

ARIZONA WATER BANKING AUTHORITY
Wednesday, September 17, 2008

	Name (Please print)	Affiliation	Phone No.
1	David Modreen	City of Phoenix	602-501-256
2	Wally Wilson	Tucson Water	520 837 2239
3	Ken Seasholes	CAP	623-869-2457
4	Match Huwz	BOR	623-773-6274
5	Juliet McLenna	Montgomery? Assoc.	920-881-4912
6	McClan Peterson	Colorado River Comm ^M	702-486-2672
7	Alexei Lupanov	SNWA	702-691-5378
8	Lawrence Marquez	Reclamation	623-773-6213
9	Gary Given	CAP	623 869-2158
10	Brian Hennina	CAP	623-869-2567
11	HAJIN MOJICA	Tucson Water	520-791-2659
12	RON WOLB	BKW SYSTEMS	520-682-2516
13	DAVE CROCKFORD	FWID	520 887 4192
14	Beth Miller	Scottsdale	480-312-5009
15	PAUL ORME	CADW/ASD	623-465-0445
16	Ann Marie Chischully	GRIC	520.796.1344 x6
17	Brian Bennon	GRIC	" " "
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ARIZONA WATER BANKING AUTHORITY
Wednesday, September 17, 2008

	Name (Please print)	Affiliation	Phone No.
1	Larry Dozier	CAP	
2	Tom McCann	CAP	
3	DEE FUERST	CAP	
4	Chuck Calk	"	
5	Esther Valle	CRC	
6	Leo Commanden	Global Water	
	Michael Bloche	Metro Water	
8	JEFF EHLERS	SRP	602 236-5504
9	Gregg Nelson	ADWR	602 771-8414
10	Tom Maher	SNWA	702-862-3702
11	Gregg Capps	Chandler	480-782-3585
12	Stu Peckham	ADWR-Recharge	
13	Stephen Rot	Glen Dale	623-930-2289
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Arizona Water Banking Authority
3550 N. Central Avenue, Phoenix, Arizona 85012
Telephone 602-771-8487
Fax 602-771-8685
Web Page: www.azwaterbank.gov

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, September 17, 2008 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 15th day of September, 2008

FINAL AGENDA

Arizona Water Banking Authority Commission Meeting

- I. Welcome/Opening Remarks
- II. Approval of Minutes of June 18, 2008 Meeting
- III. Water Banking Staff Activities
 - Deliveries
 - Renewal of Water Storage Agreements
 - Renewal of Intergovernmental Agreement
 - Meetings
 - Auditor General
- IV. Discussion of Potential CAWCD Policy of Access to Excess Water
- V. Discussion of Interest in Additional On-River Firming - Resolution 2008-1
- VI. Draft 2009 Annual Plan of Operation
 - Discussion of Table 2
 - Water and facility rates
 - Partner meetings
 - Public meetings
- VII. Interstate Water Banking
 - Interstate fiscal year accounting report to JLBC
 - Overview of interstate accounting and firming obligation
 - SNWA/CAWCD/AWBA recovery meeting

- VIII. Discussion of Obligations Paper - AWBA Responsibilities and Funding
- IX. Discussion of Opportunities for Meeting M&I Firming Goals in Tucson AMA
- X. Arizona Water Settlements
 - Update on AWSA firming efforts
 - Status of on-going Indian settlement negotiations
- XI. AWBA Commission Member Terms
- XII. Call to the Public

Next Meeting Date:

Wednesday, December 10, 2008 **Please note date change

**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, TDD # (602) 771-8501. Requests should be made as early as possible to allow time to arrange the accommodation.

ARIZONA WATER BANKING AUTHORITY
Draft Minutes¹

June 18, 2008

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 Timothy S. Bee
The Honorable Lucy Mason

Welcome/Opening Remarks

Chairman Herb Guenther welcomed the attendees. All members of the Authority were present except for *ex-officio* member Representative Lucy Mason. He announced the passing of *ex-officio* member Senator Jake Flake and noted his many contributions to the State of Arizona.

Approval of Minutes of March 12, 2008 Meeting

The Authority approved the minutes of the March 12, 2008 meeting.

Water Banking Staff Activities

Virginia O'Connell stated that at the last meeting in March, staff was directed to amend the 2008 Plan of Operation (Plan) to include additional supplies available to the AWBA. She reviewed the amended delivery schedule, Table 2, which identified an additional 77,350 acre-feet of deliveries. Of this amount 6,400 acre-feet, which had been full cost municipal & industrial (M&I) subcontract water turned back for remarket, will be delivered for interstate purposes to the Pinal Active Management Area (AMA). Interstate deliveries had not been included in the original Plan. The remaining 70,950 acre-feet will be delivered as follows: Phoenix AMA - 32,000 acre-feet, Pinal AMA - 26,800 acre-feet, and Tucson AMA – 12,150 acre-feet. The Amended Plan utilizes all storage capacity available to the AWBA in the Tucson AMA and expends a portion of the \$8 million provided to Arizona from Nevada under the Arizona-Nevada Shortage-Sharing Agreement (Shortage-Sharing Agreement) in the Phoenix and Pinal AMAs.

Ms. O'Connell noted that the water delivery graphs, which identify projected/actual deliveries, had also been updated to reflect the amended Plan and stated that most of the AWBA deliveries would be occurring in the latter half of the year. She also reviewed the recovery schedule for developing Intentionally Created Unused Apportionment (ICUA) for the Metropolitan Water District of Southern California (Metropolitan). A total of 8,354 acre-feet of the 25,000 acre-feet scheduled had been recovered through May of 2008. In response to a question from Tom Buschatzke, Ms. O'Connell stated that just under 40,000 acre-feet of long-term storage credits (credits) for Metropolitan would be remaining by the end of the year.

Tim Henley briefed the Authority on staff activities regarding the firming requirements for the Gila River Indian Community (GRIC). He noted that staff is in the process of

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.

extending its water storage agreement with the Gila River Indian Irrigation and Drainage District (GRIIDD) so that it coincides with the term of the GRIIDD groundwater savings facility (GSF). The GRIIDD had submitted a 2-year permit renewal application to the Department for the GSF, which would have expired at the end of 2007. In addition, staff drafted an inter-governmental agreement (IGA) between the AWBA and the GRIC, which is a statutory requirement for meeting the Southside Replenishment obligation. Under this obligation, the AWBA is required to establish the Southside Replenishment Bank by delivering a minimum of 15,000 acre-feet to the GRIC. The IGA describes in detail the procedure the AWBA and the GRIC will follow for delivering water to the GRIC for this purpose. The draft IGA is currently under review by GRIC staff. Furthermore, under the Arizona Water Settlements Act (Settlement), the AWBA acting as agent for the State of Arizona (State), is required to firm 15,000 acre-feet of Non-Indian Agricultural CAP water for the GRIC. After some initial discussions with staff of the GRIC regarding firming options, staff developed internal firming proposals that could benefit both parties. Staff will be discussing these options with the Authority. Lastly, Mr. Henley noted that staff had been keeping track of other Indian settlement discussions since the AWBA could be involved in some of the firming responsibilities for these settlements. Gregg Houtz commented that a presentation on these other settlements would be provided at the next AWBA meeting scheduled for September.

Kim Mitchell noted that staff had attended several meetings since the last AWBA meeting. At the request of the GRIC, staff gave a presentation to the GRIC Office of Water Rights that described the history and purpose of the AWBA and the mechanisms the AWBA uses to meet its goals and objectives. The GRIC thanked staff for its presentation and hoped this would be the first in a series of ongoing coordination meetings between the GRIC and the AWBA. Staff also organized an interstate coordination meeting with the Southern Nevada Water Authority (SNWA), the Central Arizona Water Conservation District (CAWCD), and ADWR to discuss progress on credit accrual, funds, timeframes for requesting ICUA, and recovery planning. Lastly, staff has been attending the Navajo/Hopi settlement negotiations due to the AWBA's potential future firming responsibilities. John Mawhinney commented that the settlement currently being discussed with the Navajo Nation seemed small and questioned if the upper basin states were involved in the negotiations. Mr. Houtz responded that the negotiations only involved the lower basin claims and that the 50,000 acre-feet allocation that Arizona receives from the upper basin is not a part of the negotiations. The New Mexico Navajo/Gallup settlement is also under separate negotiation. Mr. Henley added that the discussions were focused on non-Indian agricultural (NIA) priority CAP water supplies much like the other Arizona Indian settlements.

Ms. Mitchell stated that the AWBA sent a letter to the Secretary of the Interior (Secretary) certifying the creation of 16,804 acre-feet of ICUA for Metropolitan for calendar year 2007. This is the first year that the AWBA has certified ICUA. Two methods, recovery and credit exchange, were used to develop ICUA under the Amended Letter Agreement for the Creation of ICUA between Metropolitan, CAWCD and the AWBA. The recovery method was used to develop 10,921 acre-feet and the credit exchange method was used to develop the remaining 5,883 acre-feet.

Ms. Mitchell also noted that staff had nearly completed the paper on AWBA goals and obligations. The paper will be provided to the Authority for review prior to the next meeting in September.

Mr. Henley provided an update of Colorado River shortage projections. He commented that there had previously been several presentations on when shortages might be expected, the earliest estimated by 2011. Two factors have since had an effect on these projections. First, the Record of Decision (ROD) on Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead, which was signed December of 2007 by the Secretary, provides an immediate benefit to the lower basin because of the equalization method that will be employed for managing lake levels. Second, water levels have increased in the reservoirs due to the winter/spring rain and snowfall events. Current models indicate a 3-4 year shift in the probability of shortages with the first shortages now estimated by 2014-2015. Mr. Henley noted however, that recovery needs, including ICUA, were still being addressed. He added that the first entities that could be impacted are the fourth priority on-river municipal and industrial (M&I) users and NIA CAP water users, including the AWBA, although the probability was small.

Chuck Cullom (CAWCD) provided a status report on recovery planning efforts. He noted that staff was completing its work with consultants on evaluating recovery from the Tonopah Desert and Lower Santa Cruz study areas located in the Phoenix and Tucson AMAs, respectively, and to evaluate opportunities for developing a well field and the potential for well rehabilitation in the Pinal AMA. Mr. Cullom introduced Dee Fuerst as the new employee who will be working on recovery planning for the Phoenix and Tucson AMAs, while he continued planning efforts in the Pinal AMA. Meeting dates and times for upcoming stakeholder meetings can be found on CAWCD's website along with CAWCD's Conceptual Recovery Plan. Discussions will include the magnitude and impacts of shortages and an inventory of facilities. The objective is to develop a technical recovery plan that focuses on infrastructure needs. The recovery plan will recommend priorities for developing new recovery capacity. The planning process will focus on technical issues, because the policy issues have previously been addressed.

2007 Annual Report

Ms. Mitchell reviewed the 2007 Annual Report highlighting the major activities and accomplishments for the year and the progress the AWBA has made toward meeting its goals. The AWBA accrued nearly 360,000 acre-feet of credits in 2007, making the total acre-feet of credits accrued since inception over three million. Mr. Mawhinney had questions regarding the development of Intentionally Created Surplus (ICS) and if its use was similar to the AWBA's goals and objectives, since ICS also provides a benefit to Arizona water users by reserving water for future use. Chairman Guenther clarified that ICS was the creation of storage credits reserved in Lake Mead through extraordinary conservation measures undertaken by states in the lower basin. Arizona could not call on these credits during times of shortage, but ICS could benefit Arizona by keeping the reservoirs higher thus delaying potential future shortages.

Mr. Mawhinney also inquired if the AWBA was required to undergo a financial audit. Mr. Henley pointed out that the AWBA's funds are held in accounts operated by the State Treasurer's Office (STO) and would be subject to the STO's audit process. The Department of Water Resources (Department) is responsible for carrying out the monthly transactions on those accounts, which could also be subject to audit. In addition, monies held by CAWCD, such as the *ad valorem tax* utilized by the AWBA, are subject to CAWCD's audit system. Ms. Mitchell noted that AWBA staff reviews the monthly financial reports from the Department and CAWCD to insure that monies were deposited and expended from the appropriate AWBA accounts. Staff is responsible for tracking the credits accrued from the various account expenditures. Mr. Mawhinney noted that he was comfortable with staff's work, but that he wanted a professional opinion on the AWBA's audit requirements. Chairman Guenther requested that staff research the audit requirements with the Auditor General and the frequency in which audits are conducted at the Department and CAWCD.

Mr. Buschatzke commented that the Department itself was due for a sunset review in 2010. Chairman Guenther noted the review would be addressed through a special audit by the Auditor General.

With regard to on-river M&I firming, Mr. Mawhinney inquired if other M&I users had been provided an opportunity to participate. Maureen George responded that the Mohave County Water Authority had hired legal counsel to amend the Agreement to Firm Future Supplies, which is the first step for including other participants. Formal meetings have not been held at this time.

Ms. O'Connell outlined the provisions of the Ten-Year Plan (Plan), which covers the time period 2009-2018, and noted that water supplies available to the AWBA were about half of what had been estimated in last year's Plan because of a substantial increase in the use of excess CAP water by other CAWCD customers. The Plan incorporates the rates from CAWCD's Preliminary 2009/2010 Rate Schedule, which shows a considerable increase in water delivery rates for the AWBA and a phase out of incentive priced recharge water by 2012. The increase over time in the price of incentive recharge water could potentially provide additional supplies to the AWBA. Ms. O'Connell noted that expenditure of the \$8 million in shortage mitigation funds has been added as a new component to the Plan. Approximately 128,000 acre-feet of credits will be accrued utilizing these funds. In addition, just over 142,000 acre-feet of credits will be accrued through 2013 for Indian settlement purposes utilizing the \$13.5 million legislative appropriation for Indian firming. After accounting for all intrastate expenditures, the remaining water supplies are stored for interstate purposes. By 2018, an estimated 678,125 acre-feet of credits will have been accrued for Nevada, or 54% of the goal of 1.25 million acre-feet. The Plan also identifies the creation of 40,000 acre-feet per year of ICUA for Nevada beginning in 2012. These amounts are based on staff discussions with the SNWA the previous week. In response to questions from the Authority on an estimated timeframe for meeting the interstate obligation, Mr. Henley noted that by following an aggressive schedule after this ten-year period, the goal could be met by 2029. He commented that SNWA was satisfied with the current schedule, but pointed out that the Authority could also choose to shift its water storage priorities in the Pinal AMA from intrastate,

utilizing withdrawal fees and Indian firming monies, to interstate in order to meet the Nevada obligation sooner, since there were sufficient credits in the Pinal AMA to meet Arizona water users needs. Mr. Mawhinney inquired if storage capacity was an issue in the Tucson AMA. Ms. O'Connell responded that at present, water supply was the limiting factor, but that if more water became available to the AWBA, capacity could become an issue. Dennis Rule (Tucson Water) stated that as storage capacity ramps up in the new Southern Avra Valley Storage and Recovery Project (SAVSARP), there could be 30,000-50,000 in excess capacity available above Tucson's subcontract use. Beth Miller (City of Scottsdale) noted her appreciation of the recovery planning efforts, but also noted her concerns that there are no CAP facilities in the North Scottsdale area. She suggested discussions between CAWCD, AWBA, and the CAGR on constructing a storage facility in that area along the CAP canal that could benefit all parties.

FY 2009 Administrative Budget

Ms. Mitchell noted that actual expenditures for the Fiscal Year (FY) 2008 budget were less than had been projected since the AWBA manager position was vacant for half of the fiscal year. She reviewed the FY 2009 budget, which is estimated at \$618,474, and pointed out that it was less than the previous year's estimated budget. Staffing, travel and equipment costs have decreased while expenditures for professional and outside services increased a small amount. Ms. Mitchell reminded the Authority that the administrative costs are paid from interest earned on the AWBA's other fund accounts and from payments made by Nevada and the Secretary who have entered into agreements with the AWBA that require them to pay a percentage of the cost of services the Department of Water Resources provides to the AWBA. Funds in the administrative account are expected to be sufficient to pay the projected administrative costs for FY 2009.

Mr. Mawhinney made a motion to adopt the FY 2009 administrative budget. Gayle Burns provided the second to that motion. The motion carried.

Update on Expenditure of \$8 Million Available from the Arizona-Nevada Shortage-Sharing Agreement

Ms. O'Connell noted that at the last meeting, staff was asked to develop a plan for expending the \$8 million from Nevada that was provided to Arizona under the Shortage-Sharing Agreement and to develop a schedule for receiving the funds. She reviewed the plan noting the funds could be expended over a 3-year period. For 2008, planned deliveries included 30,000 acre-feet for the Phoenix AMA and 26,800 acre-feet for the Pinal AMA for a total cost of \$2,306,000. With regard to receiving the funds, Ms. O'Connell stated that the SNWA had agreed to an alternative method for payment that was based on partial payments rather than payment in full. Under this alternate method, the AWBA would notify SNWA in December of each year of the funds needed for the following year based on its approved Annual Plan of Operation. The AWBA could also request additional funds in a given year to take advantage of additional water storage opportunities that may become available to the AWBA. The AWBA will invoice SNWA until the sum of the \$8 million is received.

Interstate Water Banking

Ms. Mitchell reviewed the second quarter interstate accounting report for 2008, which now included actual credits accrued through 2007. Cumulative credits total 527,447 acre-feet, which accounts for 42 percent of the firming goal, and had cost approximately \$94.5 million. Based on the Amended Plan, the AWBA expects to accrue just over 6,000 acre-feet of credits at a cost of approximately \$1.2 million in the third quarter of this year. Storage for interstate purposes had not been included in the original Plan. Ms. Mitchell also noted that interest that would have accrued on the \$100 million resource account through May of 2008 is approximately \$13.6 million.

Call to the Public

Chairman Guenther announced that the December meeting had been rescheduled one week earlier to December 10, 2008 due to a conflict with the Colorado River Water Users Association conference.

Consideration of Action to go into Executive Session of the Authority Commission pursuant to A.R.S. §38-431.03.A.4 to consult with the attorney and staff for the AWBA and consider the AWBA's position regarding contract negotiations with the Gila River Indian Community on firming. The discussions and minutes of the executive session shall be kept confidential.

Chairman Guenther pointed out that the AWBA rarely goes into executive session and that it was only the second time in the history of the AWBA the action was considered. He noted however, that it was warranted under the circumstances.

Mr. Mawhinney made a motion to go into executive session. Gayle Burns provided the second to that motion. The motion carried. Chairman Guenther stated open session would not reconvene before 1:00 p.m.

Reconvene in Open Session

Mr. Mawhinney made a motion to reconvene the regular session. Ms. Burns provided the second to that motion. The motion carried.

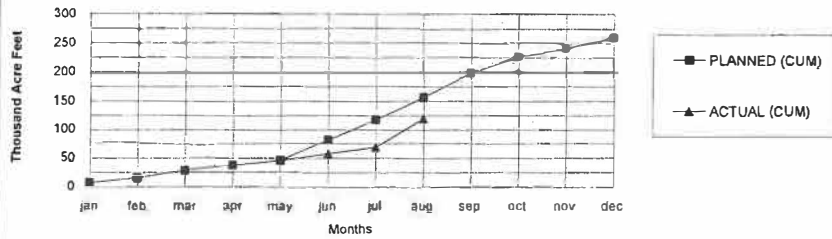
Consideration of Action Related to Items Discussed in Executive Session

There was no action.

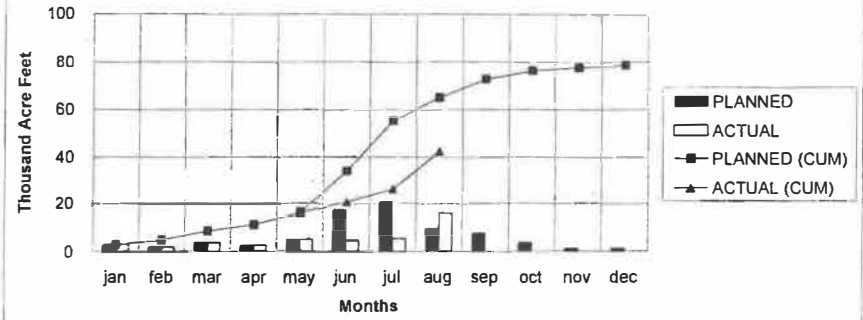
The meeting concluded at 1:05 p.m.

2008 Amended Plan of Operation INTRASTATE

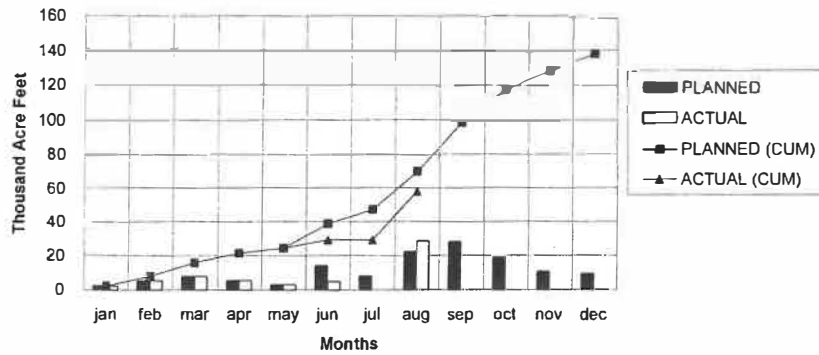
2008 DELIVERIES (by Month)
Planned vs. Actual



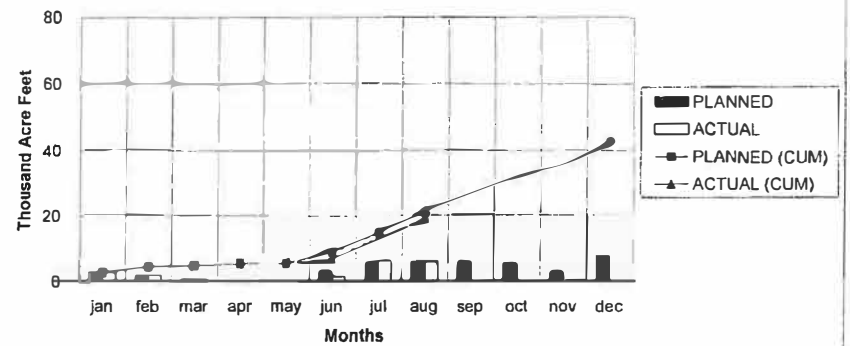
Phoenix AMA (by Month)
Planned vs. Actual



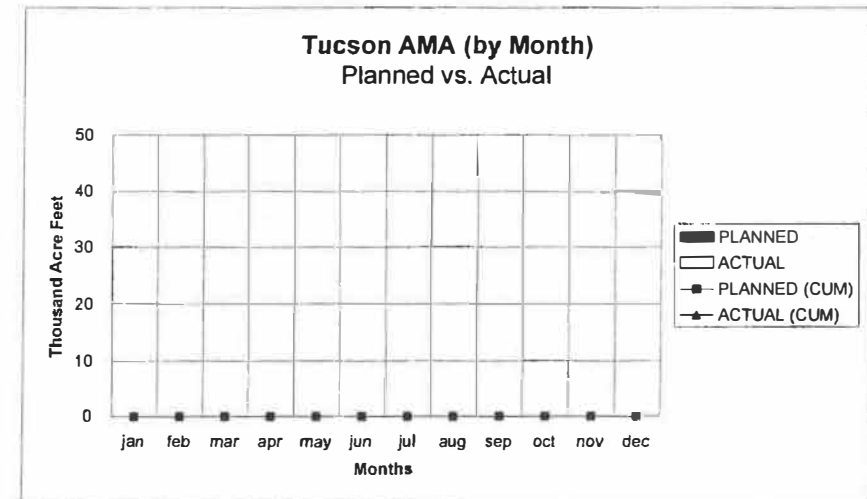
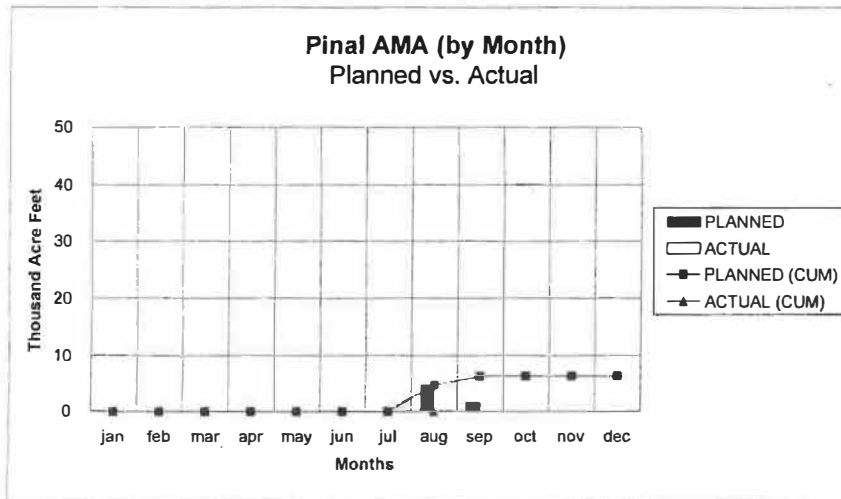
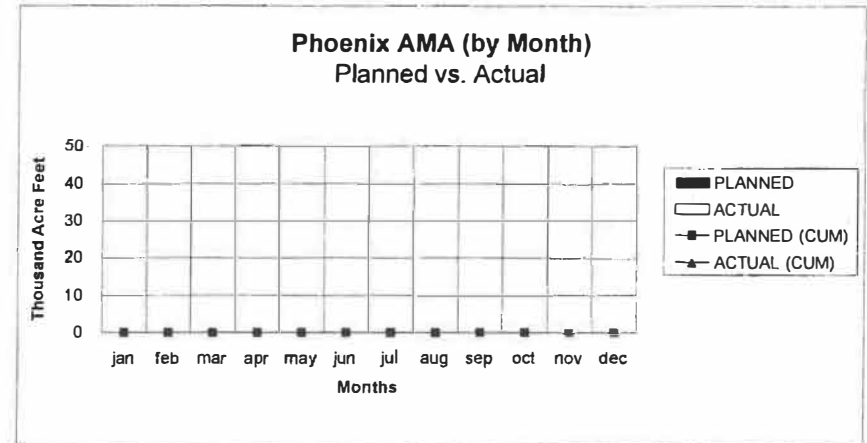
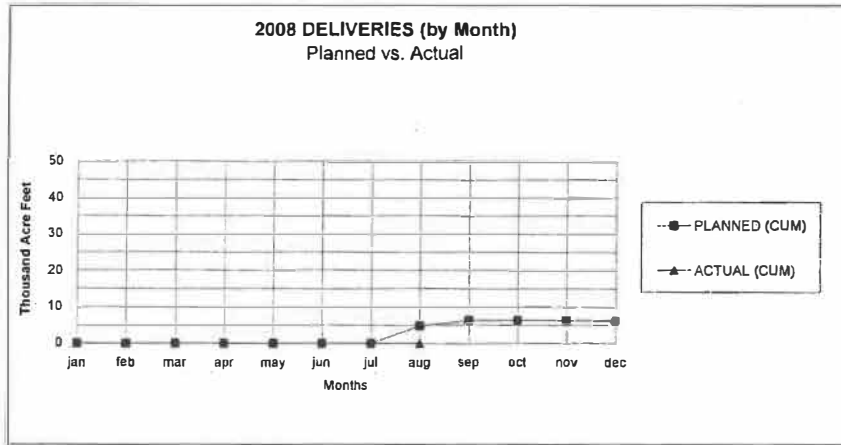
Pinal AMA (by Month)
Planned vs. Actual



Tucson AMA (by Month)
Planned vs. Actual



2008 Amended Plan of Operation INTERSTATE



Actual deliveries updated
Amended Plan of Operation

12-Sep-08

Phoenix AMA

Intrastate

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
GRUSP	0	0	0	0	0	0	0	0	0	0	0	0	0
AGUA FRIA	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
TONOPAH DESERT	2,958	2,012	3,755	2,422	5,126	2,898	455	0	0	0	0	0	19,626
CHCID	0	0	0	0	0	0	0	0	0	0	0	0	0
NMIDD	0	0	0	0	0	50	50	50	50	0	0	0	200
QCID	0	0	0	0	0	0	0	597	0	0	0	0	597
SRP	0	0	0	0	0	0	0	1,343	2,285	2,285	1,142	1,142	8,197
GRIDD	0	0	0	0	0	1,499	5,062	15,698	0	0	0	0	22,259
Subtotal	2,958	2,012	3,755	2,422	5,126	4,397	5,517	16,295	0	0	0	0	42,482
Total to date	2,958	4,970	8,725	11,147	16,273	20,670	26,187	42,482	42,482	42,482	42,482	42,482	42,482
Projected total to date	2,958	4,970	8,725	11,147	16,273	34,034	55,236	64,994	72,702	76,389	77,531	78,673	78,673

Interstate

GRUSP	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
HIEROGLYPHIC MTNS	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
CHCID	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
QCID	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
TID	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	0	0	0	0	0

Combined

Subtotal	2,958	2,012	3,755	2,422	5,126	4,397	5,517	16,295	0	0	0	0	42,482
Total to date	2,958	4,970	8,725	11,147	16,273	20,670	26,187	42,482	42,482	42,482	42,482	42,482	42,482
Projected total to date	2,958	4,970	8,725	11,147	16,273	34,034	55,236	64,994	72,702	76,389	77,531	78,673	78,673

Actual deliveries updated
Amended Plan of Operation

12-Sep-08

		jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
Pinal AMA														
Intrastate	CAIDD	0	0	0	0	0	0	0	22,237	0	0	0	0	22,237
		0	0	0	0	0	5,500	5,500	12,500	12,500	10,500	5,000	5,500	57,000
	MSIDD	1,530	2,530	3,650	4,100	3,100	0	0	5,200	0	0	0	0	20,110
		1,530	2,530	3,650	4,100	3,100	2,580	0	5,200	7,280	3,550	3,560	1,720	38,800
	HIDD	704	2,865	4,374	1,600	0	0	0	1,111	0	0	0	0	10,654
		704	2,865	4,374	1,600	0	1,217	2,750	5,010	8,842	5,146	2,201	2,291	37,000
	GRIIDD	164	0	0	0	0	0	4,816	0	0	0	0	0	5,000
		164	0	0	0	0	5,000	0	0	0	0	0	0	5,184
	Subtotal	2,418	5,395	8,024	5,700	3,100	4,816	0	28,548	0	0	0	0	58,001
	Total to date	2,418	7,813	15,837	21,537	24,637	29,453	29,453	58,001	58,001	58,001	58,001	58,001	58,001
	<i>Projected total to date</i>	<i>2,234</i>	<i>7,629</i>	<i>15,653</i>	<i>21,353</i>	<i>24,453</i>	<i>33,750</i>	<i>42,000</i>	<i>64,710</i>	<i>93,332</i>	<i>112,528</i>	<i>123,289</i>	<i>132,800</i>	<i>137,984</i>
Interstate	CAIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	3,200	0	0	0	0	3,200
	MSIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	1,600	1,600	0	0	0	3,200
	HIDD	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
	<i>Projected total to date</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>4,800</i>	<i>6,400</i>	<i>6,400</i>	<i>6,400</i>	<i>6,400</i>	<i>6,400</i>
Combined														
	Subtotal	2,418	5,395	8,024	5,700	3,100	4,816	0	28,548	0	0	0	0	58,001
	Total to date	2,418	7,813	15,837	21,537	24,637	29,453	29,453	58,001	58,001	58,001	58,001	58,001	58,001
	<i>Projected total to date</i>	<i>2,234</i>	<i>7,629</i>	<i>15,653</i>	<i>21,353</i>	<i>24,453</i>	<i>33,750</i>	<i>42,000</i>	<i>69,510</i>	<i>99,732</i>	<i>118,928</i>	<i>129,689</i>	<i>139,200</i>	<i>141,384</i>
Tucson AMA														
Intrastate	AVRA VALLEY	772	166	585	489	231	554	713	571	0	0	0	0	4,081
		772	166	585	489	231	700	700	700	700	657	650	650	7,000
	CAVSARP	1,175	1,500	0	0	0	0	1,500	1,500	0	0	0	0	5,675
		1,175	1,500	0	0	0	0	1,000	1,000	1,000	1,000	700	4,425	11,800
	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	551	0	0	0	0	977	4,040	3,788	0	0	0	0	9,356
		551	0	0	0	0	2,930	3,800	3,800	3,800	3,019	1,900	3,800	23,600
	SAVSARP	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	350	350
	Subtotal	2,498	1,666	585	489	231	1,531	6,253	5,859	0	0	0	0	19,112
	Total to date	2,498	4,164	4,749	5,238	5,469	7,000	13,253	19,112	19,112	19,112	19,112	19,112	19,112
	<i>Projected total to date</i>	<i>2,498</i>	<i>4,164</i>	<i>4,749</i>	<i>5,238</i>	<i>5,469</i>	<i>9,099</i>	<i>14,599</i>	<i>20,099</i>	<i>25,599</i>	<i>30,275</i>	<i>33,525</i>	<i>42,750</i>	<i>42,750</i>
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	0	0	0	0	0
	SAVSARP	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
	<i>Projected total to date</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Combined														
	Subtotal	2,498	1,666	585	489	231	1,531	6,253	5,859	0	0	0	0	19,112
	Total to date	2,498	4,164	4,749	5,238	5,469	7,000	13,253	19,112	19,112	19,112	19,112	19,112	19,112
	<i>Projected total to date</i>	<i>2,498</i>	<i>4,164</i>	<i>4,749</i>	<i>5,238</i>	<i>5,469</i>	<i>9,099</i>	<i>14,599</i>	<i>20,099</i>	<i>25,599</i>	<i>30,275</i>	<i>33,525</i>	<i>42,750</i>	<i>42,750</i>
TOTAL														
	Total to date	7,874	9,073	12,364	8,611	8,457	10,744	11,770	50,702	0	0	0	0	119,595
	<i>Projected total to date</i>	<i>7,874</i>	<i>16,947</i>	<i>29,311</i>	<i>37,922</i>	<i>46,195</i>	<i>76,883</i>	<i>111,835</i>	<i>154,603</i>	<i>198,033</i>	<i>225,592</i>	<i>240,745</i>	<i>260,623</i>	<i>265,807</i>

**CENTRAL ARIZONA PROJECT
ANNUAL RECOVERY PLAN & USE**

for
Calendar Year 2008
(values in acre-feet)

Revised 9/9/08

Pinal County Irrigation Districts Recovery Schedule:

MONTH	MSIDD		CAIDD		HIDD		CAGRD EXCHANGE		TOTAL	
	SCH	Used	SCH	Used	SCH	Used	SCH	Used	SCH	Used
Jan	0	214	500	506	0	0	0	0	500	720
Feb	310	357	500	537	0	0	0	0	810	894
Mar	1,250	771	1,200	1,270	0	0	0	0	2,450	2,041
Apr	1,330	1,026	1,200	1,326	0	0	0	0	2,530	2,352
May	380	942	1,400	1,405	0	0	0	0	1,780	2,347
Jun	2,520	848	1,500	1,502	0	0	0	0	4,020	2,350
Jul	0	1,061	1,500	1,547	0	0	0	0	1,500	2,608
Aug	1,010	1,497	1,500	1,710	0	0	0	0	2,510	3,207
Sep	1,790	0	1,200	0	0	0	0	0	2,990	0
Oct	880	0	250	0	340	0	0	0	1,470	0
Nov	480	0	250	0	300	0	0	0	1,030	0
Dec	50	0	0	0	360	0	3,000	0	3,410	0
Total	10,000	6,716	11,000	9,803	1,000	0	3,000	0	25,000	16,519

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

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

Less 2007 total recovered credits = 16,804

Remaining credits to be recovered = 47,586

**Discussion Paper – Access to Excess Water
Alternative Solution Issues**

1. Annual Pool Set Aside for AWBA and CAGR D Replenishment Reserve

- The intent is to annually determine the amount of water needed by the AWBA to meet its goals and obligations for M&I subcontract firming, Indian water settlement firming, interstate firming and on-river firming, and by CAGR D for its replenishment reserve. This would be a collaborative process among CAP, AWBA, and ADWR that would consider money available, GSF and USF storage space, progress towards the final goal, and total excess water supply.

PROS

This process would help insure CAP and statewide goals for long-term water storage are met. The CAP Repayment Stipulation provides that such a pool can be established.

CONS

Legislation is needed to change the AWBA statute that puts AWBA in last priority to store excess water that would not have otherwise been purchased by others. While it is probable that such legislation can be obtained in 2009, it is not certain. With the need for legislation, the policy and guidelines could not be in place until 2010 water deliveries.

2. Establish a Policy for No Profit on Sale of Excess CAP Water Credits

- The intent is to stop water speculation. That is purchasing credits for future sale at a profit as contrasted with the purchase for a business use such as a power plant, housing development, mining, golf course, etc.

PROS

This would stop any future large scale ordering of water for speculation purposes. The potential saved water would be available to others and, finally, to the AWBA if not otherwise ordered. We suspect a recent contract for this type of activity was entered into with Aqua Capital Management. We know that our long-term customer, Vidler Water Company, is in this category. CAP could adopt a policy and contract language before October 1 requiring any sale or transfer of credits to have CAP oversight and put limits on the price of the credits. The policy and contractual changes, if needed, would apply to all water sales for recharge beginning in 2009.

CONS

There is no assurance that this approach would result in Excess Water for the AWBA. All of the water might be purchased by cities, water companies, mining interests, power interests, development interests or golf courses.

ADWR maintains the account and records for underground storage credits. They would need to adopt an administrative process to track the appropriate credits and inform CAP of all transactions regarding credits obtained with Excess CAP Water. It would require legislation directing ADWR not to approve credit assignments without CAP concurrence.

PROS

CONS

ADWR is not willing to seek such legislation and does not want the additional administrative burden of tracking and notifying CAP.

The CAP would need to develop appropriate guidelines on what is acceptable cost recovery, value of money, and cost of administration for the “seller” of the credits. The CAP would need to develop an enforcement process to support legal action to recover excess profits or void the credit transfer if our policy was not honored.

3. Use a “First in Time, First in Right” Approach Using the Contract Date to Allocate the Water.

- The intent would be to have a process to allocate the scarce water supply that does not require a value judgment concerning the contractor or intended use of the water.

PROS

This process would preclude or limit the availability of water for water speculators who did not have contracts prior to 2008. It could provide a temporary mechanism for 2009 while a more comprehensive evaluation is completed and legislation obtained.

CONS

There is no assurance that this approach would result in Excess water for the AWBA. All of the water might be purchased by cities, water companies, mining interests, power interests, development interests or golf courses.

CENTRAL ARIZONA PROJECT EXCESS WATER CONTRACTS

(Alphabetical Order)

August 20, 2008

Full Cost @ \$112/AF						Incentive Recharge @ \$51/AF					
Contract Date	Customer Name	High 3 yr Use (AF)	Type of Water Use			Contract Date	Customer Name	High 3 yr Use (AF)	Type of Water Use		
			Subcontract	Golf Course	Others				Subcontract	AWBA	Other
02/15/08	Ancala Country Club	500		X		01/09/03	Active Resource Management	24,925			X
06/26/01	Arizona American Water Company	0	X			03/07/03	Apache Junction Water Company	2,883	X		
03/08/01	Arizona Pacific Materials	143			X	05/13/08	Aqua Capital Management	0			X
03/24/05	Arizona Public Service	130			X	04/03/03	Avondale, City of	5,135	X		
11/04/04	Arizona State University/Karsten Golf	640		X		07/14/05	AWBA (direct)	204,161		X	
05/21/01	Arizona Wholesale Growers	125			X	11/03/03	BKW Farms	0		X	
09/06/07	ASARCO, LLC	1,028			X	Pending	Buckeye, Town of	0	X		
08/04/05	Avondale, City of	2,305	X			* 2003	Central Arizona Groundwater Rep Dist	14,573	X		
06/05/01	Canyon Forest Village II	0			X	01/24/05	Central Arizona IDD	57,360		X	
01/22/07	Cave Creek Water Company	276	X			11/10/03	Chandler Heights Citrus ID	340		X	
* 1993	Central Arizona Groundwater Rep Dist	16,009	X			03/07/03	Chandler, City of	22,025	X		
03/07/03	Chandler, City of	0	X			04/09/08	Communitis Southwest	0			X
05/21/04	Chaparral City Water Company	356	X			Pending	Coolidge Power Corporation	0			X
08/27/03	Eloy, City of	0	X			02/05/04	DMB White Tank, LLC	40			X
12/07/06	Fulton Homes Corporation	0			X	01/06/03	Duke Energy Arlington Valley	0			X
05/21/01	Glendale, City of	1,208	X			02/20/01	Gila River Indian IDD	20,629		X	
05/03/01	H2O, Inc.	509	X			03/10/03	Gilbert, Town of	11,500	X		
08/04/05	Harquahala Valley Farms	0			X	01/02/03	Goodyear, City of	13,324	X		
07/16/02	Kearny, Town of	0			X	11/03/03	Hohokam IDD	42,500		X	
01/05/07	LaFarge N. America	92		X		02/03/05	Kai Farms	461		X	
05/01/01	Marana, Town of	1,500	X			12/30/02	Marana, Town of	2,531	X		
04/09/08	Maricopa County Parks & Recreation	68	X			12/04/03	Maricopa Stanfield IDD	83,090		X	
04/23/01	Maricopa Drilling & Equipment	1			X	12/30/02	Mesa, City of	16,129	X		
09/30/04	Martori Farms	0			X	10/05/06	Metropolitan Water District	3,425	X		
05/02/01	Mazatzal Tree Farm	15			X	11/21/03	New Magma IDD	23,863		X	
10/09/01	Mesa Golf Center	60		X		01/09/03	Oro Valley, Town of	2,500	X		
05/21/04	New Harquahala Generating Company	899			X	01/24/03	Peoria, City of	5,206	X		
05/23/01	Oasis Golf Resort	1,959		X		01/09/03	Pinal County Augmentation Authority	2,000			X
11/03/05	Peoria, City of	1,408	X			05/08/06	Pulte Home Corp/Del Webb	2,500			X
04/24/01	Picacho Elementary School	34			X	11/03/03	Queen Creek ID	7,522		X	

Full Cost @ \$112/AF					Incentive Recharge @ \$51/AF						
Contract Date	Customer Name	High 3 yr Use (AF)	Type of Water Use			Contract Date	Customer Name	High 3 yr Use (AF)	Type of Water Use		
			Subcontract	Golf Course	Others				Subcontract	AWBA	Other
05/21/01	Pinal County Dept of Public Works	48			X	11/09/05	Resolution Copper Mining	38,797			X
11/20/03	Pulte/Del Webb Home Corporation	0			X	11/07/02	Robson Communities	0			X
07/06/01	Queen Creek Water Company	919	X			11/03/03	Roosevelt Water Conservation District	0	X		
05/02/01	Recreational Center	205		X		06/22/06	Rosemont Copper Company	15,000			X
03/06/02	Red Mt. Ranch Country Club & HOA	662		X		10/09/03	Salt River Project	93,274	X		
05/03/07	Royal Dunes Golf Club	773		X		02/06/03	Scottsdale, City of	3,685	X		
10/05/06	Santa Cruz Water Company	230			X	Pending	SGS-1, LLC	0			X
07/12/01	Scottsdale, City of	0	X			07/24/08	Spanish Trail Water Company	0	X		
08/22/06	Shea Homes/Avalea & Encanterra	792		X	X	11/15/02	Sun Lakes Casa Grande	0			X
11/06/03	Shea Sunbelt/Vistancia	1,888		X	X	01/09/03	Tempe, City of	5,000	X		
10/03/02	Sonoran Land Group/Las Sendas Golf	553		X		11/03/03	Tonopah ID	0		X	
04/08/01	Spectrum at Val Vista Homeowners Ass.	0			X	01/09/03	Tucson, City of	0	X		
01/09/03	Springfield Golf Resort	0		X		11/25/02	Vail Water Company	786	X		
04/22/04	Stallion Management/Par Golf	0		X		01/24/03	Vidler Water Company	32,411			X
01/04/07	Standard Pacific of Arizona	0			X	01/22/07	Water Utility of Greater Buckeye	0	X		
08/11/04	Stephens, Russell	0			X	01/22/07	Water Utility of Greater Tonopah	9,993	X		
01/06/05	Stone Creek Farm	4			X						
11/07/02	Sun Environments/Scottsdale Garden Ctr	0			X						
12/01/05	Tabletop Nursery	8			X						
05/23/01	Tempe, City of	0	X								
04/04/02	Tonto National Forest	50			X						
02/06/03	Val Vista Lakes	120			X						
06/01/06	VF Investments/Vicksburg Farm	65		X							
07/15/04	Viewpoint RV & Golf Resort	394		X							
		35,976						767,568			

* Reflects date of statutory obligation.

CENTRAL ARIZONA PROJECT EXCESS WATER CONTRACTS

(by Contract Date)

August 20, 2008

Full Cost @ \$112/AF						Incentive Recharge @ \$51/AF					
Contract Date	Customer Name	High 3 yr Use (AF)	Type of Water Use			Contract Date	Customer Name	High 3 yr Use (AF)	Type of Water Use		
			Subcontract	Golf Course	Others				Subcontract	AWBA	Other
03/08/01	Arizona Pacific Materials	143			X	02/20/01	Gila River Indian IDD	20,629		X	
04/08/01	Spectrum at Val Vista Homeowners Ass.	0			X	11/07/02	Robson Communities	0			X
04/23/01	Maricopa Drilling & Equipment	1			X	11/15/02	Sun Lakes Casa Grande	0			X
04/24/01	Picacho Elementary School	34			X	11/25/02	Vail Water Company	786	X		
05/01/01	Marana, Town of	1,500	X			12/30/02	Marana, Town of	2,531	X		
05/02/01	Mazatzal Tree Farm	15			X	12/30/02	Mesa, City of	16,129	X		
05/02/01	Recreational Center	205		X		01/02/03	Goodyear, City of	13,324	X		
05/03/01	H2O, Inc.	509	X			01/06/03	Duke Energy Arlington Valley	0			X
05/21/01	Arizona Wholesale Growers	125			X	01/09/03	Active Resource Management	24,925			X
05/21/01	Glendale, City of	1,208	X			01/09/03	Oro Valley, Town of	2,500	X		
05/21/01	Pinal County Dept of Public Works	48			X	01/09/03	Pinal County Augmentation Authority	2,000			X
05/23/01	Oasis Golf Resort	1,959		X		01/09/03	Tempe, City of	5,000	X		
05/23/01	Tempe, City of	0	X			01/09/03	Tucson, City of	0	X		
06/05/01	Canyon Forest Village II	0			X	01/24/03	Peoria, City of	5,206	X		
06/26/01	Arizona American Water Company	0	X			01/24/03	Vidler Water Company	32,411			X
07/06/01	Queen Creek Water Company	919	X			02/06/03	Scottsdale, City of	3,685	X		
07/12/01	Scottsdale, City of	0	X			03/07/03	Apache Junction Water Company	2,883	X		
10/09/01	Mesa Golf Center	60		X		03/07/03	Chandler, City of	22,025	X		
03/06/02	Red Mt. Ranch Country Club & HOA	662		X		03/10/03	Gilbert, Town of	11,500	X		
04/04/02	Tonto National Forest	50			X	04/03/03	Avondale, City of	5,135	X		
07/16/02	Kearny, Town of	0			X	10/09/03	Salt River Project	93,274		X	
10/03/02	Sonoran Land Group/Las Sendas Golf	553		X		11/03/03	BKW Farms	0		X	
11/07/02	Sun Environments/Scottsdale Garden Ctr	0			X	11/03/03	Hohokam IDD	42,500		X	
01/09/03	Springfield Golf Resort	0		X		11/03/03	Queen Creek ID	7,522		X	
02/06/03	Val Vista Lakes	120			X	11/03/03	Roosevelt Water Conservation District	0		X	
03/07/03	Chandler, City of	0	X			11/03/03	Tonopah ID	0		X	
08/27/03	Eloy, City of	0	X			11/10/03	Chandler Heights Citrus ID	340		X	
11/06/03	Shea Sunbelt/Vistancia	1,888		X	X	11/21/03	New Magma IDD	23,863		X	
11/20/03	Pulte/Del Webb Home Corporation	0			X	12/04/03	Maricopa Stanfield IDD	83,090		X	
04/22/04	Stallion Management/Par Golf	0		X		02/05/04	DMB White Tank, LLC	40			X

Full Cost @ \$112/AF						Incentive Recharge @ \$51/AF					
Contract Date	Customer Name	High 3 yr Use (AF)	Type of Water Use			Contract Date	Customer Name	High 3 yr Use (AF)	Type of Water Use		
			Subcontract	Golf Course	Others				Subcontract	AWBA	Other
05/21/04	Chaparral City Water Company	356	X			01/24/05	Central Arizona IDD	57,360		X	
05/21/04	New Harquahala Generating Company	899			X	02/03/05	Kai Farms	461		X	
07/15/04	Viewpoint RV & Golf Resort	394		X		07/14/05	AWBA (direct)	204,161		X	
08/11/04	Stephens, Russell	0			X	11/09/05	Resolution Copper Mining	38,797			X
09/30/04	Martori Farms	0			X	05/08/06	Pulte Home Corp/Del Webb	2,500			X
11/04/04	Arizona State University/Karsten Golf	640		X		06/22/06	Rosemont Copper Company	15,000			X
01/06/05	Stone Creek Farm	4			X	10/05/06	Metropolitan Water District	3,425	X		
03/24/05	Arizona Public Service	130			X	01/22/07	Water Utility of Greater Buckeye	0	X		
08/04/05	Avondale, City of	2,305	X			01/22/07	Water Utility of Greater Tonopah	9,993	X		
08/04/05	Harquahala Valley Farms	0			X	04/09/08	Communitas Southwest	0			X
11/03/05	Peoria, City of	1,408	X			05/13/08	Aqua Capital Management	0			X
12/01/05	Tabletop Nursery	8			X	07/24/08	Spanish Trail Water Company	0	X		
06/01/06	VF Investments/Vicksburg Farm	65		X		* 2003	Central Arizona Groundwater Rep Dist	14,573	X		
08/22/06	Shea Homes/Avalea & Encanterra	792		X	X	Pending	Buckeye, Town of	0	X		
10/05/06	Santa Cruz Water Company	230			X	Pending	Coolidge Power Corporation	0			X
12/07/06	Fulton Homes Corporation	0			X	Pending	SGS-1, LLC	0			X
01/04/07	Standard Pacific of Arizona	0			X						
01/05/07	LaFarge N. America	92		X							
01/22/07	Cave Creek Water Company	276	X								
05/03/07	Royal Dunes Golf Club	773		X							
09/06/07	ASARCO, LLC	1,028			X						
02/15/08	Ancala Country Club	500		X							
04/09/08	Maricopa County Parks & Recreation	68	X								
* 1993	Central Arizona Groundwater Rep Dist	16,009	X								
		35,976						767,568			

* Reflects date of statutory obligation.

Status of Water Agreements

1. **Queen Creek Water Co. to Town of Queen Creek**
Paul Gardner – 480-987-3240
Excess Executed July 6, 2001
Name change to the Town

2. **City of El Mirage**
Jamie McCullough – 623-876-4252

AFRP Offered to El Mirage on 6/2/08
HMRP Offered to El Mirage on 6/2/08
TDRP Offered to El Mirage on 6/2/08

M&I Subcontract Executed June 20, 2007

3. **City of Tucson**
Wally Wilson – 520-837-2239

AVRP Offered to Tucson on 7/15/08
LSCR P Offered to Tucson on 7/15/08

Incentive Executed January 9, 2003

4. **SGS-1, LLC - ON HOLD**
Margaret B. LaBianca – 602-364-7205

AFRP Draft w/SB on 8/5/08
HMRP Draft w/SB on 8/5/08
TDRP Draft w/SB on 8/5/08

Incentive Draft w/SB on 8/5/08

5. **Global to Valencia – ON HOLD**
Rita Maguire – 602-277-2195

TDRP On hold until Board Meeting
Name change to Valencia

6. **Vidler Water Co. – ON HOLD**
Dave Merrill / Dorothy Palmer – 775-885-5000 (Ext. 102)

TDRP On hold until Board Meeting

Excess On hold
Incentive Executed January 24, 2003

7. **Coolidge Power Corp. – ON HOLD**
Karen Nally/Jay Moyes – 602-604-2158

Incentive On hold until Board Meeting

8. **Hopi Tribe - ON HOLD** (waiting to get letter from Mark)
Mark Meyers – 520-881-4912

WSA Our facilities in the Phoenix and Tucson AMA

Incentive On hold until Board Meeting

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draft

Table 2
Water Delivery Schedule
Calendar Year 2009
 (Acre-feet)

AWBA-Recharge Sites		Permitted Capacity (AF)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
PHOENIX AMA :															
USF	GRUSP	200,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	HIEROGLYPHIC	35,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	AGUA FRIA	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	TONOPAH DESERT	150,000	2,958	2,012	3,755	2,422	5,126	8,727	0	0	0	0	0	0	25,000
	TONOPAH Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
															25,000
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	0	0	0	0	0	0	0	0
	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	1,402	5,711	10,475	8,365	5,373	0	0	0	31,326
															39,523
	TOTAL INTRASTATE		2,958	2,012	3,755	2,422	6,528	14,438	10,475	9,708	7,658	2,285	1,142	1,142	64,523
	TOTAL INTERSTATE		0	0	0	0	0	0	0	0	0	0	0	0	0
AMA TOTAL			2,958	2,012	3,755	2,422	6,528	14,438	10,475	9,708	7,658	2,285	1,142	1,142	64,523
PINAL AMA :															
GSF	CAIDD	110,000	0	0	0	1,500	2,000	5,500	5,500	5,500	5,500	4,750	1,750	500	32,500
	CAIDD Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
	HOHOKAM	55,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	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	4,050	5,570	3,090	720	32,500
	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	5,000	0	0	0	0	0	0	0	5,000	
															70,000
	TOTAL INTRASTATE		930	1,030	2,070	4,090	10,110	8,620	8,610	8,610	9,550	10,320	4,840	1,220	70,000
	TOTAL INTERSTATE		0	0	0	0	0	0	0	0	0	0	0	0	0
AMA TOTAL			930	1,030	2,070	4,090	10,110	8,620	8,610	8,610	9,550	10,320	4,840	1,220	70,000
TUCSON AMA:															
USF	AVRA VALLEY	11,000	600	600	600	600	600	600	600	600	600	0	0	600	6,000
	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	2,100	2,100	2,100	2,100	2,100	1,246	0	0	0	0	2,454	8,100	22,300
	SAVSARP	60,000	1,500	1,500	1,500	1,500	750	1,000	0	0	0	0	0	1,900	9,650
															60,950
GSF	BKW	16,615	0	0	0	0	0	0	0	0	0	0	0	0	0
	KAI FARMS (Red Rock)	11,231	0	0	0	0	0	0	0	0	0	0	0	0	0
															0
	TOTAL INTRASTATE		4,529	6,500	2,700	2,700	2,700	1,846	1,171	4,400	4,400	2,700	5,154	12,500	60,950
	TOTAL INTERSTATE		0	0	0	0	0	0	0	0	0	0	0	0	0
AMA TOTAL			4,529	6,500	2,700	2,700	2,700	1,846	1,171	4,400	4,400	2,700	5,154	12,500	60,950
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			8,417	9,542	8,525	9,212	19,338	24,904	20,256	22,718	21,608	15,305	11,136	14,862	195,473
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL			8,417	9,542	8,525	9,212	19,338	24,904	20,256	22,718	21,608	15,305	11,136	14,862	195,473

Table 4. 2009 Water and Facility Rates

CAWCD delivery rate to AWBA	\$82 per acre-foot
Interstate rate	\$233 per acre-foot
Groundwater Savings Facility operator portion of delivery rate ¹	
Intrastate ²	\$32 per acre-foot
Interstate	\$26 per acre-foot
Underground Storage Facility rate paid by AWBA	
Agua Fria Recharge Project (CAWCD) ³	\$8.00 per acre-foot
Hieroglyphic Mtns. (CAWCD) ³	\$8.00 per acre-foot
Tonopah Desert Recharge Project (CAWCD) ³	\$8.00 per acre-foot
West Maricopa Combine	\$27.00 per acre-foot
Avra Valley (CAWCD) ⁴	\$15.00 per acre-foot
Lower Santa Cruz (CAWCD/Pima County) ⁴	\$15.00 per acre-foot
Pima Mine Road (CAWCD) ⁴	\$15.00 per acre-foot
CAVSARP (Tucson Water)	TBD
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 \$50/af for intrastate deliveries and \$207/af for interstate deliveries.

² The cost share portion for the Gila River Indian Irrigation District GSF is \$20/af through 2009 and reduces the AWBA rate to \$62/af for CY 2009.

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 2009 Annual Plan of Operation

	Funds Available (\$)		Funds Utilized (\$)		Credits (AF)
	AWBA	CAWCD	AWBA	CAWCD	
Withdrawal Fees					
Phoenix AMA	\$2,445,000	-	\$2,453,000	-	34,680
Pinal AMA	\$2,199,000	-	\$2,199,000	-	32,920
Tucson AMA	\$722,000	-	\$722,000	-	6,270
Four Cent Tax					
Phoenix AMA	\$0	\$89,467,000	\$0	\$899,000	10,320
Pinal AMA	\$0	\$1,468,000	\$0	\$1,468,000	27,010
Tucson AMA ¹	\$0	\$9,508,000	\$0	\$3,970,000	37,650
Other					
General	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
Indian Firming	\$438,000				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$438,000	-	3,880
Gifts, Grants, Donations					
Shortage Reparations²					
(NV):	\$5,694,000				
Phoenix AMA		-	\$1,250,000		15,600
Pinal AMA		-	\$0		0
Tucson AMA		-	\$750,000		7,110
Interstate Banking					
Nevada ³	\$37,351,000		\$0		0
California	(not applicable)				
	Total Funds Available		Total Funds Expended		Credits
	\$149,292,000		\$14,149,000		175,440

¹ Includes CAWCD'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. Revenue through 2008 is estimated to be \$1,318,229.

² Southern Nevada Water Authority (SNWA) agreed to provide \$8M to the AWBA to assist Arizona in offsetting impacts from shortages pursuant to Arizona-Nevada Shortage-Sharing Agreement.

³ Available funds include a balance of \$14.35 million in the Resource Account and the first payment of the 10 annual payments of \$23 million from SNWA deposited to the Operating Account.



MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Executive Office

September 9, 2008

Mr. David S. "Sid" Wilson, Jr.
General Manager
Central Arizona Water Conservation District
P.O. Box 43020
Phoenix, AZ 85080-3020

Dear Mr. Wilson:

Recovery of Interstate Underground Storage Credits in 2009

This is to confirm discussions held between our agencies regarding recovery of long term storage credits in 2009 consistent with Item 1 of the December 11, 2007, letter agreement among our agencies and the Arizona Water Banking Authority. The Metropolitan Water District of Southern California (Metropolitan) and Central Arizona Water Conservation District (CAWCD) have agreed to develop 30,000 acre-feet of intentionally created unused apportionment in 2009 for this purpose.

CAWCD recovered 16,804 acre-feet in 2007 and will recover 25,000 acre-feet in 2008. With 30,000 acre-feet projected to be recovered next year, this would leave a balance of 9,105 acre-feet.

We anticipate considerable unused operating capacity in the Colorado River Aqueduct and if the opportunity is there to recover the remaining 9,105 acre-feet, we prefer to amend our schedule to divert 39,105 acre-feet in 2009.

Thank you for your agency's cooperation, and please feel free to call me at (213) 217-5786 if you have any questions.

Very truly yours,

Roger K. Patterson
Assistant General Manager

HMR:rm

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Mr. David S. "Sid" Wilson Jr.

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September 9, 2008

cc: Mr. Timothy J. Henley
Arizona Water Banking Authority
3550 N. Central Avenue
Phoenix, AZ 85012

Ms. Kim Mitchell
Arizona Water Banking Authority
3550 N. Central Avenue
Phoenix, AZ 85012

Mr. Larry Dozier
Central Arizona Water Conservation District
P.O. Box 43020
Phoenix, AZ 85080-3020

Mr. Tom McCann
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Mr. Chuck Cullom
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Mr. Gerald R. Zimmerman
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Ms. Lorri Gray
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U.S. Bureau of Reclamation
P.O. Box 61470
Boulder City, NV 89006-1470

DRAFT

ARIZONA WATER BANKING AUTHORITY

**INTERSTATE WATER BANKING REPORT
Fiscal Year 2008**



1996

Submitted

October 1, 2008

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, 2008 contains information for fiscal year 2008.

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 2007 was stored in storage facilities located in 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 through the end of calendar year 2007 totaled 527,447 acre-feet (AWBA Annual Report 2007, Table 4) and an estimated 6,400 acre-feet of credits are forecasted to be accrued during the 2008 calendar year (AWBA Annual Plan of Operation 2008, Amended Table 2; amended in June, 2008). The AWBA will have an estimated, cumulative total of 533,847 acre-feet of credits stored on behalf of Nevada by the end of calendar year 2008. These credits amount to about 43% 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 2008; thus, the credits are estimated through the end of 2008.

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 2008, 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 2008					
Beginning Balance FY 2008	\$ Received from NV ¹	Disbursements ²	Prepayment Forwarded to CAWCD ³	AZ State Treasury End of FY Balance ⁴	\$ Committed for AWBA CY Plan of Operation ⁵
\$22,672,559	- 0 -	\$4,710,236	- 0 -	\$18,936,271	\$0

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.

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
	2007	114,813	527,447	42%	\$ 21,853,906	\$ -	\$ 15,573,327
Estimated	2008						
	1 st Quarter	0	527,447	42%	\$ -	\$ -	\$ 15,573,327
	2 nd Quarter	0	527,447	42%	\$ -	\$ -	\$ 15,573,327
	3 rd Quarter	6,016	533,536	43%	\$ 1,222,400	\$ -	\$ 14,350,927
	Sub-total				\$ 95,703,018		
	4 th Quarter	0	533,536	43%	\$ -	\$ -	\$ 14,350,927
	Total		533,536	43%	\$ 95,703,018	\$ 110,053,945	\$ 14,350,927

¹ 2003 credits transferred from CAWCD pursuant to Amended Agreement for Interstate Water Banking. Credits for 2008 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 2002 reconciliation.

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

**Arizona State Treasurer's Office
Calculation of Interest Earnings for
Arizona Water Banking Authority
Reinvestment Method
For Period of June 27, 2005 thru July 31, 2008**

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
September 2007	109,739,087.08	5.2974%	30	365	477,806.99
October 2007	110,216,894.07	5.1597%	31	365	482,993.68
November 2007	110,699,887.75	5.0624%	30	365	460,608.59
December 2007	111,160,496.34	4.8656%	31	365	459,362.68
January 2008	111,619,859.02	4.7045%	31	365	445,988.61
February 2008	112,065,847.63	4.6296%	29	365	412,213.19
March 2008	112,478,060.82	4.2184%	31	365	402,980.85
April 2008	112,881,041.67	4.6153%	30	365	428,202.63
May 2008	113,309,244.30	3.2147%	31	365	309,367.45
June 2008	113,618,611.76	3.1245%	30	365	291,781.93
July 2008	113,910,393.69	3.2197%	31	365	311,492.50
Total Earnings					14,221,886.19

On June 27, 2005, AWBA received monies in the amount of \$26,000,000.00.

(See Doc. # D05W0810). On October 19, 2005, AWBA received \$74,000,000.00 (See Doc. #D06W0214).

Arizona Water Banking Authority Responsibilities and Funding Sources

Arizona Water Banking Authority (AWBA; Authority) Commission members have expressed concern over the increasing responsibilities of the AWBA, the ability to meet those responsibilities, and the availability of funds and related impacts to activities of the Authority. This paper was written in response to those concerns and is intended to clearly identify and summarize the significant number of AWBA's responsibilities, the status of the AWBA's progress in meeting each of those responsibilities, and the limited funding sources available with which to accomplish them. Where applicable, the way in which the AWBA proposes to meet future responsibilities is addressed.

The discussion below summarizing AWBA responsibilities is divided into three sections: statutory obligations, contractual obligations, and administrative requirements. Contractual obligations are further divided into two topics - agreements creating specific obligations for the AWBA and agreements that refer to delivery, storage, and accounting of water.

Following this discussion of responsibilities are three appendices.

Appendix A outlines all of the current reporting requirements of the AWBA. These tables provide details of the narrative discussion in tabular form and are presented in the same sequence.

Appendix B presents the AWBA's cumulative activity in meeting firming goals and obligations. This section also shows current funding sources, statutory limitations on the use of those funds and percent of goal/obligation achieved.

Appendix C is a compilation of tables pertaining to Southside Replenishment Obligations and the Southside Replenishment Bank and includes: a timeline of activities, accounting spreadsheets for M&I and irrigation replenishment obligation, obligation activity tables for ADWR annual report submittals, and a summary table for AWBA annual report.

STATUTORY OBLIGATIONS

Note: Under Statutory Obligations, only the introductory or applicable paragraphs are shown in identifying an AWBA obligation

INDIAN FIRING MEASURES

45-2491. State commitments to firm Indian settlement water

The Authority shall act as agent for the state in meeting the state's obligation to deliver water in times of shortage pursuant to Public Law 108-451, fulfilling the requirements of sections 105, 207(c)(1)(ii) and 302(b)(8), and the Indian firing measures established pursuant to this article.

The state's obligation is defined under the Arizona Water Settlements Act (Settlements Act). Under Section 105(b)(2) of the Settlements Act, the state is required to: A) firm 15,000 acre-feet of non-Indian agricultural (NIA) priority CAP water re-allocated to the Gila River Indian Community (GRIC), B) firm 8,724 acre-feet of NIA priority CAP water re-allocated in the future to Arizona Indian tribes, and C) assist the Secretary in carrying out obligations of the secretary in accordance with Section 306 of the Southern Arizona Water Rights Settlement Amendments Act. Under Section 306(b), the State is to assist the Secretary of the Interior (Secretary) in the Tohono O'odham Nation firing requirement by providing \$3 million in cash or in-kind goods or services, including water, to the Secretary.

Status: On November 15, 2007 the AWBA, as agent for the State, entered into an agreement with the Secretary to firm CAP Indian water (Secretarial Agreement). The Secretarial Agreement identifies the AWBA's obligations and develops methods for meeting those obligations. (See next section on CONTRACTUAL OBLIGATIONS - AGREEMENTS).

GRIC SOUTHSIDE REPLENISHMENT

45-2623. Satisfaction of southside replenishment obligations

This section requires that the Authority satisfy the southside replenishment obligations for a particular year. Obligations may be satisfied in several ways such as directly delivering water to the GRIC for direct use or for underground storage and recovery within the reservation, extinguishing long-term storage credits, or debiting the GRIC's account in the southside replenishment bank. The section also requires the AWBA to maintain replenishment activity records including water delivered to the GRIC for

replenishment obligations, any long-term storage credits extinguished, and any debits registered to the southside replenishment bank and to notify the GRIC of the replenishment activity performed.

Status: The AWBA has set up accounting spreadsheets which will allow the AWBA to maintain a record of replenishment activities.

45-2624. Southside replenishment bank; credits

This section requires that the Authority establish, at no cost to the GRIC, a southside replenishment bank account in the amount of 15,000 acre-feet of credits. It also requires the account balance be maintained at no less than 5,000 acre-feet of credits. The section requires the Authority to enter into an intergovernmental agreement (IGA) with the GRIC for the direct delivery of water as the mechanism for creating the credit balance in the account.

Status: AWBA staff has created a draft IGA with the GRIC for direct delivery of 15,000 acre-feet, which will establish the southside replenishment bank. The IGA is presently being reviewed by staff members of both AWBA and GRIC. Direct deliveries to the GRIC would require an amendment to the 2008 Plan of Operation and since there are no general funds available, would be paid for utilizing withdrawal fees collected in the Pinal AMA.

45-2626. E. Individual replenishment obligations of persons using underground water or stored water within an eastern protection zone or a western protection zone for industrial use; enforcement action; notice

Following notification to the AWBA by the Director of ADWR of a replenishment obligation, this sub-section requires the AWBA to send written notice to each person who has an individual replenishment obligation for the preceding year. The notice will specify the amount of the replenishment obligation, actual or estimated cost of replenishing the water, the date by which the obligation must be satisfied, and the manner in which the replenishment obligation will be satisfied. The individual who has the replenishment obligation shall satisfy this obligation within 12 months of the Authority's written notice of the obligation.

Status: Presently no individual replenishment obligations exist for the AWBA to notify.

CONTRACTUAL OBLIGATIONS - AGREEMENTS

The AWBA has entered into several contracts over the years but only a few have created a specific obligation for the AWBA. The remaining contracts pertain mainly to the delivery, storage and accounting of AWBA water.

AGREEMENTS CREATING SPECIFIC OBLIGATIONS FOR THE AWBA

AMENDED AGREEMENT FOR INTERSTATE WATER BANKING

Original Agreement for Interstate Banking executed July 3, 2001;
Present Amended Agreement executed January 1, 2005

This Agreement was negotiated between the AWBA, the Southern Nevada Water Authority (SNWA; Nevada) and the Colorado River Commission of Nevada and supercedes the original Agreement for Interstate Banking that was executed in 2001. This Amended Agreement created an obligation on the AWBA to have credited to the SNWA Interstate Account, LTSCs in an aggregate amount of 1.25 million acre-feet for the benefit of Nevada in Arizona and to make water available in the future in response to Nevada's requests. For this guarantee and commitment, SNWA agreed to pay the cost of water storage and recovery and to pay \$100 million over and above the cost of storage/recovery. The agreement also included several administrative requirements such as obtaining all necessary water storage permits and agreements, creating a SNWA Interstate Account, accounting of all transactions involving the Operating Account and Resource Account, and developing and certifying Intentionally Created Unused Apportionment (ICUA) upon SNWA's request.

Status: The AWBA has obtained 20 water storage permits and executed 15 water storage agreements to allow storage of water for interstate banking. AWBA staff monitor water delivered monthly for interstate banking, provide quarterly reports to their Authority on interstate deliveries, and monitor LTSCs accrued annually in the SNWA Interstate Account. Currently there are approximately 530,000 acre-feet of credits in the SNWA Interstate account. To date, no ICUA has been requested by SNWA.

AGREEMENT TO FIRM FUTURE SUPPLIES (AGREEMENT TO FIRM)

Executed February 4, 2005

The Agreement to Firm is negotiated between the Mohave County Water Authority (MCWA) and the AWBA. This agreement requires the AWBA to reserve long-term storage credits (LTSCs) developed with general fund appropriations for the benefit of on-river M&I water users during times of shortage. In consideration of AWBA's obligations

under the Agreement to Firm, MCWA prepays a portion of the AWBA's replacement costs of the LTSCs transferred to the MCWA sub-account.

Status:

- Pursuant to the Agreement to Firm, 230,280 acre-feet of credits in the General Fund Account were transferred to a sub-account in MCWA's name. In 2006, the AWBA began receiving payments from MCWA in consideration of AWBA's commitments set forth in the Agreement. Subsequently, in 2006, the AWBA began paying CAWCD the in lieu tax on the same schedule as the MCWA prepayments to the AWBA.
- The Authority passed Resolution 2008-1 which recognized the opportunity for other fourth priority M&I Colorado River water users to contract with the AWBA for firming.

AGREEMENT BETWEEN THE SECRETARY OF THE INTERIOR AND THE STATE OF ARIZONA FOR THE FIRING OF CENTRAL ARIZONA PROJECT INDIAN WATER (SECRETARIAL AGREEMENT)

Executed November 15, 2007

The AWBA, as agent for the State of Arizona, entered into an agreement (Secretarial Agreement) with the Secretary of Interior to firm non-Indian agricultural (NIA) priority CAP water for tribal water rights settlements. The Secretarial Agreement identifies the obligations that must be met and develops the method for meeting the obligations between the State and Federal governments. The Arizona Water Settlements Act and the Secretarial Agreement recognize three categories where the State has firming responsibilities. The first two obligations pertain to firming of water for the Gila River Indian Community (GRIC) and other Arizona tribes; the third obligation pertains to providing assistance to the Secretary in carrying out obligations of the Southern Arizona Water Rights Settlement Act.

The State must ensure that for a 100-year period, CAP NIA priority water be made available in the same manner as water with a municipal and industrial (M&I) delivery priority as follows:

- Firm 15,000 acre-feet of CAP NIA priority water reallocated to the GRIC.
- Firm 8,724 acre-feet of CAP NIA priority water reallocated pursuant to federally authorized water rights settlements to other Arizona Indian tribes.

The Secretarial Agreement allows for the development of agreements between the AWBA and the tribes receiving the water, identifying an acceptable plan for achieving the firming.

The AWBA also has an obligation to provide support to the Federal government for the Tohono O'odham Nation by contributing \$3 million in either cash or in-kind goods and services. Pursuant to the Secretarial Agreement, the AWBA will meet this obligation by creating LTSC credits that can later be transferred to the Federal government.

Status:

- The 2008 Plan of Operation expends approximately \$1.7 million from funds dedicated for Indian firming to develop credits in the Tucson area. These credits will later be assigned to the Secretary to satisfy the State's obligation to assist the Federal government in meeting its obligation to firm Tohono O'Odham water.
- In July, 2008 the Arizona State Legislature adopted amendments to House Bill 2209 that swept \$12.4 million in funds previously dedicated by the Arizona Legislature for Indian firming from the Arizona Water Banking Fund; essentially exhausting dedicated funding for Indian firming.
- AWBA staff held preliminary meetings with the GRIC to discuss options for meeting the State's responsibility for firming the GRIC supply. Options discussed included: 1) off-reservation underground storage of excess water, 2) direct delivery of water, and 3) long-term lease of NIA priority or Indian priority CAP water. Staff will be working with the GRIC in 2008 to discuss a firming mechanism that is advantageous for both the Tribe and State.
- AWBA staff has been attending settlement discussions which would utilize most of the 8,724 acre-feet of CAP NIA water identified for other Arizona Indian tribes in the Arizona Water Settlements Act. Legislation recently introduced by Senator Kyl requires the State of Arizona to utilize 3,750 acre-feet of this amount to firm water for the benefit of the White Mountain Apache Tribe.

AGREEMENTS RELATED TO DELIVERY, STORAGE, AND ACCOUNTING OF AWBA WATER

AGREEMENTS WITH FACILITY PARTNERS

The AWBA has entered into numerous water storage agreements (agreements) with facility partners to assist in the facilitation of water storage. The agreements establish the provisions by which the AWBA will store Excess CAP water at either Groundwater Savings Facilities (GSFs) or Underground Storage Facilities (USFs) and by which the facility operator will make storage capacity available at these facilities for storage by AWBA. Facility partners provide a projection of water use/storage and the AWBA, in response, provides a water delivery schedule for the following year. There is a cost share

component for storage of water at GSFs; the AWBA pays facility costs for water stored at USFs. The Agreements do not guarantee annual water deliveries to individual facilities. The Authority makes decisions on an annual basis as to where water will be stored based on available water supply, storage capacity, and funding. The AWBA is required to obtain/maintain Water Storage Permits from ADWR and file annual reports as required by each of these permits.

Status: Presently, the AWBA has 15 non-CAWCD partners with active water storage agreements. Additionally, the AWBA has entered into a master water storage agreement to partner with CAWCD for storage at their recharge facilities. (See forthcoming paragraph on MASTER WATER STORAGE AGREEMENT).

INTERGOVERNMENTAL AGREEMENT AMONG THE ARIZONA DEPARTMENT OF WATER RESOURCES, ARIZONA WATER BANKING AUTHORITY AND CENTRAL ARIZONA WATER CONSERVATION DISTRICT (IGA)

Executed July 1, 2002.

This agreement between ADWR, AWBA and CAWCD establishes the annual process by which services are provided by ADWR and CAWCD to the AWBA. The statute provides that the Authority reimburse from the Arizona Water Banking Fund, the services provided by ADWR and CAWCD. AWBA pays a cost of services for administrative, technical and legal support provided by ADWR and pays a fixed fee for technical support provided by CAWCD.

Status: Support services to the AWBA have been and continue to be provided from ADWR and CAWCD. The AWBA reimburses ADWR for services and staffing costs through quarterly payments from the administration account of the AWBA. The AWBA pays CAWCD a fixed fee of \$10,000 per year for services received; the AWBA is invoiced for these services within 60 days after the end of each year.

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

Originally executed July 1, 2002; Present agreement executed March 16, 2005

This agreement between CAWCD and AWBA provides for the purchase of excess CAP water by AWBA for storage at permitted Underground Storage Facilities (USFs) and Groundwater Storage Facilities (GSFs). Each year the AWBA meets with CAWCD concerning the development of AWBA's draft plan of operation for the following year, provides to CAWCD comments on the preliminary schedule for delivery of water and identifies the volume of water it anticipates storing for interstate purposes the following year.

Status: Coordination with CAWCD on delivery of Excess CAP water is ongoing. AWBA and CAWCD staff members confer frequently between August and December of each year to develop the AWBA water delivery schedule for the following year.

MASTER WATER STORAGE AGREEMENT

Executed July 1, 2002

The Master Water Storage Agreement is between the Central Arizona Water Conservation District (CAWCD) and the AWBA. This agreement establishes the provisions by which the AWBA will store Excess CAP water at certain Underground Storage Facilities (USFs) that are owned/operated by CAWCD and by which the CAWCD will make available unused storage capacity at these facilities for storage by AWBA. The AWBA is required to obtain/maintain Water Storage Permits from ADWR and file annual reports as required by those permits. All monthly water storage fees must be paid to CAWCD.

Status: To date, AWBA has obtained 22 Water Storage Permits from ADWR. Filing of annual reports with ADWR is completed in March each year and monthly payments to CAWCD for water storage is ongoing.

STORAGE AND INTERSTATE RELEASE AGREEMENT (SIRA)

Executed December 18, 2002

The SIRA is an agreement among the Secretary of the Interior, the AWBA, the Southern Nevada Water Authority (SNWA; Nevada) and the Colorado River Commission of Nevada and details the accounting of water movement between states in an interstate banking arrangement. This water movement is based on the principles contained in Article II.b.6 of the Decree in Arizona v. California. SIRA accounting describes responsibilities for the Secretary pursuant to the Decree, for Arizona as the storing state, and for Nevada as the consuming state.

This Agreement also includes provisions for what water can be stored, creations of LTSC accounts, reporting requirements, mechanism for creation and release of ICUA and certification of ICUA to the Secretary.

Status: Development of LTSCs for SNWA began in 2002. Prior to the start of interstate storage and annually thereafter, the AWBA has provided correspondence, in December each year, to the Secretary estimating the amount of LTSC to be developed in the following year. Accounting reports detailing the development of these credits and verifying account balances have been submitted annually, prior to September 1, to the Secretary and Lower Basin states. To date, no ICUA has been requested by SNWA.

AGREEMENT FOR THE DEVELOPMENT OF INTENTIONALLY CREATED UNUSED APPORTIONMENT (ICUA)

Executed December 18, 2002

The Agreement for the Development of ICUA is negotiated between the CAWCD and the AWBA. CAWCD has the right pursuant to its contract with the Secretary to divert any remaining Arizona entitlement and is, therefore, the entity the AWBA coordinates with to ensure water can be made available, under II.b.6 of the Decree, for Nevada and California when they request it in the future. The Agreement details how the water will be recovered and exchanged for existing CAP orders thus allowing CAWCD to reduce its diversions without reducing its uses. Reduced CAP diversion is left in the Colorado River as unused Arizona entitlement available for delivery to Nevada and California.

The Agreement requires the Development of an Interstate Recovery Schedule and an Implementation of Interstate Recovery Schedule. The Implementation of Interstate Recovery Schedule requires the AWBA and CAWCD to jointly file with ADWR an annual report of CAWCD's recovery of LTSCs and for the AWBA to create ICUA.

Status: To date, no ICUA has been requested for SNWA. It is anticipated that ICUA will not be requested by SNWA before 2012.

ARIZONA –NEVADA SHORTAGE-SHARING AGREEMENT

Executed February 9, 2007

This agreement was executed between Arizona, including the AWBA, and Nevada wherein the two states agreed on how Secretarial shortage declarations of up to 500,000 acre-feet within the United States would be shared between them during an Interim Period (2008 through 2026).

In addition to the agreement on how shortages should be allocated between the states, Southern Nevada Water Authority (SNWA) agreed to provide to the AWBA \$8 million to assist Arizona in offsetting impacts from shortages that may occur during the Interim Period. The AWBA will use these funds to purchase and/or store water supplies to mitigate the impact of shortages on Arizona water users.

Status: A portion of the \$8 million, \$2,306,000, was transmitted to the AWBA for the purchase and storage of water for calendar year 2008. A payment schedule for the balance will be based on water delivery schedules and storage costs associated with the amount of water the AWBA plans to store annually for shortage mitigation purposes as identified in its Plan of Operation.

**AMENDED LETTER AGREEMENT FOR THE CREATION OF INTENTIONALLY CREATED
UNUSED APPORTIONMENT WITH CREDITS CREATED UNDER THE 1992
DEMONSTRATION AGREEMENT BETWEEN CAWCD AND MWD**

Original Letter Agreement executed December 11, 2006

Amended Letter Agreement executed December 11, 2007

This Amended Letter Agreement was executed between Metropolitan Water District of Southern California (Metropolitan), CAWCD, and the AWBA to facilitate appropriate accounting of Colorado River consumptive use pursuant to the terms of an earlier Demonstration Agreement between Metropolitan and CAWCD.

Pursuant to the Demonstration Agreement, Metropolitan stored 89,000 acre-feet of water in Pinal County in the early 1990s, resulting in 80,909 acre-feet of credits that Metropolitan is entitled to recover. The AWBA, created after the execution of the Demonstration Agreement, is now the agency of the State of Arizona authorized to store Colorado River water in Arizona on behalf of California and Nevada, and is the entity that can request the Secretary release Intentionally Created Unused Apportionment to California and Nevada.

The Amended Letter Agreement outlines the process by which ICUA would be made available to Metropolitan. It recognizes 1) the CAWCD is responsible for recovering the credits, 2) the AWBA is responsible for notifying the Secretary of creation of ICUA, and 3) Metropolitan is responsible for the diversion of ICUA.

By December 31 of each year that ICUA is requested for the following year, the AWBA must notify the U.S. Bureau of Reclamation (Reclamation) and Metropolitan as to the amount of ICUA to be created in the following year either through recovery or exchange. By June 1 of the year following the year ICUA was created, the AWBA submits written notice certifying the quantity of ICUA and the method used to create the ICUA to Reclamation, Metropolitan and CAWCD.

Status: The recovery/exchange of credits pursuant to this Amended Letter Agreement began in 2007 and continues in 2008. In 2007, 16,804 acre-feet of ICUA was developed through both recovery and exchange methods; the AWBA certified this quantity of ICUA to Reclamation, Metropolitan, and CAWCD in June, 2008. Of the total 16,804 acre-feet of ICUA developed, 10,921 acre-feet of LTSCs were recovered and 5,883 acre-feet were developed utilizing credit exchange. For 2008, Metropolitan has requested the creation of 25,000 acre-feet of ICUA. Recovery of credits on behalf of Metropolitan is ongoing. To date, the remaining balance of credits to be recovered/exchanged is 64,105 acre-feet. (If 25,000 acre-feet of ICUA are certified for 2008, remaining balance = 39,105 acre-feet). For 2009, Metropolitan has requested the creation of 30,000 acre-feet of ICUA.

ADMINISTRATIVE REQUIREMENTS

45-2423.A.12. Powers and duties of authority; meeting minutes

This sub-section requires that the Authority keep minutes of its meetings and all records, and reports relating to its work in permanent form, systematically indexed and filed.

Status: All information relating to the Authority's programs such as meeting minutes, annual reports, annual plan of operation reports, accounting reports, etc. have been kept in permanent form, cataloged, and filed since the inception of the AWBA.

45-2424.C.D. Administration; fiscal year administrative budget

These sub-sections state that the Authority may adopt the fiscal year budget that shows the cost of services provided by ADWR and CAWCD. The Authority is required to reimburse ADWR and CAWCD with monies from the AWBA fund for these services.

Status: Annually, the AWBA adopts a fiscal year administrative budget that includes the cost of providing services identified by ADWR and CAWCD.

45-2426. Annual report

The Authority shall make and submit to the Governor, President of the Senate and Speaker of the House of Representatives on or before July 1 of each year a report containing a full and complete account of its transactions and proceedings for the preceding calendar year. In 1997, the Water Bank statute governing Annual Reports was amended to require accounting on a calendar year rather than fiscal year basis. The Annual Report provides an accounting of monies available and expended from the banking fund, the amount of water stored, and the number of long-term storage credits (credits) distributed or extinguished by the Authority.

Beginning in 1999, preparation of a ten-year plan was also mandated in the Annual Report. Presently, the ten-year plan provides a description of the water banking services and interstate water banking to be undertaken by the AWBA during the following ten-year period, in addition to the three primary functions of firming for M&I supplies, assisting in Indian water rights settlements, and fulfilling state water management objectives. The ten-year plan must also provide a projection of the AWBA's capacity or ability to complete those banking activities.

Status: Eleven Annual Reports providing a full account of the AWBA's transactions have been completed for each calendar year from 1996 through 2007. Annual Reports will continue to be submitted by July 1 of each year.

45-2451. First year banking program

By July 1, 1997 the Authority shall have used its best efforts to store a minimum of 100,000 acre-feet of Colorado River water in the state of Arizona.

Status: The 1997 Annual Report, submitted July 1, 1998, provided a description of total AWBA water deliveries of 326,235 acre-feet for calendar year 1997.

45-2452. Storage facility inventory

In corporation with CAWCD and ADWR, the Authority is required to prepare and assess an inventory of existing storage facilities in Arizona. The inventory shall identify the location and capacity of each storage facility and the feasibility of the Authority storing water at the identified facilities. This section also requires the AWBA adopt the storage facility inventory and update it at least every five years.

Status: The AWBA adopted the initial Storage Facility Inventory dated March 1, 1997. The inventory was updated on December 10, 2002 and again on December 21, 2005. In addition to the Storage Facility Inventory reports, the AWBA has been and will continue annually updating all new facilities that could be utilized by the Authority in its Annual Report.

45-2456. Annual plan of operation

By January 1 of each year, the AWBA is required to adopt a Plan of Operation (Plan) for that calendar year. The Plan is intended to govern the operations of the AWBA over the course of the calendar year. Prior to adoption of the annual Plan, the AWBA is required to solicit public comment. This is achieved by presenting the draft Plan to the Groundwater Users Advisory Councils for the Phoenix, Pinal, and Tucson Active Management Areas (AMA's) and to the county board of supervisors for counties outside of the AMA's if water storage is proposed there within the Plan.

The adopted Plan of Operation provides calendar year projections of the following: expenditures for acquiring water, water availability through monthly deliveries, cost of water deliveries through the Central Arizona Project (CAP) to a storage facility (including fees for the operation, maintenance, pumping energy and capital costs), expenditures for water storage, water storage permits to be obtained, amount of water to be stored, and the amount of credits that will be distributed or extinguished.

Status: Eleven Annual Plans of Operation have been completed for each calendar year from 1997 through 2008. An Annual Plan of Operation will continue to be adopted by January 1 of each calendar year.

45-2457. Accounting; rules of operation

The AWBA is required to develop an accounting system for the long-term storage credits accrued by the AWBA. The accounting system shall be designed to allow the AWBA to determine which funding source of the banking fund paid for each long-term storage credit accrued by the authority. The accounting system established by the AWBA provides a tracking system for all monies received, deposited, and expended by the AWBA, including reimbursement for replacement of credits, sets up separate subaccounts for which monies are deposited and expended, records credits accrued by funding source and, where applicable, records credits reserved pursuant to executed AWBA agreements. The accounting system further allows record-keeping of credits reserved, distributed, or extinguished for specified purposes of this section.

Status: Eleven subaccounts have been established to track monies received from the following sources: General Fund appropriations, AMA withdrawal fees (Phoenix, Pinal, & Tucson AMAs), 4 cent *ad valorem* tax for the three-county CAP service area (Maricopa, Pinal, and Pima Counties), Nevada, Indian Firming, Gifts/Grants/Donations, and Administration. Additionally, the AWBA has created 11 parallel subaccounts to track credits accrued by the various funding sources and water reserved for Mohave County Water Authority pursuant to the Agreement to Firm Future Supplies.

45-2473. Arizona water banking authority; interstate water banking; accounting

By October 1st of each year, the AWBA must provide a full report to the Joint Legislative Budget Committee that accounts for all of the monies received through the interstate water banking agreement and shall account for all disbursements made with those monies, including monies used to purchase or store water or otherwise fulfill contractual obligations with the state of Nevada under that agreement. The AWBA shall include in these reports any prepaid monies to CAWCD, any monies received under the agreement that are placed in an account with the state treasurer and any contract that obligates the Authority to pay or disburse these monies to any other entity, including the CAWCD.

Status: Two Interstate Water Banking Reports have been completed and submitted to the Joint Legislative Budget Committee by October 1 following the fiscal year for which the reports were made. The first report detailing interstate water banking for FYs 2004-2005 and 2005-2006 was submitted on October 1, 2006; the second report detailing interstate water banking for FY 2007 was submitted on October 1, 2007. Fiscal Year Interstate Water Banking Reports will continue to be submitted by October 1 of each year for years in which interstate banking occurs in accordance with the policy of this section.

APPENDIX A
Current Reporting Requirements of the AWBA¹

TABLE A.1. STATUTORY OBLIGATIONS

Documents	Type of Report	Due Date	Description
Indian FIRMING Measures			
45-2491. State Commitments to Firm Indian Settlement Water	n/a	n/a	
GRIC Southside Replenishment			
45-2623. Satisfaction of Southside Replenishment Obligations			
Notification of Obligation to GRIC - IGA	Annual	11/1	Notification to GRIC of a replenishment obligation and the method that will be used to fulfill the obligation.
Replenishment Progress Report - IGA	Annual	1/31	Notification to GRIC of the AWBA's progress toward meeting a replenishment obligation.
Notification of Obligation Completion - 45-2623(E)	As needed	7/1	Notification to GRIC that a replenishment obligation has been satisfied.
45-2624. Southside Replenishment Bank; credits			
IGA with the GRIC - 45-2624(D)			
Replenishment Progress Report	Annual	1/31	Notification to GRIC of replenishment bank activities and the progress made toward meeting the initial 15,000 ac-ft delivery obligation.
45-2626(E). Individual Southside Replenishment Obligations			
Notification of Individual Obligation	As needed	12/31	AWBA 1st class mail notification to persons who have an individual replenishment obligation for the preceding year. The notice specifies the amount of the obligation, the actual or estimated cost of replenishing the water, and the date by which the obligation must be satisfied.

¹ A record of the expiration dates for all AWBA contracts and agreements is maintained by staff to avoid the inadvertent lapse of these documents.

APPENDIX A
Current Reporting Requirements of the AWBA

TABLE A.2. CONTRACTUAL OBLIGATIONS-AGREEMENTS

Documents	Type of Report	Due Date	Description
Agreements Creating Specific Obligations for the AWBA			
Amended Agreement for Interstate Water Banking			
Interstate Activity Update	Quarterly	n/a	A table provided for the Authority that identifies the amount of credits accrued annually for Nevada, including current year estimates, the percentage of the goal that has been achieved, the cost of storage, monies received from Nevada, and the funds remaining.
Interest on Nevada Resource Account	Quarterly	n/a	Identifies the amount of interest that would have accrued on the \$100 million if loans were not provided to Nevada.
Agreement to Firm Future Supplies	n/a	n/a	
Secretarial Agreement- P.L.108-451, Sec.105(b)(2)			
(A) GRIC firming	n/a	n/a	
(B) Future firming for other AZ Indian tribes	n/a	n/a	
(C) Federal Obligation Accounting Report	Annual	n/a	Notification to the Secretary of the amount of credits accrued and monies expended toward meeting the State's obligation of contributing \$3,000,000 in assistance to the Secretary for meeting its Tohono O'odham Nation firming obligation.

Continued on next page

TABLE A.2. CONTRACTUAL OBLIGATIONS-AGREEMENTS (Continued)

Documents	Type of Report	Due Date	Description
Agreements Related to Delivery, Storage, and Accounting of AWBA Water			
Agreements with Facility Partners			
ADWR Annual Report	Annual	3/31	Filing of ADWR Underground Water Storage Reports for the previous year's activities. Required for all ADWR permit holders.
IGA between ADWR, CAWCD, & AWBA	n/a	n/a	
Excess CAP Water Contract between CAWCD and the AWBA			
Delivery Schedule (Table 2)	Annual	Dec.	A water delivery schedule prepared in coordination with CAWCD for the AWBA's Plan of Operation for the following year.
Master Water Storage Agreement	n/a	n/a	
ADWR Annual Report	Annual	3/31	Filing of ADWR Underground Water Storage Reports for the previous year's activities at CAWCD storage facilities.
Storage and Interstate Release Agreement			
Forecast	Annual	12/31	Notification to the Secretary of the estimated amount of credits to be developed in the following year.
Preliminary Estimates	Annual	12/31	Notification to the Secretary of a provisional estimate of credits developed for the current year.
ICUA Confirmation	Annual	4/1	Written notification to the Secretary documenting the amount of ICUA that was created the previous year based on the Interstate Recovery Schedule and the method that was used to create the ICUA.
Final Accounting	Annual	9/1	A verified accounting of interstate credit activity for the previous year, including credit accrual, transfers, and a cumulative balance, submitted to the Secretary, Arizona, California & Nevada.
Agreement for the Development of Intentionally Created Unused Apportionment (ICUA)			
ICUA Development Schedule	Annual	12/31	Notification to Secretary and SNWA of the amount of ICUA to be created the following year.
ICUA Report to ADWR	Annual	3/31	A joint filing of an annual report with ADWR between the AWBA and CAWCD that identifies CAWCD's recovery/exchange of LTSCs for the development of ICUA for SNWA by the AWBA.
Arizona-Nevada Shortage-Sharing Agreement	n/a	n/a	
Amended Letter Agreement for the Creation of ICUA between CAWCD and MWD			
ICUA Development Schedule	Annual	12/31	Notification to Secretary and MWD of the amount of ICUA to be created the following year.
ICUA Report to ADWR	Annual	3/31	A joint filing of an annual report with ADWR between the AWBA and CAWCD that identifies CAWCD's recovery/exchange of LTSCs for the development of ICUA for MWD by the AWBA.
ICUA Certification	Annual	6/1	Written notification to Secretary certifying the amount of ICUA that was created for MWD the previous year and the method that was used to create the ICUA.

APPENDIX A
Current Reporting Requirements of the AWBA

TABLE A.3. ADMINISTRATIVE REQUIREMENTS

Documents	Type of Report	Due Date	Description
45-2423. Meeting minutes	Per Meeting		A summary of the discussions at AWBA's public meetings.
45-2424. FY Administrative Budget	Annual FY	7/1	Identifies ADWR's and CAWCD's costs for providing services requested by the Authority.
45-2426. AWBA Annual Report	Annual	7/1	Provides an accounting of all AWBA activities, including funding and credit accrual for the previous calendar year and an overview of the AWBA's achievements toward meeting its obligations.
Ten-Year Plan	Annual	7/1	Report of all obligations the AWBA plans to undertake for the following 10 years and the projections for meeting those obligations, including the availability of funding , water, and storage capacity.
45-2452. Storage Facility Inventory	5-Year	n/a	Provides an assessment of storage capacity available to the AWBA over a ten-year period for the purpose of meeting its goals.
45-2456. Plan of Operation	Annual	1/1	The Plan includes a projection of expenditures by fund, a monthly delivery schedule, delivery and storage costs, an estimate of credits, credits that will be distributed or extinguished, and any other pertinent information.
Water Delivery and Storage Budget	Annual	1/1	Provided in conjunction with the Plan of Operation and includes projected revenues, water delivery and facility rates, estimated expenditures and projected carryover of funds.
Water Delivery Update	Quarterly	n/a	A monthly accounting of planned and actual deliveries.
45-2457. Accounting; Rules of Operation			
[See AWBA Annual Report Above]	Annually	7/1	
45-2473. Interstate (Nevada) FY Report to JLBC	Annual	10/1	A report that accounts for all monies received from Nevada, disbursements made, prepayments to CAWCD and the fund balance at the State Treasurers Office.

**APPENDIX B
Cumulative AWBA Activity**

TABLE B.1. INDIAN FIRING AND SOUTHSIDE REPLENISHMENT

Obligation	Source of Funding ¹	Settlement Requirement	Money Collected	Money Expended	Money Available	Credits Accrued (AF)
45-2491. Indian Settlements Gila River Indian Community	Appropriation-Indian Appropriation Withdrawal Fee	15,000 AF/YR	\$ -	\$ -	\$ -	0
			\$ -	\$ -	\$ -	0
			\$ -	\$ -	\$ -	0
	Sub-total		\$ -	\$ -	\$ -	0
Future Settlements	Appropriation-Indian Appropriation Withdrawal Fee	8,724 AF/YR	\$ -	\$ -	\$ -	0
			\$ -	\$ -	\$ -	0
			\$ -	\$ -	\$ -	0
	Sub-total		\$ -	\$ -	\$ -	0
Federal Assistance²	Appropriation-Indian Appropriation Withdrawal Fee	\$3,000,000	\$ 2,183,178	\$ 417,600	\$ 1,765,578	0
			\$ -	\$ -	\$ -	0
			\$ -	\$ -	\$ -	0
	Sub-total		\$ 2,183,178	\$ 417,600	\$ 1,765,578	0
45-2623. Southside Replenishment	Appropriation Withdrawal Fee Repayment Fee	Determined Annually	[See Separate Accounting Tables]			
45-2624. Southside Replenishment Bank	Appropriation Withdrawal Fee Repayment Fee	15,000 AF Direct Delivery	\$ -	\$ -	\$ -	0
			\$ -	\$ -	\$ -	0
			\$ -	\$ -	\$ -	0
	Sub-total		\$ -	\$ -	\$ -	0

¹ Includes all sources of funding that could be used to meet the specified obligation under A.R.S. § 45-2457(B).

² In 2008, an estimated \$1.7 million will be expended toward meeting the \$3 million in Federal assistance and will accrue an estimated 21,182 acre-feet of LTS credits,.

**APPENDIX B
Cumulative AWBA Activity**

TABLE B.2. INTERSTATE WATER BANKING AND INTENTIONALLY CREATED UNUSED APPORTIONMENT (ICUA)¹

Obligation	Source of Funding	Goal (AF of Credits)	Money ² Collected	Money Expended	Money Available	Credits ³ Accrued (Acre-feet)	Percent of Goal Achieved
Interstate	Nevada	1,250,000	\$ 10,053,945	\$ 10,053,945	\$ -	527,520	42%
	California	N/A	\$ -	\$ -	\$ -	0	N/A

¹ Cumulative totals 1997-2007.

² In 2009, SNWA will begin making ten annual payments of \$23 million. The AWBA has loaned SNWA \$84,426,673 through 2007 from the \$100 million resource account for the purchase and storage of water.

³ Includes 50,000 acre-feet of credits assigned from CAWCD pursuant to the Amended Agreement for Interstate Water Banking.

Obligation	Source of Funding	Contract Requirement (AF of Credits)	Potential Requests (AF/Yr of ICUA)	Credits Accrued (Acre-feet)	ICUA Created (Acre-feet)	Credits Remaining (Acre-feet)	Percent of Requirement Achieved
ICUA	Nevada	1,250,000	40,000	527,520	0	527,520	0%
	California	80,909	variable	80,909	16,804	64,105	21%

¹ Cumulative totals 1997-2007.

APPENDIX B
Cumulative AWBA Activity

TABLE B.3. REPLACEMENT OF GENERAL FUND CREDITS¹

Obligation	Source of Funding²	Contract Requirements	Money Collected	Money Expended	Money Available	Credits Accrued (Acre-feet)	Percent of Goal Achieved
On-River M&I Users³	In Lieu Tax Fee	\$ 4,605,600	\$ 1,842,240	\$ 1,842,240	\$ -	n/a	40%
Replacement Account	Replacement Fee Storage credits	As needed n/a	\$ - n/a	\$ - n/a	\$ - n/a	0 0	0% n/a
Sub-total			\$ -	\$ -	\$ -	0	0%
Other M&I Users	Replacement Fee Storage credits	As needed n/a	\$ - n/a	\$ - n/a	\$ - n/a	0	0% n/a
Sub-total			\$ -	\$ -	\$ -	0	0%

¹ Cumulative totals 1997-2007.

² Includes all sources of funding that could be used to meet the specified obligation under A.R.S. § 45-2457(B) or LTS credits provided in place of funds.

³ Pursuant to the Agreement to Firm Future Supplies between AWBA and the Mohave County Water Authority (MCWA) dated February 4, 2005, a total of 20 in lieu tax payments of \$230,280 will be paid by the MCWA as part of the replacement cost for the assignment of 230,280 acre-feet of credits to the AWBA sub-account for MCWA.

**APPENDIX B
Cumulative AWBA Activity**

TABLE B.4. M&I FIRMING¹

Obligation	Source of Funding ²	Goal (AF of Credits)	Money Collected	Money Expended	Money Available	Credits Accrued (Acre-feet)	Percent of Goal Achieved ³
M&I Firming Phoenix AMA		1,566,000					
	4¢ Ad valorem Tax		\$ 116,229,102	\$ 57,981,228	\$ 58,247,874	1,094,149	70%
	Withdrawal Fee		\$ -	\$ -	\$ -	0	0%
	Appropriation		\$ -	\$ -	\$ -	0	0%
Sub-total			\$ 116,229,102	\$ 57,981,228	\$ 58,247,874	1,094,149	70%
Pinal AMA		243,000					
	4¢ Ad valorem Tax		\$ 4,419,512	\$ 3,713,865	\$ 705,647	122,355	50%
	Withdrawal Fee		\$ -	\$ -	\$ -	0	0%
	Appropriation		\$ -	\$ -	\$ -	0	0%
Sub-total			\$ 4,419,512	\$ 3,713,865	\$ 705,647	122,355	50%
Tucson AMA		864,000					
	4¢ Ad valorem Tax		\$ 23,806,547	\$ 19,083,370	\$ 4,723,176	244,920	28%
	Withdrawal Fee		\$ -	\$ -	\$ -	0	0%
	Appropriation		\$ -	\$ -	\$ -	0	0%
Sub-total			\$ 23,806,547	\$ 19,083,370	\$ 4,723,176	244,920	28%
On-River M&I Firming⁴	Appropriation	420,000	\$ 11,100,865	\$ 11,100,865	\$ -	403,830	96%

¹ Cumulative totals 1997-2007.

² Includes all sources of funding that could be used to meet the specified goals under A.R.S. § 45-2457(B).

³ Withdrawal fees may be utilized in addition to 4¢ ad valorem tax revenues to reach M&I firming goals. The following would be the percent of goal achieved if cumulative withdrawal fee credits are included: Phoenix AMA 84%, Pinal AMA 100%, Tucson AMA 38%.

⁴ By resolution passed in 2002, the AWBA established on-river firming as the highest priority of use for credits accrued through expenditure of general fund appropriations. Pursuant to the AWBA Agreement to Firm with the Mohave County Water Authority (MCWA) dated February 4, 2005, a total of 230,280 acre-feet of credits have been assigned to the AWBA long-term storage sub-account for the MCWA in 2005.

**APPENDIX B
Cumulative AWBA Activity**

TABLE B.5. GROUNDWATER MANAGEMENT, SHORTAGE REPARATION, AND WATER BANKING SERVICE AGREEMENTS

Obligation	Source of Funding ²	Goal (AF of Credits)	Money Collected	Money Expended	Money Available	Credits Accrued (Acre- feet)	Percent of Goal Achieved
Groundwater Mgmt ³ Phoenix AMA	Withdrawal Fee Appropriation	N/A	\$ 13,025,185	\$ 13,020,064	\$ 5,121	219,052	N/A
			\$ -	\$ -	\$ -	0	
	Sub-total		\$ 13,025,185	\$ 13,020,064	\$ 5,121	219,052	
Pinal AMA	Withdrawal Fee Appropriation	N/A	\$ 11,161,422	\$ 10,949,927	\$ 211,495	318,142	N/A
			\$ -	\$ -	\$ -	0	
	Sub-total		\$ 11,161,422	\$ 10,949,927	\$ 211,495	318,142	
Tucson AMA	Withdrawal Fee Appropriation	N/A	\$ 6,031,678	\$ 6,031,108	\$ 570	83,813	N/A
			\$ -	\$ -	\$ -	0	
	Sub-total		\$ 6,031,678	\$ 6,031,108	\$ 570	83,813	
Shortage Reparation ⁴	Grants, Gifts, Donations	Est. 128,400	\$ -	\$ -	\$ -	0	0%
Water Banking Service Agreements ⁵	N/A	N/A	\$ -	\$ -	\$ -	N/A	N/A

¹ Cumulative totals 1997-2007.

² Includes all sources of funding that could be used to meet the specified goal under A.R.S. § 45-2457(B).

³ A plan that identifies the use of LTS credits accrued by the AWBA for meeting groundwater management goals has not been developed at this time.

⁴ Southern Nevada Water Authority (SNWA) agreed to provide \$8M to the AWBA to assist Arizona in offsetting impacts from shortages pursuant to Arizona-Nevada Shortage-Sharing Agreement. The AWBA plans to expend \$2.3 million of these funds for calendar year 2008.

⁵ The AWBA has not presently entered into any water banking service agreements.

APPENDIX C

Table C.1. Timeline of Activities for Meeting Southside Replenishment Obligation Using 2007 as an Example

Date	Purpose of Action	Basis for Action
01-Oct-08	Director calculates the replenishment obligation for the previous year and notifies the AWBA of the amount and location of the obligation.	Statute
01-Nov-08	AWBA notifies GRIC of a replenishment obligation, the method that will be used to satisfy the obligation, and how much of the obligation is remaining.	Statute/IGA
01-Dec-08	GRIC response to AWBA. If the replenishment method includes direct delivery the GRIC may accept or reject the method. If they accept they must provide the amount, location and monthly schedule for the deliveries.	Statute/IGA
31-Dec-08	AWBA sends written notice by first class mail to each person who has a replenishment obligation for the previous year. The letter specifies the amount, AWBA's actual or estimated cost, date the obligation must be satisfied (1-yr), and the options for satisfying the obligation.	Statute
31-Dec-09	Individual replenishment obligations due	Statute
15-Jan-10	AWBA notifies persons with an individual replenishment obligation that the obligation has been satisfied.	Courtesy, tied to next step
15-Jan-10	AWBA notifies Director if a person with an individual replenishment obligation fails to satisfy the obligation. Persons who fail to satisfy their replenishment obligation shall be subject to an enforcement action by ADWR.	Statute (no specific date provided)
31-Jan-10	AWBA notifies GRIC of annual replenishment activity.	IGA
01-Jun-10	Due date for an M&I replenishment obligation that would have occurred in 2007.	Statute
01-Jul-10	AWBA notifies the GRIC when a specific replenishment obligation has been satisfied. Notification date if an M&I obligation occurred in 2007.	Statute (no specific date provided)
01-Jun-12	Due date for an irrigation replenishment obligation that would have occurred in 2007.	Statute
01-Jul-12	AWBA notifies the GRIC that an irrigation replenishment obligation was satisfied for an obligation that occurred in 2007.	Statute (no specific date provided)

APPENDIX C

Table C.2. Southside M&I Replenishment Obligation

PROTECTION ZONES	2008	2009	2010	2011	2012
	Acre-feet				
Western Municipal					
Beginning Balance (Unmet obligation)	0	0	0	0	0
M&I Obligation incurred previous year (notified Oct 1)	0	0	0	0	0
3-year repayment required this year (by June 1)	0	0	0	0	0
Repayment Method:					
Direct Delivery (agree in writing)	0	0	0	0	0
<i>Direct use</i>					
<i>US&R on reservation</i>					
<i>Individual replenishment</i>					
Credits Extinguished (earned within 5-yrs)	0	0	0	0	0
<i>account</i>					
<i>account</i>					
<i>account</i>					
Replenishment Bank Debit	0	0	0	0	0
Total Repayment	0	0	0	0	0
Total Obligation Remaining	0	0	0	0	0
3-Year Obligation Met	n/a	yes	yes	yes	yes
Western M&I					
Begin Balance (Unmet obligation)	0	0	0	0	0
M&I Obligation incurred previous year (Oct 1)	0	0	0	0	0
3-year repayment required this year (by June 1)	0	0	0	0	0
Repayment Method:					
Direct Delivery (agree in writing)	0	0	0	0	0
<i>Direct use</i>					
<i>US&R on reservation</i>					
<i>Individual replenishment</i>					
Credits Extinguished (earned within 5-yrs)	0	0	0	0	0
<i>account</i>					
<i>account</i>					
<i>account</i>					
Replenishment Bank Debit	0	0	0	0	0
Total Repayment	0	0	0	0	0
Total Obligation Remaining	0	0	0	0	0
3-Year Obligation Met	n/a	yes	yes	yes	yes
Eastern North					
Begin Balance (Unmet obligation)	0	0	0	0	0
M&I Obligation incurred previous year (Oct 1)	0	0	0	0	0
3-year repayment required this year (by June 1)	0	0	0	0	0
Repayment Method:					
Direct Delivery (agree in writing)	0	0	0	0	0
<i>Direct use</i>					
<i>US&R on reservation</i>					
<i>Individual replenishment</i>					
Credits Extinguished (earned within 7-yrs)	0	0	0	0	0
<i>account</i>					
<i>account</i>					
<i>account</i>					
Replenishment Bank Debit	0	0	0	0	0
Total Repayment	0	0	0	0	0
Total Obligation Remaining	0	0	0	0	0
3-Year Obligation Met	n/a	yes	yes	yes	yes
Eastern South					
Begin Balance (Unmet obligation)	0	0	0	0	0
M&I Obligation incurred previous year (Oct 1)	0	0	0	0	0
3-year repayment required this year (by June 1)	0	0	0	0	0
Repayment Method:					
Direct Delivery (agree in writing)	0	0	0	0	0
<i>Direct use</i>					
<i>US&R on reservation</i>					
<i>Individual replenishment</i>					
Credits Extinguished (earned within 7-yrs)	0	0	0	0	0
<i>account</i>					
<i>account</i>					
<i>account</i>					
Replenishment Bank Debit	0	0	0	0	0
Total Repayment	0	0	0	0	0
Total Obligation Remaining	0	0	0	0	0
3-Year Obligation Met	n/a	yes	yes	yes	yes

APPENDIX C

Table C.3. Southside Irrigation Replenishment Obligation

PROTECTION ZONES	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Acre-feet								
Western Municipal									
Begin Balance (Unmet obligation)	0	0	0	0	0	0	0	0	0
Irrigation Obligation incurred previous year (Oct 1)	0								
5-year repayment required this year (by June1)	0	0	0	0	0	0	0	0	0
Repayment Method:									
Direct Delivery (agree in writing)	0	0	0	0	0	0	0	0	0
<i>Direct use</i>									
<i>US&R on reservation</i>									
<i>Individual replenishment</i>									
Credits Extinguished (earned within 5-yrs)	0	0	0	0	0	0	0	0	0
<i>account</i>									
<i>account</i>									
<i>account</i>									
Replenishment Bank Debit	0	0	0	0	0	0	0	0	0
Total Repayment	0	0	0	0	0	0	0	0	0
Total Obligation Remaining	0	0	0	0	0	0	0	0	0
5-Year Obligation Met	n/a	n/a	n/a	n/a	yes	yes	yes	yes	yes
Western M&I									
Begin Balance (Unmet obligation)	0	0	0	0	0	0	0	0	0
Irrigation Obligation incurred previous year (Oct 1)	0								
5-year repayment required this year (by June1)	0	0	0	0	0	0	0	0	0
Repayment Method:									
Direct Delivery (agree in writing)	0	0	0	0	0	0	0	0	0
<i>Direct use</i>									
<i>US&R on reservation</i>									
<i>Individual replenishment</i>									
Credits Extinguished (earned within 5-yrs)	0	0	0	0	0	0	0	0	0
<i>account</i>									
<i>account</i>									
<i>account</i>									
Replenishment Bank Debit	0	0	0	0	0	0	0	0	0
Total Repayment	0	0	0	0	0	0	0	0	0
Total Obligation Remaining	0	0	0	0	0	0	0	0	0
5-Year Obligation Met	n/a	n/a	n/a	n/a	yes	yes	yes	yes	yes
Eastern North									
Begin Balance (Unmet obligation)	0	0	0	0	0	0	0	0	0
Irrigation Obligation incurred previous year (Oct 1)	0								
5-year repayment required this year (by June1)	0	0	0	0	0	0	0	0	0
Repayment Method:									
Direct Delivery (agree in writing)	0	0	0	0	0	0	0	0	0
<i>Direct use</i>									
<i>US&R on reservation</i>									
<i>Individual replenishment</i>									
Credits Extinguished (earned within 7-yrs)	0	0	0	0	0	0	0	0	0
<i>account</i>									
<i>account</i>									
<i>account</i>									
Replenishment Bank Debit	0	0	0	0	0	0	0	0	0
Total Repayment	0	0	0	0	0	0	0	0	0
Total Obligation Remaining	0	0	0	0	0	0	0	0	0
5-Year Obligation Met	n/a	n/a	n/a	n/a	yes	yes	yes	yes	yes
Eastern South									
Begin Balance (Unmet obligation)	0	0	0	0	0	0	0	0	0
Irrigation Obligation incurred previous year (Oct 1)	0								
5-year repayment required this year (by June1)	0	0	0	0	0	0	0	0	0
Repayment Method:									
Direct Delivery (agree in writing)	0	0	0	0	0	0	0	0	0
<i>Direct use</i>									
<i>US&R on reservation</i>									
<i>Individual replenishment</i>									
Credits Extinguished (earned within 7-yrs)	0	0	0	0	0	0	0	0	0
<i>account</i>									
<i>account</i>									
<i>account</i>									
Replenishment Bank Debit	0	0	0	0	0	0	0	0	0
Total Repayment	0	0	0	0	0	0	0	0	0
Total Obligation Remaining	0	0	0	0	0	0	0	0	0
5-Year Obligation Met	n/a	n/a	n/a	n/a	yes	yes	yes	yes	yes

APPENDIX C

Table C.4. 2009 Planned Southside M&I Replenishment Obligation Activity

Replenishment Activity	PROTECTION ZONES				Total Obligation
	Western Municipal	Western M&I	Eastern North	Eastern South	
	Acres-feet				
Begin Balance (Unmet obligation)	0	0	0	0	0
M&I Obligation incurred previous year (2007)	0	0	0	0	0
3-year repayment required this year	0	0	0	0	0
Planned Repayment Method:					
Direct Delivery	0	0	0	0	0
<i>Direct use</i>					
<i>US&R on reservation</i>					
<i>Individual replenishment</i>					
Credits Extinguished (earned within 5-yrs)	0	0	0	0	0
<i>account</i>					
<i>account</i>					
<i>account</i>					
Replenishment Bank Debit	0	0	0	0	0
Total Planned Repayment	0	0	0	0	0
3-Year Obligation Satisfied	0	0	0	0	0
<i>Previous year's activity</i>					
<i>Current year's activity</i>					
Total Obligation Remaining	0	0	0	0	0

APPENDIX C

Table C.5. 2009 Planned Southside Irrigation Replenishment Obligation Activity

Replenishment Activity	PROTECTION ZONES				Total Obligation
	Western Municipal	Western M&I	Eastern North	Eastern South	
	Acre-feet				
Begin Balance (Unmet obligation)	0	0	0	0	0
Irrig. Obligation incurred previous year (2007)	0	0	0	0	0
5-year repayment required this year	0	0	0	0	0
Planned Repayment Method:					
Direct Delivery	0	0	0	0	0
<i>Direct use</i>					
<i>US&R on reservation</i>					
<i>Individual replenishment</i>					
Credits Extinguished (earned within 7-yrs)	0	0	0	0	0
<i>account</i>					
<i>account</i>					
<i>account</i>					
Replenishment Bank Debit	0	0	0	0	0
Total Planned Repayment	0	0	0	0	0
5-Year Obligation Satisfied	0	0	0	0	0
<i>Previous year's activity</i>					
<i>Current year's activity</i>					
Total Obligation Remaining	0	0	0	0	0

APPENDIX C

[For Annual Report Written in 2009]

Table C.6. 2008 Southside M&I Replenishment Obligation Activity

Replenishment Activity	PROTECTION ZONES				Total Obligation
	Western Municipal	Western M&I	Eastern North	Eastern South	
Acre-feet					
Begin Balance (Unmet obligation)	Not Applicable				
M&I Obligation incurred previous year (2007)	0	0	0	0	0
Repayment Method (2008 activity):					
Direct Delivery	0	0	0	0	0
<i>Direct use</i>	0	0	0	0	0
<i>US&R on reservation</i>	0	0	0	0	0
<i>Individual replenishment</i>	0	0	0	0	0
Credits Extinguished (earned within 5-yrs)	0	0	0	0	0
<i>account</i>	0	0	0	0	0
<i>account</i>	0	0	0	0	0
<i>account</i>	0	0	0	0	0
Replenishment Bank Debit	0	0	0	0	0
Total 2008 Repayment	0	0	0	0	0
Total Obligation Remaining	0	0	0	0	0

[For Annual Report Written in 2009]

Table C.7. 2008 Southside Irrigation Replenishment Obligation Activity

Replenishment Activity	PROTECTION ZONES				Total Obligation
	Western Municipal	Western M&I	Eastern North	Eastern South	
Acre-feet					
Begin Balance (Unmet obligation)	Not Applicable				
M&I Obligation incurred previous year (2007)	0	0	0	0	0
Repayment Method (2008 activity):					
Direct Delivery	0	0	0	0	0
<i>Direct use</i>	0	0	0	0	0
<i>US&R on reservation</i>	0	0	0	0	0
<i>Individual replenishment</i>	0	0	0	0	0
Credits Extinguished (earned within 7-yrs)	0	0	0	0	0
<i>account</i>	0	0	0	0	0
<i>account</i>	0	0	0	0	0
<i>account</i>	0	0	0	0	0
Replenishment Bank Debit	0	0	0	0	0
Total 2008 Repayment	0	0	0	0	0
Total Obligation Remaining	0	0	0	0	0

APPENDIX C

[For Annual Report Written in 2010]

Table C.8. 2009 Southside M&I Replenishment Obligation Activity

Replenishment Activity	PROTECTION ZONES				Total Obligation
	Western Municipal	Western M&I	Eastern North	Eastern South	
Acre-feet					
Begin Balance (Unmet obligation)	0	0	0	0	0
M&I Obligation incurred previous year (2008)	0	0	0	0	0
Repayment Method (2009 activity):					
Direct Delivery	0	0	0	0	0
<i>Direct use</i>	0	0	0	0	0
<i>US&R on reservation</i>	0	0	0	0	0
<i>Individual replenishment</i>	0	0	0	0	0
Credits Extinguished (earned within 5-yrs)	0	0	0	0	0
<i>account</i>	0	0	0	0	0
<i>account</i>	0	0	0	0	0
<i>account</i>	0	0	0	0	0
Replenishment Bank Debit	0	0	0	0	0
Total 2009 Repayment	0	0	0	0	0
3-Year repayment required (from 2007)	0	0	0	0	0
3-Year Obligation Satisfied June 1, 2010	0	0	0	0	0
Total Obligation Remaining	0	0	0	0	0

[For Annual Report Written in 2010]

Table C.9. 2009 Southside Irrigation Replenishment Obligation Activity

Replenishment Activity	PROTECTION ZONES				Total Obligation
	Western Municipal	Western M&I	Eastern North	Eastern South	
Acre-feet					
Begin Balance (Unmet obligation)	0	0	0	0	0
M&I Obligation incurred previous year (2007)	0	0	0	0	0
Repayment Method (2009 activity):					
Direct Delivery	0	0	0	0	0
<i>Direct use</i>	0	0	0	0	0
<i>US&R on reservation</i>	0	0	0	0	0
<i>Individual replenishment</i>	0	0	0	0	0
Credits Extinguished (earned within 7-yrs)	0	0	0	0	0
<i>account</i>	0	0	0	0	0
<i>account</i>	0	0	0	0	0
<i>account</i>	0	0	0	0	0
Replenishment Bank Debit	0	0	0	0	0
Total 2009 Repayment	0	0	0	0	0
5-Year repayment required this year (2010)	0	0	0	0	0
Total Obligation Remaining	0	0	0	0	0

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Table C.10. Southside Replenishment Bank

Community Account Activity (Acre-feet)	2008	2009	2010	2011	2012
Previous Year Balance	0	0	0	0	0
AWBA Deliveries ¹	0				
AWBA Debits ²	0				
AWBA Activity Balance	0	0	0	0	0
Non-AWBA Replenishment ³	0				
Total Account Balance	0	0	0	0	0

¹45-2624(B)- The AWBA must deliver a minimum of 1kaf to the GRIC at no cost, until the Bank has an initial balance of 15kaf.

²45-2624(C)- If a debit to the Bank causes the balance to be less than 5kaf, the AWBA must deliver sufficient water to bring the balance above 5kaf by the end of the year.

³45-2625(1)- Any credits registered to the Community's account from the replenishment by individual users shall not be used to meet the Authority's requirements under 45-2624(B) or (C).



OFFICE OF THE
ARIZONA STATE TREASURER



HON. DEAN MARTIN
TREASURER

September 15, 2008

To LGIP Pool 5 participants:

Since the credit crunch began more than a year ago, we have systematically reduced risk in the LGIP and the other investment pools we operate. We have eliminated Asset Backed Commercial Paper backed by mortgages, nearly all commercial paper, and substantially reduced exposure to financial sector investments since the credit crunch last August (shifting to the non-financial and government agency sectors). We have improved diversification in order to minimize the impact of any unexpected events.

This weekend the financial industry experienced an unprecedented event, Lehman Brothers Holding Inc. filing for Chapter 11 reorganization on September 14, 2008, the largest in history.

Our measures to reduce exposure have greatly limited the impact to you as a Local Government Investment Pool 5 (LGIP) participant. However we are making a change today in order to protect you as a pool participant and ensure equitable treatment of all shareholders.

Effective close of business Friday September 12, 2008 we are splitting Pool 5 into two pools: Pool 5 and the new temporary Pool 57 which will consist solely of three bonds issued by Lehman Brothers totaling \$39.45 million in senior unsecured debt. You will retain complete liquidity in Pool 5 shares and will be able to make deposits and withdrawals as normal.

However since we have only \$39.45 million in Lehman bonds, we cannot sell or split those assets, so essentially Pool 57 will be illiquid until the court completes the reorganization or a reasonably priced sale of the bonds can be executed. As the securities pay interest and we receive distributions of principal, it will be paid to all participants of the new pool 57 on a pro-rata basis.

In the Lehman Brothers Holdings court filing, the company listed positive net assets of \$26 billion as of May 31, 2008. Lehman Brothers is seeking to reorganize itself at this time. It is important to note that Lehman did NOT file Chapter 7 (liquidation of its assets).

Given their positive net assets and the nature of their filing for reorganization, there still is a market for the bonds. In the hours after the announcement, the market was still offering 28-31 cents on the dollar (obviously discounted). However a report by the independent credit research firm CreditSights indicates that a recovery value for senior unsecured debt is typically between 60 cents and 80 cents on the dollar, with the Lehman debt toward the 60 cents range. We are going to watch this closely until this is resolved and will keep you informed.

What does this mean to you as an investor? The Lehman bonds represented 1.2664% of Pool 5 as of September 12, 2008. To put this in perspective, in the worst case scenario if the court forgave all debts and no future payments were received, the impact would be equal to 12.6 basis points each month for the rest of the fiscal year. We will continue to update you on any developments as they occur. We will be having two conference calls in order to answer any questions.

Tuesday September 16th at 9:30am and 1:30pm - Conference Call #: 1-888-363-4735 access code 4220686#

Thank you for the opportunity to continue to serve you.

Sincerely,

Treasurer Dean Martin

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