569	471	0	0	0	0	6,169
		0	0	0	0	0	2,828	4,765	4,472	2,763	2,372	0	400	17,600
Subtotal		1,950	3,457	583	300	310	2,129	3,569	3,771	0	0	0	0	27,500
Total to date		1,950	5,407	5,990	6,290	6,600	8,729	12,298	16,069	16,069	16,069	16,069	16,069	27,500
Projected total to date		1,950	5,407	5,990	6,290	6,600	6,600	8,250	9,900	9,900	9,900	9,900	9,900	27,500
Interstate	CAIDD	0	0	0	0	0	0	0	13,142	7,998	2,488	507	0	24,135
		0	0	0	0	0	7,725	8,075	8,075	4,225	2,725	2,725	3,150	36,700
	MSIDD	2,239	5,720	3,441	5,798	9,462	5,061	440	8,039	12,908	7,330	5,659	0	66,097
		2,239	5,720	3,441	5,798	9,462	3,840	5,080	10,940	7,500	5,240	3,690	0	66,559
	HIDD	50	0	3,631	3,319	0	0	2,323	9,000	5,447	3,513	2,680	0	29,963
		50	0	3,631	3,319	0	0	2,500	0	4,500	2,700	1,500	0	20,700
Subtotal		2,289	5,720	7,072	9,117	9,462	5,061	2,763	30,181	26,353	13,331	8,846	0	120,195
Total to date		2,289	8,009	15,081	24,198	33,660	38,721	41,484	71,665	98,018	111,349	120,195	120,195	120,195
Projected total to date		2,289	8,009	15,081	24,198	33,660	45,225	60,880	79,895	96,120	106,785	114,700	123,959	123,959
Combined														
Subtotal		4,239	9,177	7,655	9,417	9,772	7,190	6,332	33,952	26,353	13,331	8,846	0	147,695
Total to date		4,239	13,416	21,071	30,488	40,260	47,450	53,782	87,734	114,087	127,418	136,264	136,264	147,695
Projected total to date		4,239	13,416	21,071	30,488	40,260	51,825	69,130	89,795	106,020	116,685	124,600	133,859	151,459
Tucson AMA														
Intrastate	AVRA VALLEY	0	318	370	610	400	698	656	619	584	337	421	0	5,013
		0	318	370	610	400	150	650	650	1,035	685	685	1,047	6,600
	CAVSARP	1,000	1,000	0	0	2,000	2,000	2,000	0	0	0	0	0	7,000
		1,000	1,000	0	0	2,000	2,000	2,000	2,000	2,000	3,000	3,000	2,000	20,000
	PIMA MINE	582	0	970	1,735	1,006	1,439	0	0	0	0	0	0	5,732
		582	0	970	1,735	1,006	0	0	0	0	0	719	720	5,732
	LOWER SANTA CRUZ	3,233	1,812	902	1,553	0	0	0	0	0	0	0	0	7,500
		3,233	1,812	902	1,553	0	0	0	0	0	0	0	0	7,500
	KAI-RED ROCK	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal		4,815	3,130	2,242	3,898	3,406	4,137	1,656	619	584	337	421	0	25,245
Total to date		4,815	7,945	10,187	14,085	17,491	21,628	23,284	23,903	24,487	24,824	25,245	25,245	25,245
Projected total to date		4,815	7,945	10,187	14,085	17,491	19,641	22,291	24,941	27,976	31,661	36,065	39,832	39,832
Interstate	AVRA VALLEY	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0
	CAVSARP	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0
	PIMA MINE	0	0	0	0	0	438	2,491	3,087	2,150	1,714	1,543	0	11,423
		0	0	0	0	2,200	2,014	500	2,200	2,014	1,000	2,200	2,200	14,328
	LOWER SANTA CRUZ	0	0	809	1,720	3,343	3,642	3,505	3,575	2,333	512	0	0	19,439
		0	0	809	1,720	3,343	2,500	3,800	3,800	4,700	2,925	4,700	4,700	32,997
	KAI-RED ROCK	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal		0	0	809	1,720	3,343	4,080	5,996	6,662	4,483	2,226	1,543	0	30,862
Total to date		0	0	809	2,529	5,872	9,952	15,948	22,610	27,093	29,319	30,862	1,543	30,862
Projected total to date		0	0	809	2,529	8,072	12,586	16,886	22,886	29,600	33,525	42,425	52,325	52,325
Combined														
Subtotal		4,815	3,130	3,051	5,618	6,749	8,217	7,652	7,281	5,067	2,563	1,964	0	56,107
Total to date		4,815	7,945	10,996	16,614	23,363	31,580	39,232	46,513	51,580	54,143	56,107	26,788	56,107
Projected total to date		4,815	7,945	10,996	16,614	25,563	32,227	39,177	47,827	57,576	65,186	78,490	92,157	92,157
TOTAL														
Subtotal		9,054	15,309	19,235	29,877	27,925	31,158	34,045	55,731	48,885	35,071	23,242	0	329,532
Total to date		9,054	24,363	43,598	73,475	101,400	132,558	166,603	222,334	271,219	306,290	329,532	329,532	340,963
Projected total to date		9,054	24,363	43,598	73,475	103,600	137,865	183,493	234,677	280,547	321,275	359,569	401,930	419,530

Arizona Water Banking Authority

3550 N. Central Avenue, Phoenix, Arizona 85012
Telephone 602-771-8487
Fax 602-771-8685



November 29, 2006

AUTHORITY MEMBERS
Herbert R. Guenther, Chairman
Tom Buschatzke
William K. Perry
John Mawhinney
Maureen R. George

Mr. Richard Stavneak
Director
Joint Legislative Budget Committee
1718 West Adams Street
Phoenix, Arizona 85007

EX OFFICIO MEMBERS
The Honorable Jake Flake
The Honorable Lucy Mason

Dear Mr. Stavneak:

This correspondence describes the Arizona Water Banking Authority's (AWBA) expenditure plans for the \$13.5 million received from the Arizona Legislature in October, 2006. We are providing the letter pursuant to Laws 2006, Chapter 344, Section 38, which directs the Arizona Water Banking Authority (AWBA) to report its expenditure plans for these monies to the Joint Legislative Budget Committee by November 30, 2006.

The Arizona Water Settlements Act (Settlements Act) P.L. 108-451 identifies firming responsibilities for the Secretary of the Interior (Secretary) and the State of Arizona (State). The Settlements Act includes a provision to ensure that 60,648 acre-feet of water be made available for re-allocation to Indian tribes. Of the 60,648 acre-feet, the Secretary has responsibility for 36,924 acre-feet; 28,200 acre-feet, as required by the Southern Arizona Water Rights Settlement Act and 8,724 acre-feet for yet unknown future settlements. The State agreed to firm 23,724 acre-feet; 15,000 acre-feet for the Gila River Indian Community and 8,724 acre-feet for future settlements.

In 2005, the Indian Firming Study Commission (Study Commission) was authorized and created by the Legislature to develop the Indian Firming program for Arizona's obligation. The Study Commission reviewed estimated shortages, water supply availability; mechanisms for ensuring water availability to the tribes in times of shortage, and potential costs and funding availability. The Study Commission identified that to firm the State's obligation of 23,724 acre-feet of delivery during water shortages over a 100-year period, approximately 550,000 acre-feet of credits would be required.

The Study Commission concluded that the Arizona Water Banking Authority (AWBA), in cooperation with the Arizona Department of Water Resources (ADWR) and the Central Arizona Water Conservation District (CAWCD), is the most appropriate and best-suited entity to fulfill the State's obligations described in Section 105(b) of the Settlements Act. The Study Commission recognized that in order to fulfill this role, the AWBA needs to be provided with sufficient funding to implement the Indian Firming program on behalf of the State and recommended that the Arizona Legislature provide the AWBA with appropriate funding to accomplish those goals.

The Arizona Legislature acted on these recommendations by providing the AWBA the statutory authorities to act as Arizona's agent in meetings its firming obligations. The Legislature also provided an initial \$13.5 million to assist the AWBA in meeting this obligation. The following table illustrates the manner in which the \$13.5 million provided by the Legislature will be expended.

Expenditure of General Fund Monies for State of Arizona Firming Obligations

Year	Long-term Storage Credits		Total LTSC	Expenditures General Fund	Percent of Goal Achieved
	Phoenix AMA (AF)	Pinal AMA (AF)			
2008	54,263	27,600	81,863	\$2,700,000	15%
2009	38,966	21,576	60,542	\$2,700,000	26%
2010	28,315	15,146	43,461	\$2,700,000	34%
2011	23,362	12,251	35,613	\$2,700,000	40%
2012	24,809	13,108	37,917	\$2,700,000	47%
Totals	169,715	89,681	259,396	\$13,500,000	47%

The calculations reflected in the table are based on the following assumptions: 1) monies are expended over a five-year period beginning in 2008, 2) cost projections are accurate, 3) sufficient capacity is available at storage facilities and, 4) sufficient delivery capacity of CAP water is available. The \$13.5 million, if expended in this manner, will meet about 47% of the State's obligations.

If you have any questions, please contact Kim Mitchell, Acting Manager, AWBA, at (602) 771-8490.

Sincerely,



Herbert R. Guenther
Chairman

CC: The Honorable Janet Napolitano, Governor, State of Arizona
The Honorable Ken Bennett, President of the Arizona State Senate
The Honorable James Weiers, Speaker of the Arizona House of Representatives
Arizona Water Banking Authority Members
The Honorable Jake Flake, Arizona State Senate, AWBA *ex officio* member
The Honorable Lucy Mason, Arizona House of Representatives, AWBA *ex officio* member

HRG:KM:ckl

DRAFT- Expenditure of General Fund Monies for State of Arizona Firming Obligation

Year	Long-term Storage Credits		Total LTSC	Expenditures	Percent of Goal Achieved
	Phoenix AMA	Pinal AMA		General Fund	
	(AF)	(AF)	(AF)		(550,000 AF)
2008	54,263	27,600	81,863	\$2,700,000	15%
2009	38,966	21,576	60,542	\$2,700,000	26%
2010	28,315	15,146	43,461	\$2,700,000	34%
2011	23,362	12,251	35,613	\$2,700,000	40%
2012	24,809	13,108	37,917	\$2,700,000	47%
Totals	169,715	89,681	259,396	\$13,500,000	47%

Draft State of Arizona Firing Plan

Year	Long-term Storage Credits		Total LTSC	Expenditures		Total Cost	Percent of Goal Achieved
	Phoenix AMA (AF)	Pinal AMA (AF)		General Fund	Withdrawal Fee		
			(AF)				(550,000 AF)
Pre-plan	39,600	19,505	59,105	\$0	\$3,664,510	\$3,664,510	11%
2008	54,263	80,524	134,787	\$2,700,000	\$1,150,527	\$3,850,527	35%
2009	38,966	58,184	97,150	\$2,700,000	\$1,153,930	\$3,853,930	53%
2010	28,315	40,609	68,924	\$2,700,000	\$1,134,742	\$3,834,742	65%
2011	23,362	32,655	56,017	\$2,700,000	\$1,131,108	\$3,831,108	76%
2012	24,809	34,735	59,544	\$2,700,000	\$1,104,864	\$3,804,864	86%
2013		20,909	20,909	\$0	\$1,113,648	\$1,113,648	90%
2014		20,222	20,222	\$0	\$1,142,987	\$1,142,987	94%
2015		19,354	19,354	\$0	\$1,136,013	\$1,136,013	97%
2016		13,988	13,988	\$0	\$797,316	\$797,316	100%
Totals	209,315	340,685	550,000	\$13,500,000	\$13,529,645	\$27,029,645	100%

Recovery of Long-Term Storage Credits: ICUA, On-River, & M&I Firming

Status & Update:
AWBA Commission
December 20, 2006

Chuck Cullom, CAP Resource, Planning, & Analysis Dept.

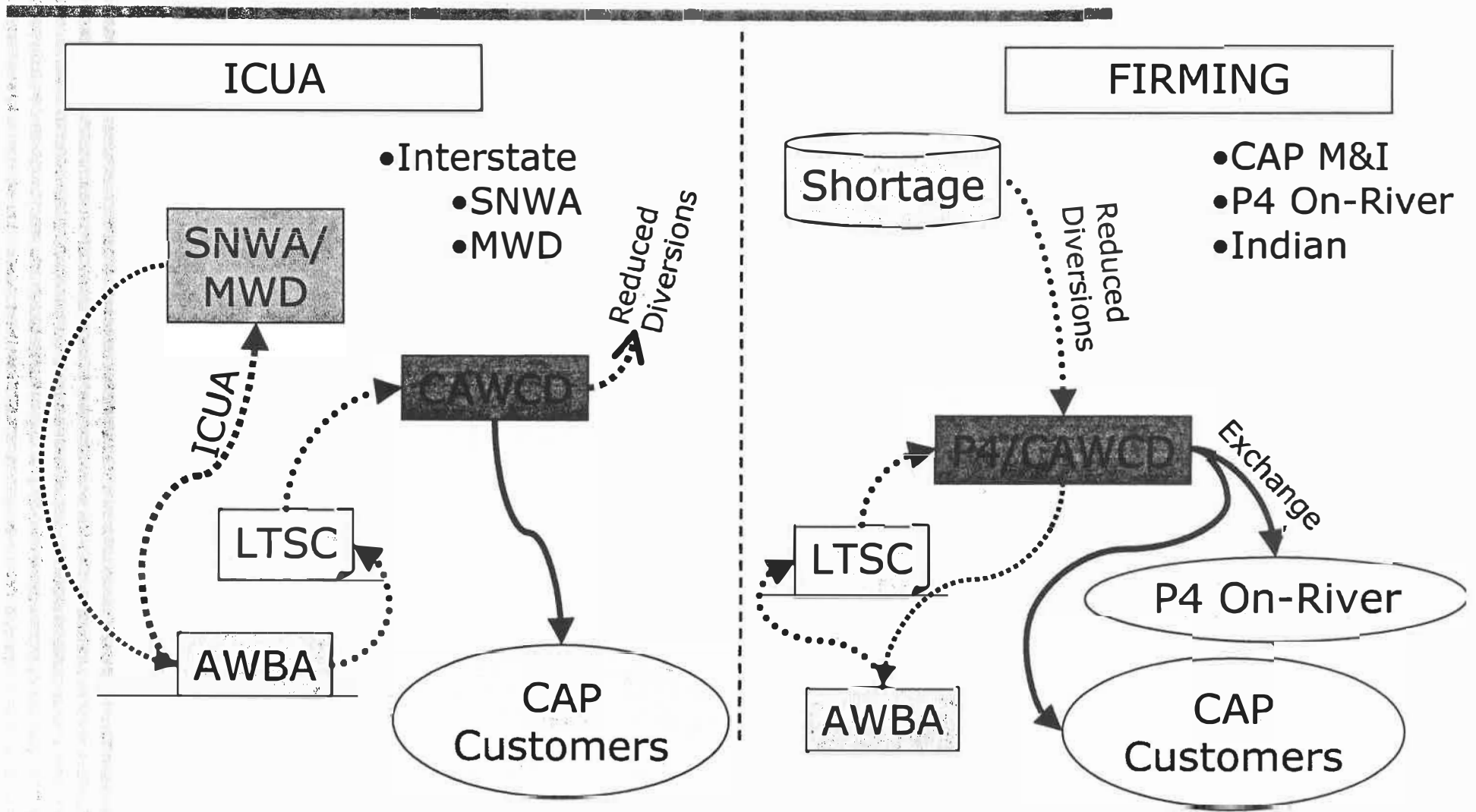
Status Report & Update

- Background
- Shortage Sharing Process
- Recovery Timing
- Current Recovery Plans
- Customers Preferences
- Next Steps

Types of Recovery

- Intentionally Created Unused Apportionment (ICUA):
 - Interstate
 - SNWA
 - MWD
 - Independent of River Shortage
- Firming:
 - Requires River Shortage
 - CAP M&I
 - P4 On-River
 - Indian AWSA NIA Water

TWO TYPES OF RECOVERY



Shortage Sharing Process

- Shortage Sharing Process:
 - Lake Mead Elevation Triggers Shortage*
 - Shortage Shared By:
 - Mexico
 - Lower Basin**
 - Nevada
 - Arizona

*Per Basin States Preliminary Shortage Sharing Proposal
** Proposed Arizona-Nevada Shortage Sharing Agreement

Shortage Sharing Process

- Shortage Sharing Process – Arizona*
 - Meet P1 through P3 Demands
 - P4 Users Share Remaining Supply
 - Pro-Rata Sharing
- Arizona Impacts Driven By:
 - Colorado River Supply
 - P1 – P3 Demands
 - P4 Water Demands

Shortage Sharing Process

Shortage Declared

Allocate Shortage

	400 kaf	500 kaf	600 kaf
Mexico*	67.0	83.0	100.0
Nevada	13.0	17.0	20.0
Arizona	320.0	400.0	480.0

Arizona's Supply:
2.8 maf – Shortage Share

- Meet P1..P3 Uses
- Calculate P4 Supply
- Allocate P4 Supply

$$P4 \text{ Supply} = [2.8 \text{ Shortage} - (P1, P3)]$$

$$P4 \text{ CAP} = P4 \text{ Supply} - P4 \text{ On-river}$$

M&I Shortage when M&I + Indian Supply:
<981,902 af

$$P4 \text{ On-River} = P4 \text{ Supply} * \text{Pro-rata Share}$$

*Assumes Mexico's proportionate share is 16.67% of Shortage.

Arizona Shortage Sharing Estimated Distribution of Shortage

		320 kaf	400 kaf	480 kaf
2016	P4 On-River*	28.3	36.8	45.3
	CAP M&I**	0	0	0 to 22.0
2025	P4 On-River	31.9	40.4	48.9
	CAP M&I	0	0	0 to 28.0
2031	P4 On-River	33.4	42.0	50.6
	CAP M&I	0	0	0 to 32.4

*ADWR P4 Shortage Sharing Agreement Analysis, includes conservative (HIGH) estimate of on-river uses.

** Maximum Shortage Assumes **FULL USE** of Long-term CAP M&I and Indian Priority water.

Estimated Timing Of Shortages*

- Earliest Possible (BOR Estimate):
 - 2011
 - Probability of < 10%
- Planning Timeline
 - 2016
 - Probability Increases above 15%

*Recovery planning timeline; actual onset of shortage will be a function of actual UB demands, water supply, & water operations.

Estimated Recovery Timing

- ICUA:
 - MWD 2007 - 2010
 - SNWA 2010 - 2041
- Firming (shortage on-set)*
 - P4 On-River ~ 2016
 - CAP M&I ~ 2025
 - Indian ~ 2016

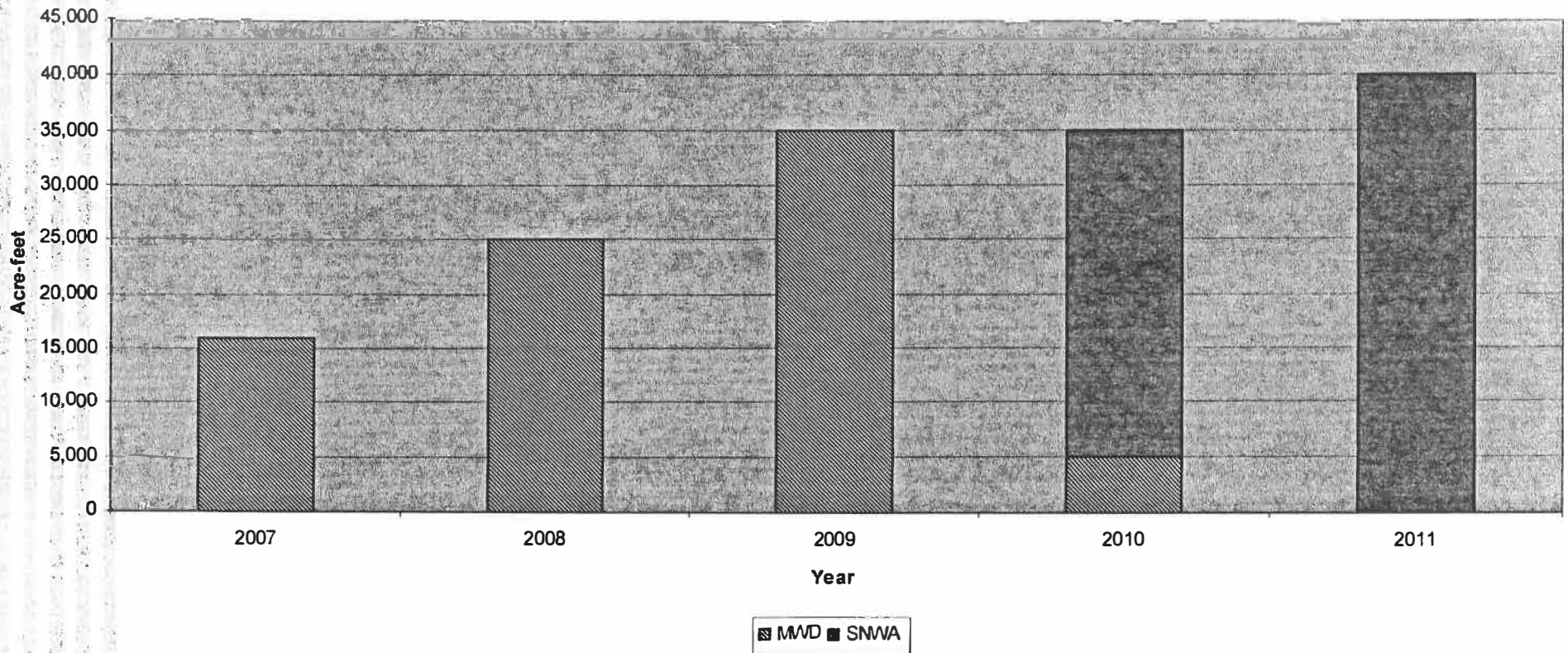
*Recovery planning timeline, physical recovery will be driven by relationship between Long-term CAP M&I + Indian Priority water demands, P1..P3 demands, and available supplies.

Current Recovery Plans:

- ICUA/Pinal County:
 - CAWCD Recovery Well Permits
 - ~ 20,000 af/yr Capacity
 - 14 wells in MSIDD
 - 7 wells in CAIDD
 - Framework Recovery Agreements
 - 1992 Storage and Recovery Agreements
 - Add Capacity in 2007/08

Current Recovery Plans

Pinal Districts Recovery Plan
2007 - 2011



Customers Firming Preferences

- AMWUA Cities – Prefer “Wet” Water To Pumping Credits,
- Tucson Water - Can Pump Credits; Concerns About Magnitude of Pumping,
- Marana Area – To Develop A Regional Recovery Plan,
- SRP – Willing To Recover In Its Service Area For SRP Customers,
- Pinal County – Ag to Urban + AMA Goals Issues,

Next Steps

- Prepare Concepts For P4 On-River Firming.
- Work With AWBA On Indian Firming Plans.
- Prepare Concepts For M&I Firming In Cooperation With CAP M&I Customers.

2007 Timing

- January – March: Additional Stakeholder Meetings.
- mid-April: Draft Plan for Discussion.
- June CAWCD Board Meeting: Final Plan & Recommendations.
- 2008 – 2010 Implement Recommendations

Questions?





MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Executive Office

December 11, 2006

Mr. Herbert R. Guenther
Chairman
Arizona Water Banking Authority
3550 N. Central Avenue
Phoenix, AZ 85012

Dear Mr. Guenther:

Recovery and Creation of Intentionally Created Unused Apportionment with
Credits Created Under the 1992 Demonstration Agreement between CAWCD and MWD

In 1992, The Metropolitan Water District of Southern California (Metropolitan) entered into an agreement with the Central Arizona Water Conservation District (CAWCD) to demonstrate the feasibility of CAWCD storing Colorado River water in central Arizona for the benefit of an entity outside the State of Arizona (the Demonstration Agreement). The Demonstration Agreement was amended in 1994 and is included with this letter.

Pursuant to the Demonstration Agreement, CAWCD created 80,909 acre-feet of long-term storage credits (LTSC) that may be recovered for Metropolitan from 89,000 acre-feet of Colorado River water consumptive use. These credits are held in CAWCD's Long-term Storage Account. It is our understanding that the Arizona Water Banking Authority (AWBA) is expressly authorized to enter into contracts necessary to cause a decrease in Arizona diversions from the Colorado River, ensuring that Arizona will use less than its full apportionment of Colorado River water in years in which Metropolitan calls on the LTSC held on its behalf pursuant to the Demonstration Agreement. By letters dated April 12, 1993, and May 18, 1995, the Secretary approved the Demonstration Agreement and agreed to honor Metropolitan's right to withdraw LTSC by treating water recovered by CAWCD under the terms of the agreement as Arizona's unused apportionment made available to Metropolitan under its Colorado River water delivery contract.

It is proposed that Metropolitan, CAWCD, and AWBA enter into this letter agreement to facilitate appropriate accounting of Colorado River consumptive use by the Secretary of the Interior (Secretary) for water recovered and delivered pursuant to the terms of the Demonstration Agreement. Our collective signatures will constitute our agreement of the terms and conditions described as follows:

Mr. Herbert Guenther

Page 2

December 11, 2006

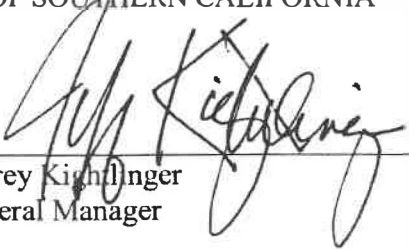
1. By August 1st of each year, Metropolitan and CAWCD will agree on the amount of LTSC to be recovered in the following calendar year. Metropolitan and CAWCD shall report that information to the U.S. Bureau of Reclamation (Reclamation) for inclusion in its Annual Operating Plan (AOP). Metropolitan and CAWCD may change the quantity of LTSC to be recovered in any year by mutual agreement.
2. By December 15th of each year, CAWCD will notify AWBA as to the amount of LTSC to be recovered in the following year and its plans for recovery.
3. By December 31st of each year that Intentionally Created Unused Apportionment (ICUA) is requested for the following year, the AWBA will notify Reclamation and Metropolitan as to the amount of ICUA to be created in the following year. The amount of ICUA to be created shall be equal to the amount of LTSC to be recovered.
4. By June 1st of the year following the year ICUA was created, the AWBA shall, if requested by Reclamation, submit written notice certifying the quantity of ICUA and method used to create the ICUA to Reclamation, Metropolitan and CAWCD.
5. Costs associated with recovering water and creating ICUA with LTSC shall be as provided in the Demonstration Agreement between CAWCD and Metropolitan. No costs associated with this agreement and/or the Demonstration Agreement shall be borne by AWBA.
6. The terms of this Agreement will remain in effect until 80,909 acre-feet of ICUA is created by the AWBA for the benefit of Metropolitan.

By letter dated September 28, 2006, Metropolitan requested the recovery of 15,000 acre-feet of LTSC for the 2007 calendar year. CAWCD has agreed to recover 15,000 acre-feet for Metropolitan in 2007 in accordance with this agreement. Reclamation has agreed to make ICUA available to Metropolitan in 2007.

If you agree with these terms, please sign below and return one duplicate original to Metropolitan and CAWCD at your earliest convenience.

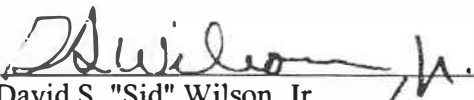
Mr. Herbert Guenther
Page 3
December 11, 2006

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

By: 
Jeffrey Kighllinger
General Manager

Date: 12/13/06

CENTRAL ARIZONA WATER
CONSERVATION DISTRICT

By: 
David S. "Sid" Wilson, Jr.
General Manager

Date: 12-15-06

ACCEPTED AND AGREED TO:

ARIZONA WATER BANKING AUTHORITY

By: _____
Herbert R. Guenther
Chairman

Date: _____

HMR:tt
o:\a\stc\HMR_AWBA_121106_MWD RECOVERY AGREEMENT_FINAL.doc

Enclosures (2)

Arizona-Nevada Shortage-Sharing Agreement

This Agreement is entered into among the Arizona Department of Water Resources (“Arizona”), the Arizona Water Banking Authority (“AWBA”), the Colorado River Commission of Nevada (“CRC”) and the Southern Nevada Water Authority (“SNWA”). For convenience, Arizona, AWBA, CRC and SNWA are at times herein referred to individually as “Party” and collectively as “Parties” and CRC and SNWA are referred to as “Nevada”.

Preamble

The 1944 Mexican Water Treaty, the 1964 U.S. Supreme Court Decree in *Arizona v. California*, and the 1968 Colorado River Basin Project Act authorize and guide the Secretary of the Interior (“Secretary”) in the determination of water deliveries to the Republic of Mexico and from the mainstream of the Colorado River within the Lower Basin during shortage conditions. However, there remain significant differences of opinion between Arizona and Nevada regarding how much water would be delivered to each state within the Lower Colorado River Basin during a shortage declared by the Secretary. Arizona and Nevada have now, therefore, agreed on how Secretarial shortage declarations of up to 500,000 acre-feet within the United States would be shared between them during an Interim Period. This Agreement is conditioned upon the inclusion of all material terms from the *Seven Basin States’ Preliminary Proposal Regarding Colorado River Interim Operations* (Seven States’ Proposal) that was forwarded to the Secretary on February 3, 2006, as it may be modified, within the Record of Decision for *Colorado River Reservoir Operations: Development of Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead Under Low Reservoir Conditions* (“Record of Decision”). If shortage declarations within the United States exceed 500,000 acre-feet, the Secretary would consult with representatives from the seven Colorado River Basin states before allocating additional shortage reductions. That consultation would be initiated anytime that the water surface elevation of Lake Mead is at or below water surface elevation 1025 feet.

AGREEMENT

Now, therefore, based upon the mutual covenants and promises contained herein, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto do agree as follows:

1. Definitions:

a. Interim Period. The period beginning on the date the Secretary issues a Record of Decision and ending on December 31, 2025 (through preparation of the 2026 Annual Operating Plan).

b. Shortage. Any shortage within the United States declared by the Secretary pursuant to Article II(B)(3) of the Decree during the Interim Period.

2. Reduction in Mexican Deliveries. The Parties have entered into this Agreement based on the presumption that the United States will reduce deliveries to Mexico as described in the Seven States' Proposal. In the event that the United States does not reduce deliveries to Mexico in accordance with paragraph (3)(F)(5) of the Seven States' Proposal, the Parties have agreed only to the shortage allocations described in Section 3 of this Agreement.

3. Shortage Sharing Between Arizona and Nevada. During the Interim Period the Parties agree that shortages shall be allocated between Arizona and Nevada in the following quantities:

- A. In years when Lake Mead content is projected on January 1 to be at or below elevation 1075 ft. and at or above 1050 ft., then Nevada's share of the shortage within the United States shall equal 13,000 acre-feet and Arizona's share of the shortage within the United States shall equal 320,000 acre-feet.
- B. In years when Lake Mead content is projected on January 1 to be below elevation 1050 ft. and at or above 1025 ft., then Nevada's share of the shortage within the United States shall equal 17,000 acre-feet and Arizona's share of the shortage within the United States shall equal 400,000 acre-feet.
- C. In years when Lake Mead content is projected on January 1 to be below 1025 ft., then Nevada's share of the shortage within the United States shall equal 20,000 acre-feet and Arizona's share of the shortage within the United States shall equal 480,000 acre-feet.

4. Agreement Limited to Maximum Shortage Volume of 500,000 Acre-feet Within the United States. This Agreement and the Parties relative obligations hereunder are specifically limited to a maximum shortage volume of 500,000 acre-feet within the United States in any year during the Interim Period. Should Lower Basin total shortage volume exceed 500,000 acre-feet within the United States, then the Parties will consult with the Secretary concerning shortage sharing beyond 500,000 acre-feet within the United States.

5. Shortage Assistance. For the purpose of assisting Arizona in offsetting impacts from shortages that may occur during the Interim Period, SNWA agrees to provide to the Arizona Water Banking Authority the sum of \$8,000,000.00 (Eight Million Dollars) ("the Funds"). The Arizona Water Banking Authority will use the Funds to purchase and/or store water supplies. This sum shall be paid to Arizona within 60 days of the date the Secretary issues a Record of Decision, unless otherwise agreed in writing by the SNWA and Arizona. Neither the payment nor the use of the Funds are conditioned on the occurrence of a shortage during the Interim Period, and the Funds shall be nonrefundable.

6. Condition Precedent to Effectiveness of Agreement. The Parties agree, as an express condition precedent to the effectiveness and enforceability of this Agreement,

that the Secretary must issue a Record of Decision that is consistent with all material terms included in the Seven States' Proposal, including this Agreement, by July 1, 2008, unless otherwise agreed to in writing by the Parties. If such condition precedent does not occur by the date set forth herein or as extended or modified by written agreement of the Parties, this Agreement shall be of no force or effect among the Parties.

7. Nevada's Use of Tributary Conservation Water and Nevada State Groundwater During Declared Shortage Condition. The Parties anticipate that following the issuance of the Record of Decision, Nevada will be able to create Intentionally Created Surplus ("ICS") by introducing into the Colorado River mainstream Nevada State Groundwater ("Imported ICS") and Virgin and Muddy River water pursuant to Nevada water rights that pre-date the Boulder Canyon Project Act ("Tributary Conservation ICS"). Pursuant to a mutually agreed upon forbearance agreement, the Secretary will deliver such ICS for municipal and industrial uses within Nevada. The Parties have agreed that the water that would be used to create Tributary Conservation ICS and Imported ICS during non-shortage years will be available during declared shortages. It is anticipated by the Parties that the Record of Decision will establish guidelines whereby the Secretary of Interior, through the Bureau of Reclamation, may enter into agreements to verify and deliver ICS to the party that created it.

Arizona agrees that if in any year, pursuant to Article II (B)(3) of the Decree, there is insufficient mainstream water available to satisfy the consumptive use of 7.5 maf in the lower division states, then Arizona will not object to the delivery by the Secretary to Nevada of water that would otherwise qualify for creation and release of Tributary Conservation ICS or Imported ICS during a non-shortage year nor otherwise claim a right to use such water in any form or fashion. Arizona's agreement not to object to any secretarial delivery of and Nevada's diversion of such water shall be binding on Arizona only to the extent that such delivery does not cause the total deliveries within the lower division states to exceed 7.5 maf in any year in which the Secretary has declared a shortage. Furthermore, Arizona's agreement is conditioned on application of the same provisions for verification that would apply to the creation of Tributary Conservation ICS or Imported ICS under the Seven States' Proposal.

8. Reservation of Rights. Notwithstanding the terms of this Agreement, in the event that for any reason this Agreement is terminated, or that the term of this Agreement is not extended, or upon the withdrawal of any Party from this Agreement, the Parties reserve, and shall not be deemed to have waived, any and all rights, including any claims or defenses, they may have as of the date hereof or as may accrue during the term hereof, including specifically the respective legal positions of Nevada and Arizona regarding how the delivery of water under a shortage declaration by the Secretary would be administered within the Lower Colorado River Basin and any other rights, claims or defenses under any existing federal or state law or administrative rule, regulation or guideline, including without limitation the Colorado River Compact, the Decree in *Arizona v. California* (the "Decree"), the Colorado River Basin Project Act of 1968, and any other applicable provision of federal law, rule, regulation, or guideline.

Draft 12/19/2006

In Witness of this Agreement, the Parties affix their official signatures below, this _____ day of _____, 2007.

Herbert R. Guenther
Director
Arizona Department of Water Resources

Herbert R. Guenther
Chairman
Arizona Water Banking Authority

Richard Bunker
Chairman
Colorado River Commission of Nevada

Patricia Mulroy
General Manager
Southern Nevada Water Authority

DRAFT 12/19/06

ARIZONA WATER BANKING AUTHORITY

ANNUAL PLAN OF OPERATION

2007



1996

Herbert R. Guenther, Chairman

December 2007

The Arizona Water Banking Authority

Summary

The Arizona Water Banking Authority (AWBA; Water Bank) was created in 1996 to store the unused portion of Arizona's annual allocation of the Colorado River. Until the AWBA was created, Arizona had not used its full 2.8 million acre-foot share of Colorado River water. Leaving a portion of Arizona's water in the Colorado River was a lost opportunity; the AWBA has seized this opportunity to further secure dependable water supplies necessary to ensure the state's long-term prosperity.

The Water Bank stores unused Arizona Colorado River water to meet future needs for:

- Firming (to secure) adequate water supply to municipal and industrial users in the Central Arizona Project service area and along the Colorado River in times of shortages;
- Meeting the management plan objectives of the Arizona Groundwater Code;
- Assisting in the settlement of Indian water rights claims; and
- Assisting Nevada and California through interstate water banking.

Each year, the AWBA pays the delivery and storage costs to bring Colorado River water into Central and Southern Arizona through the Central Arizona Project canal. The water is stored underground in existing aquifers (direct recharge) or is used by irrigation districts in lieu of pumping groundwater (indirect or in lieu recharge). For each acre-foot stored, the AWBA accrues credit that can be redeemed in the future when Arizona's communities or neighboring states need this backup water supply.

The money that funds the AWBA and, specifically, water storage for the benefit of Arizona (intrastate storage) comes from three sources that are either from existing revenue sources or from fees charged to those benefiting directly from the stored water. Restrictions on the ways these monies can be used depend on the source of the monies, which currently include:

- Fees for groundwater pumping currently collected within the Phoenix, Pinal and Tucson Active Management Areas (AMA). These monies can only be used to benefit the AMA in which the fees are collected.
- A four cent *ad valorem* property tax collected in the three county CAP service area. These monies can only be used to benefit the county in which the tax is levied.
- A general fund appropriation received at the discretion of the Legislature.

Another source of funding is used for water storage to aid Nevada (interstate storage) and is received pursuant to an Agreement for Interstate Water Banking.

In 2007, the Water Bank will store approximately 376,000 acre-feet at a cost of \$37.8 million. Of that amount, 249,000 acre-feet are for intrastate storage at a cost of \$14 million and 127,000 acre-feet are for interstate storage at a cost of \$23.8 million.

A general fund appropriation of \$13.5 million received from the Legislature in 2006 specifies that it will be used for Indian firming. The AWBA will begin spending this

money in 2008 after the enforceability date (date obligations begin) of the Arizona Water Settlements Act.

To date, the AWBA has stored approximately 2.81 million acre-feet at a cost of \$178.8 million; 2.42 million acre-feet for intrastate storage at a cost of \$107 million and 386,000 acre-feet for interstate storage at a cost of \$71.8 million.

INTRODUCTION

The Arizona Water Banking Authority (AWBA) was created to store Arizona's unused Colorado River water entitlement in western, central and southern Arizona to develop long-term storage credits to: (1) firm existing water supplies for municipal and industrial users (M&I) along the Colorado River and Central Arizona Project (CAP) M&I users during Colorado River shortages or CAP service interruptions; (2) help meet the water management objectives of the Groundwater Code; and (3) assist in the settlement of American Indian water rights claims. Changes in the AWBA's enabling legislation in 1999 authorized the AWBA to participate in other water banking activities, however, no new water banking activities are included in this annual Plan of Operation.

The AWBA's storage (or banking) of water is accomplished through the Underground Water Storage, Savings and Replenishment Act (UWS) enacted by the Arizona legislature in 1994 and administered by the Arizona Department of Water Resources (ADWR). Through this program, the AWBA stores renewable water that currently has no immediate, direct use in either underground storage (USF) or groundwater savings (GSF) facilities. A USF is a facility that allows water to physically be added to an aquifer. A GSF is a facility where the renewable water is used in place of groundwater, creating a groundwater savings. The UWS program mandates the accounting of the renewable water stored and the development of long-term storage credits. The long-term storage credits developed by the AWBA will then be utilized by the AWBA when future conditions warrant. The use of credits for the three objectives listed above may differ and is dependent on the source of funds utilized to develop them.

The AWBA is required by statute to approve an annual Plan of Operation (Plan) by January 1 of each year. Prior to approval of the final Plan, the AWBA is required to solicit public comment. This is achieved by presenting a draft of the Plan to the Groundwater Users Advisory Councils (GUAC) for the Phoenix, Pinal and Tucson Active Management Areas (AMA) and to the county board of supervisors for counties outside of the AMA's if water storage is proposed there within the Plan. Presentation of the draft Plan must be made at publicly noticed open meetings at which members of the public are permitted to provide comment. The AWBA also accepts public comment in writing up to the time the final draft Plan is presented for approval.

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

2006 PLAN OF OPERATION

In 2006, the AWBA's tenth full year of operation, the AWBA recharged approximately 365,000 acre-feet of Colorado River water and Arizona's total use of Colorado River water is forecast to be 2.8 million acre-feet by the Bureau of Reclamation data dated December 14, 2006 (see Figure 1).

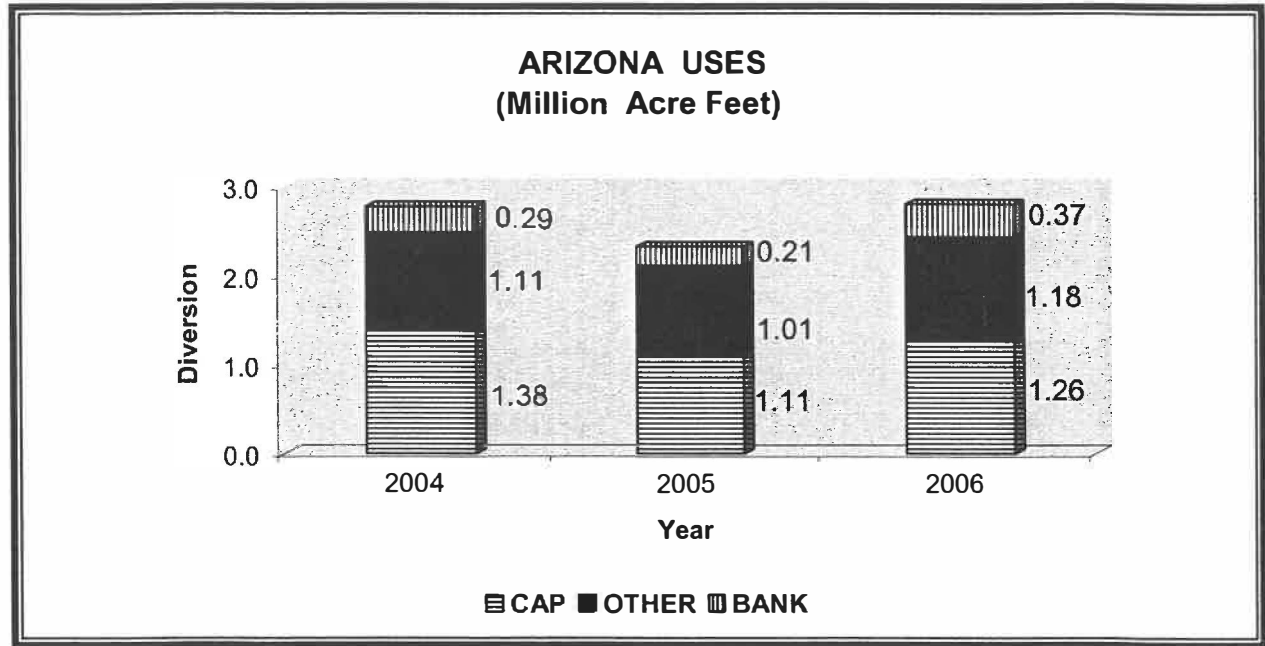


Figure 1

The Bureau of Reclamation forecasts total use of Colorado River water in the Lower Basin to be 7.40 million acre-feet in 2006 (see Figure 2).

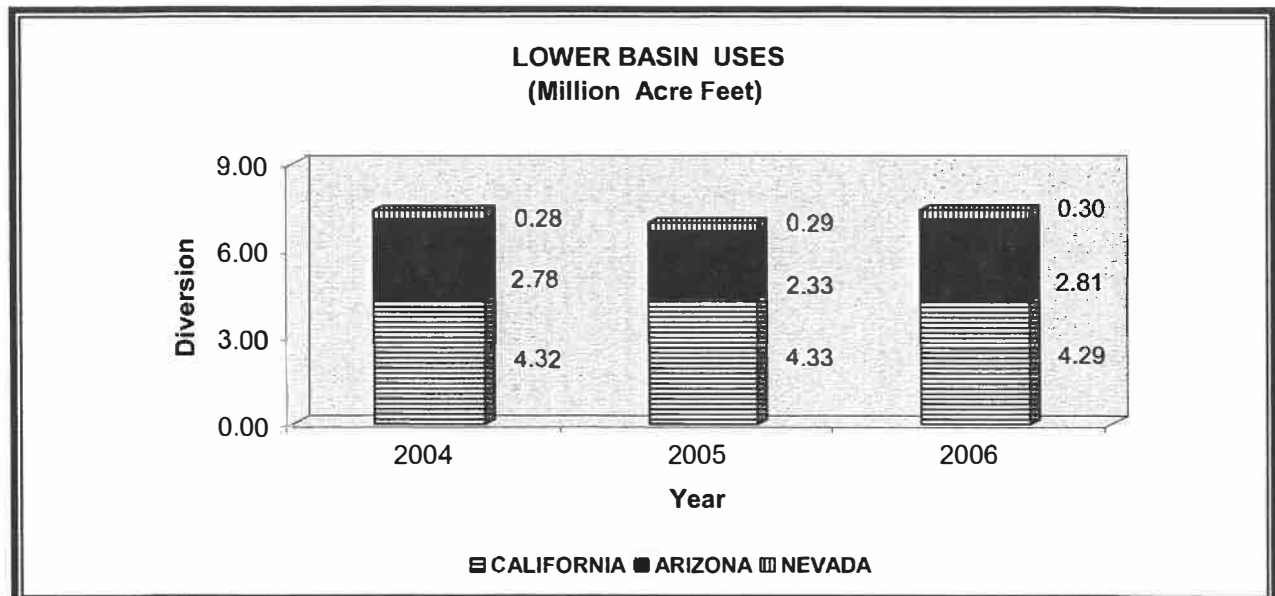


Figure 2

The AWBA recharged water at both USFs and GSFs in 2006. Table 1 lists the AWBA's recharge partners for 2006, the amount of water that can be stored under each AWBA water storage permit, and the amount of water delivered to the facility by the AWBA in 2006. Table 1 values are based on actual deliveries through November with December's deliveries estimated. The amount of water delivered to a facility is always greater than the amount of long-term storage credits earned by the AWBA because credits are computed by subtracting approximately 3-5% for losses and 5% for a "cut to the aquifer" from the total annual deliveries. Final figures for credits earned generally become available in the middle of the following year after review of the annual reports filed with the ADWR and are reported in the AWBA's Annual Report.

Table 1

AMA	Facility	Type	Permit Capacity (acre-feet)	Amount Delivered (acre-feet)
Phoenix	Agua Fria (CAP)	USF	100,000	9,909
	Hieroglyphic Mtn. (CAP)	USF	35,000	10,324
	Tonopah Desert (CAP)	USF	150,000	101,127
	Tonopah Desert- Interstate			17,308
	Chandler Hts Citrus ID	GSF	3,000	218
	Queen Creek ID	GSF	28,000	1,700
	Gila River Indian IDD	GSF	37,520	12,525
Pinal	CAIDD	GSF	110,000	3,300
	CAIDD Interstate			26,135
	Hohokam IDD	GSF	55,000	3,300
	Hohokam Interstate			34,700
	MSIDD	GSF	120,000	3,300
	MSIDD Interstate			70,506
Tucson	Gila River Indian IDD	GSF	18,480	6,169
	Avra Valley (CAP)	USF	11,000	5,513
	CAVSARP	USF	60,000	11,000
	Lower Santa Cruz (CAP)	USF	50,000	7,500
	LSC Interstate			21,439
	Pima Mine Road (CAP)	USF	30,000	5,732
	PMR Interstate			13,423
Total			819,231	365,128

The Plan as originally approved, was scheduled to deliver approximately 347,000 acre-feet of water. The Plan was amended in August to reflect the AWBA's new partnership with the Gila River Indian Irrigation and Drainage District (GRIIDD) and to include deliveries to the GRIIDD GSF. Since the GRIIDD GSF is located in both the Phoenix and Pinal AMAs, a water storage permit was issued for each AMA for accounting purposes. In order to deliver water to the GRIIDD, a portion of the Pinal AMA intrastate deliveries previously scheduled for the AWBA's three non-Indian GSF partners, was shifted to the GRIIDD GSF and interstate water was in turn used to replace the water originally scheduled for the three districts. The Amended Plan also included additional interstate deliveries to the Pinal AMA GSFs. As a result, the Amended Plan proposed to deliver 419,500 acre-feet of water with 219,700 acre-feet for intrastate deliveries and 199,800 acre-feet for interstate deliveries. Heavy summer rains resulted in less water deliveries than planned to some facilities, yet overall deliveries were higher than the

original Plan. The AWBA delivered approximately 365,000 acre-feet of water in 2006: 182,000 acre-feet for intrastate banking and 183,000 acre-feet for interstate banking. Figure 3 shows the acre-foot breakdown between GSFs and USFs for 2006 and a comparison between 2006 and previous years.

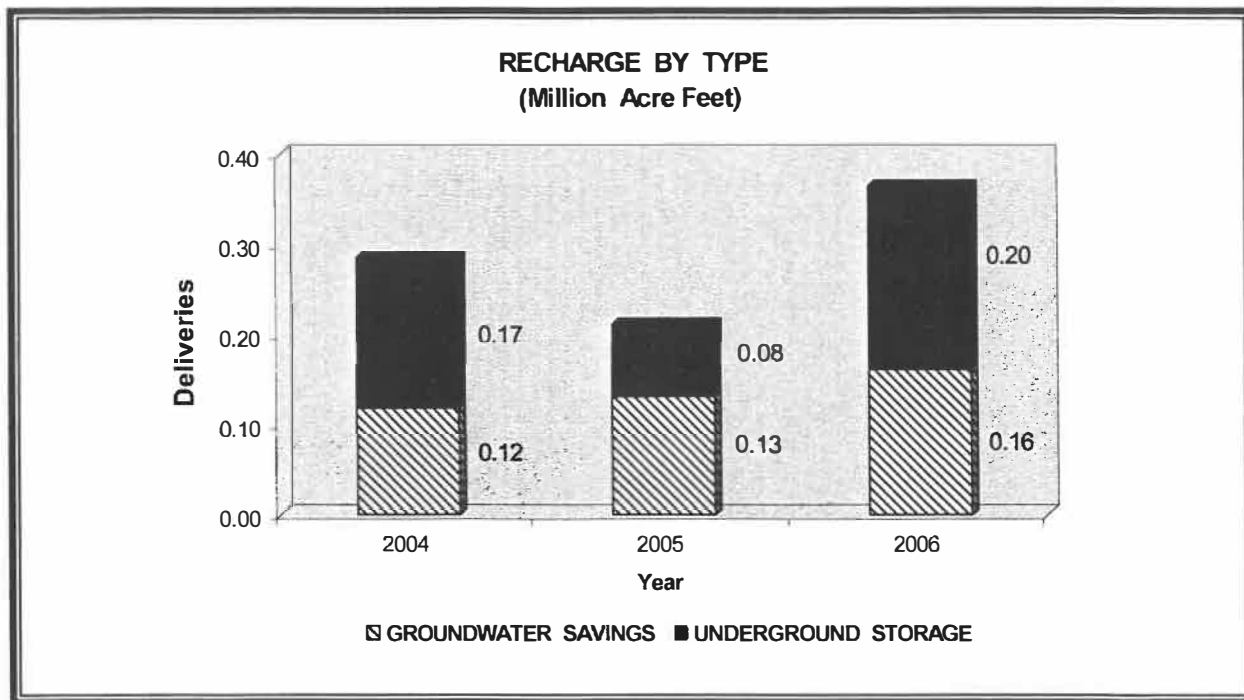


Figure 3

2007 PLAN OF OPERATION

For 2007, the AWBA will store approximately 376,000 acre-feet of water. This represents 249,000 acre-feet for intrastate banking and 127,000 acre-feet for interstate banking. Water storage will be occurring in facilities from all three counties.

When developing a Plan of Operation, the AWBA evaluates four critical factors: (1) the amount of unused water available to the AWBA for delivery; (2) the CAP capacity available to the AWBA for the delivery of unused water; (3) the funds available and the costs required to deliver the unused water; and (4) the capacity available for use by the AWBA at the various recharge facilities. In addition to these critical factors, the AWBA takes into consideration recommendations made by the Groundwater Users Advisory Councils (GUAC) of the three AMAs regarding water management objectives and priorities for storage.

I. Water Availability

The factor of water availability consists of two parts: (1) the amount of water available on the Colorado River for diversion by the CAP within Arizona's allocation; and (2) the amount of CAP water available for delivery to the AWBA under the existing pool structure.

The Bureau of Reclamation distributed the Annual Operating Plan (AOP) for water year 2007 to the states in December of 2006. The 2007 AOP stated that the Partial Domestic Surplus condition is the criterion governing operation of Lake Mead. Under this declaration, there are 2.8 million acre-feet of water available for use within Arizona. The Bureau of Reclamation does not anticipate that there will be any unused state apportionment available in 2007. Arizona's on-river use is forecast to be 1.2 million acre-feet, leaving 1.6 million acre-feet available for diversion by CAP. The amount of water available to be diverted by the CAP within Arizona's 2.8 million acre-foot allocation was not a limiting factor in this Plan.

With respect to availability of CAP water, the AWBA purchases water from the category that is termed excess water. Excess water is generally recognized to be all water available for delivery through the CAP, regardless of Secretarial declaration of condition, in excess of the quantities scheduled under long-term contracts and subcontracts. The availability of excess water is determined on an annual basis. Pursuant to current CAP policy, the AWBA has available to it any water not requested by another entity within Arizona. The AWBA shares an equal priority for water for municipal and industrial (M&I) firming with the Central Arizona Groundwater Replenishment District. Even though there continues to be a great deal of interest in the excess water by higher priority users, there remains sufficient excess water for AWBA's purposes.

II. Available Funds

The AWBA has significantly reduced funds available in 2007 in all of the AWBA Fund accounts. The AWBA has \$3.6 million available from *ad valorem* taxes previously collected in Maricopa County. In addition to the Maricopa *ad valorem* taxes, the AWBA will only have the withdrawal fees collected in 2007 with some carryover from 2006 available for use in this Plan for intrastate storage. The CAWCD Board resolved to continue to retain the county *ad valorem* property taxes collected and not transfer those revenues to the AWBA Fund. While the property tax revenues retained by CAP can be used to offset the cost of AWBA water deliveries in the tri-county CAP service area, those funds are not shown in the AWBA fund accounts. The impact of availability of funds in developing the Plan differs by geographic location. Within the Phoenix AMA/Maricopa County, there were adequate revenues to fund the Plan. In the Pinal AMA/Pinal County and in Tucson AMA/Pima County, the availability of funds was a limiting factor in this Plan. However, funds are available from the Nevada agreement to utilize additional capacity in both those areas.

The total amount of intrastate revenue available in the AWBA Fund in 2007 is approximately \$22 million. This amount includes (1) carryover from previous years in the Maricopa County *ad valorem* account, (2) withdrawal fees projected

for March of 2007, including some carryover from 2006, and (3) general fund appropriations. Of that amount, \$5.8 million is available for the Phoenix AMA, and approximately \$560,000 and \$1.9 million are available for the Tucson and Pinal AMAs, respectively. A general fund appropriation of \$13.5 million is also included, however, expenditure of this fund is limited to meeting the State's firming obligation under the Arizona Water Settlements Act. For interstate banking, there is approximately \$39.9 million available in the AWBA Fund. There are additional funds available at CAP for intrastate banking in the form of the retained *ad valorem* property tax revenues. Estimated CAP *ad valorem* tax balances available for 2007 are: Maricopa County (\$50.3 million); Pima County (\$6.35 million); and Pinal County (\$699,000).

III. Available Storage Facility Capacity

AWBA staff conferred with facility operators to discuss their delivery schedules and their continued interest in participating with the AWBA. These discussions confirmed that there was significant interest in partnering with the AWBA and there was substantial permitted recharge capacity but, as in the past, previous commitments to other partners somewhat limited the availability of both the GSFs and the USFs to the AWBA.

For 2007, several partners that had previously stored water for the AWBA opted again not to store because they found other partners to utilize their facilities. The two major partners that opted not to store for the AWBA are Salt River Project and New Magma IDD. The AWBA still has sufficient capacity to meet anticipated needs.

IV. Table 2

The Water Delivery Schedule (Table 2) identifies the AWBA's partners for 2007 and the amount of water scheduled to be recharged. The second column in this section identifies the AWBA's water storage permit capacities for each facility based on the facility permits. The capacity available does not always equal the storage permit capacity because the storage facility operators may have agreements with other storage partners.

Table 2
Water Delivery Schedule
Calendar Year 2007
(Acre-feet)

AWBA-Recharge Sites		Permitted Capacity (AF)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
PHOENIX AMA :															
USF	GRUSP	200,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	HIEROGLYPHIC	35,000	0	0	0	0	0	0	0	0	0	0	2,700	2,700	5,400
	HIEROGLYPHIC Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
	AGUA FRIA	100,000	0	0	0	0	0	0	0	0	0	1,755	2,600	2,600	6,955
	TONOPAHA DESERT	150,000	3,175	2,398	6,275	6,000	10,000	12,000	12,000	12,000	12,000	13,000	10,000	12,000	110,848
	TONOPAHA Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
															123,203
GSF	SRP	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	CHANDLER HGTS ID	3,000	0	0	50	50	50	100	75	75	50	83	0	0	533
	NEW MAGMA	54,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	QUEEN CREEK	28,000	0	0	0	0	0	0	0	1,343	2,285	2,285	1,142	1,142	8,197
	TONOPAHA ID	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	GILA RIVER INDIAN IDD	37,520	0	0	0	0	0	0	0	3,986	5,781	3,090	0	2,626	15,483
															24,213
TOTAL INTRASTATE			3,175	2,398	6,325	6,050	10,050	12,100	12,075	17,404	20,116	20,213	16,442	21,068	147,416
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	0	0	0	0	0
AMA TOTAL			3,175	2,398	6,325	6,050	10,050	12,100	12,075	17,404	20,116	20,213	16,442	21,068	147,416
PINAL AMA :															
GSF	CAIDD	110,000	0	0	1,000	5,000	1,000	1,000	4,000	2,000	2,500	1,000	1,000	1,500	20,000
	CAIDD Interstate		0	0	3,000	1,000	5,000	5,000	7,000	8,000	7,000	2,000	500	500	39,000
	HOHOKAM	55,000	800	1,900	4,200	3,300	0	0	2,750	7,050	0	0	0	0	20,000
	HOHOKAM Interstate		40	80	180	300	400	550	525	2,335	6,050	3,130	2,085	1,825	17,500
	MSIDD	120,000	520	1,030	1,560	2,070	2,590	3,130	3,110	2,590	1,560	1,040	590	210	20,000
	MSIDD Interstate		2,690	4,860	4,150	4,480	9,850	5,940	3,420	4,660	7,790	4,960	3,780	3,510	60,090
GILA RIVER INDIAN IDD	18,480	0	0	0	0	0	0	0	1,964	2,847	1,522	0	1,293	7,626	
															184,216
TOTAL INTRASTATE			1,320	2,930	6,760	10,370	3,590	4,130	9,860	13,604	6,907	3,562	1,590	3,003	67,626
TOTAL INTERSTATE			2,730	4,940	7,330	5,780	15,250	11,490	10,945	14,995	20,840	10,090	6,365	5,835	116,590
AMA TOTAL			4,050	7,870	14,090	16,150	18,840	15,620	20,805	28,599	27,747	13,652	7,955	8,838	184,216
TUCSON AMA:															
USF	AVRA VALLEY	11,000	650	650	650	650	650	150	650	650	650	300	300	650	6,600
	PIMA MINE RD	30,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	PMR Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
	LOWER SANTA CRUZ	50,000	1,829	3,800	0	0	0	0	512	3,800	3,000	0	0	0	12,941
	LSC Interstate		0	0	0	0	0	0	0	0	800	2,700	2,700	3,800	10,000
	CAVSARP	80,000	2,000	2,000	2,000	2,250	2,250	2,250	250	250	0	0	0	1,250	14,500
CAVSARP Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0	
															44,041
GSF	BKW	16,615	0	0	0	0	0	0	0	0	0	0	0	0	0
	KAI FARMS (Red Rock)	11,231	0	0	0	0	0	0	0	0	0	0	0	0	0
															0
TOTAL INTRASTATE			4,479	6,450	2,650	2,900	2,900	2,400	1,412	4,700	3,650	300	300	1,900	34,041
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	800	2,700	2,700	3,800	10,000
AMA TOTAL			4,479	6,450	2,650	2,900	2,900	2,400	1,412	4,700	4,450	3,000	3,000	5,700	44,041
TOTAL INTRASTATE			8,974	11,778	15,735	19,320	16,540	18,630	23,347	35,708	30,673	24,075	18,332	25,971	249,083
TOTAL INTERSTATE			2,730	4,940	7,330	5,780	15,250	11,490	10,945	14,995	21,640	12,790	9,065	9,635	126,590
TOTAL			11,704	16,718	23,065	25,100	31,790	30,120	34,292	50,703	52,313	36,865	27,397	35,606	375,673

NEW FACILITIES

No new facilities are currently projected to be used in 2007. However, the AWBA is in the process of drafting two new Water Storage Agreements with West Maricopa Combine, Inc. and Harquahala Valley Irrigation District. If the Water Storage Agreements are executed in 2007, the 2007 Plan of Operation will be amended to reflect one or both of these new partnerships.

INTERSTATE WATER BANKING

The 2007 Plan includes an interstate water banking component. AWBA will store approximately 127,000 acre-feet pursuant to the Amended Agreement for Interstate Water Banking. This storage will occur at both USFs and GSFs in Pinal and Pima Counties.

RECOVERY

Metropolitan Water District of Southern California (Metropolitan) has requested from CAWCD the recovery of 15,000 acre-feet of long-term storage credits for 2007. Pursuant to a letter agreement between Metropolitan, CAWCD, and the AWBA, those credits will be recovered and intentionally created unused apportionment (ICUA) created in 2007. The letter agreement recognizes CAWCD is responsible for recovering the credits, the AWBA is responsible for creation of ICUA, and Metropolitan is responsible for the diversion of ICUA. Table 3 identifies the planned recovery schedule for 2007.

CAWCD began planning a recovery program in 2006 and with assistance from AWBA, ADWR and stakeholders will provide a recovery plan in 2007. The recovery plan will assist the AWBA in determining appropriate locations for water storage.

Table 3. 2007 CAWCD Recovery Schedule (Acre-feet)

MONTH	MSIDD	CAIDD	HIDD	TOTAL
January	0	0	0	0
February	1,100	0	0	1,100
March	1,500	756	0	2,256
April	1,300	756	0	2,056
May	1,100	756	0	1,856
June	500	756	0	1,256
July	0	756	0	756
August	600	756	0	1,356
September	1,200	756	0	1,956
October	1,300	756	0	2,056
November	600	756	0	1,356
December	800	0	0	800
Total	10,000	6,804	0	16,804

PRICING

In June 2006, the CAWCD board adopted final water delivery rates for 2007. The rate for AWBA and other M&I Incentive recharge is \$61 per acre-foot. The delivery rate is the pumping energy rate 2 component (\$51 per acre-foot) plus 10 percent of the fixed OM&R charge (\$5.20 per acre-foot) plus a component to recover lost revenues from federal deliveries (\$5.00 per acre-foot). For 2007, the pumping energy rate 2 was calculated using the average of the actual or forecast above threshold energy rates for the previous three years.

In 2007, the AWBA increased the cost share for the GSF partners to \$31 per acre-foot. Table 4 reflects the water delivery rate the CAP will charge the AWBA, the rate the GSF operators will pay for use of the AWBA's water and the various rates the AWBA will be charged to utilize the different USFs.

The Master Water Storage Agreement executed on July 1, 2002 describes the cost components that can be paid by the AWBA for storage at CAP facilities. On October 2, 2003, the CAWCD adopted a new policy regarding storage facility rates. Pursuant to the policy, the AWBA will pay an OM&R component for all water stored; that component is calculated by CAWCD annually for each AMA based on a rolling ten-year average. Additionally, for water stored for other than M&I firming purposes, the AWBA will pay a capital charge component. The capital charge is based on the total projected costs and projected storage of water over the lives of the facilities in the AMA and will not change annually unless there are significant changes in CAWCD's costs for recharge facilities in that AMA. There is no administration cost component in the facility cost because the AWBA pays the CAP administrative costs on an annual basis.

The rate established for interstate banking is \$210 per acre-foot, plus facility costs and facility capital costs.

Table 4. 2007 Water and Facility Rates

CAWCD delivery rate to AWBA	\$61 per acre-foot
Interstate rate	\$210 per acre-foot
Groundwater Savings Facility operator portion of delivery rate ¹	
Intrastate ²	\$31 per acre-foot
Interstate	\$26 per acre-foot
Underground Storage Facility rate paid by AWBA	
Agua Fria Recharge Project (CAP) ³	\$8.00 per acre-foot
Hieroglyphic Mtns. (CAP) ³	\$8.00 per acre-foot
Tonopah Desert Recharge Project (CAP) ³	\$8.00 per acre-foot
GRUSP	\$20.31 per acre-foot
Avra Valley (CAP) ⁴	\$13.00 per acre-foot
Lower Santa Cruz (CAP/Pima County) ⁴	\$13.00 per acre-foot
Pima Mine Road (CAP) ⁴	\$13.00 per acre-foot
CAVSARP (Tucson Water)	\$13.17 per acre-foot

¹ This rate is paid directly to CAP by the GSF operators and is not available as revenue to the AWBA. The AWBA's rate for delivery of in lieu water is thus reduced to \$30/af for intrastate deliveries and \$184/af for interstate deliveries.

² The cost share portion for the Gila River Indian Irrigation District GSF is \$20/af through 2008 and reduces the AWBA rate to \$41/af for CY 2007.

³ Additional capital charge of \$15 per acre-foot for interstate water

⁴ Additional capital charge of \$9 per acre-foot for interstate water

For CAVSARP, the cost includes an administration component, a capital component and an O&M component. The cost was set by agreement dated March 3, 2003 with a 3% annual increase.

The estimated total cost of the AWBA's 2007 Plan of Operation is approximately \$37.8 million and includes the USF use fees and the CAP delivery rate minus the cost recovery from the GSF operator by the CAWCD. Of this total, approximately \$14 million is for intrastate storage and \$23.8 million is for interstate storage.

ACCOUNTING

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

Table 5 provides estimates of the funds available to be utilized by the AWBA including any funds carried over from previous years and an estimate of funds to be collected during the year, the funds to be utilized and the entity that holds the funds, and the credits that will accrue to those accounts based on the 2007 Plan.

Table 5. Funding for 2007 Annual Plan of Operation

	Funds Available (\$)		Funds Utilized (\$)		Credits (AF)
	AWBA	CAWCD	AWBA	CAWCD	
Withdrawal Fees					
Phoenix AMA	\$2,200,000	-	\$2,200,000	-	35,920
Tucson AMA	\$560,000	-	\$560,000	-	6,960
Pinal AMA	\$1,900,000	-	\$1,900,000	-	55,690
Four Cent Tax					
Maricopa County	\$3,600,000	\$50,310,000	\$3,600,000	\$3,597,700	99,700
Pima County	\$0	\$6,350,000	\$0	\$1,961,500	24,360
Pinal County	\$0	\$699,000	\$0	\$212,700	6,520
Other					
General Fund	\$13,500,000				
Phoenix AMA		-	\$0		0
Tucson AMA		-	\$0		0
Pinal AMA		-	\$0		0
Interstate Banking					
Nevada	\$39,872,374		\$23,772,560		116,460
California	(not applicable)				
	Total Funds Available		Total Funds Expended		Credits
	\$118,991,374		\$37,804,460		345,610

¹ Includes \$738,333 in CAP capital charge recovery costs for Interstate deliveries to state demonstration projects.

² Expenditure limited to meeting the State's firming obligation pursuant to the Arizona Water Settlements Act.

The 2007 Plan was developed expending all available withdrawal fees, all carryover from previous years in the Maricopa County *ad valorem* account, and requires utilization of some of the CAP funds, as well.

Table 6 provides an estimate of the AWBA funds expended and the credits that have accrued to the various accounts based on the AWBA's recharge activities since inception.

Table 6. Cumulative Totals of Long-term Storage Credits 1997-2006

	FUNDS EXPENDED	CREDITS ¹ AMOUNT (AF)	LOCATION
Withdrawal Fee			
Phoenix AMA	\$10,604,490	172,865	Phoenix AMA
Tucson AMA	\$5,521,161	77,265	Tucson AMA
Pinal AMA	\$9,205,641	276,377	Pinal AMA
Four Cent Tax			
Maricopa County	\$50,160,636	985,303	Phoenix AMA
Pima County	\$17,688,985	231,835	Tucson AMA
Pinal County	\$3,159,516	103,368	Pinal AMA
Other			
General Fund	\$10,695,000	396,499	
	\$2,042,572	59,937 ²	Phoenix AMA
	\$6,977,540	39,748 ²	Tucson AMA
	\$1,674,888	296,814 ²	Pinal AMA
Interstate			
California	(not applicable)		
Nevada	\$71,774,218	405,895	
TOTAL	\$178,809,647	2,649,407	

¹ Actual credits used for 1997-2005; credits estimated for 2006
² 230,280 AF of credits reserved pursuant to contract dated February 4, 2005 with Mohave County Water Authority

PUBLIC REVIEW AND COMMENT

The AWBA staff held meetings with the GUACs for the Phoenix, Pinal and Tucson AMAs as required by statute. The Plan was distributed to the public and Table 2 was posted on the AWBA web page for public review and comment.

Phoenix GUAC

In general, the GUAC supported the Plan and had no requests for changes to it. Comments were made that the Bank has done a good job balancing the intrastate and interstate deliveries in the State. The need for a comprehensive recovery plan was emphasized and cooperative participation was recommended between all parties involved in developing a recovery plan. There were questions regarding the Amended Agreement for Interstate Water Banking.

Pinal GUAC

The GUAC supported the Plan and had no requests for changes to it. A question was raised regarding the \$13.5 million and its use for meeting the State's obligation for

Indian firming. The AWBA was asked if recovery planning efforts had been undertaken and concern was expressed that planning efforts might be taking place without the knowledge or input from the Pinal AMA. Additionally, GUAC members stated the need for stakeholders in the AMA to be actively involved in recovery planning with CAWCD, AWBA, and ADWR. The GUAC pointed out the increase in GSF deliveries as a result of funding available through interstate banking. Favorable comments were received on the progress made by the Water Bank and overall benefits the State is receiving from AWBA activities.

Tucson GUAC

General discussion regarding the Plan included: changes in AWBA storage at facilities, overall storage capacity available to the AWBA, and interstate water banking. Written comments were received from the Tucson GUAC recommending that the AWBA: (1) utilize full use of funds from the withdrawal fees, (2) explore additional opportunities to partner with GSFs for firming storage, (3) take advantage of projected lower cost of water to aggressively accrue M&I firming credits, and (4) analyze interstate storage for benefit from capital recovery costs and for drawback of reduced M&I firming storage during time of lower water costs. These comments were taken into consideration and Table 2 was adjusted accordingly.

ARIZONA WATER BANKING AUTHORITY
2007 WATER RECHARGE BUDGET **\$32,032,560**

REVENUES AVAILABLE for 2007 RECHARGE

4 cent tax		\$3,600,000
	Maricopa ¹	\$3,600,000
	Pinal ¹	\$0
	Pima ¹	\$0
Withdrawal Fee		\$4,660,000
	Phoenix AMA ²	\$2,200,000
	Pinal AMA ²	\$1,900,000
	Tucson AMA ²	\$560,000
General Fund Appropriation		\$0
State Indian Firming		\$13,500,000
Interstate		\$39,872,374
TOTAL		\$61,632,374

¹ Additional 4 cent tax retained by the Central Arizona Water Conservation District

² Projected based on estimate of 2007 collections

DELIVERY and RECHARGE RATES

Water Delivery

Incentive Rate (Intrastate)	\$61.00
Interstate Rate	\$210.00

Direct Recharge Facility Rate

Intrastate Interstate

Avra Valley	\$13.00	\$22.00
Pima Mine Road	\$13.00	\$22.00
Lower Santa Cruz	\$13.00	\$22.00
Hieroglyphic Mountains	\$8.00	\$23.00
Agua Fria Recharge Project	\$8.00	\$23.00
Tonopah Desert	\$8.00	\$23.00
CAVSARP	\$13.17	\$13.17

Cost Recovery for In-lieu Recharge	\$31.00	\$26.00
Cost Recovery for Gila River Indian IDD GSF	\$20.00	

WATER and RECHARGE COSTS

	Water Stored (AF)	\$/AF	Total
4 cent tax			\$3,600,000
Maricopa	54,201	\$66.42	\$3,600,000
Pinal	0	\$0.00	\$0
Pima	0	\$0.00	\$0
Withdrawal Fee			\$4,660,000
Phoenix AMA	39,049	\$56.34	\$2,200,000
Pinal AMA	60,537	\$31.39	\$1,900,000
Tucson AMA	7,560	\$74.07	\$560,000
State Indian Firming	0	\$0.00	\$0
Interstate	126,590	\$187.79	\$23,772,560
Total 2007	287,936		\$32,032,560

PROJECTED CARRYOVER

State Indian Firming	\$13,500,000
Interstate	\$16,099,814

Central Arizona Water Conservation District

4 cent tax Available			
Maricopa ³		\$50,310,000	
Pinal ³		\$699,000	
Pima ³		\$6,350,000	
Total 2007		\$57,359,000	
	Water Stored (AF)	\$/AF	Total
4 cent tax Utilized			
Maricopa	54,166	\$66.42	\$3,597,700
Pinal	7,089	\$30.00	\$212,700
Pima	26,481	\$74.07	\$1,961,500
Total 2007	87,737		\$5,771,900

³ Estimate based on carryover and projected 2007 collection