

ARIZONA WATER BANKING AUTHORITY
Wednesday, October 10, 2007

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ARIZONA WATER BANKING AUTHORITY
Wednesday, October 10, 2007

No.	NAME (Please print)	Phone No.
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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 Wednesday, October 10, 2007 at 10:00 a.m. at the Arizona Department of Water Resources, 3550 North Central Avenue, Phoenix, Arizona 85012, Upper Verde Conference Room. The meeting is open to the general public. Members of the commission will attend either in person or by teleconference.

Dated this 5th day of October, 2007

FINAL AGENDA

Arizona Water Banking Authority Commission Meeting

- I. Welcome/Opening Remarks
- II. Approval of Minutes of June 20, 2007 Meeting
- III. Water Banking Staff Activities
 - Deliveries
 - 4¢ *Ad valorem* tax
 - Renewal of water storage permits
 - Status of 7 basin states discussions
- IV. Draft 2008 Annual Plan of Operation
 - Discussion of Table 2
 - Water and facility rates
 - Partner meetings
 - Public meetings
- V. Interstate Water Banking
 - Interstate accounting report to JLBC
 - Overview of interstate accounting and firming obligation
- VI. Arizona Water Settlements Act Firming Efforts
 - Potential approval of the Agreement between the Secretary of Interior and the State of Arizona for the Firming of Central Arizona Project Indian Water
 - Firming discussions with the Gila River Indian Community

VII. Arizona Shortage-Sharing Efforts

- Potential approval of Resolution 2007-1 of the Arizona Water Banking Authority
- Discussion of expenditure of \$8 million available from the Arizona-Nevada Shortage-Sharing Agreement

VIII. Call to the Public

**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**

**June 20, 2007
Arizona Department of Water Resources**



AUTHORITY MEMBERS
Herbert R. Guenther, Chairman
Maureen R. George, Vice-Chairman
Tom Buschatzke, Secretary
John Mawhinney
Gayle J. Burns

EX OFFICIO MEMBERS
The Honorable Jake Flake
The Honorable Lucy Mason

Welcome/Opening Remarks

Chairman Herb Guenther welcomed the attendees and recognized Gayle Burns who had been designated by Susan Bitter Smith, President of the Central Arizona Water Conservation District (CAWCD) Board of Directors, to represent CAWCD on the Commission. All members of the Authority were present except for *ex-officio* members, Representative Lucy Mason and Senator Jake Flake. John Mawhinney attended via teleconference.

Approval of Minutes of March 21, 2007 Meeting

The Authority approved the minutes of the March 21, 2007 meeting.

Water Banking Staff Activities

Virginia O'Connell reviewed water deliveries stating that intrastate deliveries were on target in the Pinal and Tucson Active Management Areas (AMAs) and slightly ahead of schedule in the Phoenix AMA. Deliveries for interstate purposes were on target as well. She also reviewed the recovery schedule for developing Intentionally Created Unused Apportionment (ICUA) for the Metropolitan Water District of Southern California (Metropolitan). Recovery was somewhat behind schedule however CAWCD does not anticipate any issues meeting the planned recovery schedule.

Kim Mitchell announced that the new website featuring the drop-down menus was now available to the public. Visitors to the old site would automatically be redirected to the new site. She noted that changes would be ongoing and welcomed feedback from Authority members.

Ms. Mitchell informed the Authority that staff had obtained a water storage permit from ADWR for storage at the Southern Avra Valley Storage and Recovery Project (SAVSARP) located in the Tucson AMA. The facility is permitted for 60,000 acre-feet per year and is expected to begin operating in January 2008.

Tim Henley noted that CAWCD had a Board of Directors meeting scheduled for the next day, June 21, 2007. Action items of importance to the AWBA included fixing the *ad valorem* tax rate for fiscal year 2008 at 4¢ per \$100 of assessed valuation and adopting a resolution for the use of these funds; either retaining or depositing them into the AWBA account according to statute. He noted that Chairman Guenther gave a presentation at CAWCD's May Board meeting that discussed the impacts to

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.

the AWBA if monies from the *ad valorem* tax collections were not available to the AWBA. This would have a direct impact on firming efforts in the Pinal and Tucson AMAs, especially the latter because projections show that storage credits accrued utilizing both withdrawal fees and *ad valorem* tax are already needed to meet the firming obligation for Tucson. Mr. Henley commented that the issue was not as critical in the Phoenix AMA however it would become more important as costs increase. Tom Buschatzke asked if the AWBA needed to make a presentation at the Board meeting. Mr. Henley responded that AWBA and CAWCD staff had been discussing the issue and that CAWCD staff was aware of its importance to the AWBA. Mr. Mawhinney asked that staff examine the effects of a reduced rate as well. Mr. Henley noted that staff had in fact evaluated various scenarios, including reduced rates. The results showed that reduced tax rates would prolong the time needed to meet M&I firming obligations. In addition, there could be added risk as storage continues into the future because of the potential decrease in supplies available to the AWBA. Ms. Burns commented that CAWCD staff had recommended keeping the 4¢ tax rate.

Larry Dozier (CAWCD) gave a presentation on CAWCD's *Drought and Shortage Impact Analysis*, which evaluated the likelihood of a shortage of Colorado River supplies for Arizona through 2026; the interim period in which the guidelines for River operations are in effect. The analysis included scenarios for three different hydrologic assumptions for the Colorado River system and associated CAP diversions; average, bad, and worst case. The study showed that no shortages were anticipated under "average" conditions. Under "bad" conditions, shortages could occur by 2011, although shortages would not exceed the first reduction level of 333,000 acre-feet. Under the "worst case" scenario, shortages would be at the maximum level of reductions by 2016 (approx. 432,000 acre-feet). All recharge activity would be eliminated under "bad" and "worst case" scenarios. For the latter, full-cost excess water would not be available for most years and the AG Settlement Pool (highest priority excess) would have potential reductions of one half in the later years. In response to a question from Chairman Guenther, Mr. Dozier stated that protecting the 1000 ft. elevation in Lake Mead was a factor for the worst case scenario analysis. Mr. Henley pointed out that the same graphs were also applicable to fourth priority (P4) On-River users, who could be impacted directly from shortages. He noted that the AWBA had long-term storage credits available for P4 On-River M&I users. As these entities recover the credits they are also responsible for replacement costs. Mark Meyers (public) commented that because supplies may not be available to the AWBA during times of shortage, a different firming plan may be needed in order to meet AWBA's other obligations. Mr. Henley noted that there was no time requirement for meeting the obligation to Nevada, which was nearly half accomplished. In addition, the Nevada agreement had provisions during times of shortage. Mr. Buschatzke noted that the maximum annual recovery volume of 40,000 acre-feet would allow sufficient time for creating ICUA for Nevada. Mr. Henley also noted that the Indian firming plan was still under negotiation. Maureen George had concerns regarding the implications of shortages on AWBA activities, especially future firming efforts. Mr. Henley pointed out that the Colorado River watershed is a very dynamic system that can change dramatically from year to year. These changes could have a significant effect on model projections.

Mr. Henley briefed the Authority on the status of Seven Basin States discussions and noted that Reclamation was undergoing the National Environmental Policy Act (NEPA) process. Reclamation's Preferred Alternative in that process, which is similar to the Seven Basin States Alternative, is currently under review. He commented that the Multi-Species Conservation Program (MSCP) should make Reclamation's Environmental Impact Statement (EIS) process go more smoothly. Mr. Henley noted that the Basin States were in the process of negotiating the draft Forbearance Agreement for creating and releasing Intentionally Created Surplus (ICS), which is part of the Basin States proposal. The deadline for issuing the Record of Decision (ROD) is December 31, 2007.

Mr. Henley noted that several government and private entities, were beginning to involve Mexico in the shortage sharing discussions. The State's consultants were also exploring conjunctive management opportunities with Mexico. Chairman Guenther commented that at the recent Arizona-Mexico Commission inaugural meeting, the Mexican states of Baja and Sonora had also expressed interest in participating in the discussions. Mr. Henley noted that it has been Arizona's position that Mexico must share in Colorado River shortages and that the proposal submitted to Reclamation was reasonable. In addition to shortage concerns, Mexico has issues with the salinity of the water they will receive.

Chairman Guenther noted that the Basin States were also discussing the equalization trigger for Lakes Mead and Powell. He indicated that there is a difference of opinion on the compromise reached between the Upper and Lower Basins. The Upper Basin States believe the equalization elevation should be a protection line whereas the Lower Basin States believe it is an equalization trigger without protection. Arizona believes that to agree it is a protection line reinforces the fact that the line was created with 5 MAF of storage for power protection and an unreasonable upper basin growth curve, which Arizona believes is inappropriate. The Basin States have to resolve this misunderstanding if Arizona is to remain in the Basin States Agreement. The Basin States will continue to discuss these issues.

Chuck Cullom (CAWCD) gave a presentation on recent updates to CAWCD's *Conceptual Plans to Recover Stored Water*, which included a revised recovery schedule for the Southern Nevada Water Authority (SNWA), the potential timing for recovery based on the recent drought impact report, a revised credit exchange discussion, and comments received from various stakeholders. He stated that its approval would be an action item at the CAWCD Board meeting scheduled the next day. Mr. Mawhinney applauded the effort that was made in developing the recovery plans and was eager for the CAWCD Board to adopt them. Ms. George commented that the recovery plans were essential especially when shortages could occur by 2011 and inquired if the costs associated with the recovery for Metropolitan were available. Mr. Cullom responded that the costs, including energy, O&M, and few repairs, were just under \$50 per acre-foot. Mr. Buschatzke had questions regarding potential future changes in energy costs and production capacity. Mr. Cullom noted that the primary issue was groundwater production and that staff was working closely with the irrigation districts on means to increase capacity, which could reflect

increased costs. He pointed out that indirect recovery costs were less than direct recovery and new facilities, i.e. new recovery wells. The goal was to increase capacity in the Pinal AMA to meet the immediate recovery schedules for Metropolitan and SNWA and to have sufficient capacity remaining for potential On-River shortages in 2011. He noted that the SNWA would be responsible for meeting its share of the costs. Recovery for other users would be both indirect and direct and would occur outside of the Pinal AMA. As an example, similar arrangements could be made at the City of Tucson facility as have been made with the Pinal Districts. Ms. George suggested that AWBA staff coordinate with CAWCD to store water at locations where recovery costs are least expensive.

Arizona Shortage Sharing

Mr. Henley briefed the Authority on the Director's (ADWR) Arizona Shortage Sharing Recommendations (Recommendations), which were developed by a stakeholder workgroup. The Recommendations had been submitted to Reclamation in the fall of 2006 as part of the larger Environmental Impact Analysis for the lower basin shortage criteria and conjunctive management of Lakes Powell and Mead. In addition to developing recommendations for appropriate shortage volumes and implementation strategies for the lower basin, the workgroup also provided recommendations for allocating future shortages of Colorado River water between CAP and other Arizona fourth priority (P4) entitlements. Mr. Henley noted that approximately 10% of the reduction would be absorbed by On-River M&I entitlements with the remainder going to CAP users, which would primarily affect users of "excess" CAP water. He pointed out that the Recommendations also include a provision (last paragraph) to establish a "revolving fund" for the credits used for On-River M&I firming. The way the revolving fund could work is as AWBA credits are used and replaced, the new credits are earmarked for the entities that replaced the credits. In addition, On-River P4 M&I users that had not contracted with the AWBA for firming would have another opportunity to do so.

On a related topic, Mr. Henley noted that under the Arizona-Nevada Shortage Sharing Agreement (Agreement), Nevada agreed to provide the AWBA with \$8 million to assist Arizona in offsetting impacts from shortages. These funds may be used to purchase and store water to offset any impact that might occur in Arizona from the Agreement and will be paid after the Secretary issues the ROD on Colorado River Operations. Assuming the ROD is consistent with the Agreements and Recommendations, a portion of the funds could be utilized to meet the AWBA's On-River M&I firming obligation, as these entities have the highest risk.

Authority members requested that staff provide the following at the next meeting in October: 1) Recommendations on either a resolution or policy regarding the revolving fund for On-River M&I firming, and 2) Develop various options for utilizing the \$8 million from Nevada.

2006 Annual Report

Ms. Mitchell reviewed the statutory requirements with respect to the AWBA's submittal of the Annual Report (Report) and provided a brief overview of the activities for calendar year 2006. Comments received on the draft had been incorporated into

the final Report. Ms. Mitchell noted that the AWBA had reached a milestone in 2006 with the cumulative delivery of over 2.8 million acre-feet, which is equal to Arizona's annual apportionment of Colorado River water. Ms. O'Connell outlined the provisions of the ten-year plan and discussed new components, including Indian Settlements and Intentionally Created Unused Apportionment (ICUA) for Nevada. She noted that staff had worked with CAWCD in developing certain assumptions in the model and that there would be continued efforts through the CAP Forecast Group, composed of CAWCD, CAGR, ADWR, and AWBA staff, for future models.

There were no comments on the Report as presented. Mr. Mawhinney made a motion to approve the Report and transmit it to the required entities. Ms. George provided the second to that motion. The motion was adopted.

FY 2008 Administrative Budget

Ms. Mitchell briefed Authority members on the actual expenditures for Fiscal Year (FY) 2007 and commented that expenditures were somewhat under budget because a manager had not been hired. She then reviewed the proposed administrative budget for FY 2008 and noted that the total budget was slightly lower than the previous FY, but that the cost of services had increased slightly. Funding for travel had decreased as well as equipment costs because computers had been purchased in FY 2007. Ms. Mitchell reminded the Authority that the administrative costs were paid from the administrative account, which is funded from interest earned on the other AWBA accounts. She noted that the current balance was sufficient to pay the projected administrative costs for FY 2008.

There were no comments on the administrative budget for FY 2008. Ms. Burns made a motion to adopt the FY2008 budget and Mr. Buschatzke provided the second to that motion. The motion was adopted.

Arizona Water Settlements Act Firming Efforts

Mr. Henley reviewed the draft Secretarial Indian Firming Agreement (draft Agreement) and clarified the three objectives for the AWBA under the agreement: 1) to firm 15,000 acre-feet of CAP NIA Priority water for the Gila River Indian Community (GRIC), 2) to firm 8,724 acre-feet of CAP NIA Priority water for future Indian tribes, and 3) to contribute \$3 million in cash or in-kind goods and services, including water, to assist the Federal government in meeting its firming obligation to the Tohono O'Odham Nation. He noted the draft Agreement further outlines a schedule for meeting the third obligation utilizing long-term storage credits. Mr. Henley pointed out that all three obligations were subject to the enforceability date of the Arizona Water Settlements Act. Ms. George requested that staff provide a summary at the next meeting in October that describes how the Indian firming obligation coincides with the AWBA's existing obligations. Mr. Henley noted that the next step was to begin discussions with the GRIC to develop a firming plan. Chairman Guenther directed staff to notify Reclamation to proceed with the draft Agreement and asked that staff include it as an action item for the next AWBA meeting. In addition, he requested that staff provide a plan for meeting the firming obligations.

West Maricopa Combine Water Storage Agreement

Chairman Guenther noted a change in legal representation for the West Maricopa Combine (WMC) facility due to a conflict of interest. Ms. Mitchell commented that staff had worked with the facility owner and their legal representative to address the Authority's concerns from the March meeting. She noted that there were some operational issues at the managed facility and that the facility owner was considering the possibility of seeking a constructed facility permit to replace its current permit. Leo Commandeur (Global Water Mgmt) responded that the facility was performing better than when operations first began and that they had subsequently applied for a 404 permit to modify the streambed in order to slow the flow of water and improve infiltration rates. Ms. George inquired about costs in relation to other facilities. Mr. Henley pointed out that the AWBA would not be the only partner at this facility. The facility operator is also storing at the facility and has an interest in its success. He noted that the facility owner was aware that the AWBA would store at the least expensive facilities first, and partner at the WMC facility if additional supplies were available and capacity was needed, particularly if it would result in full utilization of Arizona's Colorado River allocation. Mr. Henley added that storage at this facility must also be approved on an annual basis through the AWBA's Annual Plan of Operation. Gregg Houtz noted that in 2006, two facilities were not in operation and commented that this facility would be a useful alternative in these situations. There was a motion to approve the West Maricopa Combine Water Storage Agreement. The motion carried.

Interstate Water Banking

Ms. O'Connell reviewed the status of the long-term storage credits accrued on behalf of Nevada, which was provided in table format in response to the Authority's request at the March meeting. The table identified the total credits earned, percent of goal achieved, cost of storage, funds received from Nevada, and funds remaining. In addition, the table provided estimates for the remainder of the year based on the 2007 Plan of Operation. She noted that quarterly updates would be provided at future AWBA meetings.

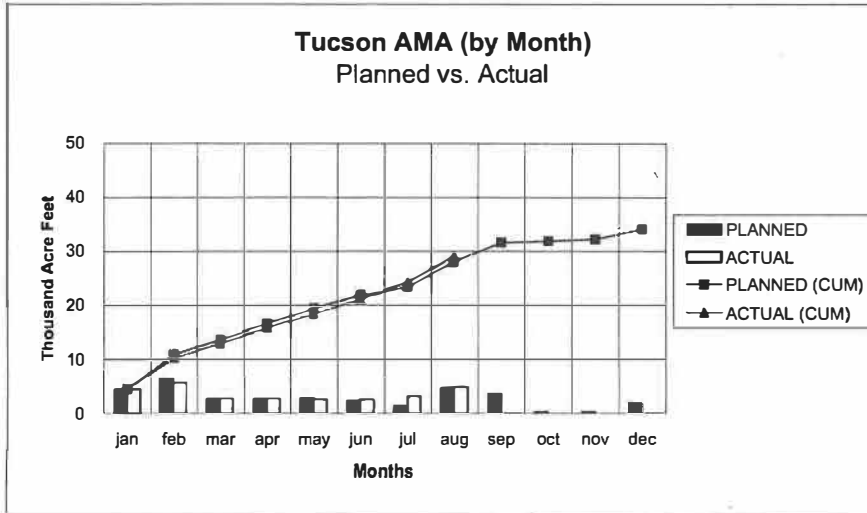
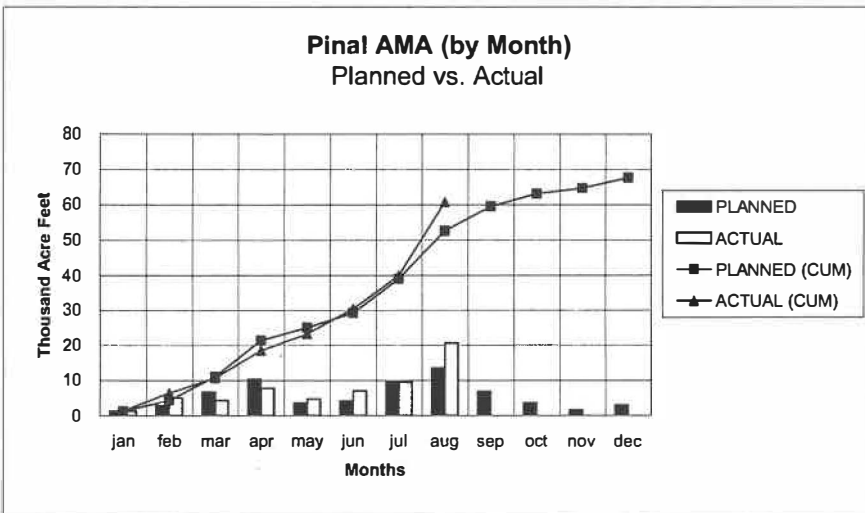
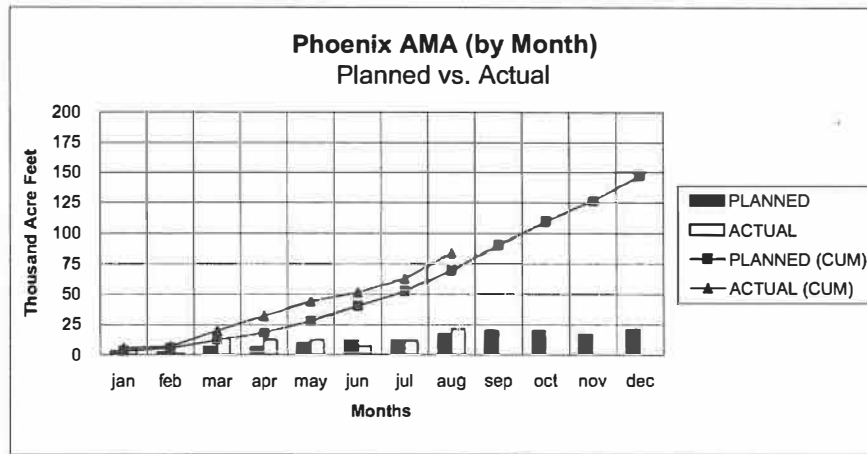
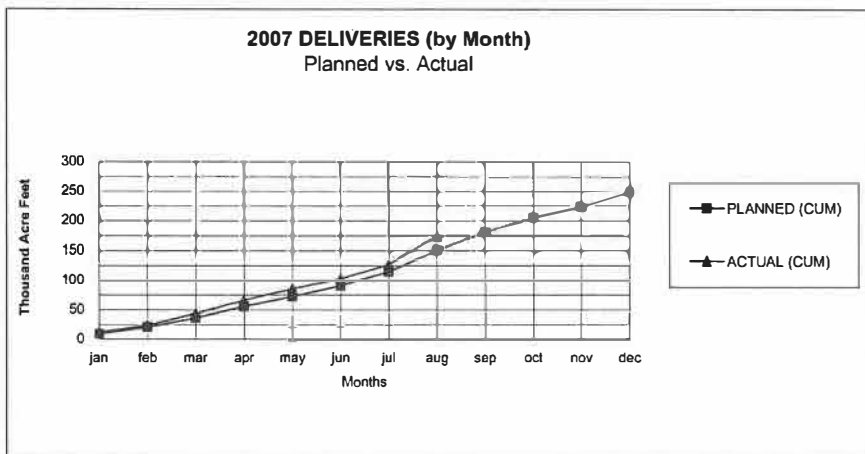
Call to the Public

Questions and comments made by the public are included in the above discussion. There were no additional comments.

The meeting concluded at 12:15 p.m.

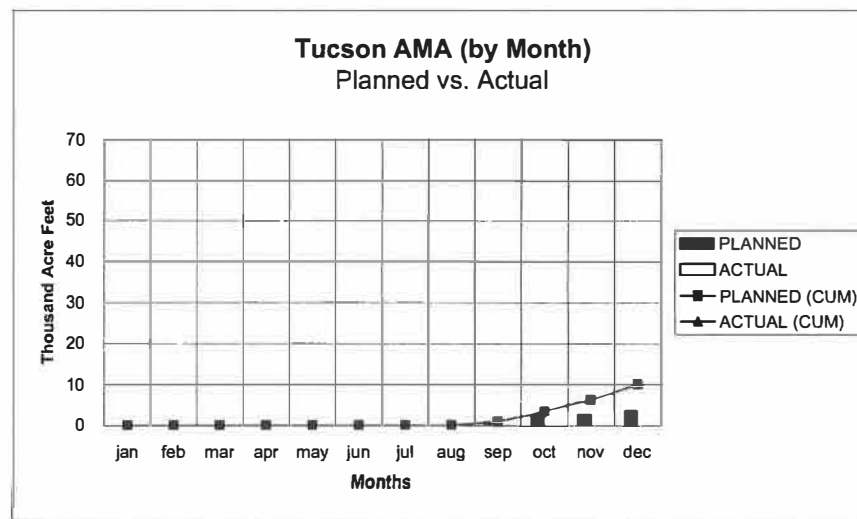
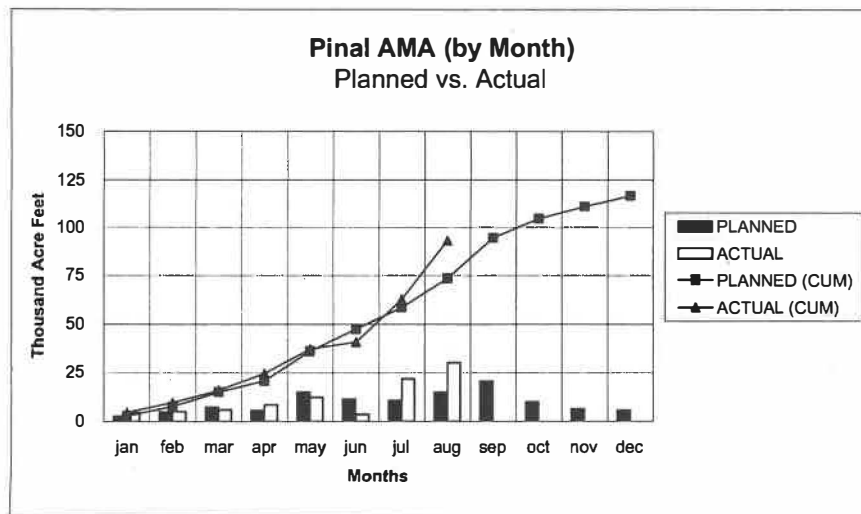
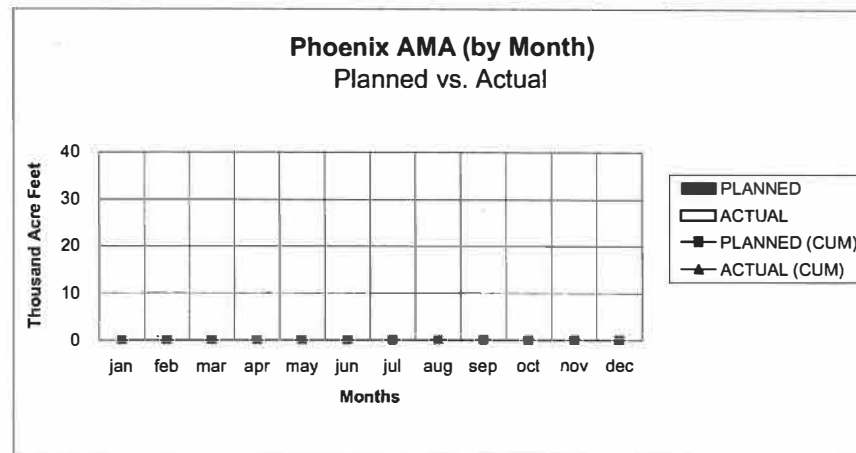
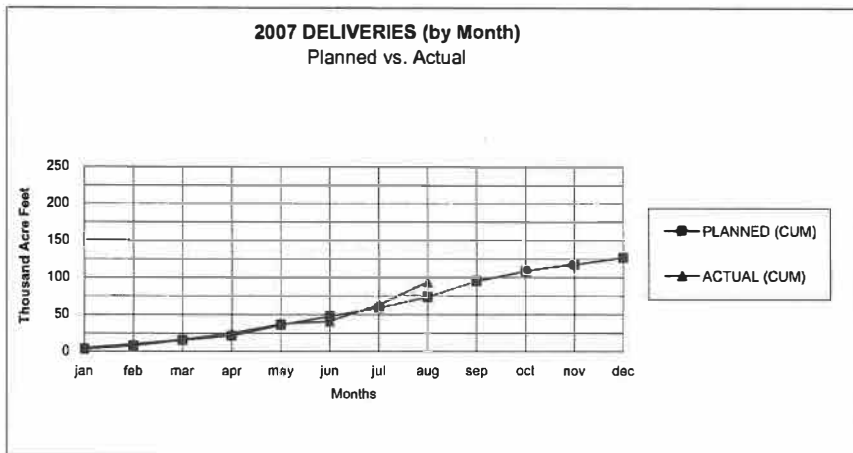
2007 Plan of Operation

INTRASTATE



2007 Plan of Operation

INTERSTATE



Actual deliveries updated Plan of Operation	03-Oct-07 1-Jan-07	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
Phoenix AMA														
Intrastate														
GRUSP	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
HIEROGLYPHIC MTNS	0	0	0	0	0	0	0	0	0	0	1,755	2,600	2,600	6,955
TONOPAH DESERT	5,561	1,353	12,878	12,261	12,050	6,983	11,244	15,487	0	0	0	0	0	77,817
CHCID	3,175	2,398	6,275	6,000	10,000	12,000	12,000	12,000	12,000	13,000	10,000	12,000	12,000	110,848
NMIDD	0	0	50	50	50	100	75	75	50	83	0	0	0	533
QCID	0	0	0	0	0	0	0	0	1,661	0	0	0	0	1,661
SRP	0	0	0	0	0	0	0	1,343	2,285	2,285	1,142	1,142	1,142	8,197
GRIIDD	0	0	0	0	0	0	0	0	3,992	0	0	0	0	3,992
	0	0	0	0	0	0	0	0	3,986	5,781	3,090	0	2,626	15,483
Subtotal	5,561	1,353	12,878	12,261	12,050	6,983	11,244	21,140	0	0	0	0	0	83,470
Total to date	5,561	6,914	19,792	32,053	44,103	51,086	62,330	83,470	83,470	83,470	83,470	83,470	83,470	83,470
Projected total to date	3,175	5,573	11,898	17,948	27,998	40,098	52,173	69,577	89,693	109,906	126,348	147,416	147,416	147,416
Interstate														
GRUSP	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
HIEROGLYPHIC MTNS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TONOPAH DESERT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CHCID	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
QCID	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
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	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total to date	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Projected total to date	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Combined														
Subtotal	5,561	1,353	12,878	12,261	12,050	6,983	11,244	21,140	0	0	0	0	0	83,470
Total to date	5,561	6,914	19,792	32,053	44,103	51,086	62,330	83,470	83,470	83,470	83,470	83,470	83,470	83,470
Projected total to date	3,175	5,573	11,898	17,948	27,998	40,098	52,173	69,577	89,693	109,906	126,348	147,416	147,416	147,416

Actual deliveries updated		03-Oct-07												total
Plan of Operation		1-Jan-07												
		jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	
Pinal AMA														
Intrastate	CAIDD	0	0	1,771	4,621	1,608	4,000	2,000	3,500	0	0	0	0	17,500
		0	0	1,000	5,000	1,000	1,000	4,000	2,000	2,500	1,000	1,000	1,500	20,000
MSIDD		520	1,530	2,560	3,160	3,130	3,110	2,590	4,600	0	0	0	0	21,200
		520	1,030	1,560	2,070	2,590	3,130	3,110	2,590	1,560	1,040	590	210	20,000
HIDD		853	3,482	0	0	0	0	5,009	10,656	0	0	0	0	20,000
		800	1,900	4,200	3,300	0	0	2,750	7,050	0	0	0	0	20,000
GRIIDD		0	0	0	0	0	0	0	1,966	0	0	0	0	1,966
		0	0	0	0	0	0	0	1,964	2,847	1,522	0	1,293	7,626
Subtotal		1,373	5,012	4,331	7,781	4,738	7,110	9,599	20,722	0	0	0	0	60,666
Total to date		1,373	6,385	10,716	18,497	23,235	30,345	39,944	60,666	60,666	60,666	60,666	60,666	60,666
Projected total to date		1,320	4,250	11,010	21,380	24,970	29,100	38,960	50,600	54,660	56,700	58,290	60,000	67,626
Interstate	CAIDD	0	0	0	0	4,993	302	14,176	15,760	0	0	0	0	35,231
		0	0	3,000	1,000	5,000	5,000	7,000	8,000	7,000	2,000	500	500	39,000
MSIDD		4,648	5,041	6,155	8,584	7,542	3,420	3,420	13,000	0	0	0	0	51,810
		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
HIDD		40	80	0	0	0	0	4,290	1,400	0	0	0	0	5,810
		40	80	180	300	400	550	525	2,335	6,050	3,130	2,085	1,825	17,500
Subtotal		4,688	5,121	6,155	8,584	12,535	3,722	21,886	30,160	0	0	0	0	92,851
Total to date		4,688	9,809	15,964	24,548	37,083	40,805	62,691	92,851	92,851	92,851	92,851	92,851	92,851
Projected total to date		2,730	7,670	15,000	20,780	36,030	47,520	58,465	73,460	94,300	104,390	110,755	116,590	116,590
Combined														
Subtotal		6,061	10,133	10,486	16,365	17,273	10,832	31,485	50,882	0	0	0	0	153,517
Total to date		6,061	16,194	26,680	43,045	60,318	71,150	102,635	153,517	153,517	153,517	153,517	153,517	153,517
Projected total to date		4,050	11,920	26,010	42,160	61,000	76,620	97,425	124,060	148,960	161,090	169,045	176,590	184,216
Tucson AMA														
Intrastate	AVRA VALLEY	885	706	665	560	383	350	753	710	0	0	0	0	5,012
		650	650	650	650	650	150	650	650	650	300	300	650	6,600
CAVSARP		2,000	2,000	2,000	2,250	2,250	2,250	250	250	0	0	0	0	13,250
		2,000	2,000	2,000	2,250	2,250	2,250	250	250	0	0	0	1,250	14,500
PIMA MINE		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
LOWER SANTA CRUZ		1,621	3,025	0	0	0	0	2,180	3,919	0	0	0	0	10,745
		1,829	3,800	0	0	0	0	512	3,800	3,000	0	0	0	12,941
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		4,506	5,731	2,665	2,810	2,633	2,600	3,183	4,879	0	0	0	0	29,007
Total to date		4,506	10,237	12,902	15,712	18,345	20,945	24,128	29,007	29,007	29,007	29,007	29,007	29,007
Projected total to date		4,479	10,929	13,579	16,479	19,379	21,779	23,191	27,891	31,541	31,841	32,141	34,041	34,041
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	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0
LOWER SANTA CRUZ		0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	800	2,700	2,700	3,800	10,000
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	0	0	0	0	0	0	0	0	0	0	0
Total to date		0	0	0	0	0	0	0	0	0	0	0	0	0
Projected total to date		0	0	0	0	0	0	0	0	800	3,500	6,200	10,000	10,000
Combined														
Subtotal		4,506	5,731	2,665	2,810	2,633	2,600	3,183	4,879	0	0	0	0	29,007
Total to date		4,506	10,237	12,902	15,712	18,345	20,945	24,128	29,007	29,007	29,007	29,007	29,007	29,007
Projected total to date		4,479	10,929	13,579	16,479	19,379	21,779	23,191	27,891	32,341	35,341	38,341	44,041	44,041
TOTAL														
Subtotal		16,128	17,217	26,029	31,436	31,956	20,415	45,912	76,901	0	0	0	0	265,994
Total to date		16,128	33,345	59,374	90,810	122,766	143,181	189,093	265,994	265,994	265,994	265,994	265,994	265,994
Projected total to date		11,704	28,422	51,487	76,587	108,377	138,497	172,789	221,528	270,994	306,337	333,734	368,047	375,673



P.O. Box 43020 • Phoenix, AZ 85080-3020
23636 North Seventh Street • Phoenix, AZ 85024

623-869-2333 • www.cap-az.com

October 3, 2007

Mr. Herb Guenther
Chairman
Arizona Water Banking Authority
3550 N. Central Avenue
Phoenix, Arizona 85012

Dear Mr. Guenther,

The Central Arizona Water Conservation District (CAWCD) has revised its recovery schedule for 2007 for Metropolitan Water District of Southern California (MWD). The revised recovery schedule is for 10,921 af, as shown in the attached table. The revised schedule is approximately 6,000 af less than the AWBA reported to the USBR by letter dated December 28, 2006.

Please contact me with questions regarding reporting and accounting of Intentionally Created Unused Apportionment (ICUA) in 2007 or planning ICUA for 2008.

Sincerely,

A handwritten signature in black ink, appearing to read "Chuck Cullom", with a long horizontal flourish extending to the right.

Chuck Cullom
Senior Policy Analyst

G:\- Resource Planning & Analysis\cullom\Recovery\AWBA credit recovery letter 1.doc

Attachment

cc: Larry Dozier, CAP
Tom McCann, CAP
Kim Mitchell, AWBA
Harry Ruzgerian, MWD

**CENTRAL ARIZONA PROJECT
RECOVERY SCHEDULE FOR MWD - PLAN & USE**

for
Calendar Year 2007
(values in acre-feet)

Revised 10/03/07

Pinal County Irrigation Districts Recovery Schedule:

MONTH	MSIDD		CAIDD		HIDD		Credit Exchange		TOTAL	
	SCH	Used	SCH	Used	SCH	Used	SCH	Used	SCH	Used
Jan	424	424	0	0	0	0	0	0	424	424
Feb	181	181	0	0	0	0	0	0	181	181
Mar	892	892	756	756	0	0	0	0	1,648	1,648
Apr	0	0	756	756	0	0	0	0	756	756
May	131	131	756	1,187	0	0	0	0	887	1,318
Jun	265	265	756	1,270	0	0	0	0	1,021	1,535
Jul	224	224	756	1,257	0	0	0	0	980	1,481
Aug	0	0	756	1,037	0	0	0	0	756	1,037
Sep	0	0	1,256	1,163	0	0	0	0	1,256	1,163
Oct	0	0	1,256	0	0	0	0	0	1,256	0
Nov	0	0	1,256	0	0	0	0	0	1,256	0
Dec	0	0	500	0	0	0	0	0	500	0
Total	2,117	2,117	8,804	7,426	0	0	0	0	10,921	9,543

* Recovered water will be posted as Ag Settlement Pool water on all monthly delivery reports.

** Credit Exchange schedule to be developed as a separate schedule.

Total MWD credits for recovery (5% cut to aquifer + 4,909 af losses)= 80,909

Remaining credits to be recovered = 71,366



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H
7-17-07

CERTIFIED MAIL
No. 7006 2150 0005 8107 2626
RETURN RECEIPT REQUESTED

July 5, 2007

Mr. Herb Guenther, Director
Arizona Department Water Resources
3550 North Central Ave., Suite 442
Phoenix, AZ 85012-2105

Re: Central Arizona Water Conservation District; Tax Levy for Water Storage, Pursuant to A.R.S. § 48-3715.02, Subsections B and C

Dear Mr. Guenther:

Enclosed, pursuant to A.R.S. § 48-3715.03, is a certified copy of a resolution adopted by the Board of Directors of the Central Arizona Water Conservation District ("District") to the effect that all taxes levied on behalf of the District for water storage pursuant to A.R.S. § 48-3715.02, Subsections B and C, in the 2007-2008 tax year, shall be deposited in a designated account in the District fund established pursuant to A.R.S. § 48-3712, Subsection A, paragraph 5, to be used by the District to defray the annual operation, maintenance and replacement costs associated with the purchase of Central Arizona Project ("CAP") water by the Arizona Water Banking Authority for the purpose of firming CAP municipal and industrial water supplies and related administrative costs.

For the 2007-2008 tax year, this tax has been established at the rate of four cents (04¢) per one hundred dollars (\$100) of assessed valuation on all taxable property situated within the District's boundaries, which include Maricopa, Pima, and Pinal Counties.

Please contact us if you or your staff have any questions about this matter or about the enclosed resolution.

Sincerely yours,

A handwritten signature in black ink that reads "David S. 'Sid' Wilson, Jr." with a stylized flourish at the end.

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

G:\data\gm\board\ADWR-tax-levy-wtr-storage 2007-2008.doc
110.02

Enclosure

cc: State Treasurer Dean Martin

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
CENTRAL ARIZONA WATER CONSERVATION DISTRICT
REGARDING AD VALOREM TAX FOR WATER STORAGE**

(June 21, 2007)

WHEREAS, House Bill 2494 adopted by the Arizona Legislature in 1996 (Chapter 308, Laws of Arizona 1996, Forty-second Legislature, Second Regular Session) established the Arizona Water Bank and amended A.R.S. § 48-3715.02 relating to the tax levy for water storage; and

WHEREAS, A.R.S. § 48-3715.02, subsection B, provides that the Board of Directors (the "Board") of the Central Arizona Water Conservation District (the "District") shall fix the amount to be raised by direct taxation pursuant to its provisions, which amount shall not exceed four cents per one hundred dollars of assessed valuation; and

WHEREAS, the Board by separate action has fixed the tax rate pursuant to A.R.S. § 48-3715.02, subsection B, for the 2007-2008 tax year at four cents per one hundred dollars of assessed valuation; and

WHEREAS, A.R.S. § 48-3715.03 further provides that the Board shall determine annually by resolution whether any or all of the tax levied pursuant to A.R.S. § 48-3715.02, subsections B and C, shall be applied to the repayment of the construction costs of the Central Arizona Project ("CAP" or the "Project") or to the annual operation, maintenance, and replacement costs of the Project; and

WHEREAS, A.R.S. § 48-3715.03 further provides that those monies specified in such resolution for repayment of the construction costs or payment of the annual operation, maintenance, and replacement costs of the Project shall be deposited in the District fund established pursuant to A.R.S. § 48-3712, subsection A, paragraph 5; and


WHEREAS, A.R.S. § 48-3715.03 further provides that a certified copy of such resolution shall be delivered to the Arizona Department of Water Resources;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Central Arizona Water Conservation District, as follows:

1. That all of the taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, in the 2007-2008 tax year shall be applied to the annual operation, maintenance, and replacement costs of the Project; and
2. That all taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, in the 2007-2008 tax year be deposited in a designated District account in the District fund established pursuant to A.R.S. § 48-3712, subsection A, paragraph 5, to be used by the District to defray the annual operation, maintenance, and replacement costs associated with the purchase of Project water by the Arizona Water Banking Authority for the purpose of firming CAP municipal and industrial water supplies and related administrative costs; and
3. That a certified copy of this resolution be delivered to the Arizona Department of Water Resources.

I, the undersigned, as Secretary of the Central Arizona Water Conservation District, hereby certify that the foregoing is a true and correct copy of the resolutions duly adopted by the Board of Directors of the Central Arizona Water Conservation District at a meeting thereof, duly called and held on June 21, 2007, at which a quorum was present and acting throughout. I further certify that said resolutions have not been modified or revoked since their adoption and are still in full force and effect.

SIGNED THIS 21st day of June 2007.

By: 
Daniel J. Donahoe
Secretary



ARIZONA DEPARTMENT OF WATER RESOURCES

WATER STORAGE PERMIT

PERMIT NO. 73-534489.0400

STATE OF ARIZONA)ss.
)
 COUNTY OF MARICOPA)

This is to certify that I have examined Application No. 73-534489.0400 for a Water Storage Permit to store water in a storage facility, and I have determined that the application meets the requirements of Arizona Revised Statutes Title 45, Chapter 3.1, Article 3 for a Water Storage Permit. The Department hereby grants authority to the Arizona Water Banking Authority to store water, subject to the following limitations and conditions:

Permit Limitations

Permittee:

Arizona Water Banking Authority
 3550 N Central Avenue
 Phoenix, Arizona 85012

Storage Facility Name: Hohokam Irrigation & Drainage District GSF

Storage Facility Permit Number: No. 72-534489

Active Management Area: Pinal

Sub-basin: Eloy

Water To Be Stored: Central Arizona Project (CAP) water

Legal Basis for Acquiring Water To Be Stored: Contract with Central Arizona Water Conservation District dated July 14, 2005, including any renewals thereof, and any other contracts under which Permittee acquires the right to receive CAP water.

Maximum Permitted Storage: 55,000 acre feet per annum

Effective Date: September 20, 2007

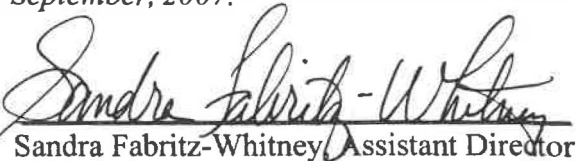
Expiration Date: Expiration of Groundwater Savings Facility Permit No. 72-534489

Permit Conditions

1. The quantity of water stored shall be reported to the Recharge Coordinator, Water Management Division, Arizona Department of Water Resources, 3550 North Central Ave., Phoenix, Arizona, 85012 in the form of annual data reports. The annual report shall be submitted no later than March 31 following the end of each completed annual reporting period. The first annual reporting period shall be from the effective date of this permit through December 31, 2007. Subsequent annual reporting periods shall be January 1 through December 31.
2. The Permittee shall continue to meet the requirements of A.R.S. § 45-831.01 during water storage.
3. Recovery of stored water is prohibited unless a recovery well permit is obtained pursuant to A.R.S. § 45-834.01.
4. Stored water shall not be recovered in excess of the amount allowed by Title 45, Chapter 3.1, Article 4, Arizona Revised Statutes.

5. The Permittee shall report all assignments of long-term storage credits accrued pursuant to this permit to the Recharge Coordinator, Water Management Division, Arizona Department of Water Resources in accordance with A.R.S. § 45-854.01.
6. Water may be stored pursuant to this permit only at Groundwater Savings Facility Permit No. 72-534489.0003 and any amendments thereto.
7. The Permittee shall comply with the plan of operation associated with Groundwater Savings Facility, Permit No. 72-534489.0003 and any amendments thereto.
8. If the Permittee's contract with Central Arizona Water Conservation District dated July 14, 2005 is renewed, or if the Permittee acquires any additional contract for the receipt of Central Arizona Project water, the Permittee shall submit a copy of the renewed or additional contract to the Recharge Coordinator, Department of Water Resources prior to storing water received under the renewed or additional contract pursuant to this permit.

*Witness my hand and seal of office this 20th day of
September, 2007.*


Sandra Fabritz-Whitney Assistant Director



ARIZONA DEPARTMENT OF WATER RESOURCES
WATER STORAGE PERMIT

PERMIT NO. 73-534888.0301

STATE OF ARIZONA)ss.
)
 COUNTY OF MARICOPA)

This is to certify that I have examined Application No. 73-534888.0301 for a Water Storage Permit to store water in a storage facility, and I have determined that the application meets the requirements of Arizona Revised Statutes Title 45, Chapter 3.1, Article 3 for a Water Storage Permit. The Department hereby grants authority to the Arizona Water Banking Authority to store water, subject to the following limitations and conditions:

Permit Limitations

Permittee:

Arizona Water Banking Authority
 3550 North Central Avenue
 Phoenix, AZ 85012

Storage Facility Name: New Magma Irrigation & Drainage District

Storage Facility Permit Number: No. 72-534888

Active Management Area: Phoenix

Sub-basin: East Salt River

Water To Be Stored: Central Arizona Project (CAP) water

Legal Basis for Acquiring Water To Be Stored: Contract with Central Arizona Water Conservation District dated July 14, 2005, including any renewals thereof, and any other contracts under which Permittee acquires the right to receive CAP water.

Maximum Permitted Storage: 54,000 acre feet per annum

Effective Date: September 20, 2007

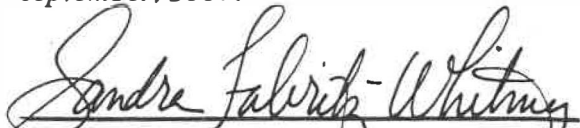
Expiration Date: Expiration of Groundwater Savings Facility Permit No. 72-534888

Permit Conditions

1. The quantity of water stored shall be reported to the Recharge Coordinator, Water Management Division, Arizona Department of Water Resources, 3550 North Central Ave., Phoenix, Arizona, 85012 in the form of annual data reports. The annual report shall be submitted no later than March 31 following the end of each completed annual reporting period. The first annual reporting period shall be from the effective date of this permit through December 31, 2007. Subsequent annual reporting periods shall be January 1 through December 31.
2. The Permittee shall continue to meet the requirements of A.R.S. § 45-831.01 during water storage.
3. Recovery of stored water is prohibited unless a recovery well permit is obtained pursuant to A.R.S. § 45-834.01.
4. Stored water shall not be recovered in excess of the amount allowed by Title 45, Chapter 3.1, Article 4, Arizona Revised Statutes.

5. The Permittee shall report all assignments of long-term storage credits accrued pursuant to this permit to the Recharge Coordinator, Water Management Division, Arizona Department of Water Resources in accordance with A.R.S. § 45-854.01.
6. Water may be stored pursuant to this permit only at Groundwater Savings Facility Permit No. 72-534888.0003 and any amendments thereto.
7. The Permittee shall comply with the plan of operation associated with Groundwater Savings Facility, Permit No. 72-534888.0003 and any amendments thereto.
8. If the Permittee's contract with Central Arizona Water Conservation District dated July 14, 2005 is renewed, or if the Permittee acquires any additional contract for the receipt of Central Arizona Project water, the Permittee shall submit a copy of the renewed or additional contract to the Recharge Coordinator, Department of Water Resources prior to storing water received under the renewed or additional contract pursuant to this permit.

*Witness my hand and seal of office this 20th day of
September, 2007.*


Sandra Fabritz-Whitney, Assistant Director

draft

Table 2
Water Delivery Schedule
Calendar Year 2008
 (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 MTNS	35,000	0	0	0	0	0	0	0	2,000	2,000	2,000	2,700	2,700	11,400
	AGUA FRIA	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	TONOPAH DESERT	150,000	3,175	2,398	7,275	9,000	11,000	12,000	12,000	12,000	12,000	12,000	10,000	10,000	112,848
	TONOPAH Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
	WEST MARIC.COMBINE		0	0	0	0	0	0	0	0	0	0	0	0	0
															124,248
GSF	SRP	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	CHANDLER HGTS ID	3,000	0	0	0	0	0	50	50	50	50	0	0	0	200
	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
	TONOPAH 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	269	7,847	9,028	3,595	3,599	0	0	0	24,338
															32,735
	TOTAL INTRASTATE		3,175	2,398	7,275	9,000	11,269	19,897	21,078	18,988	19,934	16,285	13,842	13,842	156,983
	TOTAL INTERSTATE		0	0	0	0	0	0	0	0	0	0	0	0	0
AMA TOTAL			3,175	2,398	7,275	9,000	11,269	19,897	21,078	18,988	19,934	16,285	13,842	13,842	156,983
PINAL AMA :															
GSF	CAIDD	110,000	0	0	0	1,500	2,000	5,500	5,500	5,500	3,000	1,000	500	500	25,000
	CAIDD Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
	HOHOKAM	55,000	0	0	0	2,000	3,000	4,000	4,000	4,000	4,000	2,000	2,000	0	25,000
	HOHOKAM Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
	MSIDD	120,000	930	1,030	2,070	2,590	3,110	3,120	3,110	3,110	2,070	1,550	1,590	720	25,000
	MSIDD Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
	GILA RIVER INDIAN IDD	18,480	0	0	0	0	133	3,865	4,447	1,770	1,773	0	0	0	11,988
															86,988
	TOTAL INTRASTATE		930	1,030	2,070	6,090	8,243	16,485	17,057	14,380	10,843	4,550	4,090	1,220	86,988
	TOTAL INTERSTATE		0	0	0	0	0	0	0	0	0	0	0	0	0
AMA TOTAL			930	1,030	2,070	6,090	8,243	16,485	17,057	14,380	10,843	4,550	4,090	1,220	86,988
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	571	3,800	3,800	2,700	2,700	3,800	23,000
	LSC Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
	CAVSARP	80,000	1,500	1,500	1,500	1,500	1,500	1,694	0	0	0	0	0	2,606	11,800
	SAVSARP	60,000	0	0	0	0	0	0	0	0	0	0	0	350	350
															41,750
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		3,979	5,950	2,150	2,150	2,150	1,844	1,221	4,450	4,450	3,000	3,000	7,056	41,400
	TOTAL INTERSTATE		0	0	0	0	0	0	0	0	0	0	0	0	350
AMA TOTAL			3,979	5,950	2,150	2,150	2,150	1,844	1,221	4,450	4,450	3,000	3,000	7,056	41,750
Outside AMA:															
	HARQUAHALA VALLEY ID	50,000	0	0	0	0	0	0	0	0	0	0	0	0	0
OUTSIDE TOTAL															0
TOTAL INTRASTATE			8,084	9,378	11,495	17,240	21,662	38,226	39,356	37,816	35,227	23,835	20,932	22,118	285,371
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	0	0	0	0	350
TOTAL			8,084	9,378	11,495	17,240	21,662	38,226	39,356	37,816	35,227	23,835	20,932	22,118	285,721

Table 4. 2008 Water and Facility Rates

CAWCD delivery rate to AWBA	\$51 per acre-foot
Interstate rate	\$217 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	\$20.92 per acre-foot
West Maricopa Combine	\$28.00 per acre-foot
Avra Valley (CAP) ⁴	\$15.00 per acre-foot
Lower Santa Cruz (CAP/Pima County) ⁴	\$15.00 per acre-foot
Pima Mine Road (CAP) ⁴	\$15.00 per acre-foot
CAVSARP (Tucson Water)	\$13.57 per acre-foot
SAVSARP (Tucson Water)	TBD

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 \$20/af for intrastate deliveries and \$191/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 \$31/af for CY 2008.

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

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

Table 5. Funding for 2008 Annual Plan of Operation

	Funds Available (\$)		Funds Utilized (\$)		Credits (AF)
	AWBA	CAWCD	AWBA	CAWCD	
Withdrawal Fees					
Phoenix AMA	\$1,700,000	-	\$1,700,000	-	37,610
Tucson AMA	\$500,000	-	\$500,000	-	7,050
Pinal AMA	\$1,000,000	-	\$1,000,000 ¹	-	22,340
Four Cent Tax					
Phoenix AMA	\$0	\$67,100,000	\$0	\$6,553,050	105,460
Tucson AMA	\$0	\$5,725,000 ²	\$0	\$738,100	10,400
Pinal AMA	\$0	\$1,255,000	\$0	\$1,254,128	57,690
Other					
General	\$0				
Phoenix AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
State Indian Firming	\$13,500,000				
Phoenix AMA		-	\$0	-	0
Tucson AMA		-	\$1,500,000	-	21,110
Pinal AMA		-	\$0	-	0
Gifts, Grants, Donations					
Nevada:	\$8,000,000 ³				
Phoenix AMA		-	\$0	-	
Tucson AMA		-	\$0	-	
Pinal AMA		-	\$0	-	
Interstate Banking					
Nevada	\$13,655,000		\$0		0
California	(not applicable)				
	Total Funds Available		Total Funds Expended		Credits
	\$112,435,000		\$13,245,278		261,660

¹ Includes expenditure of \$382,500 for direct delivery of 7,500 acre-feet of water associated with the Southside Replenishment Reserve obligation. Assumes Enforceability date of December 31, 2007 will be met.

² Includes \$970,209 in CAP's capital charge recovery for costs of construction of state demonstration projects when facilities are used for interstate purposes and by entities that do not pay the 4¢ ad valorem tax: 2004-2006 actual, 2007 estimated based on scheduled deliveries.

³ Assumes Secretary will issue the Record of Decision (ROD) on Colorado River Operations and that it is consistent with Arizona shortage sharing agreements and recommendations.

Long-term Storage Credits Accrued on Behalf of Nevada

	Year	Credits ¹ Earned	Cumulative Credits	Percent of Goal Achieved	Cost of Storage	Received ² from SNWA	Funds Available
				(1,250,000 AF)			
Actual	2002	61,098	61,098	5%	\$ 8,617,393	\$ 5,000,000	\$ -
	2003	50,000	111,098	9%	\$ -	\$ 3,723,945	\$ 106,552 ³
	2004	14,162	125,260	10%	\$ 2,899,647	\$ 1,330,000	\$ -
	2005	111,805	237,065	19%	\$ 25,723,366	\$ 100,000,000	\$ 72,813,539 ⁴
	2006	175,569	412,634	33%	\$ 35,386,306	\$ -	\$ 37,427,233
Estimated	2007						
	1 st Quarter	15,249	427,883	34%	\$ 2,937,376	\$ -	\$ 34,489,857
	2 nd Quarter	23,847	451,730	36%	\$ 4,570,744	\$ -	\$ 29,919,113
	Sub-total				\$ 80,134,832		
	3 rd Quarter	73,686	525,416	42%	\$ 13,596,624	\$ -	\$ 16,322,489
	4 th Quarter ⁵	3,680	529,096	42%	\$ 2,667,816	\$ -	\$ 13,654,673
	Total				\$ 96,399,272	\$ 110,053,945	\$ 13,654,673

¹ 2003 credits transferred from CAWCD pursuant to Amended Agreement for Interstate Water Banking. Credits for 2007 are estimated.

² In 2009, SNWA will begin making ten annual payments of \$23,000,000.

³ Includes expenditure of \$3,617,393 from monies collected in 2003 as part of 2002 reconciliation.

⁴ Includes expenditure of \$1,463,095 from monies collected in 2005 as part of 2004 reconciliation.

⁵ Fourth quarter totals are adjusted to equal the planned totals in the 2007 Plan of Operation (planned expenditures = \$23,772,560; credits = 116,462).

**Arizona State Treasurer's Office
Calculation of Interest Earnings for
Water Banking Authority
Reinvestment Method
For Period of June 27, 2005 thru August 31, 2007**

Month	Invested Amount	Pool 3 Monthly Yield	Days in Month	Days in Year	Earnings for Period
June 2005	26,000,000.00	3.1172%	4	365	8,881.88
July 2005	26,008,881.88	3.2014%	31	365	70,718.08
August 2005	26,079,599.96	3.4005%	31	365	75,320.39
September 2005	26,154,920.35	3.5475%	30	365	76,261.30
October 2005	26,231,181.65	3.6669%	18	365	47,434.74
October 2005	100,231,181.65	3.6669%	13	365	130,903.85
November 2005	100,409,520.24	3.8494%	30	365	317,684.72
December 2005	100,727,204.96	3.9975%	31	365	341,982.66
January 2006	101,069,187.62	4.1374%	31	365	355,152.69
February 2006	101,424,340.31	4.4543%	28	365	346,566.69
March 2006	101,770,907.00	4.3770%	31	365	378,328.47
April 2006	102,149,235.47	4.5526%	30	365	382,228.45
May 2006	102,531,463.92	4.6378%	31	365	403,866.66
June 2006	102,935,330.58	4.8013%	30	365	406,211.02
July 2006	103,341,541.60	4.9615%	31	365	435,468.52
August 2006	103,777,010.11	5.0202%	31	365	442,477.31
September 2006	104,219,487.42	5.0989%	30	365	436,771.02
October 2006	104,656,258.44	5.0423%	31	365	448,190.57
November 2006	105,104,449.01	5.1630%	30	365	446,017.21
December 2006	105,550,466.22	5.1279%	31	365	459,693.68
January 2007	106,010,159.90	5.1560%	31	365	464,225.75
February 2007	106,474,385.65	5.3508%	28	365	437,047.89
March 2007	106,911,433.54	5.1622%	31	365	468,735.46
April 2007	107,380,169.00	5.2452%	30	365	462,929.15
May 2007	107,843,098.15	5.1578%	31	365	472,417.18
June 2007	108,315,515.33	5.2323%	30	365	465,813.10
July 2007	108,781,328.43	5.1575%	31	365	476,499.47
August 2007	109,257,827.90	5.1863%	31	365	481,259.18
Total Earnings					9,739,087.08

On June 27, 2005, Water Banking Authority received monies in the amount of \$26,000,000.00. (See Doc. # D05W0810). On October 19, 2005, they received \$74,000,000.00 (See Doc. #D06W0214). AWBA wants to know the earnings from the day the money was received to the current date had it been invested with the State Treasurer.

**AGREEMENT BETWEEN THE SECRETARY OF INTERIOR
AND THE STATE OF ARIZONA FOR THE
FIRMING OF CENTRAL ARIZONA PROJECT INDIAN WATER**

1. PREAMBLE: THIS FIRMING AGREEMENT, hereinafter referred to as “Agreement” is made and entered into this _____ day of _____, 2007, pursuant to the Act of June 17, 1902, 32 Stat. 388, and acts amendatory thereof and supplementary thereto, including, but not limited to the Colorado River Basin Project Act of September 30, 1968 (82 Stat. 885) (P.L. 90-537), as amended, the Arizona Water Settlements Act of December 10, 2004, (118 Stat. 3478) (P.L. 108-451), Arizona Revised Statutes, Title 45 Section 2423, as amended, and Arizona Revised Statutes, Title 45, Section 2491, between the UNITED STATES OF AMERICA, acting through the Secretary of the Interior, hereinafter referred to as the “Secretary,” and the STATE OF ARIZONA, acting through the Arizona Water Banking Authority, hereinafter referred to as the “Authority;”

WITNESSETH, THAT:

2. EXPLANATORY RECITALS:

2.1 WHEREAS, Paragraph 9 of the Arizona Water Settlements Agreement, effective September 20, 2006, (also known as the Master Agreement) among the United States of America, the State of Arizona, and the Central Arizona Water Conservation District, provided for the reallocation of 197,500 acre-feet per year of CAP NIA Priority Water to Indian tribes, subject to certain conditions, and further provided that the reallocated water retain the priority of CAP NIA Priority Water; and

2.2 WHEREAS, CAP NIA Priority Water is more vulnerable to reductions in times of shortage as compared to CAP Indian Priority Water or CAP M&I Priority Water; and

2.3 WHEREAS, Section 105 of P.L. 108-451 requires the Secretary and the State of Arizona to develop a firming program to ensure that 60,648 acre-feet of CAP NIA Priority Water shall, for a period of 100 years, be delivered during Water Shortages in the same manner as CAP M&I Priority Water; and

2.4 WHEREAS, Section 105(b)(1) of P.L. 108-451 requires the Secretary to firm 28,200 acre-feet of CAP NIA Priority Water reallocated to the Tohono O’odham Nation and to firm 8,724 acre-feet of CAP NIA Priority Water to be reallocated in the future to other Arizona Indian tribes; and

2.5 WHEREAS, Section 105(b)(2) of P.L. 108-451 requires the State of Arizona to firm 15,000 acre-feet of CAP NIA Priority Water reallocated to the Gila River Indian Community and to firm 8,724 acre-feet of CAP NIA Priority Water to be reallocated in the future to other Arizona Indian tribes, and further requires the State of Arizona to assist the Secretary in the Tohono O’odham Nation firming requirement; and

2.6 WHEREAS Section 207 of P.L. 108-451 requires the Secretary and the State of Arizona to enter into an agreement to carry out the obligation of the State of Arizona under Section 105(b)(2)(A) of P.L. 108-451 as a condition precedent to the enforceability of Title II of P.L. 108-451 and the Amended and Restated Gila River Indian Community Water Rights Settlement Agreement (“GRIC Settlement Agreement”); and

2.7 WHEREAS, Section 207 of the Gila River Indian Community Water Rights Settlement Act of 2004, Title II of P.L. 108-451 requires as a condition precedent to the enforceability of Title II of P.L. 108-451 and the GRIC Settlement Agreement that the State of Arizona enact legislation to authorize the firming required by section 105 of P.L. 108-451; and

2.8 WHEREAS, Section 306 of the Southern Arizona Water Rights Settlement Amendments Act of 2004, Title III of P.L. 108-451, requires that the State of

Arizona contribute \$3,000,000 toward the firming obligation identified in Section 105(b)(1)(A) of P.L. 108-451 either in the form of cash or in-kind goods and services in accordance with a schedule that is acceptable to the Secretary and the State; and

2.9 WHEREAS, Paragraph 8.23 of the GRIC Settlement Agreement confirms the State of Arizona's obligation to firm 15,000 acre-feet per year of CAP NIA Priority Water to the equivalent of CAP M&I Priority Water for a period of 100 years after the Title II Enforceability Date; and

2.10 WHEREAS, Paragraph 5.10 of the Tohono O'odham Settlement Agreement dated May 5, 2006, confirms the obligation of the Secretary to firm 28,200 acre-feet per year of CAP NIA Priority Water to the equivalent of CAP M&I Priority Water for a period of 100 years after the Title III Enforceability Date and confirms the requirement of the State of Arizona to provide assistance to the Secretary in firming that water; and

2.11 WHEREAS, in 2005, the Legislature of the State of Arizona enacted HB 2728 which created the Arizona Water Firming Program Study Commission ("Study Commission") and directed the Study Commission: (a) to study options for a water firming program to satisfy the State of Arizona's obligations under Section 105 of P.L. 108-451, (b) to identify appropriate mechanisms to firm water, (c) to study the existing powers and duties of the Authority and the general statutory authorities necessary to implement the firming program, and (d) to make recommendations regarding the appropriate statutory and regulatory provisions necessary to fully implement the water firming program; and

2.12 WHEREAS, the Study Commission met frequently in 2005 to perform technical studies and to discuss the issues related to Indian firming and the Study Commission then issued its Final Report to the Legislature on January 6, 2006, which recommended that the Arizona State Legislature empower the Authority to include a

variety of programs to address Indian firming needs within its Annual Plan of Operation and the 10-Year plan and identified the most feasible mechanism to satisfy the State's firming obligation and provide funding; and

2.13 WHEREAS, in 2006, the Arizona State Legislature enacted HB 2835, codified as amendments to Arizona Revised Statutes Title 45 Section 2423, which adopts the recommendations of the Study Commission and provides that the Authority shall be designated as the agent for the State of Arizona to carry out the obligations of the State under Section 105 of P.L. 108-451; and

2.14 WHEREAS, in 2006, the Arizona State Legislature enacted Arizona Revised Statutes Title 45 Section 2491 to provide statutory authority for the Authority to perform the measures necessary to satisfy the firming obligations; and

2.15 WHEREAS, in 2006 the State of Arizona enacted HB 2863 (Laws 2006, Chapter 344), which deposits \$13,500,000 from the General Fund into the Arizona Water Banking Fund in FY 2007 for the purposes of carrying out the firming obligations of the State beginning after the Enforceability Date of the P.L. 108-451.

NOW THEREFORE, in consideration of the mutual and dependent covenants herein contained, it is agreed as follows:

3. DEFINITIONS:

3.1 "Arizona Water Banking Authority" or "Authority" means the State entity created by the Arizona legislature codified as A.R.S. §45-2401, *et seq*, and duly designated as the State of Arizona's agent for this agreement.

3.2 "Central Arizona Project" or "CAP" means the federal reclamation project authorized by the Colorado River Basin Project Act of 1968, 82 Stat. 885, as amended.

3.3 "CAP Indian Priority Water" means that CAP water having an Indian delivery priority.

3.4 “CAP M&I Priority Water” means that CAP water having municipal and industrial delivery priority.

3.5 “CAP NIA Priority Water” means that CAP water having non-Indian agricultural delivery priority.

3.6 “Delivery” means direct physical delivery of water, exchange of water, or delivery to a lessee.

3.7 “Title II Enforceability Date” means the date on which the Secretary publishes in the Federal Register a statement of findings as required by Section 207 of P.L. 108-451, as such section may be amended, providing full enforceability for the GRIC Settlement Agreement.

3.8 “Title III Enforceability Date” means the date on which the Secretary publishes in the Federal Register a statement of findings as required by Section 302 of P.L. 108-451, as such section may be amended, providing full enforceability for the Tohono O’odham Settlement Agreement dated May 5, 2006.

3.9 “Water Shortage” means available CAP water is insufficient to fully meet the demand of Arizona Indian Tribes and their lessees, if any, for that CAP NIA Priority Water reallocated to the tribes in accordance with P.L. 108-451.

4. EFFECTIVENESS AND TERMINATION: After execution by each of the respective parties, this Agreement shall become effective on January 1 of the next calendar year following the Title II Enforceability Date and shall terminate 100 years thereafter; provided, however, subsection 7.2(g) shall continue under its own provisions.

5. AUTHORITY’S RESPONSIBILITY FOR FIRING GRIC CAP WATER:

5.1 Subject to the provisions of subsection 5.2 below, the Authority shall, in each year of this Agreement in which there is a Water Shortage, firm 15,000 acre-feet of CAP NIA Priority Water reallocated to GRIC in accordance with P.L. 108-451, upon

demand of GRIC. To satisfy this firming obligation the Authority shall cause to be delivered to GRIC up to 15,000 acre-feet of water in an amount determined as follows:

(a) Calculate the total water quantity that would have been available to GRIC as if it had received 15,000 acre-feet of CAP M&I Priority Water allocation with the remainder of its reallocated CAP water keeping its CAP NIA Priority Water status.

(b) Calculate the amount of CAP NIA Priority Water made available to GRIC that year.

(c) Subtract the amount calculated in (b) from the amount calculated in (a) to determine the amount of CAP water the Authority shall firm for GRIC.

5.2 In each year of this Agreement in which there is a Water Shortage, the Authority's obligation in subsection 5.1 above to firm CAP NIA Priority Water reallocated to GRIC under P.L. 108-451 shall commence at such time as GRIC entitlements to CAP Indian Priority Water and CAP M&I Priority Water for such year are fully exhausted. See Exhibit A, which is attached hereto and incorporated herein, for representative calculations.

5.3 The parties to this Agreement recognize that the Authority may enter into a separate contract with GRIC with respect to the conditions under which GRIC will demand and the Authority will cause to be delivered water firming by subparagraph 5.1 of this Agreement, which contract may have the effect of modifying the extent to which GRIC will receive water otherwise available to GRIC under this Agreement, and further recognize that the Secretary need not be a party to such contract.

6. AUTHORITY'S RESPONSIBILITY FOR FIRMING CAP WATER FOR OTHER TRIBES:

6.1 Subject to the provisions of subsection 6.2 below, the Authority shall, in each year of this Agreement in which there is a Water Shortage, firm 8,724 acre-feet of CAP NIA Priority Water to the extent such water has been reallocated to other Arizona

Indian tribe(s) in accordance with Section 104(a)(1)(A)(iii) of P.L. 108-451, upon demand of such tribe(s). To satisfy this firming obligation, the Authority will cause to be delivered to such tribe(s) a quantity of water up to that portion of the 8,724 acre-feet of water reallocated to that tribe in an amount calculated as follows:

(a) Calculate the total water quantity that would have been available to each tribe as if it had received a quantity of CAP M&I Priority Water equal to the amount of firmed water reallocated to that tribe, with the remainder of that tribe's reallocated CAP water keeping its CAP NIA Priority Water status.

(b) Calculate the amount of NIA Priority Water available to that tribe that year.

(c) Subtract the amount calculated in (b) from the amount calculated in (a) to determine the amount of CAP water the Authority shall firm for that tribe.

6.2 In each year of this Agreement in which there is a Water Shortage, the Authority's obligation in subsection 6.1 above to firm 8,724 acre-feet of NIA Priority Water reallocated to other Arizona Indian Tribes under P.L. 108-451 shall commence with respect to each such tribe at such time as the entitlements of each such tribe to Indian Priority Water and M&I Priority Water, if any, are fully exhausted. See, Exhibit A hereto, for representative calculations.

6.3 The parties to this Agreement recognize that the Authority may enter into a separate contract with such other Arizona Indian Tribe(s) with respect to the conditions under which such tribes will demand and the Authority will cause to be delivered water firmed by subparagraph 6.1 of this Agreement, which contract may have the effect of modifying the extent to which such other tribes will receive water otherwise available to such other tribes under this Agreement, and further recognize that the Secretary need not be a party to such contract.

7. AUTHORITY'S RESPONSIBILITY FOR ASSISTING THE SECRETARY IN FIRMING CAP WATER FOR THE TOHONO O'ODHAM NATION:

7.1 The Authority shall contribute \$3,000,000.00 in either cash or in-kind goods and services, which may include water, to assist the Secretary in fulfilling the federal obligation to firm 28,200 acre-feet of NIA priority water reallocated to Tohono O'odham Nation as set forth in P.L. 108-451.

7.2 The schedule for the Authority's \$3,000,000.00 contribution shall be as follows:

(a) Within the first year beginning January 1 after the Title III Enforceability Date, the Authority shall identify and reserve or create for the purpose of assisting the Secretary in fulfilling the federal obligation to firm the 28,200 acre-feet of NIA priority water reallocated to Tohono O'odham Nation sufficient Long Term Storage Credits (Credits) developed under Arizona state law to equal the number of Credits then in existence plus the number of Credits to be developed in that year by the Secretary that are available to be used to meet the federal firming obligation to the Tohono O'odham Nation, not to exceed a value of \$3,000,000.00 as calculated in accordance with subsection 7.2 (c) below.

(b) Within four years beginning January 1 after the Title III Enforceability Date, the Authority shall identify and reserve or create for the purpose of assisting the Secretary in fulfilling the federal obligation to firm the 28,200 acre-feet of NIA priority water reallocated to Tohono O'odham Nation, such additional Credits as will, together with the Credits identified and reserved or created in subsection 7.2(a) above, equal a total value of \$3,000,000.00 as calculated in accordance with subsection 7.2(c) below.

(c) The total number of Credits reserved or created in subsections 7.2(a) and 7.2(b) shall be based upon the sum of: (i) the least expensive rate available to the Federal government for purchasing CAP water for storage from the CAWCD for the year in

which the Credits were reserved or created; and (ii) any applicable fee specific to the facility where those credits are stored that may apply to the Authority; and (iii) an administrative fee equal to 5% of the cost of services which the Arizona Department of Water Resources provides to the Authority in any year in which Credits are transferred to the Authority's sub-account created under this Agreement.

(d) The Authority shall establish a separate sub-account to hold Credits reserved or created by the Authority under subsections 7.2(a) and 7.2(b). During the term of this Agreement, the Authority shall hold all such Credits in this sub-account until such time as the Secretary determines that a Water Shortage exists and that water deliveries are required to meet the federal firming obligation for the 28,200 af NIA priority water reallocated to the Tohono O'odham Nation.

(e) In any year of this Agreement in which the Secretary determines that a Water Shortage exists and that water deliveries are required to meet the federal firming obligation for the 28,200 af NIA priority water reallocated to the Tohono O'odham Nation, the Authority shall, upon request of the Secretary, direct Credits to be used to transfer water for that purpose, not to exceed the number of Credits necessary to fulfill the federal firming obligation for that year for the 28,200 af NIA priority water reallocated to the Tohono O'odham Nation, until such time as the Credits held in the sub-account created under subsection 7.2(e) are exhausted.

(f) The Authority and the Secretary agree that assistance to the Secretary under this paragraph does not include recovery and delivery of water.

(g) If after 100 years from the Title III Enforceability Date, any Credits remain in the sub-account created under subsection 7.2(d) above, such Credits shall revert to the Authority and the requirement to assist the Secretary in meeting the federal firming obligation to the Tohono O'odham Nation shall be deemed satisfied.

7.3 In no event shall the Authority have any obligation under this Article 7 prior to the Title III Enforceability Date.

8. MISCELLANEOUS PROVISIONS:

8.1 OFFICIALS NOT TO BENEFIT: No member of or Delegate to Congress, Resident Commissioner, or official of the Authority shall benefit from this Contract other than as a water user or landowner in the same manner as other water users or landowners.

8.2 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS: The expenditure or advance of any money or the performance of any obligation by the United States under this Contract shall be contingent upon the appropriation or allotment of funds. Absence of appropriation or allotment of funds shall not relieve the Authority from any obligations under this Contract. No liability shall accrue to the United States in case funds are not appropriated or allocated.

8.3 ASSIGNMENT LIMITED; SUCCESSORS AND ASSIGNS OBLIGATED: The provisions of this Contract shall apply to and bind the successors and assigns of the Parties hereto, but no assignment or transfer of this Contract or any right or interest therein by either Party shall be valid until approved in writing by the Contracting Officer.

8.4 PRIORITY OF CLAIMS OF THE UNITED STATES: Fiscal claims of the United States arising out of this Contract shall have priority over all others, secured or unsecured, to the extent provided by applicable law.

8.5 EFFECT OF WAIVER OF BREACH OF CONTRACT: All rights of action for breach of any of the provisions of this Contract are reserved to each Party as provided by appropriate law. The waiver of a breach of any of the provisions of this Contract shall not be deemed to be a waiver of any other provisions hereof, or any other subsequent breach of any provisions hereof.

8.6 REMEDIES UNDER CONTRACT NOT EXCLUSIVE: Nothing in this Contract shall be construed in any manner to abridge, limit, or deprive either Party of any means to enforce any remedy either at law or in equity for the breach of any provisions hereof, or any other remedy which it would otherwise have.

8.7 BOOKS, RECORDS AND REPORTS: Subject to applicable Federal laws and regulations, each Party to this contract shall have the right during office hours to examine and make copies of the other Party's books, records and reports and relating to matters covered by this Contract.

8.8 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS: The Authority shall comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1973 (Public Law 93-112, as amended), the Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.), Title III of the American's with Disabilities Act of 1990, and any other applicable civil rights laws, as well as with their respective implementing regulations and guidelines imposed by the U.S. Department of the Interior and/or Reclamation.

8.9 Each Party shall comply with all applicable federal or state laws relating to equal opportunity and non-discrimination.

8.10 There are no third-party beneficiaries, express or implied, to this Agreement.

8.11 This Agreement shall be subject to the provisions of A.R.S. § 38-511.

9. NOTICES: Any notice, demand, or request authorized or required by this Agreement shall be deemed to have been given, when mailed, postage prepaid, or delivered to the below addresses. The designation of the addressee or the address may be changed by notice given in the same manner as provided in this section for other notices.

On behalf of the Authority, to both:

Regional Director
Bureau of Reclamation
Lower Colorado Region
PO Box 61470
Boulder City, NV 89006-1470

and

Area Manager
Bureau of Reclamation
Phoenix Area Office
6150 West Thunderbird Road
Glendale, Arizona 85306-4001

On behalf of the United States, to:

Chairperson
Arizona Water Banking Authority
3550 N. Central Ave.
Phoenix, Arizona 85012

10. CONTRACT DRAFTING CONSIDERATIONS: Section 1 through 10 of this Contract have been drafted, negotiated, and reviewed by the Parties hereto, each of whom is sophisticated in the matters to which this Contract pertains, and no one party shall be considered to have drafted the stated sections.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, including Exhibit A, the day first above written.

Approved as to Legal Sufficiency

THE UNITED STATES OF AMERICA

By: _____
Field Solicitor

By: _____
[Person of Significance]

**ARIZONA WATER BANKING
AUTHORITY**

By: _____
Chairperson

Attest: _____
Secretary

Exhibit A: Examples of Determination of State of Arizona Firming Obligation to the Gila River Indian Community (GRIC)

Assumption 1. GRIC's Entitlement to CAP Water

Indian Priority Water

Original allocation	173,100 af
HVID re-allocation	<u>18,100 af</u>
Subtotal	191,200 af

M&I Priority Water

Asarco re-allocation	17,000 af
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NIA Priority Water

RWCD re-allocation	18,600 af
Settlement re-allocation	<u>102,000 af</u>
Subtotal	120,600 af

Total CAP Water Entitlement	328,800 af
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Assumption 2. The total annual amount of CAP NIA Priority Water is 364,698 acre-feet before 2044 and 317,395 acre-feet after 2044.

Assumption 3. The total annual amount of CAP Indian Priority Water is 343,079 acre-feet.

Assumption 4. The total annual amount of CAP M&I Priority Water is 638,823 acre-feet before 2044 and 686,126 acre-feet after 2044.

Assumption 5. The full CAP water supply that is the basis for long term contracts is 1,415,000 acre-feet per year, consisting of 68,400 acre-feet of Priority 3 water (Ak-Chin and Salt River Pima-Maricopa Indian Community water rights settlements) and 1,346,600 acre-feet of Priority 4 water.

Assumption 6: In those examples where it was necessary to allocate available CAP water between the Indian priority and M&I priority groups, it was assumed that the example occurred prior to year 2044 and that the allocation of CAP water between these two groups occurred in accordance with the appropriate formula contained in the Arizona Water Settlement Act agreements.

Assumption 7: In those examples showing an allocation of Arizona's shortage between the CAP and the fourth priority entitlement holders sharing the same priority as CAP, it was assumed these fourth priority entitlement holders would share 10.5 percent of Arizona's shortage.

Example 1

Scenario: Assume that CAP receives less than a full water supply due to use by higher priority users in Arizona and not by a declared shortage on the Colorado River.

Assume the supply available to CAP is 1,365,000 acre feet (both priority 3 and priority 4 water) or 50,000 acre-feet less than that required to meet all long term contractor's needs (1,415,000 acre-feet). The water orders of contractors for all M&I and Indian priority water can be met without imposing a shortage on them.

The GRIC (or its lessees) order all of GRIC's 328,800 acre-foot entitlement.

Step a. Calculate the total water quantity that would have been available to GRIC as if it had received a quantity of CAP M&I Priority Water equal to the amount of firmed water reallocated to the Community, with the remainder of GRIC's reallocated CAP water keeping its CAP NIA Priority Water status.

- 15,000 acre-feet of M&I equivalent water would have been available without shortage
- The remainder of 105,600 acre-feet of NIA water would be subject to shortage sharing with the other NIA priority water supplies.
- The total NIA entitlements to CAP water = 364,698 acre-feet. GRIC's percentage of the NIA water would be equal to 28.96 percent.
- Since the CAP supply is 50,000 acre-feet under that required to meet all orders the NIA available supply = 314,698 acre-feet.
- GRIC's NIA share of the supply = $.2896 * 314,698$ or 91,137 acre-feet.
- GRIC's total quantity would be 15,000 acre-feet of M&I equivalent water plus 91,137 of NIA water or **106,137 acre-feet**.

Step b. Calculate the amount of NIA priority water available to GRIC that year.

- Without firming GRIC would have held 120,600 acre-feet out of a total of 364,698 acre-feet of NIA Priority Water or 33.07 percent of the total NIA Priority Water. Multiplying this percentage times 314,698 acre-feet equals **104,071 acre-feet**.

Step c. Subtract the amount calculated in (b) above from the amount calculated in (a) to determine the amount of CAP water the Authority shall firm for GRIC.

- **Firming requirement is 106,137 acre-feet minus 104,071 acre-feet or 2,066 acre-feet.**
- **If there is a redistribution of NIA Priority Water in this year resulting from one or more entities not using their full entitlement to such water, and such reallocation results in the GRIC receiving more than 106,137 acre-feet of NIA Priority Water, there would be no firming obligation on behalf of the Authority.**

Example 2

Scenario: Assume a shortage to CAP caused by a declared shortage to Lower Basin water deliveries.

Assume that the quantity of fourth priority water available to CAP water users is 897,000 acre-feet or about 85,000 acre-feet less than that required to meet the full needs of the Indian and M&I priority users (981,902 acre-feet). Assuming that the Indian and M&I Priority Water users ordered their full entitlements, these users would be required to take a reduction. All NIA deliveries would be reduced to zero.

Assume that GRIC (or its lessees) order all of GRIC's 328,800 acre-foot contract entitlement.

With 897,000 acre-feet of fourth priority water available, the Indian Priority Water users would receive 321,482 acre-feet and the M&I Priority Water users would receive 575,518 acre-feet per the priority formula contained in the Arizona Water Rights Settlement Act documents. The M&I Priority Water users would receive 90.09 percent of their total entitlement (575,518 acre-feet/638,823 acre-feet).

Step a. Calculate the total water quantity that would have been available to GRIC as if it had received a quantity of CAP M&I Priority Water equal to the amount of firming water reallocated to the Community, with the remainder of GRIC's reallocated water keeping its CAP NIA Priority Water status.

- GRIC would have received 90.09 percent times 15,000 acre-feet or 13,514 acre-feet of M&I equivalent water.
- GRIC would have received zero acre-feet of its NIA priority water.
- The total quantity available to GRIC would be the **13,514 acre-feet** of M&I equivalent water.

Step b. Calculate the amount of NIA priority Water available to GRIC that year.

- The amount of NIA priority water available to GRIC that year = **zero**.

Step c. Subtract the amount calculated in (b) above from the amount calculated in (a) above to determine the amount of CAP water the Authority shall firm for GRIC.

- **The firming requirement is 13,514 minus zero acre-feet or 13,514 acre-feet.**

Example 3

Scenario: Assume the same water supply conditions as Example 2, but also assume that GRIC (or its lessees) have only ordered 175,000 acre-feet of M&I and Indian priority water.

- Under the terms of the three step calculation for Example 2 the firming requirement would be 13,514 acre-feet.
- However, GRIC's order of 175,000 acre-feet is less than the sum of its entitlement to Indian and M&I priority water (191,200 acre-feet plus 17,000 acre-feet or 208,200 acre-feet). Had GRIC ordered all of its higher priority CAP water it would have been entitled to 15,315 acre-feet of M&I priority water (90.09 percent) and 170,403 acre-feet of Indian priority water (based on the formula contained in GRIC's Settlement Agreement). The sum of the water available under these two higher priority entitlements (185,718 acre-feet) is greater than GRIC's actual water order.
- **Therefore, under the provisions of Paragraph 5.2 of the Agreement, the Authority would have no firming obligation.**

Example 4

Scenario: Assume a 400,000 acre-foot Secretarial declared shortage to the Colorado River system and that Arizona's share of that shortage is 320,000 acre-feet. Assume the Colorado River entitlement holders River users (located along the Colorado River) sharing the 4th priority water with CAP take 33,600 acre-feet of that reduction, leaving the shortage to CAP at 286,400 acre-feet.

In this case, the water orders of contractors for all M&I and Indian priority water can be met without imposing a shortage on them. The overall CAP water supply is 68,400 acre-feet of Priority 3 water plus 1,060,200 acre-feet of 4th priority water or a total of 1,128,600 acre-feet.

The GRIC (or its lessees) order all of GRIC's 328,800 acre-foot entitlement.

Step a. Calculate the total water quantity that would have been available to GRIC as if it had received a quantity of CAP M&I Priority Water equal to the amount of firmed

water reallocated to the Community, with the remainder of GRIC's reallocated CAP water keeping its CAP NIA Priority Water status.

- 15,000 acre-feet of M&I equivalent water would have been available without shortage
- The remainder of 105,600 acre-feet of NIA water would be subject to shortage sharing with the other NIA priority water supplies.
- The total NIA entitlements to CAP water = 364,698 acre-feet. GRIC's percentage of the NIA water would be equal to 28.96 percent.
- Since the CAP supply is 286,400 acre-feet under that required to meet all orders, the NIA available supply = 78,298 acre-feet.
- GRIC's NIA share of the supply = $.2896 * 78,298$ or 22,675 acre-feet.
- GRIC's total quantity would be 15,000 acre-feet of M&I equivalent water plus 22,675 of NIA water or **37,675 acre-feet**.

Step b. Calculate the amount of NIA priority water available to GRIC that year.

- Without firming GRIC would have held 120,600 acre-feet out of a total of 364,698 acre-feet of NIA Priority Water or 33.07 percent of the total NIA Priority Water. Multiplying this percentage times 78,298 acre-feet equals **25,893 acre-feet**.

Step c. Subtract the amount calculated in (b) above from the amount calculated in (a) to determine the amount of CAP water the Authority shall firm for GRIC.

- **Firming requirement is 37,675 acre-feet minus 25,893 acre-feet or 11,782 acre-feet.**

Example 5

Scenario: Assume a 500,000 acre-foot Secretarial declared shortage to the Colorado River system and that Arizona's share of that shortage is 400,000 acre-feet. Assume the River users sharing the 4th priority water with CAP take 42,000 acre-feet of that reduction leaving the shortage to CAP at 358,000 acre-feet.

The water orders of contractors for all M&I and Indian priority water can be met without imposing a shortage on them. The overall CAP supply is 68,400 acre-feet of Priority 3 water plus 988,600 acre-feet of 4th priority water or a total of 1,057,000 acre-feet.

The GRIC (or its lessees) order all of GRIC's 328,800 acre-foot entitlement.

Step a. Calculate the total water quantity that would have been available to GRIC as if it had received a quantity of CAP M&I Priority Water equal to the amount of firmed water reallocated to the Community, with the remainder of GRIC's reallocated CAP water keeping its CAP NIA Priority Water status.

- 15,000 acre-feet of M&I equivalent water would have been available without shortage
- The remainder of 105,600 acre-feet of NIA water would be subject to shortage sharing with the other NIA priority water supplies.
- The total NIA entitlements to CAP water = 364,698 acre-feet. GRIC's percentage of the NIA water would be equal to 28.96 percent.
- Since the CAP supply is 358,000 acre-feet under that required to meet all orders the NIA available supply = 6,698 acre-feet.
- GRIC's NIA share of the supply = $.2896 * 6,698$ or 1,940 acre-feet.
- GRIC's total quantity would be 15,000 acre-feet of M&I equivalent water plus 1,940 acre-feet of NIA water or **16,940 acre-feet**.

Step b. Calculate the amount of NIA priority water available to GRIC that year.

- Without firming GRIC would have held 120,600 acre-feet out of a total of 364,698 acre-feet of NIA Priority Water or 33.07 percent of the total NIA Priority Water. Multiplying this percentage times 6,698 acre-feet equals **2,215 acre-feet**.

Step c. Subtract the amount calculated in (b) above from the amount calculated in (a) to determine the amount of CAP water the Authority shall firm for GRIC.

- **Firming requirement is 16,940 acre-feet minus 2,215 acre-feet or 14,725 acre-feet.**

Example 6

Scenario: Assume a 600,000 acre-foot Secretarial declared shortage to the Colorado River system and that Arizona's share of that shortage is 480,000 acre-feet. Assume the River users sharing the 4th priority water with CAP take 50,400 acre-feet of that reduction leaving the shortage to CAP at 429,600 acre-feet.

The overall CAP supply is 68,400 acre-feet of Priority 3 water plus 917,000 acre-feet of 4th priority water or a total of 985,400 acre-feet. Under the shortage sharing formula contained in the Arizona Water Settlements Act documents, there would be 326,569 acre-feet available to the CAP Indian Priority water users and 590,431 acre-feet of M&I

Priority Water users. The CAP M&I Priority Water users would receive 92.42 percent of their water entitlement (590,431/638,823). There would be no water available for the NIA Priority Users.

The GRIC (or its lessees) order all of GRIC's 328,800 acre-foot entitlement.

Step a. Calculate the total water quantity that would have been available to GRIC as if it had received a quantity of CAP M&I Priority Water equal to the amount of firmed water reallocated to the Community, with the remainder of GRIC's reallocated CAP water keeping its CAP NIA Priority Water status.

- 13,863 acre-feet of M&I equivalent water would have been available without shortage
- GRIC would have received zero acre-feet of its NIA priority water.
- The total quantity available to GRIC would be the **13,863 acre-feet** of M&I equivalent water.

Step b. Calculate the amount of NIA priority water available to GRIC that year.

- The amount of NIA priority water available to GRIC that year = **zero**.

Step c. Subtract the amount calculated in (b) above from the amount calculated in (a) to determine the amount of CAP water the Authority shall firm for GRIC.

- **Firming requirement is 13,863 acre-feet.**

RESOLUTION 2007-1
of the
Arizona Water Banking Authority

WHEREAS, on January 21, 1998, the Arizona Water Banking Authority (“Authority”) adopted a motion identifying 420,000 acre-feet as the reasonable number of long-term storage credits (credits) to be developed and set aside for the benefit of fourth priority municipal and industrial users (mainstream water users) of Colorado River water in this state that are outside the service area of Central Arizona Water Conservation District (“CAWCD”);

WHEREAS, on March 20, 2002, the Authority adopted Resolution 2002-1, which provided, in part, that the first priority of the use of credits accrued with general fund appropriations shall be to develop and set aside a reasonable number of credits as determined by the Authority’s commission for the benefit of mainstream water users in the State of Arizona that are outside the service area of CAWCD;

WHEREAS, on February 4, 2005, the Authority and the Mohave County Water Authority (MCWA) entered into an Agreement To Firm Future Supplies (Firming Agreement) under which the Authority has agreed to transfer credits to MCWA during times of shortage;

WHEREAS, MCWA is required to reimburse the Authority for any credits that have been transferred to MCWA and the Authority is required to replace those credits;

WHEREAS, a Director’s Shortage-Sharing Workgroup (“Shortage-Sharing Workgroup”) was established to develop a strategy for implementing future Colorado

DRAFT 9/25/07

River shortages in the lower basin, and for allocating shortages between the Central Arizona Project (“CAP”) and equivalent priority mainstream water users;

WHEREAS, the MCWA agreed to the methodology for sharing Colorado River shortage allocations described in the Shortage-Sharing Workgroup Recommendation dated October 24, 2006;

WHEREAS, the Shortage-Sharing Workgroup made the recommendation that mainstream water users be provided the opportunity to firm 100 percent of the individual municipal/industrial entitlements;

WHEREAS, the Shortage-Sharing Workgroup also made the recommendation that the Authority create a revolving fund that utilizes the credits that are required to be replaced to allow the mainstream water users to reach the 100 percent firming goal established by the Authority and that, as Authority credits are used and replaced, the new credits will be earmarked in the name of the entity that replaced the credits for that purpose.

NOW, THEREFORE, BE IT RESOLVED by the Commission of the Authority, as follows:

1. That the Authority will establish a replacement subaccount that utilizes the credits developed by the Authority from the reimbursement of credits transferred to mainstream water users;
2. That credits in the replacement subaccount would be available for Authority purposes as identified in A.R.S. § 45-2457(B);
3. That credits in the replacement subaccount will be made available to mainstream water users only to the extent that 100 percent of the goal

previously identified as reasonable for shortage protection that has not been reserved will be set aside;

4. That the entities that have reimbursed the Authority for the replacement of credits will have priority for credits accrued in the subaccount;
5. That any credits remaining in the replacement subaccount after meeting the 100 percent goal for mainstream water users would be available to the Authority for other purposes as identified in A.R.S. § 45-2457(B);
6. That the accounting method for determining credits held in the mainstream water users subaccounts and the replacement subaccount be calculated in such a manner as described in the example provided in Exhibit A.

Exhibit A

Example:

Mohave County Water Authority Subaccount	Initial ¹ Balance	Years						Replacement Subaccount Totals
		1	2	3	4	5	6	
LTSC ² Objective	243,941	243,941	233,941	223,941	213,941	213,941	213,941	N/A
LTSC Reserved	230,280	230,280	220,280	210,280	200,280	200,280	200,280	N/A
LTSC Recovered	0	10,000	10,000	10,000	0	0	0	N/A
LTSC Replaced to AWBA:	0	0	0	0	10,000	10,000	10,000	30,000
Earmarked for MCWA	0	0	0	0	10,000	3,661	0	13,661
Available for AWBA General	0	0	0	0	0	6,339	10,000	16,339
Ending Balance:								
LTSC Objective	243,941	233,941	223,941	213,941	213,941	213,941	213,941	N/A
LTSC Available	230,280	220,280	210,280	200,280	210,280	213,941	213,941	N/A

¹Pursuant to Agreement to Firm Future Supplies dated February 4, 2005

²LTSC - Long-term Storage Credits

Discussion Paper for the Expenditure of \$8 Million Available from the Arizona-Nevada Shortage-Sharing Agreement

As part of the Basin States proposal Arizona and Nevada agreed on how the reduction caused by the shortage criteria identified in the proposal would be shared between their states. Nevada's interpretation of the Basin Project Act for sharing shortage was that their state had minimal exposure to shortages. Arizona's interpretation was that Nevada would suffer 7.4 percent of the reduction apportioned to the two states when a shortage was declared. Arizona and Nevada ultimately agreed that Nevada's share of the shortage would be 4 percent. Four percent has historically been the percentage the United States Bureau of Reclamation (Reclamation) has used to model shortage operations. Nevada also agreed to provide \$8 million to help mitigate any impact that might be caused to Arizona's water users for accepting this reduced share.

The \$8 million will be made available to the Arizona Water Banking Authority (AWBA) upon Reclamation's adoption of the Basin State's proposal for the operation of the Colorado River reservoirs during the interim period. The AWBA has the responsibility to determine how the \$8 million will be spent to help mitigate impacts to Arizona's water users.

The following are potential options for mitigating impacts:

Option 1. The AWBA would use the \$8 million to purchase and store water and accrue long-term storage credits (credits). These credits could then be used to meet the firming obligation of the AWBA. The AWBA would establish a sub-account under its long-term storage account for credits earned with the \$8 million.

Pro: This gives the AWBA the greatest flexibility in meeting its future obligations.

Con: This does not recognize that certain users will be impacted before other users.

Option 2. The AWBA would recognize and identify that certain users will be impacted before other users and use the credits to assist those users, while keeping some credits in reserve for the AWBA's general obligations. An example of entities that would be impacted first are Post-1968 Colorado River municipal and industrial (M&I) users and the AWBA in its obligation to firm Indian settlement water. The AWBA would establish sub-accounts for these users under its long-term storage account in order to reserve credits for these entities.

Pro: The AWBA would reserve credits to recognize that some users are impacted first but would retain some flexibility.

Con: Credits that are reserved might not be needed but would have been tagged for specific users.

Option 3. The AWBA would reserve the entire quantity of credits accrued with the \$8 million for the users that will be impacted first.

Pro: This provides assurances that adequate credits will be available to mitigate reductions caused by the Arizona-Nevada Shortage-Sharing Agreement for those entities.

Con: This reduces the AWBA's flexibility to meet its obligation to other Arizona M&I users.

Option 4. The AWBA will set aside the \$8 million at the State Treasurers Office and use it in the future to financially support entities that are impacted by assisting in the recovery of credits during declared shortages. For example, assistance could be provided through the payment of replacement costs by the AWBA for General Fund credits that have been used by on-river M&I users, or as part of a comprehensive deal to firm Indian settlement water.

Pro: This gives the AWBA flexibility to use money to mitigate impacts. It also does not put an additional burden on already reducing AWBA supplies.

Con: This may be attractive for other purposes and ultimately not available for AWBA purposes.

ARIZONA WATER BANKING AUTHORITY

INTERSTATE WATER BANKING REPORT
Fiscal Year 2007



Submitted

October 1, 2007

Interstate Water Banking Report Requirement

House Bill 2869, signed by Governor Napolitano on June 21, 2006, added a new section §45-2473 to Title 45, Chapter 14, Article 4 which directs the Arizona Water Banking Authority (AWBA) to submit a report for interstate water banking to the Joint Legislative Budget Committee on or before October 1 of each year for the previous fiscal year. This report submitted by October 1, 2007 contains information for fiscal year 2007.

The report requires an accounting report of the AWBA's interstate water banking activities with the State of Nevada, including the Southern Nevada Water Authority (SNWA), and includes the following:

1. An accounting of all monies received through the Interstate Water Banking Agreement (Agreement) with the (SNWA).
2. An accounting of all disbursements made with interstate monies, including monies used to purchase or store water.
3. An accounting of any prepaid monies to the Central Arizona Water Conservation District (CAWCD).
4. An accounting of any monies received under the Agreement that are placed in an account with the State Treasurer.
5. Any contract that obligates the AWBA to pay or disburse monies to any other entity, including the CAWCD.

House Bill 2869 further stipulates that the AWBA can only use the monies received pursuant to an interstate water banking agreement to pay the costs directly incurred in meeting the interstate water banking obligations.

BACKGROUND

The Colorado River Compact is one of the components of the “Law of the River” that governs the operations of the Colorado River. The “Law of the River” is comprised of federal and state statutes, interstate compacts, court decisions and decrees, contracts with the United States, an international treaty, operating criteria and administrative decisions. Together, these have resulted in a division of the waters of the Colorado River among the various users. Over the years, the seven states that utilize the Colorado River (the Basin states) have had discussions over various issues and the majority of the issues have been resolved via negotiation instead of litigation. Most currently, the issue facing the Basin states is drought and the potential impact to river operations and water supply. Because Arizona is a junior user on the river, it is important for the state to take steps to protect the Colorado River water supply for Arizona water users.

Under the 1964 decree in *Arizona v. California*, the allocation of water to the three states of the Lower Colorado River basin was recognized. This allocation was 4.4 million acre-feet (maf) to California, 2.8 maf to Arizona and 300,000 acre-feet to Nevada.

Agreement for Interstate Water Banking

On July 3, 2001, the Agreement for Interstate Water Banking (2001 Agreement) among the AWBA, the Southern Nevada Water Authority (SNWA) and the Colorado River Commission of Nevada (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 1.25 million acre-feet of long-term storage credits. Those credits would then be recovered to develop Intentionally Created Unused Apportionment (ICUA) for Nevada as a temporary supply of water to allow Nevada time to develop other long-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 federal 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 through 2016. 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 by 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 CAWCD staff.

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

Amended Agreement for Interstate Water Banking

The intent of the amendments was to assure Nevada access to the full 1.25 million acre-feet anticipated under the 2001 Agreement. For this access, Nevada would continue to bear the full cost of storing excess CAP water and later recovering that water. Nevada would also provide \$100 million to ensure that Arizona could acquire additional water resources if conditions warranted.

In summary, the amendments negotiated 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; and (5) a sufficient supply of credits would be recovered to allow Nevada to use up to 340,000 acre-feet during a declared shortage on the Colorado River.

A discussion paper was prepared by AWBA staff, widely distributed to the public, and discussed at various meetings throughout the Phoenix and Tucson areas. This discussion paper included pertinent background information, a review of the current agreement and proposed changes, and a description of the benefits to Arizona. 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.

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-feet of credits will be developed on their behalf. In exchange for this guarantee, Nevada agreed to pay Arizona \$100 million above the actual cost of water delivery and storage. The initial \$100 million dollar payment was made in two installments in 2005.

The AWBA began storing water pursuant to the Amended Agreement in 2005, under a loan provision recognizing that the AWBA may store water on behalf of SNWA prior to the 2009 commencement of scheduled payments. The Annual Report published by the AWBA in July of each year, for the previous calendar year, details the amount of interstate water stored and long-term storage credits accrued by the AWBA. Water stored on behalf of Nevada in calendar year 2006 was stored in storage facilities located in Maricopa, Pinal, and Pima Counties.

The Amended Agreement provides a temporary water supply for Nevada allowing time for development of other non-Colorado River resources and it provides Arizona additional flexibility to achieve its long-term water management goals.

Receipt of the \$100 million, has allowed the AWBA to take advantage of the available water supply and store water on Nevada's behalf. Credits accrued by Nevada at the end of calendar year 2006 totaled 412,634 acre-feet (AWBA Annual Report 2006, Table 4) and an estimated 116,460 acre-feet of credits are forecasted to be accrued during the 2007 calendar year (AWBA Annual Plan of Operation 2007, Table 5). The AWBA will have an estimated, cumulative total of 529,094 acre-feet of credits stored on behalf of Nevada by the end of calendar year 2007. These credits amount to about 42% of the total 1.25 million acre-feet of water storage guaranteed to Nevada. Although this interstate report is based on fiscal year accounting, the AWBA operates

on a calendar year. The AWBA approves a Plan of Operation for the entire year through the end of 2007; thus, the credits are estimated through the end of 2007.

Benefits to Arizona

The Amended Agreement provides an opportunity for the State of Arizona to secure numerous benefits for Arizona water users. Current projections indicate excess water within Arizona's 2.8 million acre-foot entitlement will be available for storage in the future. Without interstate banking, the AWBA does not have sufficient in-state funding to store the quantities of excess CAP water currently projected to be available. Interstate water banking is a mechanism that can maximize Arizona's utilization of its 2.8 million acre-foot entitlement.

The Amended Agreement also provides additional financial resources that could be used to develop alternative water supplies. In addition, water stored for interstate purposes provides revenues for the Arizona Water Protection Fund, which is the sole state funding source for riparian protection in Arizona. Furthermore, the water that Nevada may recover could help facilitate the development of recovery arrangements for Arizona water users. Most importantly, the Amended Agreement helps strengthen Arizona's interstate relationship with Nevada. A strong relationship is critical as the seven Basin states continue discussions regarding the drought and shortages on the Colorado River.

INTERSTATE ACCOUNTING

Pursuant to the Amended Agreement, funds are to be received by the AWBA from the SNWA in two ways:

1. \$100 million will be used to guarantee that AWBA can meet the terms of the Amended Agreement. This amount is intended to be the “insurance” payment to be used to develop alternative water resources to meet obligations to Nevada. Any alternative water supplies developed under the Amended Agreement that are not needed to fully meet the Nevada obligation would be available for Arizona water users. This payment was made upon request in two installments in June, 2005 and October, 2005 and deposited into a “Resource Account”. If the \$100 million is not needed as “insurance” then it continues to be available to Arizona for whatever purpose deemed appropriate.
2. \$230 million will be paid in 10 payments of \$23 million beginning in 2009 through 2018 and deposited into an “Operating Account”. This money will be used to pay CAWCD for the cost of water delivery and to pay facility operators for storage, as needed.

The Amended Agreement allows for some or all of the \$100 million to be “loaned” to the Operating Account and subsequently repaid to the Resource Account, with interest. This loaning provision was included in recognition of the fact that the AWBA may store water on behalf of SNWA prior to the 2009 commencement of scheduled payments into the Operating Account. Since water was available and the Operating Account payments do not begin until 2009, it was necessary for the AWBA to call for a portion of the \$100 million, loan it to the Operating Account, and continue to contract with CAWCD to store water for SNWA.

The total quantity of interstate storage is dynamic from year to year, but cannot exceed a quantity that would result in more than 200,000 acre-feet of long-term storage credits in any year pursuant to the Storage and Interstate Release Agreement (SIRA) between the Secretary of the Interior, the AWBA, the SNWA and CRCN.

As stated above, \$100 million was received from Nevada in two installments in 2005 and deposited in a subaccount with the Arizona State Treasury. In fiscal year 2007, the AWBA did not receive any additional funds from SNWA for the delivery and storage of water pursuant to the Amended Agreement.

It is important to note that although this report is based on fiscal year accounting, the AWBA operates on a calendar year. A.R.S. § 45-2456 requires by January 1 of each year, the AWBA shall adopt a Plan of Operation for that calendar year. Along with adoption of the annual Plan of Operation, funds are committed for the purchase, delivery, and storage of water for that calendar year.

INTERSTATE ACCOUNTING - Fiscal Year 2007

Beginning Balance FY 2007	\$ Received from NV¹	Disbursements²	Prepayment Forwarded to CAWCD³	AZ State Treasury End of FY Balance⁴	\$ Committed for AWBA CY Plan of Operation⁵
\$64,774,399	- 0 -	\$44,251,957	- 0 -	\$22,672,559	\$6,253,360

¹Initial payment of \$100 million deposited into a "Resource Account". Subsequent payments of \$23 million beginning in 2009 through 2018 to be deposited into an "Operating Account".

²Monies disbursed from subaccount at Arizona State Treasurer's Office for purchase and storage of CAP water.

³Prepaid monies forwarded to CAWCD for delivery and storage of water on behalf of SNWA.

⁴End of fiscal year balance, including accrued interest, in subaccount at Arizona State Treasurer's Office.

⁵Monies committed for purchase of deliveries and storage of interstate water for remainder of the calendar year (2007 Plan of Operation, Table 2, Water Delivery Schedule).