

ARIZONA WATER BANKING AUTHORITY
Wednesday, December 16, 2009

	Name (Please print)	Affiliation	Phone No.
1	Cliff Neal	CAP	623-869-2672
2	Larry Dozier	CAP	
3	Gary Gin	City of Phoenix	602-495-5654
4	Bob Siskora	AZ State Parks	602-542-7157
5	Brian Draper	City of Mesa	480-644-3246
6	Chuck Cull	CAP	623-869-2665
7	Tom McCann	CAP	623-869-2343
8	DON GROSS	A-DWR-CRM	602-771-8411
9	Dee Korin	Tucson Water	520-837-2238
10	Chris Udall	ABC	480-558-5301
11	PETER CULP	Squire, Sanders & Dunlap	602-528-4063
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ARIZONA WATER BANKING AUTHORITY
Wednesday, December 16, 2009

	Name (Please print)	Affiliation	Phone No.
1	Mark Myers	Montgomery + 2650X	520-881-4922
2	V. C. DANDS	AMWUA	
3	Brian Hewitt	CAP	423-869-2547
4	DOUG KUPEL	CITY OF PHOENIX	602-495-5853
5	Gary Given	CAP	623-869-2158
6	Tom Make	SNWA	702-862-3702
7	John Entsminger	SNWA	
8	JEFF ENLERS	SRP	602 236-5504
9	Beth Miller	Scottsdale	480-312-5009
10	Tony DeMarco	Senate	602-926-3171
11	Furzeal Builey	Senate	602-926-3171
12	Michael Block	MetroWater	on-file
13	Steve Olson	Amwua	602 248-8482
14	PAUL Opme	CADD/MSPD	623-465-0445
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Arizona Water Banking Authority
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PLEASE POST

NOTICE OF PUBLIC MEETING

Pursuant to A.R.S. § 38-431.02, notice is hereby given that there will be a meeting of the Arizona Water Banking Authority Commission on **December 16, 2009 at 9:00 a.m.** at the Arizona Department of Water Resources, 3550 North Central Avenue, Phoenix, Arizona 85012, Upper/Middle Verde conference room on the 2nd floor. The meeting is open to the general public. A copy of the agenda for the meeting is posted below.

Dated this 14th day of December, 2009

FINAL AGENDA

Arizona Water Banking Authority Commission Meeting

- I. Welcome/Opening Remarks
- II. Approval of Minutes
 - September 16, 2009
 - November 12, 2009 Special Meeting
 - November 23, 2009 Work-Study Session
- III. Water Banking Staff Activities
 - Deliveries
 - Meetings
 - Update on AWBA legislative amendment
 - On-going Indian settlement negotiations
 - Update on CAWCD v. Brewer
- IV. Discussion and Potential Action on Proposed ADWR Self Funding Fees
- V. Cortaro-Marana Irrigation District Water Storage Agreement
 - Discussion
 - Potential approval of Cortaro-Marana Irrigation District Water Storage Agreement
- VI. Discussion and Approval of 2010 Annual Plan of Operation
 - Overview of public comment
 - Approval of 2010 Annual Plan of Operation

- VII. Discussion and Approval of CY 2010 Water Delivery Budget
 - Overview of budget
 - Adoption of budget

- VIII. On-River Firming
 - Discussion of Amending Agreement to Firm Future Supplies
 - Recognition of additional water acquired by MCWA and other subcontractors
 - Other editorial changes to Agreement to Firm Future Supplies
 - Discussion of process for other entities outside Mohave County to participate in on-river firming

- IX. Interstate Water Banking
 - Overview of interstate accounting and firming obligation
 - Discussion of draft Recovery Agreement Among AWBA, CAWCD, SNWA, and CRCN
 - Discussion of acquisition of additional water supplies

- X. Call to the Public

Future Meeting Dates:

Wednesday, March 17, 2010

Wednesday, June 16, 2010

Wednesday, September 15, 2010

Wednesday, December 8, 2010

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

September 16, 2009
Arizona Department of Water Resources



AUTHORITY MEMBERS

Herbert R. Guenther, Chairman
Maureen R. George, Vice-Chairman
Tom Buschatzke, Secretary
John Mawhinney
Lisa A. Atkins

EX OFFICIO MEMBERS

The Honorable Steve Pierce
The Honorable Kirk Adams

Welcome/Opening Remarks

Chairman Herb Guenther welcomed the attendees. All members of the Authority were present except for *ex-officio* member, Representative Kirk Adams. Maureen George attended via teleconference. Chairman Guenther announced the new chief counsel for the Arizona Department of Water Resources (ADWR), Ken Slowinski, noting he would be attending AWBA meetings on occasion.

Approval of Minutes of June 17, 2009 Meeting

The Authority approved the minutes of the June 17, 2009 meeting.

Staff Activities

Virginia O'Connell briefed the Commission on AWBA water deliveries for calendar year 2009. She noted that intrastate deliveries were nearly complete. All scheduled deliveries for the Pinal and Tucson AMAs have been made. There are approximately 13,000 acre-feet of deliveries remaining for the Phoenix AMA, which are scheduled for Groundwater Savings Facilities (GSF). She reminded the Commission that the 2009 Plan of Operation had been amended last April to reclassify 25,000 acre-feet of intrastate deliveries to the Pinal AMA as interstate. The GSFs have started to take those deliveries. A little over 9,000 acre-feet have been delivered, leaving approximately 15,000 acre-feet for the remainder of the year.

Ms. O'Connell informed the Commission that the Central Arizona Water Conservation District (CAWCD) indicated they would be analyzing their customer's water supply needs now that the peak of the summer has passed; whether entities would be turning back water or needing additional supplies. Depending on the outcome, additional water could become available for remarketing or for the AWBA.

Ms. O'Connell also pointed out that it is the time of year that staff often receives requests from other CAP water users for the AWBA to step aside on its water deliveries. She reiterated that the AWBA only had GSF deliveries scheduled for the remainder of the year and clarified that these are different from deliveries to underground storage facilities because they are a direct use of water. The irrigation districts have incorporated use of the AWBA's in-lieu water into their farming operations. Ms. O'Connell stated that based on this fact, it does not appear there is opportunity for the AWBA to step aside this year. Tom Buschatzke inquired if the AWBA had ever turned down a request for a step-aside and if it was a decision

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made at the staff level or if it is based on direction from the Commission. Ms. O'Connell responded that while the AWBA has historically tried to accommodate requests for step aside, at the end of 2008, staff was directed by the Commission to decline a request from Philip Saletta from the Town of Oro Valley because of the circumstances at the time. The Commission had also stated that any future requests would be determined on a case-by-case basis.

Ms. O'Connell reviewed the recovery schedule for developing Intentionally Created Unused Apportionment (ICUA) for the Metropolitan Water District of Southern California (Metropolitan). Recovery remains ahead of schedule. CAWCD has recovered approximately two-thirds of the scheduled amount, leaving about 10,000 acre-feet for the remainder of the year. No issues are anticipated.

Kim Mitchell updated the Authority on the State budget for fiscal year (FY) 2010. She noted that House Bill 2643, the trailer bill to Senate Bill 1188 (General Appropriations Act 2009/10), identified a transfer of \$5.4 million from interest earnings on the Arizona Water Banking Fund to the State General Fund. The only source for this fund transfer was the Interstate Resource Account. The transaction was completed on July 23rd.

Ms. Mitchell also noted that staff will be arranging to meet with key legislators in the next two months to provide informational background of the AWBA's activities and obligations. Commission members may attend the meetings absent a quorum. Lisa Atkins requested that staff brief the Commission on the AWBA's priorities prior to these meetings.

Ms. Mitchell commented that at the last AWBA meeting, the Commission authorized Chairman Guenther to sign the intergovernmental agreement (IGA) between the AWBA and the Gila River Indian Community (the Community) that identifies the procedures for delivering water for meeting a Southside Replenishment obligation and/or for establishing the Southside Replenishment Bank. The IGA has since been fully executed. She noted that the Community has also provided written approval for the direct delivery of 1,000 acre-feet of water in calendar year 2009 that the AWBA had scheduled prior to the execution of the IGA. Staff will work with CAWCD staff to properly account for the classification and payment of this delivery.

With regard to on-river firming, Ms. Mitchell informed the Commission that staff would be working on an efficient approach by which fourth priority M&I users along the Colorado River can be given opportunity to firm their entitlements. The issue will be discussed in greater detail at the next AWBA meeting in December.

Ms. Mitchell also informed the Commission that staff had been notified that the Government Information Technology Agency (GITA) is requiring that all Arizona State government groups, including agencies, boards, and commissions, comply with standardization of the newly approved State Government Web Portal. All groups are required to maintain a consistent look and feel in their website designs. Staff will be working with ADWR's IT staff on meeting these requirements. Mr. Buschatzke inquired if the new web format would limit staff's ability to post documents. Ms.

Mitchell responded that it should not be a problem.

Tom Harbor (CAWCD) provided an overview of the potential sale of CAWCD's Avra Valley Recharge Project (AVRP) to the Metropolitan Domestic Water Improvement District (Metro). CAWCD staff had been directed by its Board of Directors to develop the principles of the agreement and to present the proposal to the Tucson AMA stakeholders. The Institutional Policy Advisory Group (IPAG) was briefed on the concepts of the agreement and was generally supportive. The current draft agreement constitutes a three-party arrangement where CAWCD would transfer ownership of the facility to Metro, Metro would assign long-term storage credits (credits) in lieu of cash to the Central Arizona Groundwater Replenishment District (CAGRDR), and the CAGRDR would in-turn reimburse CAWCD through a transfer of funds. On average, the facility only represents three percent of the Tucson AMA's total storage capacity, therefore its sale should not impact the AWBA's ability to store water. Mr. Harbor commented that if Metro stores at AVRP it would free up storage capacity elsewhere. Under the agreement, any unused capacity at AVRP would also be available to the CAGRDR and AWBA. He also noted that CAWCD's ability to recover the stored water should not be a concern, but as a precaution the contract includes a provision that retains CAWCD's right to recover from within the area of impact of the facility. Mr. Buschatzke thanked Metro for including the provision in the contract. Mike Block (Metro) noted that Metro currently has a CAP allocation of 8,850 acre-feet that will increase by 4,602 acre-feet in 2012 from a reallocation of previously uncontracted water. He commented that Metro had also been involved in the origination of the project. The CAWCD Board will be taking action in the near future.

Draft 2010 Annual Plan of Operation

Ms. O'Connell noted that the Draft 2010 Annual Plan of Operation (Plan) incorporated CAWCD's new policy for distributing excess CAP water. The policy identified a pool of 175,000 acre-feet to be shared between the AWBA and the CAGRDR for its replenishment reserve obligation. The draft Plan utilizes 148,000 acre-feet of this pool, which is the amount remaining after subtracting the CAGRDR's current projected use. Ms. O'Connell commented that CAWCD had informed staff the previous day that the Bureau of Reclamation (Bureau) would also be included in the AWBA/CAGRDR pool for Indian firming purposes. This had been touched on during the Access to Excess process when the Bureau raised concerns as to which category their orders would fall into. CAWCD staff clarified that the pool was established for certain long-term banking purposes, including Arizona's obligation for Indian firming, therefore Federal Indian firming would also qualify for this pool. This is in keeping with the terms of the Revised Stipulation, which grants federal access to excess pools created by CAWCD on "the same terms and conditions as for other users in that category." Ms. O'Connell noted the Bureau is proposing to store 3,000 acre-feet of water, but it is not clear if that amount will come from the AWBA's portion or the CAGRDR's. The CAGRDR had initially indicated they might not need the full amount of their projected use. She also pointed out that it is possible additional supplies could become available after all water orders are submitted to CAWCD.

Ms. O'Connell reviewed the proposed delivery schedule (Table 2) noting it was still preliminary because the monthly delivery amounts and the actual storage capacity available to the AWBA at CAP facilities will not be known until all orders are placed with CAWCD. There may also be an opportunity to store 5,000 to 7,000 acre-feet at GSFs in the Tucson AMA, which would shift deliveries from the underground storage facilities. Discussions with GSF operators in that AMA are ongoing. Deliveries in the Phoenix AMA include 5,000 acre-feet to the Roosevelt Water Conservation District (RWCD) GSF. The AWBA has not partnered with RWCD in several years because capacity was not available. However, the District's contracts with other partners are expiring, making some capacity available. Storage in the Pinal and Tucson AMAs was limited to the amount of funding estimated to be available in those AMAs. Mr. Buschatzke inquired how GSF deliveries would affect the Tucson AMA given that all available funds are currently expended. Ms O'Connell responded that because storage at GSFs is less expensive, more water could be stored with the funds available. The Plan also identifies the direct delivery of 1,000 acre-feet for the purpose of establishing the Southside Replenishment Bank. This is the minimum amount the AWBA is required to deliver annually until the 15,000 acre-feet maximum is met. The Plan does not include storage for interstate purposes at this time.

Ms. O'Connell noted that the water delivery rate increased \$51 to \$133/acre-foot for intrastate deliveries and decreased \$2 to \$231/acre-foot for interstate deliveries. Intrastate rates have increased because CAWCD's Board concluded at its rate setting meeting in June that the incentive priced water rate was no longer needed since there was sufficient demand for water. With regard to the cost share paid by GSF operators, staff is recommending an increase of \$1 to \$33/acre-foot. Although there is no interstate storage planned, the rate would remain the same at \$26/acre-foot. The total estimated cost of the current draft Plan is approximately \$18.7 million.

Ms. O'Connell commented that staff had met with GSF operators in Tucson to discuss an appropriate cost share. Based on the data submitted, which included a range of groundwater pumping costs and cost shares paid by other partners, a reasonable amount would be \$15/acre-foot. She also noted that Cortaro-Marana's Board had indicated that they would not be able to partner with the AWBA at \$20/acre-foot cost share because the cost would be too high. Mr. Block commented that Metro had no objection to a \$15 cost share since it did not create competition for capacity. The Commission directed staff to pursue GSF participation in the Tucson AMA at a \$15/acre-foot cost share.

Staff had met with AWBA partners in all three AMAs. Some of the irrigation districts had pointed out that some of their farmers are reverting to cotton because of the drop in grain prices. Chairman Guenther inquired why prices had fallen. Staff responded that because of the drop in dairy subsidies, operators were reducing the number of livestock, which also reduced the demand for feed. As a result, water use was expected to decrease because cotton has a lower consumptive use rate than certain feed crops such as alfalfa.

The Commission directed staff to present the draft Plan to the public at the GUAC meetings scheduled in the three AMAs.

Discussion and Potential Action on Assignment of Long-term Storage Credits from the Tohono O'odham Nation Pursuant to A.R.S. § 45-841.01

Ms. Mitchell informed the Commission that staff received a letter from Chairman Norris of the Tohono O'odham Nation offering the assignment of long-term storage credits to the AWBA. The offer is being made pursuant to the Southern Arizona Water Rights Settlement Act (SAWRSA). The Tohono O'odham Nation may accrue credits to further the implementation of the settlement, however they are statutorily required to offer to sell to the AWBA ten percent of any credits accrued from water delivered to the Mission Mine Complex. The credits must be offered at a price per acre-foot that is equal to the AWBA's delivery and storage costs at the time of sale. Chairman Norris is offering 234 acre-feet of credits at \$97 per acre-foot. While there is a restriction that the credits may not be recovered within five miles of the exterior boundary of the reservation, there is also a benefit to the AWBA because the five percent cut to the aquifer has already been deducted. Ms. Mitchell noted that all of the requirements for accruing the credits had been met. She reminded the Commission that this was the AWBA's only authorization to purchase credits. The cost of the credits is approximately \$23,000 and could be purchased from withdrawal fees collected in the Tucson AMA this year. Mr. Buschatzke inquired if these credits will be tracked separately since there is a restriction on recovery. Ms. Mitchell responded that they would and clarified that ADWR keeps track of where credits originated through the water storage permit number. The credits will be tagged in this manner when they are assigned to the AWBA and reassigned in the future. AWBA staff will also notify the recipients of the recovery restrictions when they are assigned. The acquisition of these credits would be part of the 2009 Plan of Operation.

Mr. Mawhinney made a motion to approve the assignment of long-term storage credits from Tohono O'odham Nation. Ms. Atkins provided the second to that motion. The motion carried.

Interstate Water Banking

Tim Henley reviewed Resolution 2009-1, which outlines the responsibilities and limitations of the Authorized Representative identified in the Second Amended Agreement for Interstate Water Banking. Mr. Mawhinney made a motion to adopt AWBA Resolution 2009-1. Mr. Buschatzke provided the second to that motion. The motion carried.

Mr. Henley noted that action to approve the Third Amended Interstate Agreement was not necessary because the outstanding issues were resolved with the adoption of Resolution 2009-1.

Mr. Henley reviewed the third quarter interstate accounting table, which now also includes activities associated with the Nevada Operating account. Mr. Henley inquired if staff should continue to loan funds to Nevada from the Resource account since operating funds are now available. The Commission questioned if the funds remaining in the Resource account were vulnerable given the State's budget deficit. Mr. Henley commented that if the funds were not used they would likely be subject to legislative transfer. He indicated that staff would be discussing next year's interstate

storage at their upcoming meeting with the Southern Nevada Water Authority. Mr. Mawhinney recommended that staff develop a plan for expending the funds. Mr. Henley commented that CAWCD is exploring the potential for acquiring additional new water in light of the recent demand for Excess CAP water. They are currently assessing opportunities along the Colorado River. The AWBA could participate in a partnership with CAWCD if appropriate. Mr. Buschatzke pointed out that if interstate funds are protected it would leave withdrawal fees vulnerable at the expense of M&I firming. Chairman Guenther commented that in his discussions with the Governor's office and the Legislature he had repeatedly asked that interstate funds not be touched. They had indicated that they would not sweep funds in the Operating account, but that they were open to sweeping the interest that had accrued on funds in the Resource account. Mr. Mawhinney noted he wanted to follow through with these discussions. Mr. Henley commented that staff would develop a schedule matrix that focuses on issues important to the AWBA. Mr. Mawhinney suggested meeting with the Chairman of the Appropriations Committee for both the Senate and the House instead of meeting with individual legislators. Chairman Guenther suggested including the Chairmen of the Natural Resources Committees. Mr. Henley pointed out that when the Legislature transfers funds, unless specified, the Commission determines which funds will be affected.

Mr. Henley briefed the Commission on the Interstate Water Banking Report for Fiscal Year (FY) 2009. The report is statutorily required to be submitted to the Joint Legislative Budget Committee (JLBC) by October 1 of each year. This is the third year that the report will be submitted. The report identifies an ending balance for FY2009 of approximately \$11 million. A footnote has been included identifying the legislative transfer of \$5.4 million that occurred in July of 2009. Ms. Atkins inquired if the report was final. Mr. Henley commented that the report was not an action item and clarified that the first report, which was for fiscal years 2005 and 2006, had been approved by the Commission, but that subsequent reports are submitted by the AWBA manager.

Call to the Public

There were no additional comments.

Consideration of Action to go into Executive Session of the Authority Commission pursuant to A.R.S. § 38-431.03.A.4 to discuss with their attorneys and AWBA staff potential litigation by CAWCD regarding funds of the Arizona Water Banking Authority.

Chairman Guenther stated that the Commission would not be meeting in executive session because a lawsuit regarding funds of the AWBA had not been filed by CAWCD.

The meeting adjourned at 11:15 a.m.

ARIZONA WATER BANKING AUTHORITY
Draft Minutes¹

November 12, 2009
Arizona Department of Water Resources



AUTHORITY MEMBERS
Herbert R. Guenther, Chairman
Maureen R. George, Vice-Chairman
Tom Buschatzke, Secretary
John Mawhinney
Lisa A. Atkins

EX OFFICIO MEMBERS
The Honorable Steve Pierce
The Honorable Kirk Adams

Welcome/Opening Remarks

Chairman Herb Guenther welcomed the attendees. All members of the Authority were present except for *ex-officio* member, Representative Kirk Adams. Maureen George and John Mawhinney attended via teleconference.

Amended 2009 Plan of Operation

Kim Mitchell informed the Commission that staff had received a letter from the Southern Nevada Water Authority (SNWA) notifying the AWBA that Nevada wanted to release up to 40,000 acre-feet of Intentionally Created Unused Apportionment (ICUA) to Arizona in 2009 for storage purposes. The SNWA also notified the Bureau of Reclamation (Bureau) of its intent to make unused apportionment available to the AWBA. Chairman Guenther inquired if the storage of Nevada's ICUA would be applied to the AWBA's obligation to store 1.25 million acre-feet of long-term storage credits (credits) for Nevada. Staff commented that it would and that by the end of 2009, approximately 590,000 acre-feet of credits will have accrued towards that obligation. Tom Buschatzke pointed out that SNWA's letter to the Bureau states that the Central Arizona Project (CAP) would make its best efforts to store this water while also trying to ensure that Arizona's full apportionment of 2.8 Million acre-feet (MAF) was put to beneficial use. He questioned if the storage of Nevada's ICUA would put full use of Arizona's entitlement at risk. Ms. Mitchell responded that it would not and that she believed the statement was intended to acknowledge that Nevada's ICUA was in addition to Arizona's entitlement. Larry Dozier (CAWCD) clarified that while it is necessary to get an early start on diverting Nevada's ICUA, CAWCD did not want to incur an inadvertent overrun if 40,000 acre-feet of ICUA is not made available by Nevada. Diversions will be reconciled at the end of the year to ensure that Arizona's full entitlement is utilized.

Virginia O'Connell briefed the Commission on the amendment to the 2009 Plan of Operation (Plan). She reminded the Commission that the Plan was previously amended in April to include 25,000 acre-feet of interstate deliveries to the Pinal Active Management Area (AMA). This proposed amendment identifies an additional 35,000 acre-feet of interstate deliveries to the Phoenix AMA and 5,000 acre-feet to the Tucson AMA. The delivery and storage costs are estimated at \$10 million. Funds for this amount will be requested from SNWA.

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Lisa Atkins made a motion to adopt the Amended 2009 Plan as presented with any minor or editorial changes. Mr. Buschatzke provided the second to that motion. The motion carried. Ms. Mitchell noted that staff would provide notification to SNWA and the Bureau confirming the AWBA's proposed storage of Nevada's ICUA.

Discussion and Potential Approval of Correspondence Addressing ADWR's Budget Reduction Submittal to the Governor's Office of Strategic Planning and Budget

Ms. Mitchell briefed the Commission on the proposed budget reduction plan submitted by the Arizona Department of Water Resources (ADWR) to the Governor's Office of Strategic Planning and Budget (OSPB) in response to their request for a 15% funding level reduction on general and other Non-appropriated funds for fiscal year 2010. Although the proposed plan recognized that the AWBA had already contributed more than its fair share and that it was inappropriate to include reductions to Non-appropriated funds that are available to other governmental agencies such as the AWBA, the proposed plan included a reduction to the Arizona Water Banking Fund (Banking Fund) of approximately \$785,000 to meet the target reduction for Non-appropriated funds. Ms. Mitchell noted that transfers from the Banking Fund for the last two fiscal years totaled \$30.5 million.

Chairman Guenther recused himself from the discussions due to a conflict of interest as Director of ADWR. He did however provide comments clarifying that the 15% reduction actually amounted to 30% because it was based on half the fiscal year (FY). The proposed plan would result in ADWR staff reductions of approximately 40%. Given the current economic conditions, Commission members discussed how the AWBA could meet its obligations and goals, including its relationship with ADWR and CAWCD. Tom Buschatzke pointed out that the latest legislative transfer specified which funds would be transferred from the Banking Fund. He commented that the Commission should be included in any decisions concerning future fund transfers. The Commission directed staff to draft a letter to the Governor that addresses the points discussed at the meeting, including the AWBA's relationship to ADWR, the impacts of further budget cuts on the AWBA's ability to meet its goals and obligations, and that the AWBA be included in any discussions regarding the Banking Fund. The Commission also asked staff to include the AWBA's position statement letter, dated May 5, 2009, as an attachment.

Call to the Public

Kim Mitchell announced that the AWBA could potentially have a work-study session on November 23rd or 24th to discuss a paper on interstate recovery and the acquisition of additional water supplies utilizing monies in the Nevada Resource subaccount. Commission members inquired if the discussion on recovery could be expanded to include intrastate recovery.

The meeting adjourned at 2:02 p.m.

ARIZONA WATER BANKING AUTHORITY
Draft Minutes¹

November 23, 2009
Arizona Department of Water Resources



AUTHORITY MEMBERS
Herbert R. Guenther, Chairman
Maureen R. George, Vice-Chairman
Tom Buschatzke, Secretary
John Mawhinney
Lisa A. Atkins

EX OFFICIO MEMBERS
The Honorable Steve Pierce
The Honorable Kirk Adams

Welcome/Opening Remarks

Chairman Herb Guenther welcomed the attendees. All members of the Authority were present except for *ex-officio* members, Senator Steve Pierce and Representative Kirk Adams. Maureen George and John Mawhinney attended via teleconference.

Recovery Planning

Tom McCann (CAWCD) gave a presentation on CAWCD's recovery planning, which included an evaluation of recovery needs based on future demand projections and worst case scenario shortages, methods for recovering long-term storage credits, and recovery opportunities within the Phoenix, Pinal and Tucson Active Management Areas (AMA). Chairman Guenther inquired what the maximum recovery amount was that Nevada could request annually. Mr. McCann responded that the maximum that Nevada could request, after the initial ramp up beginning with 20,000 acre-feet, is 40,000 acre-feet. However during shortages that affect Nevada, up to 53,000 acre-feet could be requested. Tom Buschatzke questioned if sufficient recovery capacity would be available in the Pinal AMA when agricultural pool water is not available and the irrigation districts rely on groundwater to meet demand. Mr. McCann responded that CAWCD would focus recovery on wells that were currently underutilized. CAWCD could also recover interstate credits that are located in the Phoenix and Tucson AMAs. Mr. Buschatzke inquired if some of the recovery wells in the Pinal AMA are also in the Southside Protection Zones. Mr. McCann commented that staff would review the locations of the underutilized wells. Mr. Buschatzke suggested that CAWCD focus on recovery within the area of impact of storage when applying the indirect recovery method so that excessive groundwater pumping is avoided. Mr. Mawhinney inquired if CAWCD's recovery agreements have been strengthened to ensure CAWCD's ability to recover when necessary. Mr. McCann noted that CAWCD is using other mechanisms to encourage irrigation districts to participate in recovery, such as price incentives for recovery as part of the water delivery rate structure.

Kim Mitchell provided an update on discussions between the AWBA, CAWCD, and the Southern Nevada Water Authority (SNWA) on developing a recovery agreement. She noted that a draft of the recovery agreement will be provided at the AWBA's meeting in December for discussion. Larry Dozier (CAWCD) noted that the draft agreement would also be presented at the CAWCD Board of Director's meeting in

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December. Examples for different cost estimates will be included as an attachment to the agreement. The parties anticipate that a final draft of the agreement will be completed by the first quarter of next year.

Discussion of Acquisition of Additional Water Supplies

Tim Henley noted that at the direction of the Commission, staff met with ADWR and CAWCD Staff to begin to evaluate opportunities for acquiring additional sources of water utilizing funds from the Nevada Resource Account to store water to meet Arizona's obligation to Nevada. Recent projections suggest that the amount of excess water available to the AWBA is declining. He briefed the Commission on the various opportunities that were discussed, which included potential water supplies, the mechanisms that could be employed to create additional water, and the issues and questions that must be addressed before pursuing a particular opportunity. Chairman Guenther inquired how the process for acquiring water corresponded with CAWCD's ADDWATER process. Mr. McCann commented that he viewed the processes to be separate, but if there was an advantage, they could be combined. Mr. Henley noted that the pros and cons would have to be evaluated with regard to the timeline for expending the Nevada funds. There were additional questions concerning the potential for developing intentionally created surplus as a water supply and the ability to release intentionally created unused apportionment to Nevada when requested. Mr. Henley reminded the Commission that current statutes only allow the AWBA to store water to meet its obligation to Nevada. However, there are mechanisms in the Storage and Interstate Release Agreement that allow for more efficient recovery through the credit exchange method.

Staff requested that the Commission provide comments on the preliminary findings at the AWBA meeting in December. Mr. Henley commented that staff would continue to work with staff from ADWR and CAWCD to analyze and rank the various options based on the direction provided by the Commission. Staff anticipates providing the results of the analysis at the meeting in March. Ms. George requested that staff include in its analysis the AWBA's ability to meet its Indian firming and Nevada obligations with regard to decreasing water supplies and available funds. Steve Olson (AMWUA) encouraged the AWBA to work with stakeholders since many of questions identified in the discussion paper were affiliated with the ADDWATER process.

Call to the Public

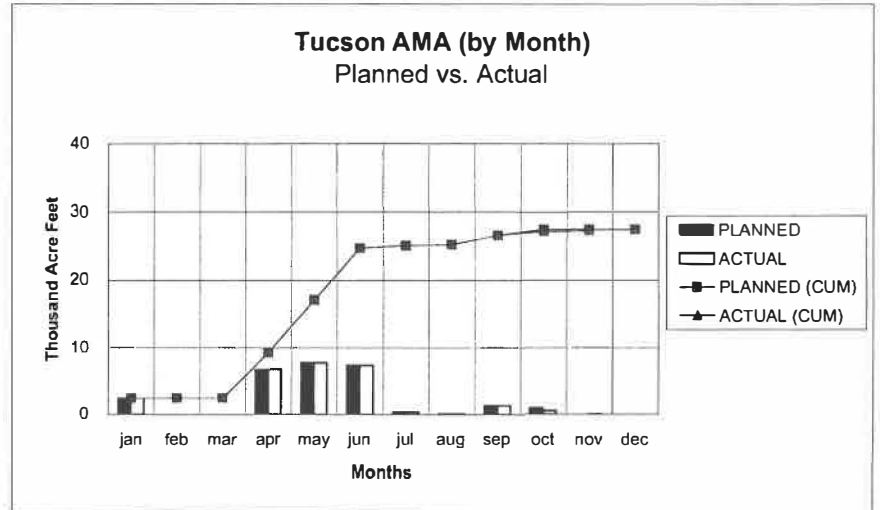
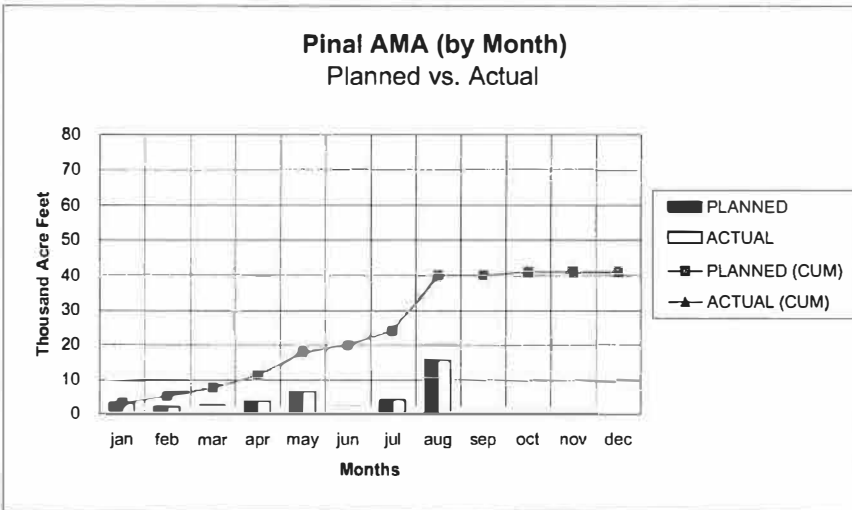
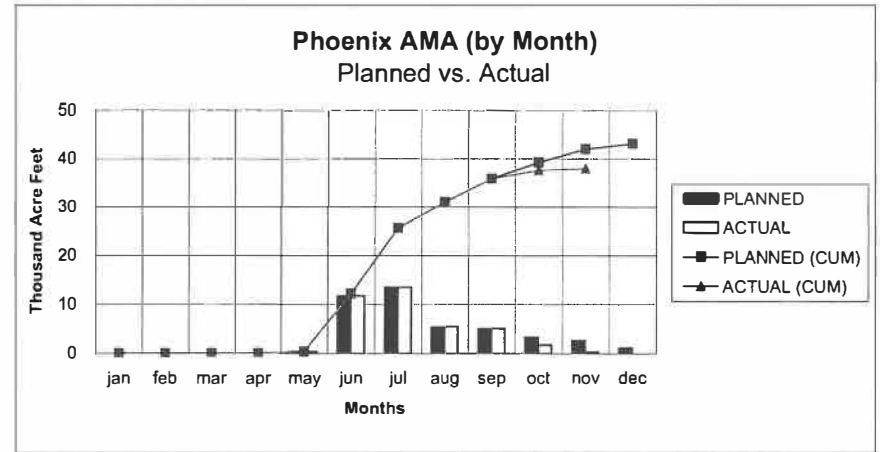
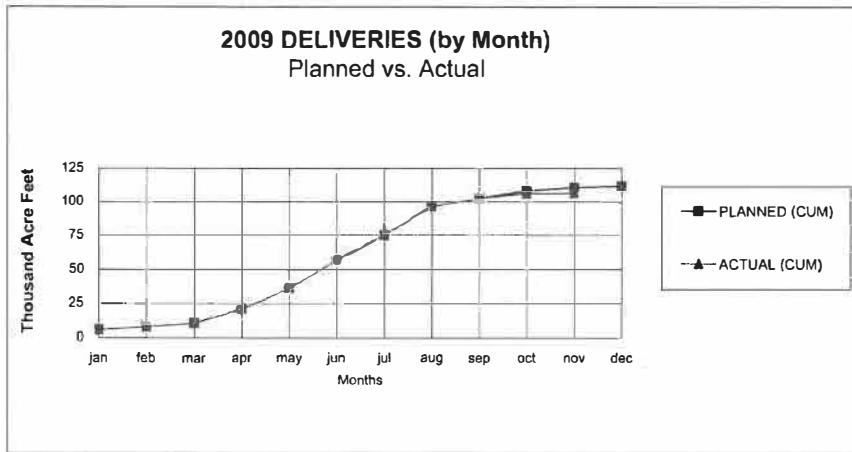
There were no additional comments.

The meeting adjourned at 4:52 p.m.

2009 Plan of Operation

(Amended 11-12-09)

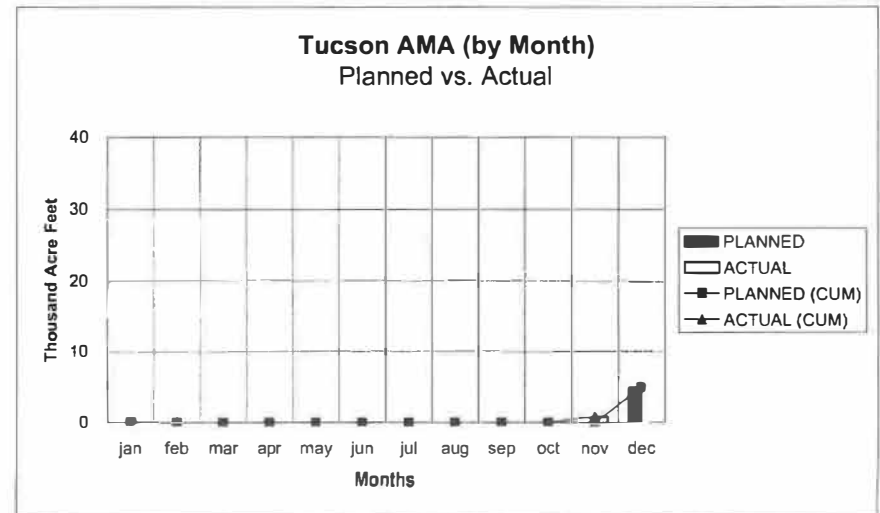
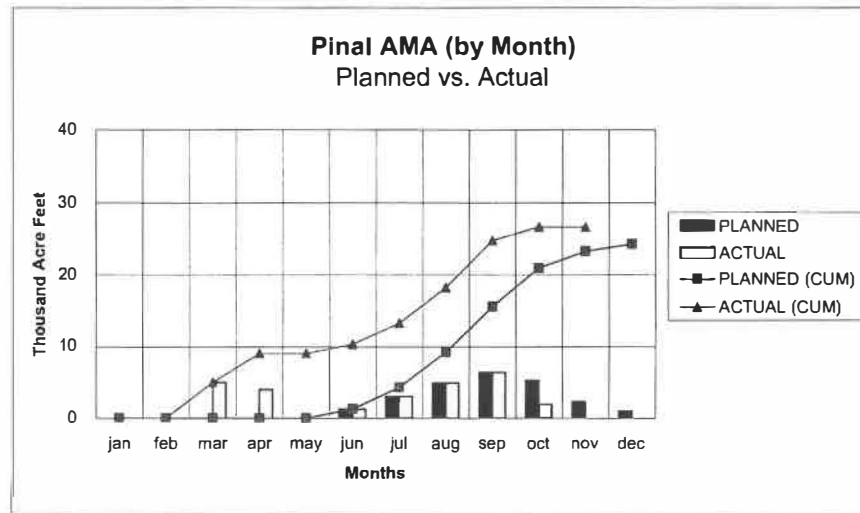
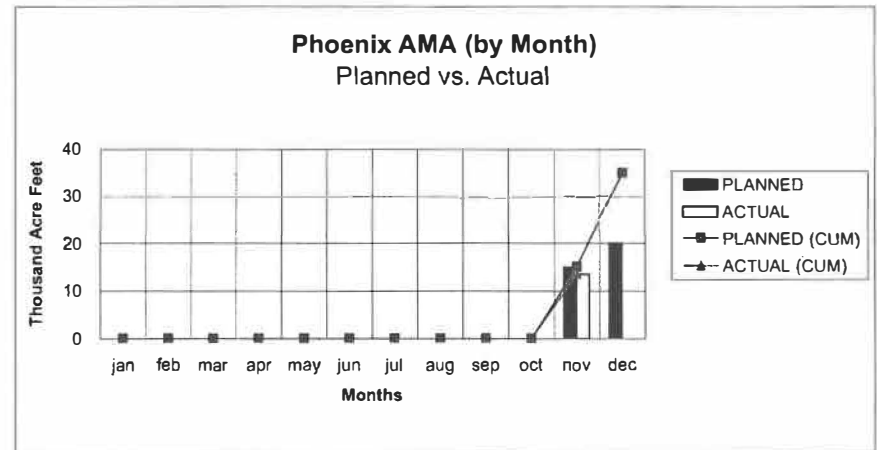
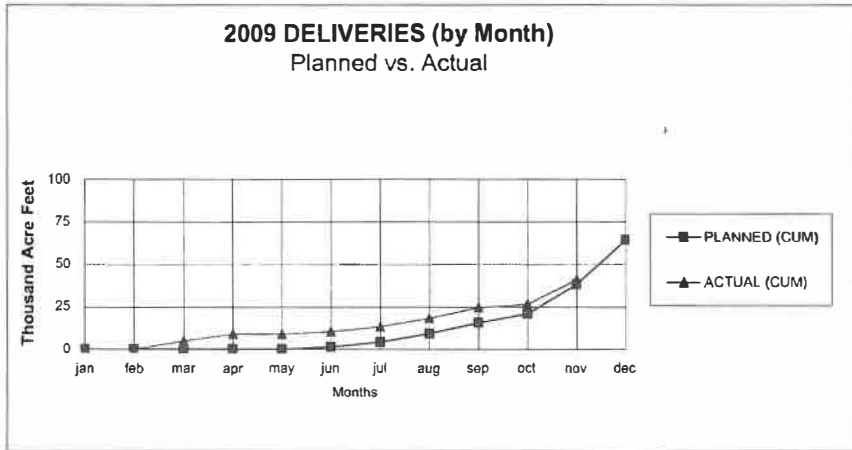
INTRASTATE



2009 Plan of Operation

(Amended 11-12-09)

INTERSTATE



Actual deliveries updated
Amended Plan of Operation

11-Dec-09
12-Nov-09

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	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	599	1,767	332	0	2,698
SRP	0	0	0	0	0	0	0	0	599	2,285	2,671	1,142	6,697
GRIIDD	0	0	0	0	403	11,702	13,458	5,369	4,356	0	0	0	35,288
	0	0	0	0	403	11,702	13,458	5,369	4,356	1,038	0	0	36,326
Subtotal	0	0	0	0	403	11,702	13,458	5,369	4,955	1,767	332	0	37,986
Total to date	0	0	0	0	403	12,105	25,563	30,932	35,887	37,654	37,986	37,986	37,986
Projected total to date	0	0	0	0	403	12,105	25,563	30,932	35,887	39,210	41,881	43,023	43,023

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	13,446	0	13,446
	0	0	0	0	0	0	0	0	0	0	15,000	15,000	30,000
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
	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	13,446	0	13,446
Total to date	0	0	0	0	0	0	0	0	0	0	13,446	13,446	13,446
Projected total to date	0	0	0	0	0	0	0	0	0	0	15,000	35,000	35,000

Combined

Subtotal	0	0	0	0	403	11,702	13,458	5,369	4,955	1,767	13,778	0	51,432
Total to date	0	0	0	0	403	12,105	25,563	30,932	35,887	37,654	51,432	51,432	51,432
Projected total to date	0	0	0	0	403	12,105	25,563	30,932	35,887	39,210	56,881	78,023	78,023

Actual deliveries updated		11-Dec-09												total
Amended Plan of Operation		12-Nov-09												
		jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	
Pinal AMA														
Intrastate	CAIDD	0	0	0	0	0	0	4,217	15,783	0	0	0	0	20,000
		0	0	0	0	0	0	4,217	15,783	0	0	0	0	20,000
	MSIDD	3,240	2,000	2,500	3,600	6,650	2,010	0	0	0	0	0	0	20,000
		3,240	2,000	2,500	3,600	6,650	2,010	0	0	0	0	0	0	20,000
	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
	GRIC-Replenishment Bank	0	0	0	0	0	0	0	0	0	1,000	0	0	1,000
		0	0	0	0	0	0	0	0	0	1,000	0	0	1,000
	Subtotal	3,240	2,000	2,500	3,600	6,650	2,010	4,217	15,783	0	1,000	0	0	41,000
	Total to date	3,240	5,240	7,740	11,340	17,990	20,000	24,217	40,000	40,000	41,000	41,000	41,000	41,000
	Projected total to date	3,240	5,240	7,740	11,340	17,990	20,000	24,217	40,000	40,000	40,000	40,000	40,000	41,000
Interstate	CAIDD	0	0	0	0	0	0	0	2,117	3,844	0	0	0	5,961
		0	0	0	0	0	0	0	2,117	3,844	4,289	1,750	500	12,500
	MSIDD	0	0	5,000	4,026	0	1,290	2,990	2,800	2,560	1,890	0	0	20,556
		0	0	0	0	0	1,290	2,990	2,800	2,560	1,000	560	500	11,700
	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	5,000	4,026	0	1,290	2,990	4,917	6,404	1,890	0	0	26,517
	Total to date	0	0	5,000	9,026	9,026	10,316	13,306	18,223	24,627	26,517	26,517	26,517	26,517
	Projected total to date	0	0	0	0	0	1,290	4,280	9,197	15,601	20,890	23,200	24,200	24,200
Combined														
	Subtotal	3,240	2,000	7,500	7,626	6,650	3,300	7,207	20,700	6,404	2,890	0	0	67,517
	Total to date	3,240	5,240	12,740	20,366	27,016	30,316	37,523	58,223	64,627	67,517	67,517	67,517	67,517
	Projected total to date	3,240	5,240	7,740	11,340	17,990	21,290	28,497	49,197	55,601	60,890	63,200	64,200	65,200
Tucson AMA														
Intrastate	AVRA VALLEY	480	0	0	605	763	610	389	132	22	0	0	0	3,001
		480	0	0	605	763	610	389	132	22	0	0	0	3,001
	CAVSARP	0	0	0	4,348	4,910	2,341	0	0	0	0	0	0	11,599
		0	0	0	4,348	4,910	2,341	0	0	0	0	0	0	11,599
	PIMA MINE	0	0	0	0	0	0	0	0	0	16	0	0	16
		0	0	0	0	0	0	0	0	0	0	0	0	0
	LOWER SANTA CRUZ	2,000	0	0	1,855	2,145	0	0	0	0	74	0	0	6,074
		2,000	0	0	1,855	2,145	0	0	0	0	0	0	0	6,000
	SAVSARP	0	0	0	0	0	4,525	0	0	0	0	0	0	4,525
		0	0	0	0	0	4,525	0	0	0	0	0	0	4,525
	KAI FARMS-RED ROCK	0	0	0	0	0	0	0	0	1,326	521	46	0	1,893
		0	0	0	0	0	0	0	0	1,326	974	0	0	2,300
	Subtotal	2,480	0	0	6,808	7,818	7,476	389	132	1,348	611	46	0	27,108
	Total to date	2,480	2,480	2,480	9,288	17,106	24,582	24,971	25,103	26,451	27,062	27,108	27,108	27,108
	Projected total to date	2,480	2,480	2,480	9,288	17,106	24,582	24,971	25,103	26,451	27,425	27,425	27,425	27,425
Interstate	AVRA VALLEY	0	0	0	0	0	0	0	0	0	0	3	0	3
		0	0	0	0	0	0	0	0	0	0	0	500	500
	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	657	0	657
		0	0	0	0	0	0	0	0	0	0	0	2,000	2,000
	LOWER SANTA CRUZ	0	0	0	0	0	0	0	0	0	0	178	0	178
		0	0	0	0	0	0	0	0	0	0	0	2,500	2,500
	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	838	0	838
	Total to date	0	0	0	0	0	0	0	0	0	0	838	838	838
	Projected total to date	0	0	0	0	0	0	0	0	0	0	5,000	5,000	5,000
Combined														
	Subtotal	2,480	0	0	6,808	7,818	7,476	389	132	1,348	611	884	0	27,946
	Total to date	2,480	2,480	2,480	9,288	17,106	24,582	24,971	25,103	26,451	27,062	27,946	27,946	27,946
	Projected total to date	2,480	2,480	2,480	9,288	17,106	24,582	24,971	25,103	26,451	27,425	27,425	32,425	32,425
TOTAL														
	Subtotal	5,720	2,000	7,500	14,434	14,871	22,478	21,054	26,201	12,707	5,268	14,662	0	146,895
	Total to date	5,720	7,720	15,220	29,654	44,525	67,003	88,057	114,258	126,965	132,233	146,895	146,895	146,895
	Projected total to date	5,720	7,720	10,220	20,628	35,499	57,977	79,031	105,232	117,939	127,525	147,506	174,648	175,648

**CENTRAL ARIZONA PROJECT
ANNUAL RECOVERY PLAN & USE
Calendar Year 2009
(in acre-feet)**

Revised 12/9/09

Pinal County Irrigation Districts Recovery Schedule:

MONTH	MSIDD		CAIDD		HIDD		CAGRDX EXCHANGE		TOTAL	
	SCH	Used	SCH	Used	SCH	Used	SCH	Used	SCH	Used
Jan	816	816	500	605	0	0	0	0	1,316	1,421
Feb	1,122	1,122	500	631	0	0	0	0	1,622	1,753
Mar	1,587	1,587	1,200	1,369	0	0	0	0	2,787	2,956
Apr	1,699	1,699	1,200	1,290	0	0	0	0	2,899	2,989
May	1,004	1,004	1,400	1,524	0	0	0	0	2,404	2,528
Jun	999	999	1,500	1,511	0	0	0	0	2,499	2,510
Jul	1,586	1,586	1,500	1,570	0	0	0	0	3,086	3,156
Aug	1,630	1,630	1,500	1,660	0	0	0	0	3,130	3,290
Sep	1,773	1,773	1,200	844	0	0	0	0	2,973	2,617
Oct	1,500	1,477	250	0	0	0	0	0	1,750	1,477
Nov	1,284	1,000	250	0	0	100	0	0	1,534	1,000
Dec	0	0	0	0	1,500	0	0	0	1,500	0
Total	15,000	14,693	11,000	11,004	1,500	100	0	0	27,500	25,797

* 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 AF
Less 2007 total recovered credits:	= 16,804 AF
Less 2008 total recovered credits:	= 28,442 AF
Less 2009 total recovered credits:	= <u>25,797 AF</u>
Remaining credits to be recovered by CAP:	= 9,866 AF



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Manager

November 19, 2009

Mr. David Modeer
General Manager
Central Arizona Water Conservation District
P.O. Box 43020
Phoenix, AZ 85080-3020

Dear Mr. Modeer:

Revised Recovery Request of Interstate Underground Storage Credits in 2009

The Metropolitan Water District of Southern California (Metropolitan) and the Central Arizona Water Conservation District (CAWCD) agreed to recover 30,000 acre-feet of long-term storage credits in 2009 that were originally stored under the 1992 demonstration agreement entered into by Metropolitan and CAWCD to store Colorado River water in central Arizona. Due to unexpected changes in our water supply portfolio, it is necessary to reduce our initial request.

Our staffs met to determine a revised request that could be mutually agreeable to our agencies. Following up on that discussion, per Item 1 of the December 11, 2007 letter agreement among our agencies and the Arizona Water Banking Authority, we request that the total recovery amount for 2009 be reduced to 27,500 acre-feet. The exact amount recovered will be determined at the end of the year. Additionally, staff have agreed to develop the remaining balance, estimated at 8,200 acre-feet, of intentionally created unused apportionment in 2010 for this purpose.

Thank you for your agency's cooperation. If you have any questions, please feel free to contact Mr. Bill Hasencamp of my staff at (213) 217-6520.

With best regards,

A handwritten signature in black ink that reads "Roger K. Patterson".

Roger K. Patterson
Assistant General Manager

HMR:jc

o:\a\s\c\2009\HMR_AWBA_CAWCD_MWD revised Recovery Request for 2009_111709.doc

Mr. David Modeer

Page 2

November 19, 2009

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

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

Mr. Gerald R. Zimmerman
Colorado River Board of California
770 Fairmont Avenue, Suite 100
Glendale, CA 91203-1035

Ms. Lorri Gray-Lee
Lower Colorado Region
U.S. Bureau of Reclamation
P.O. Box 61470
Boulder City, NV 89006-1470

Mr. David Modeer
Page 2
November 19, 2009

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

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

Mr. Gerald R. Zimmerman
Colorado River Board of California
770 Fairmont Avenue, Suite 100
Glendale, CA 91203-1035

Ms. Lorri Gray-Lee
Lower Colorado Region
U.S. Bureau of Reclamation
P.O. Box 61470
Boulder City, NV 89006-1470

bcc: S. N. Arakawa
K. A. Donhoff
W. J. Hasencamp
J. P. Matusak
H. M. Ruzgerian
J. L. Scott
J. A. Vanderhorst
WRM Files

DRAFT
12-30-08

**PROPOSED LEGISLATION AUTHORIZING THE ARIZONA WATER
BANKING AUTHORITY TO OBTAIN EXCESS CENTRAL ARIZONA
PROJECT WATER FOR CERTAIN PURPOSES**

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

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

45-2402. Definitions

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

1. "Authority" means the Arizona water banking authority.
2. "Banking fund" means the Arizona water banking fund.
3. "Central Arizona water conservation district" or "CAWCD" means the multi-county water conservation district established under title 48, chapter 22.
4. "Commission" means the Arizona water banking authority commission.
5. "Decree" means the decree entered by the United States supreme court in Arizona v. California, 376 U.S. 340 (1964).
6. "EXCESS CENTRAL ARIZONA PROJECT WATER" MEANS CENTRAL ARIZONA PROJECT WATER THAT IN ANY YEAR WOULD OTHERWISE NOT BE USED, RESOLD OR EXCHANGED PURSUANT TO LONG-TERM CONTRACTS AND SUBCONTRACTS FOR CENTRAL ARIZONA PROJECT WATER."
- 6 7. "Indian firming" means measures taken to ensure that central Arizona project non-Indian agricultural priority water that is made available to Indian tribes pursuant to Public Law 108-451 may be delivered during water shortages in the same manner that water with a municipal and industrial priority in the central Arizona project system is delivered during water shortages.
- 7 8. "Water banking services" means services provided by the authority to persons and Indian communities in this state to facilitate for those persons and Indian communities storage of water and stored water lending arrangements. Water banking services include the direct delivery of water to Indian communities in this state in replacement of or supplemental to the accrual of long-term storage credits pursuant to article 5 of this chapter. Water banking services include only arrangements by which water will be made available for use in this state. Water banking services do not include

interstate water banking undertaken by the authority pursuant to article 4 of this chapter. Water banking services may include:

- (a) Storage of water.
- (b) Obtaining water storage permits.
- (c) Accruing, exchanging and assigning long-term storage credits.
- (d) Lending and obtaining repayment of long-term storage credits.

§ 9. “Water banking services agreement” means an agreement entered into between the authority and a person or Indian community in this state under which the authority will provide water banking services to that person or Indian community.

Section 2. Section 45-2427, Arizona Revised Statutes, is amended to read:

45-2427. Limitation on powers

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

B. EXCEPT AS PROVIDED IN SUBSECTION E OF THIS SECTION:

1. The authority shall not store Colorado river water that would otherwise have been used in this state pursuant to a contract entered into pursuant to section 48-3703, paragraph 2, a section 5 contract under the Boulder Canyon project act (P.L. 108-6; 43 United States Code section 617) with a priority that is equal to or higher than a contract entered into pursuant to section 48-3703, paragraph 2 or any other section 5 contract under the Boulder Canyon project act entered into before the effective date of this amendment to this section.

2. The authority shall not store for interstate water banking purposes Colorado river water that would otherwise have been used in this state.

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

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

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

D. The authority shall not enter into water banking services agreements that will provide water for use outside this state. The authority may cancel any water banking services agreement without penalty or further obligation if after entering into a water banking services agreement, the authority finds that the agreement will provide water for use outside of this state. Notice of this subsection shall be included in every water banking services agreement entered into by the authority. The cancellation under this

subsection shall be effective when written notice from the authority is received by all other parties to the water banking services agreement.

E. NOTWITHSTANDING SUBSECTION B, THE AUTHORITY MAY OBTAIN AND STORE OR REPLENISH, AS APPLICABLE, ANY OF THE FOLLOWING EXCESS CENTRAL ARIZONA PROJECT WATER SUPPLIES AS DESIGNATED BY CAWCD:

1. ANY EXCESS CENTRAL ARIZONA PROJECT WATER MADE AVAILABLE BY CAWCD IN A YEAR EXCLUSIVELY FOR THE AUTHORITY. THE AUTHORITY SHALL USE ANY EXCESS CENTRAL ARIZONA PROJECT WATER OBTAINED PURSUANT TO THIS PARAGRAPH IN A MANNER CONSISTENT WITH ARTICLES 3 AND 5 OF THIS CHAPTER OR CHAPTER 15, ARTICLE 3 OF THIS TITLE, INCLUDING MEETING INDIAN FIRING OBLIGATIONS, REPLENISHING WATER UNDER THE GILA RIVER INDIAN WATER SETTLEMENT PROGRAM AND STORING WATER FOR MUNICIPAL AND INDUSTRIAL PURPOSES IN TIMES OF SHORTAGE.

2. ANY EXCESS CENTRAL ARIZONA PROJECT WATER MADE AVAILABLE BY CAWCD IN A YEAR FOR THE PURPOSE OF STORING WATER TO MEET A CONTRACTUAL OBLIGATION OF THE AUTHORITY UNDER AN INTERSTATE WATER BANKING AGREEMENT ENTERED INTO PURSUANT TO ARTICLE 4 OF THIS CHAPTER IF THE EXCESS CENTRAL ARIZONA PROJECT WATER RESULTED FROM THE ACQUISITION OF ADDITIONAL COLORADO RIVER WATER BY CAWCD UTILIZING MONIES CONTRIBUTED BY THE AUTHORITY.

Section 3. Emergency

This act is an emergency measure that is necessary to preserve the public peace, health or safety and is operative immediately as provided by law.

H.B. ____/S.B. ____
(short title; assigned by leg counsel)

FACT SHEET

Issue Summary:

- The Arizona Water Bank Authority (AWBA) statutes identify several purposes for which the AWBA can store excess Central Arizona Project (CAP) water, including to secure water for Indian Settlements and to protect municipal and industrial water users during times of drought.
- Additionally, the AWBA has a legislatively-approved contractual obligation to store 1.25 million acre-feet of excess CAP water for the State of Nevada (interstate water banking).
- The Central Arizona Water Conservation District (CAWCD)¹ has developed procedures to distribute excess CAP water that establishes pools of fixed volumes for different categories of use. One of the pools identified is for shared use by the AWBA, Central Arizona Groundwater Replenishment District (CAGR) Replenishment Reserve and the Federal Government.
- Current law allows the AWBA to store Colorado River water in Arizona that would otherwise be unused.
- As excess CAP water continues to diminish, the AWBA will have difficulty meeting its statutory and contractual obligations.

Legislative Solution:

- Allow the AWBA to access CAP excess water that is set aside by the CAWCD for AWBA purposes. This will not affect the commitment by CAWCD to create an Agricultural Settlement pool.
- The AWBA purposes include firming municipal and industrial water supplies, meeting the State's obligations for Indian settlements and meeting contractual obligations for interstate water banking.

¹ The CAWCD is the governing entity for the CAP.



P.O. Box 36870
Tucson, Arizona 85740
**METROPOLITAN
DOMESTIC
WATER
IMPROVEMENT
DISTRICT**
(520) 575-8100
(520) 575-8454 fax
www.metrowater.com

December 9, 2009

Kim Mitchell, Manager
Arizona Water Banking Authority
3550 North Central Avenue
Phoenix, Arizona 85012

Re: Draft 2010 Plan of Operation

Dear Ms. Mitchell:

Thank you for the opportunity to comment on the Draft 2010 Annual Plan of Operation for the Arizona Water Banking Authority (AWBA). As a public water provider who is actively recharging CAP water and involved with regional water resources management within the Tucson Active Management Area (AMA), the Metropolitan Domestic Water Improvement District (District) requests our comments be incorporated into the final plan. Our comments are the following:

1. On Page 3, the volume of 2.81 MAF in the first full paragraph under 2009 Plan of Operations does not match the total volume of 2.84 MAF listed on Figure 1. If space is available in the 2011 Plans and beyond, the AWBA should include a greater number of years on Figures 1, 2 and 3, such as the last five years instead of 3 years for trend analysis.
2. Under Available Funds on Page 7, last paragraph, last sentence, suggest clarifying why the funds are needed, such as "for meeting M&I firming goals by 2019."
3. On Table 2, please either remove the interstate designation for recharge facilities or note all recharge facilities with an interstate designation. Additionally, the text on Page 7 under "Available Storage Facility Capacity" notes that AWBA has sufficient capacity to meet any new storage needs if additional supplies become available. A new column should be included on Table 2 adjacent to Permitted Capacity to reflect the available capacity to AWBA. If additional supplies were made available, the information would prove valuable for stakeholder input and provide transparency for decisions on intrastate and interstate storage.
4. The District strongly recommends the section on Page 11 regarding CAWCD Recovery be amended. The section needs to clarify that the current plan is prepared by CAWCD staff and not endorsed as policy by the CAWCD Board. At the most recent CAWCD Board meeting, the plan recommendation on indirect recovery and credit exchange did not receive favorable comments or support by CAWCD Board members.

Ms. Kim Mitchell
Draft 2010 Plan of Operation
December 9, 2009
Page 2

5. The District appreciates the decision by AWBA to have differential pricing for groundwater savings facilities in the Tucson AMA compared to the Phoenix and Pinal AMA's. The decision for a lower cost share in the Tucson AMA will significantly help the AWBA meet its M&I firming goal in the Tucson AMA.
6. It would be helpful if Table 6 under Interstate included the breakdown by AMA on how many credits have been stored from the 595,620 acre-feet.

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

Sincerely,



Michael W. Block
District Hydrologist

MWB/mwb

c: Warren Tenney



640 N Mesa Dr
PO Box 1456
Mesa, Arizona 85211-1456

mesaaz.gov

December 10, 2009

Senator Herb Guenther
Chairman
Arizona Water Banking Authority
3550 North Central Avenue
Phoenix, Arizona 85012

RE: Comments to the AWBA Draft 2010 Plan of Operation

Dear Senator Guenther,

The City of Mesa appreciates the opportunity to review the Arizona Water Banking Authority (AWBA) Draft 2010 Plan of Operation. The City is grateful for the valuable service that the AWBA provides to the State of Arizona. Mesa fully supports the efforts to maximize the use of Arizona's annual allocation of the Colorado River. Based on the operational methodology detailed in the Draft 2010 Plan of Operation, the City of Mesa respectfully submits the following comments for review and consideration.

Although the AWBA has taken on responsibilities beyond the firming of CAP water for municipal use, Mesa feels it is important that the Bank never lose sight of the fact that by statute the Bank can only store otherwise unused CAP water, and per its agreement with the Southern Nevada Water Authority cannot "engage in interstate banking to the detriment of any water user in Arizona." Direct delivery of CAP water to end users is and must remain the priority for CAP water in Arizona.

On occasion, direct users of CAP water may require larger water deliveries than projected. The Bank was designed with the purpose of "soaking up" excess water like a sponge; not with the purpose of taking priority over direct uses. Fortunately, the Bank can operate as intended by reserving use of the available USF capacity for the later portion of the year. That way, should a direct user of CAP water require additional deliveries of subcontracted water during the course of the year, such higher priority uses can be satisfied.

According to the proposed "Water Delivery Schedule" in the Draft 2010 Plan of Operation, the bulk of the AWBA water deliveries (approximately 70%) would occur in the first seven months of the year. It would be prudent for the AWBA water deliveries to USFs to instead be distributed towards the end of the year. CAP Subcontractors, such as the City of Mesa, have an important public health-and-safety obligation to their customers to ensure a sufficient supply of water will be available for consumption. Unfortunately, the Draft AWBA 2010 Plan of Operation could conflict with these obligations. The City of Mesa requests that you review these comments, and adjust the proposed delivery schedule for year 2010.

Arizona Water Banking Authority
December 10, 2009
Page 2

Last, please note that the Draft Plan defines Excess Water as “all water available for delivery through the CAP in excess of the quantities scheduled under long-term contracts and subcontracts.” In point of fact, the Revised Stipulation defines Excess Water as “all Project Water that is in excess of the amounts used, resold, or exchanged pursuant to long-term contracts and subcontracts for Project Water service.” Although we understand that the Bank desires to tie its water availability to CAP water that is not “scheduled”, the CAP subcontracts expressly allow for delivery schedules to be amended; subcontract delivery schedules often are amended during the course of the year, and the Central Arizona Water Conservation District has an obligation of good faith to meet subcontract water delivery requests.

Thank you for your consideration of the City’s concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'BD', enclosed within a large, loopy oval shape.

Brian Draper
SROG Programs Coordinator

BD:nt:4223

c: Jack Friedline, Deputy City Manager
Kathryn Sorensen, Director, Water Resources Department

ARIZONA WATER BANKING AUTHORITY		2010 WATER RECHARGE BUDGET		\$3,725,000
REVENUES AVAILABLE for 2010 DELIVERIES				
4 cent tax¹				N/A
Withdrawal Fee				\$3,725,000
Phoenix AMA ²				\$1,700,000
Pinal AMA ²				\$1,575,000
Tucson AMA ²				\$450,000
General Fund Appropriation				\$0
Interstate	(If water becomes available, funding will be requested from Nevada)			\$0
TOTAL				\$3,725,000
¹ 4 cent tax retained by the Central Arizona Water Conservation District to offset costs.				
² Projected based on 2008 and 2009 collections.				
DELIVERY and RECHARGE RATES				
Water Delivery				
Incentive Rate (Intrastate)				\$133.00
Interstate Rate				\$231.00
Replenishment Bank Rate				\$118.00
Direct Recharge Facility Rate				
		<u>Intrastate</u>	<u>Interstate</u>	
Avra Valley		\$15.00	\$24.00	
Pima Mine Road		\$15.00	\$24.00	
Lower Santa Cruz		\$15.00	\$24.00	
Hieroglyphic Mountains		\$8.00	\$23.00	
Agua Fria Recharge Project		\$8.00	\$23.00	
Tonopah Desert		\$8.00	\$23.00	
Cost Recovery for In-lieu Recharge: (Phoenix & Pinal)		\$33.00	\$26.00	
(Tucson)		\$15.00		
WATER and RECHARGE COSTS				
	Water Stored	\$/AF		Total
	(AF)			
4 cent tax				N/A
Withdrawal Fee				\$3,725,000
Phoenix AMA	12,500	\$136.00		\$1,700,000
Pinal AMA	14,570	\$100.00		\$1,457,000
Direct delivery ³	1,000	\$118.00		\$118,000
Tucson AMA	3,082	\$146.00		\$450,000
Interstate	0	NA		\$0
Total 2010	31,152			\$3,725,000
³ Direct deliveries to the GRIC for Southside Replenishment Bank				
PROJECTED CARRYOVER				
Withdrawal Fees				
Phoenix AMA				\$0
Pinal AMA				\$0
Tucson AMA				\$0
Interstate				\$0

Central Arizona Water Conservation District			
4 cent tax Available			
Maricopa ⁴			\$110,293,000
Pinal ⁴			\$1,966,000
Pima ⁴			\$12,600,000
Total 2010			\$124,859,000
	Water Stored	\$/AF	Total
	(AF)		
4 cent tax Utilized			
Maricopa	40,900	\$136.00	\$5,562,000
Pinal	19,630	\$100.00	\$1,963,000
Pima:			
Delivery	61,918	\$146.00	\$9,040,000
Credits ⁵	812	\$148.00	\$120,000
Total 2010	123,260		\$16,685,000
⁴ Estimate based on carryover and projections for 2010 collections			
⁵ Estimated credits available based on 2009 Tohono O'odham Nation deliveries			

Briefing Paper

On-River Firming

In January, 2008, the Mohave County Water Authority (MCWA) approached the AWBA requesting to amend the Agreement to Firm Future Supplies (Agreement to Firm). The Agreement to Firm recognized that the exhibits could be modified to reflect changes in additional available credits and changes in the parties' entitlements (& additional parties within MCWA).

1. MCWA had recently acquired new Colorado River water entitlement (Cibola Irrigation District and City of Kingman) and wanted to include these new supplies in the Agreement to Firm. MCWA also recognized the need to include language addressing methodology and time frame for payback of credits.
2. Following approval of Resolution 2008-1¹ in March, 2008, the MCWA had requested the AWBA consider amending the Agreement to Firm to also provide contractual certainty that the credits they paid to replace would be available for future use.
3. After further discussion, the AWBA had concerns over contractually committing provisions of Resolution 2008-1 due to a number of factors including updated modeling runs showing more optimistic projections, recent legislative transfers from the AWB Fund, and significant Indian firming obligations remaining. For these reasons, the AWBA was not comfortable in contractually incorporating replacement account provisions into the Agreement to Firm, but felt the Resolution 2008-1 was still the appropriate mechanism to indicate the AWBA position on how to deal with the replacement credits.
4. No further action has been taken toward amending the Agreement to Firm.

At this time staff is bringing back for discussion amendments to the Agreement to Firm to address desired changes stated in item 1 above. Staff is recommending 1) amending Exhibits A and B to reflect newly acquired Colorado River water entitlement and recomputed long term

¹ Resolution 2008-1 establishes a LTSC replacement account for 4th priority Colorado River M&I users. As credits are used and replaced, these replacement credits will be placed in a separate replacement subaccount and be earmarked for the entity that reimburses the AWBA for the replacement of those credits. Additionally, on-river 4th priority M&I users that had not contracted with the AWBA for firming will be given additional opportunities for firming 100% of their entitlements.

storage credits created, respectively, 2) eliminating language in the body of the Agreement that restricts amending Exhibit A thereby allowing others not part of the original Agreement the opportunity to participate in firming, and 3) adding language to the body of the Agreement to address timing of payback of credits.

Additionally, staff believes it is appropriate to outline a process for allowing other on-river M&I users that are outside the MCWA, the opportunity to participate in on-river firming. A process could be memorialized in a resolution similar to Resolution 2008-1.

Amendment No. 1 to EXHIBIT A

This Amended Exhibit A, made this ____ day of _____, 2009, to be effective under and as part of the Agreement to Firm Future Supplies shall become effective on the date of execution and shall remain in effect until superseded by another Amended Exhibit A executed by all of the parties. This Amended Exhibit A or any superseding Amended Exhibit A shall terminate with the termination of the Agreement to Firm Future Supplies.

RECITALS

- A. Mohave County Water Authority (MCWA) and the Arizona Water Banking Authority (AWBA) entered into the Agreement to Firm Future Supplies on February 4, 2005.
- B. MCWA acquired a portion of the Article 5 Contract previously held by Cibola Irrigation District and the City of Kingman.
- C. MCWA wishes to amend Exhibit A to include their newly acquired Colorado River water entitlement in the Agreement to Firm Future Supplies.

EXHIBIT

Subcontract Entity	LTS Credits Reserved (AF) (as of December 2009 based on proportion of 403,830/420,000)	LTS Credits (AF) Maximum Total (based on 420,000 AF)
Arizona State Parks	377	392
Bullhead City	88,844	92,401
Lake Havasu City	105,473	109,696
Mohave Water Cons. Dist.	20,106	20,911
Mohave County Water Authority	32,580	33,885
Total	247,380	257,285

In Witness of this Agreement, the Parties affix their official signatures below,

acknowledging execution of this Exhibit A on the _____ day of _____, 2009.

Arizona Water Banking Authority

Attest:

By: _____
Thomas Buschatzke, Secretary

By: _____
Herbert R. Guenther, Chairman

Mohave County Water Authority

Attest:

By: _____
Monica Gates, Secretary/Treasurer

By: _____
Tom Griffin, Chairman

Amendment No. 1 to EXHIBIT B

This Amended Exhibit B, made this _____ day of _____, 2009, to be effective under and as part of the Agreement to Firm Future Supplies shall become effective on the date of execution and shall remain in effect until superseded by another Amended Exhibit B executed by all of the parties. This Amended Exhibit B or any superseding Amended Exhibit B shall terminate with the termination of the Agreement to Firm Future Supplies

RECITALS

- A. Mohave County Water Authority and the Arizona Water Banking Authority (AWBA) entered into the Agreement to Firm Future Supplies on February 4, 2005.
- B. The AWBA recomputed the Long Term Storage (LTS) credits created with general fund appropriations based on expended funds.

EXHIBIT

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

Total:	403,830	(96.2% of 420,000 AF)
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In Witness of this Agreement, the Parties affix their official signatures below,
acknowledging execution of this Amended Exhibit B on the _____ day of _____, 2009.

Arizona Water Banking Authority

Attest:

By: _____
Thomas Buschatzke , Secretary

By: _____
Herbert R. Guenther, Chairman

Mohave County Water Authority

Attest:

By: _____
Monica Gates, Secretary/Treasurer

By: _____
Tom Griffin, Chairman

Long-term Storage Credits Accrued on Behalf of Nevada

	Year	Credits Earned	Cumulative Credits	Percent of Goal Achieved (1,250,000 AF)	Cost of Storage	Received from SNWA ²		Funds Available	
						Subaccounts		Subaccounts	
						Resource	Operating	Resource	Operating
Actual	2002	61,098	61,098	5%	\$ 8,617,393	\$ 5,000,000		\$ -	
	2003	50,000	111,098	9%	\$ -	\$ 3,723,945		\$ 106,552 ²	
	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 ³	
	2006	175,569	412,634	33%	\$ 35,386,306	\$ -		\$ 37,427,233	
	2007	114,886	527,520	42%	\$ 21,853,906	\$ -		\$ 15,573,327	
	2008	0	527,520	42%	\$ -	\$ -		\$ 15,573,327	
	Estimated	2009							
1 st Quarter		0	527,520	42%	\$ -	\$ (8,564,916) ⁴		\$ 7,008,411	
2 nd Quarter		1,200	528,720	42%	\$ 267,030	\$ -		\$ 6,741,381	
3 rd Quarter		13,309	542,029	43%	\$ 2,962,377	\$ -	\$ 2,685,000	\$ 5,165,274 ⁵	\$ 1,298,729
4 th Quarter		53,591	595,620	48%	\$ 13,893,375	\$ -	\$10,000,000	\$ 5,165,274	\$ (2,594,646)
	Sub-total	68,100			\$ 17,122,782				
	Total				\$ 111,603,400	\$ 101,489,029	\$12,685,000	\$ 5,165,274	\$ (2,594,646)⁶

¹ 2003 credits transferred from CAWCD pursuant to Amended Agreement for Interstate Water Banking. Credits for 2009 are estimated.

² Includes expenditure of \$3,617,393 from monies collected in 2003 as part of the 2002 reconciliation.

³ Includes expenditure of \$1,463,095 from monies collected in 2005 as part of the 2004 reconciliation.

⁴ Pursuant to S.B.1001, \$12.7 million was transferred from the Arizona Water Banking Fund: \$8.57 million of the total reduction was transferred from the NV Resource Acct.

⁵ Includes expenditure of \$650,403.66 in interest that had accrued on monies previously disbursed to CAWCD.

⁶ Negative balance will be eliminated after water delivery cost reconciliation.

Arizona Water Banking Authority Work-Study Session - November 23, 2009

Discussion of Acquisition of Additional Water Supplies for Storage by the AWBA

The Arizona Water Banking Authority (AWBA) Commissioners requested AWBA staff, in coordination with staff from the Central Arizona Project (CAP) and Arizona Department of Water Resources (ADWR), to begin to evaluate the need and opportunities to expend funds in the Interstate Resource Account to insure sufficient credits are available to meet the obligation to deliver 1.25 MAF to SNWA (Southern Nevada Water Authority). Recent projections suggest that CAP excess water may not be sufficiently available to meet the AWBA obligation to SNWA. In preliminary discussions, AWBA, CAP, and ADWR have identified possible water supply opportunities and issues to consider in acquiring water supplies for interstate storage purposes.

The water supply opportunities are identified below:

1. Colorado River Pre-1968 Water Rights (Priority 3 or better)
 - a. Land purchases
 - b. Purchase Entitlements
 - c. Land leases (including Indian and non-Indian lands)
 - d. Preserve Unused Entitlements (payments for non-expansion of uses)
2. Non-AMA Groundwater Basins (legally available for importation to initial Active Management Areas (AMAs))
 - a. Butler Valley Basin
 - b. McMullen Valley Basin
 - c. Harquahala Basin
3. Desalination
 - a. Sea water (binational project with Mexico)
 - b. Brackish water
 - i. Yuma area
 - ii. AMAs
4. Purchase Existing Credits
 - a. Indian
 - b. Non-Indian
5. Effluent

Mechanisms that could be employed to create additional water:

1. Retirement
2. Fallowing
3. Options
4. Sever and transfer
5. Recovery
6. Agreements

Several issues and questions must be addressed or evaluated before selecting and developing water supply opportunities. For each identified opportunity or mechanism, the following questions may need to be addressed:

- What are the legal and institutional constraints and opportunities to develop a water supply?
- What is the procurement process?
- Who holds the contract for Entitlement or lease?
- What volumes are available?
- What is the capital cost of the water?
- What are the annual operational costs to develop/deliver the supply?
- Is the supply CAP “Project Water” or “non-Project Water”?
- What is the timing to implement/develop the water supply?
- Can the water supply be used during Colorado River shortages?
- What roles do ADWR, Bureau of Reclamation, and others play in selecting and acquiring the water supply?
- Should AWBA operate independently of other water supply development projects?
- Can the water supply benefit other Arizona water users? (Inside and outside CAP service area)
- Are there cost share partners?
- Impacts to CAP customers?
- Recharge and recovery impacts?
- What are the environmental impacts of developing the supply?
- What are the permitting steps/procedures to develop/deliver the supply?
- What level of controversy is anticipated to be associated with the supply?

The next steps in the evaluation of water supply opportunities could include the following:

1. Prepare definitions of the identified water supply opportunities, including the development of a representative example of the opportunity.
2. Refine the list of questions and issues to be addressed for each defined opportunity.
3. Conduct a preliminary fatal flaw assessment of each opportunity, based on a preliminary assessment of the issues or questions for that opportunity.
4. Develop a list of key criteria to be used to compare and rank the opportunities.

Once these steps are completed, staff can report the results of the preliminary fatal flaw analysis and discuss the key criteria for comparison and ranking.

December 15, 2009

JANUARY THRU MARCH, 2010 SCOPE OF ACTIVITIES for evaluation of opportunities for acquiring additional water supplies to assist in meeting AWBA obligations under the Second Amended Agreement for Interstate Water Banking with Nevada

As the availability of Excess Central Arizona Project Water to the Arizona Water Bank (Bank) is reduced it is important that the Bank begin to evaluate potential opportunities and mechanisms for acquiring additional water supplies. These additional supplies would then be stored to assist in meeting the Bank's obligations under its agreement with Nevada. The Bank has currently developed approximately 596,000 acre-feet of credits or approximately 47% of its 1.25 million acre-foot obligation. A conservative estimate, based on the Bank's current Ten-Year Plan, indicates that only an additional 50,000 to 60,000 acre-feet of Interstate Banking credits can be expected to be developed using excess water during this time.

The following is a scope of activities that could be undertaken in the January to March timeframe to better define the opportunities and mechanisms available to the Bank for securing additional water for storage:

- General meetings along the Colorado River to outline the Bank's needs and objectives in seeking additional supplies. (i.e. Yuma County Irrigation Districts and City, and with Mohave County water users)
- Specific one-on-one meetings with Irrigations Districts interested in participating with the Bank. (for the purpose of information gathering, not negotiations)
- Meetings with stakeholders in the CAP service area to outline the Bank's needs and objectives in seeking additional supplies. (i.e. AMWUA, Tucson IPAG, and Pinal GUAC)
- Meetings with other statewide stakeholders. (i.e. NAMUA, CPWAC, and USPP)
- Evaluating data collected and drafting a position paper/matrix which begins to define the parameters surrounding the acquisition of additional supplies. (i.e. amounts available, costs, legal issues, institutional issues, environmental issues, and operational issues)

These activities will be coordinated with the CAWCD staff to insure they are compatible with future CAP operations and to insure that there are no negative impacts on their other ongoing water acquisition activities. For this initial scope only the acquisition of priority Colorado River supplies would be evaluated. Based on the outcome of this evaluation, other opportunities such as the use of groundwater, Indian leases, and effluent may have to be evaluated.

ADWR Funding Strategy

For FY 2010 and Beyond

Background - Budget

- Early in 2009, the Governor's office asked ADWR to begin looking at ways to become self-funded, given state revenue shortfalls anticipated for the next several years and other budgetary constraints.
- ADWR immediately solicited stakeholder input to develop ideas for funding sources for ADWR operations.

Background - Budget

- The Director asked staff to further develop various funding options, from partial funding to supplement General Fund appropriations, to a full self-funding strategy.
- We are asking stakeholders to be part of the discussion of probable options to pursue.
- Faced with a probable 15% permanent budget reduction (\$2.7 million) on January 1, 2010, this would mean a 30% reduction for FY11 without counting any additional adjustments for FY10 that may be required or additional cuts that the FY11 deficit may cause.
- Under this scenario, ADWR's FY11 General Fund appropriation would be about \$12 million and we would cut about 85 people from our workforce, leaving ADWR a staff of about 110 people.

The 15% Plan

- There is a negative consequence to whatever path or program we propose cutting. We developed our proposed cut based on the following principles:
 - Why was ADWR formed?
 - What is our core function?

After the Cuts. . .

- How do we rebuild important services if the budget cuts occur?
 - Revenue deficit will continue to grow for the next few years.
 - ADWR requires new revenue options that are not General Fund.

Option 1: Status Quo

- Reduce the ADWR workforce by 85 employees.
- We do not believe that this is a viable option.
- ADWR's expertise and resources for sound water management throughout Arizona promote economic development and smart planning.
- Eliminating them is not in the best interest of the State.

Option 2: Supplemental Funding Sources

- Increase fees to reflect actual cost of permitting and move to hourly billing. Using the ADEQ methodology results in a fee of \$118/hour.
- Establish an Annual Registration Fee for all permits required to file annual report.
- Create a new Water Resources Fund where most fees will be redirected for the exclusive use of ADWR groundwater and surface water management, providing flexibility for the Director to utilize fee revenue where it is needed most.

Option 2: Supplemental Funding Sources

- ADWR recognizes such a substantial increase in fees requires a substantial increase in permitting efficiencies.
- We have initiated a process redesign to obtain a 15% improvement in efficiencies across all our permitting programs.
- ADWR will host a stakeholder meeting in mid-January to begin discussions on that effort.

Supplemental Funding Sources

➤ Increase in Dam Safety Fees

- Increase construction permitting fees to maximum of 2.0% of project costs currently allowed in statute.
- Increase inspection fees to reflect actual costs. Graduated fee scale based on total crest length of the dam plus appurtenant embankments and saddle dikes.
- The Department would seek legislative authority allowing flexibility for the Director to utilize Dam Repair Fund to support Dam Safety Program.

Option 3: Full Self-Funding

- In addition to the full cost recovery of fees, other funding streams would include:
 - A water use fee on water service from municipal water providers, public and private. Arizona does not now charge for use or management of water, a state resource.
 - Increase groundwater withdrawal fee in all AMAs to the statutory maximum of \$5/AF or alternatively, redirecting existing fees to ADWR operations.
 - Institute a new Adjudications fee to cover the cost of the Department's technical support.
 - Institute a small surcharge on sale of Hoover A&B and Parker-Davis power sold by the APA to fund the Colorado River program within the Department.

Full Self-Funding Options

- “Water Use Fee” of \$0.05/1,000 gallons sold assessed against all customers of all water providers statewide (>425).
- Would generate between \$17 million and \$20 million to be used to support ADWR functions generally.
- Would be a very small increase to a customer’s bill, with an average less than 1.5% of monthly bill for volume charges.
- Would be a statewide fee, would be fair and equitable.

Full Self-Funding Options

- “Water Use Fee” (continued)
 - Yuma customers would pay: <1.47%
 - Flagstaff customers would pay:<1.27%
 - Phoenix customers would pay:<1.53%
 - Tucson customers would pay:<1.08%
 - Bisbee customers would pay:<1.08%
 - Kingman customers would pay:<1.58%
 - Prescott customers would pay:<1.12%

Full Self-Funding Options

➤ “Water Use Fee” (continued)

- Advantages include:

- Simple to assess, collect and remit
- Customers of all water providers would pay
- Generates sufficient revenue to fund most of ADWR required costs.

Disadvantages:

- A Prop 108, requiring a 2/3 vote

Full Self-Funding Options

- Increase in Groundwater Withdrawal Fees
 - Increase fees to the maximum of \$5/AF currently allowed in statute and redirect to support ADWR programs in support of the AMAs.
 - Would provide about \$6million-\$7million in revenue.
 - Advantages include existing authority and billing/collections mechanisms in place. Fee is fair as all permitted groundwater pumpers would pay.
 - Disadvantages include that large pumpers would pay double what they are currently paying, while also paying new annual registration fees.

Full Self-Funding Options

- Increase Groundwater Withdrawal Fees (continued)
 - Alternatively, assuming increased permitting fees and annual registration fees proceed as planned, temporarily redirect the existing \$2.50/AF withdrawal fee that supports AWB activities to provide bridge funding for the Department until sufficient fee revenue is collected.

Full Self Funding Options

- Adjudication Technical Support Fee
 - Current costs to conduct required technical support activities range from \$1.5million to \$2 million. These costs are assumed entirely by the General Fund; no other fees are assessed to support this ADWR program.
 - The annual technical support fee proposed would be in a graduated form. Those with the most to gain from the Adjudication by increasing certainty and reducing risk related to water rights, will pay more for the activities required to complete the necessary work.

Full Self-Funding Options

- Adjudication Technical Support Fee (continued)
 - A graduated fee scale that would look like:
 - Individuals - \$25 annual fee per claim
 - Corporations, municipal corporations, the State, political subdivisions, associations and partnerships –for claims <1KAF, \$25 annual fee and for claims >1KAF, \$0.06/AF annual fee.
 - Court will not consider a claim unless ALL fees have been paid.

Full Self-Funding Options

➤ Adjudication Technical Support Fee (continued)

- Advantages include a format and mechanism to pay that already exists in statute and is known to claimants. Billing process already exists.
- Disadvantages include required legislation to secure authority to set a technical support fee in rule.

Full Self-Funding Options

- Small Surcharge on sale of Arizona power generated at Hoover, Parker and Davis dams.
 - Arizona Power Authority currently markets this power to approximately 40 contractors within Arizona.
 - The Department would seek legislative authority to add a small surcharge sufficient to generate about \$1 million to support fully the ADWR Colorado River programs.

Next Steps

- Options presented today provide mechanisms to generate sufficient revenue to adequately fund Arizona's water resource management programs and functions.
- Provide us your thoughts! ADWR solicits written comments by January 4th on these funding options and others that could be considered.

Next Steps

- ADWR will need to pursue all or some combination of funding options in time for the FY11 budget.
- After reviewing constructive comments and additional ideas, ADWR will hold a second stakeholder meeting in early January to share our direction going forward.

Questions??

- Written Comments should be directed to:
 - Fred Breedlove, Deputy Counsel. Email febreedlove@azwater.gov or Director, ADWR
3550 N. Central Avenue, Phoenix, AZ 85012.

**AGREEMENT BETWEEN
THE ARIZONA WATER BANKING AUTHORITY,
AND CORTARO-MARANA IRRIGATION DISTRICT
PROVIDING FOR STORAGE OF CENTRAL ARIZONA PROJECT WATER
AT A GROUNDWATER SAVINGS FACILITY**

1. The ARIZONA WATER BANKING AUTHORITY ("AWBA") and CORTARO-MARANA IRRIGATION DISTRICT ("Facility Operator") enter into this Agreement this ____ day of 2009.

2.
 - 2.1 The purpose of this Agreement is to provide for the storage of Central Arizona Project water, which the AWBA is legally entitled to store, at the Groundwater Savings Facility operated by the Facility Operator.
 - 2.2 The Parties recognize that this Agreement is one of a series of agreements entered into by the AWBA to provide for the storage of Central Arizona Project water. These agreements include the Intergovernmental Agreement among the Arizona Department of Water Resources, Arizona Water Banking Authority, and Central Arizona Water Conservation District, dated January 28, 2009, and the Agreement between the Central Arizona Water Conservation District and the Arizona Water Banking Authority Providing for the Delivery of Excess Central Arizona Project Water, dated July 14, 2005. These agreements, in turn, are subject to certain agreements entered into by the Central Arizona Water Conservation District regarding the operation of the Central Arizona Project. These agreements include Contract No. 14-06-W-245, Amendment No. 1, dated December 1, 1988, between the United States and the Central Arizona Water Conservation District, and Stipulation Regarding a Stay of Litigation, Resolution of Issues During the Stay and for Ultimate Judgment upon the Satisfaction of Conditions, filed with the United States District Court on May 3, 2000, in Central Arizona Water Conservation District v. United States, No. CIV 95-625-TUC-WDB (EHC), No. CIV 95-1720-PHX-EHC (Consolidated Action). The Parties to

this Agreement recognize and agree that this Agreement is subject to the agreements referenced in this Section 2.2 and that in the event of any inconsistency between this Agreement and agreements referenced, the provisions of the agreements referenced shall be controlling.

- 2.3 The Parties agree that the Central Arizona Water Conservation District shall have rights as a third party beneficiary to enforce certain provisions that are specified in this Agreement.
3. In this Agreement, the following terms shall have the following meanings:
 - 3.1 "ADWR" shall mean the Arizona Department of Water Resources.
 - 3.2 "Authority Water" shall mean water made available by CAWCD to the AWBA on an annual basis for underground storage pursuant to the terms of the Excess CAP Water Contract between the AWBA and CAWCD, which water would not otherwise have been used within Arizona.
 - 3.3 "CAP" shall mean the Central Arizona Project.
 - 3.4 "CAWCD" shall mean the Central Arizona Water Conservation District.
 - 3.5 "Party or Parties" shall mean either one, or in the plural, both of the parties to this Agreement.
 - 3.6 Definitions specified in A.R.S. § 45-802.01 are applicable to this Agreement. The first letters of terms so defined are capitalized.
 4. This Agreement shall terminate on December 31, 2011 unless the parties agree in writing to extend the term or unless it is sooner terminated or cancelled in accordance with Section 13.
 5. The delivery and use of water under this Agreement are conditioned on the following, and the Parties agree that:
 - 5.1 All uses of Authority Water shall be consistent with Arizona water law and

with federal law applicable to the CAP.

- 5.2 Authority Water made available pursuant to this Agreement shall be used only at the Groundwater Savings Facility for which the Facility Operator has obtained and continues to maintain Groundwater Savings Facility Permit, No. 72-538100.0005, or modifications or renewals of that permit. The Facility Operator shall be responsible for all expenses and administrative requirements, including filing annual reports with the ADWR, associated with maintaining the Groundwater Savings Facility permit. The Facility Operator's use of Authority Water at such Groundwater Savings Facility shall at all times comply with the plan of operation of the Groundwater Savings Facility Permit. If such Groundwater Savings Facility Permit is cancelled or expires for any reason the Facility Operator shall immediately notify the AWBA and deliveries of Authority Water to the Facility Operator may, at the option of the AWBA, be discontinued immediately. The Facility Operator shall notify the AWBA if it files an application with the ADWR to amend its Groundwater Savings Facility permit.
- 5.3 Authority Water made available to the Facility Operator pursuant to this Agreement shall be used within the Facility Operator's Groundwater Savings Facility for Water Storage purposes only.
- 5.4 The Facility Operator shall cause the pumping of groundwater within the Facility Operator's Groundwater Savings Facility to be reduced by one acre-foot for each one acre-foot of Authority Water received at the Facility.
- 5.5 The Facility Operator shall submit to the AWBA a monthly report of water use. The monthly report shall be in a form and submitted within a time which is acceptable to the AWBA and shall contain a report of water use by amount and type of water used.

- 5.6 The AWBA shall obtain a Water Storage Permit from the ADWR to store water at the Facility Operator's Groundwater Savings Facility. The AWBA shall be responsible for all expenses and administrative requirements, including filing annual reports with the ADWR, associated with maintaining the Water Storage Permit.
6. 6.1 On or before September 1, the Facility Operator shall consult with the AWBA and provide a written projection of the Facility Operator's water use by type and amount for each month of the following year, which the AWBA may use to develop its annual plan of operation for the following year.
- 6.2 On or before December 1, the AWBA shall return to the Facility Operator a final water delivery schedule based on the AWBA's annual plan of operation for the following year.
- 6.3 The AWBA shall authorize the Facility Operator to order Authority Water for delivery to the Groundwater Savings Facility directly from CAWCD in accordance with CAWCD water ordering procedures and the AWBA's plan of operation.
- 6.4 The amounts, times and rates of delivery of Authority Water to the Facility Operator during any year shall be in accordance with the current plan of operation of the Authority. Authority Water ordered by the Facility Operator shall not exceed the amounts provided for in the current plan of operation of the Authority, unless approved in writing by the Authority.
- 6.5 Monthly water deliveries may be amended upon the Facility Operator's written request to CAWCD with copy to the AWBA. Proposed amendments shall be submitted by the Facility Operator to CAWCD with copy to the AWBA not less than fifteen (15) days before the desired change is to

become effective, and shall be subject to review and modification by CAWCD and the AWBA.

- 6.6 The Facility Operator shall hold the AWBA and CAWCD, their officers, agents, and employees, harmless on account of damage or claim of damage of any nature whatsoever arising out of or connected with water delivery schedules furnished by or to the Facility Operator.

7. 7.1 The AWBA may reduce or discontinue deliveries of Authority Water to the Facility Operator under this Agreement in one or more of the following events:
 - 7.1.1 The Facility Operator fails to file the monthly report(s) required by Section 5.5.
 - 7.1.2 The Facility Operator violates the permit or plan of operation associated with the Groundwater Savings Facility or takes any action that threatens the AWBA's ability to accrue Long-Term Storage Credits for Authority Water delivered to the Groundwater Savings Facility.
- 7.2 The AWBA shall notify the Facility Operator of any determination to reduce or discontinue deliveries of Authority Water to the Facility Operator.

8. 8.1 On or before October 1 of each year, CAWCD and the AWBA shall notify the Facility Operator of the cost for each acre foot of Authority Water to be delivered under this Agreement for the following year ("Facility Operator's Contribution").
- 8.2 The Facility Operator shall pay CAWCD directly for all water delivered under this Agreement. On or before the first day of each month, the Facility

Operator shall pay CAWCD the amounts due as the Facility Operator's Contribution for Authority Water scheduled for delivery during that month.

- 8.3 The Facility Operator shall pay CAWCD in advance all amounts due as the Facility Operator's Contribution for Authority Water scheduled for delivery under this Agreement; however, CAWCD has agreed to reimburse the Facility Operator for any portion of the Facility Operator's Contribution which is attributable to Authority Water scheduled for delivery that is not subsequently delivered to the Facility Operator or to provide an equivalent credit against payment in the future of any fees owed CAWCD by the Facility Operator, should the Facility Operator so desire. CAWCD shall not be required to deliver water scheduled under this Agreement if the Facility Operator is in arrears in payment of any charges due CAWCD for a period of 60 days or more.
- 8.4 CAWCD shall be entitled, as a third party beneficiary to this Agreement, to collect from the Facility Operator any charges for water owed under this Section 8, along with interest, administrative and penalty charges on delinquent installments or payments, in accordance with the following:
- 8.4.1 The Facility Operator shall pay an interest charge for each day the payment is delinquent beyond the due date. When a payment becomes sixty (60) days delinquent, the Facility Operator shall pay an administrative charge to cover additional costs of billing and processing the delinquent payment. When a payment is delinquent ninety (90) days or more, the Facility Operator shall pay an additional penalty charge of six percent (6%) per year for each day the payment is delinquent beyond the due date. Further, the Facility Operator shall pay any fees incurred for debt collection services associated with a

delinquent payment.

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

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

8.5 If the AWBA is not given Long-Term Storage Credits because the Facility Operator has violated the Groundwater Savings Facility permit or plan of operation, the Facility Operator shall pay to the AWBA any water service charges paid by the AWBA to CAWCD for the water delivered to the Groundwater Savings Facility which did not accrue Long-Term Storage Credits. The payment shall be made within 90 days of the denial of Long-Term Storage Credits by the ADWR.

9. 9.1 Nothing in this Agreement shall be construed as an allocation of water to the Facility Operator, nor shall this Agreement entitle the Facility Operator to any water other than as provided herein.

9.2 Nothing in this Agreement shall be construed as requiring the AWBA to provide Authority Water to the Facility Operator in any year, and nothing in this Agreement shall be construed as requiring the Facility Operator to

accept deliveries of Authority Water in any year. The Parties agree that in any year in which the AWBA desires to provide Authority Water to the Facility Operator and in which the Facility Operator agrees to accept deliveries of Authority Water, the terms and conditions of this Agreement shall apply.

10. Neither the AWBA nor CAWCD warrant the quality of any water furnished under this Agreement and are under no obligation to construct or furnish water treatment facilities to maintain or better the quality of any water. The Facility Operator waives its right to make a claim against the AWBA or CAWCD, on account of the quality of water or any changes in water quality caused by the commingling of water delivered under this Agreement with other water.
11.
 - 11.1 The Parties agree that the AWBA may designate a third party agent to exercise the right to recover the AWBA's water stored under this Agreement. The "Designated Recovery Agent" shall be CAWCD, a political subdivision of the State of Arizona, and/or a municipal corporation formed under the laws of the State of Arizona. The AWBA shall, in accordance with Section 15 of this Agreement, notify the Facility Operator of the appointment of a Designated Recovery Agent pursuant to this Section 11.
 - 11.2 The Facility Operator agrees to cooperate with the Designated Recovery Agent in facilitating the recovery of Long-Term Storage Credits stored by the AWBA at the Facility Operator's Groundwater Savings Facility.
 - 11.3 The Facility Operator agrees not to register any objection with the ADWR to an application for a recovery well permit filed by the Designated Recovery Agent or other entities seeking to recover water stored by the AWBA so long

as the water is to be recovered at the Groundwater Savings Facility at which it was stored.

- 11.4 Upon the distribution of Long-Term Storage Credits by the AWBA to a Designated Recovery Agent, the Designated Recovery Agent may recover the Long-Term Storage Credits at the Groundwater Savings Facility upon written notification to the Facility Operator.
- 11.5 The Designated Recovery Agent shall not recover Long-Term Storage Credits within the Facility Operator's boundaries that were not accrued by the AWBA at the Facility Operator's Groundwater Savings Facility, unless the Facility Operator agrees in writing to allow the Designated Recovery Agent to recover other Long-Term Storage Credits.
- 11.6 To recover Long-Term Storage Credits pursuant to this Section 11, the Facility Operator shall allow the Designated Recovery Agent to recover the AWBA's Long-Term Storage Credits using the Facility Operator's wells. Such use shall be subject to the Facility Operator's operational control of the wells and shall be made only when, in the discretion of the Facility Operator, there is sufficient well capacity and water transportation facilities available to recover the Long-Term Storage Credits without disrupting delivery of irrigation water to the Facility Operator's customers; however, such discretion shall not be unreasonably exercised so as to defeat the intent of this Section 11. The Facility Operator shall provide to the AWBA within 1 year after execution of this Agreement a description of wells and well sites which the Designated Recovery Agent could utilize for recovery purposes, including the necessary authorization for Facility Operator's use of such wells and well sites.

- 11.7 If insufficient well capacity is available within the Facility Operator's boundaries to meet a recovery request, the Designated Recovery Agent may install, own, operate and maintain new wells and related facilities or, at the Designated Recovery Agent's request, the Facility Operator may, under a separate agreement, install, own, operate and maintain new wells and related facilities, provided that the Designated Recovery Agent pays the Facility Operator in advance all construction costs associated with such new wells and facilities. All of the fixed and variable operating costs of such facilities attributable to the recovery of Long-Term Storage Credits shall be the sole responsibility of the Designated Recovery Agent. Nothing herein requires the Facility Operator to construct facilities that, in their judgement, would interfere with the operation of existing wells within the Facility Operator's water delivery system. The Designated Recovery Agent shall reimburse the Facility Operator the cost of obtaining all permits required to drill new recovery wells identified by the Designated Recovery Agent for purposes of this Agreement.
- 11.8 The Designated Recovery Agent shall be responsible for obtaining and maintaining recovery well permits and shall pay all permit fees associated with recovery of Long-Term Storage Credits at the Groundwater Savings Facility.
- 11.9 The Designated Recovery Agent shall reimburse the Facility Operator for all reasonable costs incurred by the Facility Operator in the recovery of Long-Term Storage Credits in accordance with this Section 11. These costs may include, but are not limited to wheeling services, scheduling costs, incremental increased cost of power, and incremental increased cost of operation, maintenance, and replacement of wells and/or pumps within the

Facility Operator's Groundwater Savings Facility. Prior to any recovery under this Section 11, the Designated Recovery Agent and the Facility Operator shall agree upon the costs for which the Designated Recovery Agent shall be responsible. The Designated Recovery Agent and the Facility Operator may agree that the Designated Recovery Agent will provide power to operate the wells to offset part of the agreed upon costs.

- 11.10 The Facility Operator does not warrant the quality of water produced from recovery wells and is under no obligation to construct or furnish water treatment facilities to maintain or improve the quality of such water. The Designated Recovery Agent waives its right to make a claim against the Facility Operator because of changes in water quality caused by underground storage or the mixing of recovered water with other water.
- 11.11 It is the express intention of the Parties that the Designated Recovery Agent be a third party beneficiary of the obligations and duties of the provisions of this Section 11, and that the third party beneficiary shall be considered a "Party" only for the purposes of this Section 11. The rights of the third party beneficiary under this Section 11 shall vest immediately upon notification of the Facility Operator by the AWBA of the designation of a Designated Recovery Agent in accordance with this Section 11. The Parties agree that the terms of this Section 11 shall not, in any way, limit the rights or privileges of the AWBA under this Agreement.
- 11.12 The obligations set forth in this Section 11 shall survive the expiration or termination of this Agreement and remain in full force and effect until all Authority Water stored at the Facility Operator's Groundwater Savings Facility has been recovered.

12. 12.1 Authority Water furnished to the Facility Operator pursuant to this Agreement shall be delivered only to the Facility Operator at such point(s) that have previously been approved by CAWCD and only if CAWCD has satisfied itself that the pipelines, canals, distribution systems, or other conduits that will convey Authority Water after delivery will prevent excessive conveyance losses and are constructed, operated, and maintained in accordance with any condition of applicable laws, regulations or order and to the satisfaction of CAWCD.
- 12.2 In the event of damage to CAP facilities due to failure of the Facility Operator to operate in a good and workmanlike manner, the Facility Operator shall pay the CAWCD within thirty (30) days of Facility Operator's receipt of a statement for the costs of repairing any damage to Project facilities or Project rights-of-way caused by or arising out of the Facility Operator's activities under this Agreement.
- 12.3 If the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, and if the Facility Operator intends to convey water furnished to the Facility Operator pursuant to this Agreement through connection facilities owned or operated by others, the use by the Facility Operator of such connection facilities shall be the subject of written agreement(s) between the Facility Operator and the owner(s) or operator(s) of such connection facilities, and all such agreements shall be provided to the CAWCD prior to initiation of deliveries.
- 12.4 Unless the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, all water delivered from the Water Supply System shall be measured with equipment furnished and installed by the Facility Operator and operated and maintained by the Facility

Operator at the Facility Operator's sole cost and expense. The results of such measurements shall be reported to CAWCD in such manner and at such time(s) as CAWCD may prescribe. Upon the request of CAWCD or the AWBA, the accuracy of such measurements shall be investigated by the Facility Operator, and any errors which are determined to have occurred therein shall be adjusted; however, in the event the parties cannot agree on the required adjustment, CAWCD's determination shall be conclusive.

- 12.5 If the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, all water delivered from the Water Supply System shall be measured with equipment furnished and installed by the United States and operated and maintained by CAWCD. Upon the request of the Facility Operator, the AWBA, or CAWCD, the accuracy of such measurements shall be investigated by CAWCD and the Facility Operator, and any errors which are mutually determined to have occurred therein shall be adjusted; however in the event the parties cannot agree on the required adjustment, CAWCD's determination shall be conclusive.
- 12.6 The United States, CAWCD, and the AWBA shall not be responsible for the control, carriage, handling, use, disposal, or distribution of water beyond the Facility Operator's Project delivery point. The Facility Operator shall hold the United States, CAWCD, and the AWBA harmless on account of damage or claim of damage of any nature whatsoever for which there is legal responsibility, including property damage, personal injury, or death arising out of or connected with the control, carriage, handling, use, disposal, or distribution of water beyond the Facility Operator's Project delivery point.
- 12.7 The AWBA shall not be liable for any action taken by CAWCD or the Facility Operator pursuant to this Section 12 regarding the construction, operation, or

maintenance of connection facilities.

- 12.8 Deliveries of water scheduled under this Agreement are subject to interruption and discontinuance due to investigation, inspection, construction, testing, maintenance, repair or replacement of the CAP and its components. The Facility Operator also acknowledges that CAP water available to the AWBA is only that water which would otherwise be unused in Arizona and, therefore, deliveries of water scheduled under this Agreement are subject to interruption and discontinuance due to insufficient water or delivery capacity to deliver all other waters scheduled for delivery through the CAP. The United States, its officers, agents, and employees, CAWCD, its officers, agents and employees, and the AWBA, its officers, agents, and employees shall not be liable for any damages when, for any reason whatsoever, any interruption, discontinuance, or reduction in delivery of water scheduled under this Agreement occurs.
13. 13.1 This Agreement may be terminated for any of the following reasons:
- 13.1.1 If the Facility Operator remains in arrears in the payment of the Facility Operator's Contribution for thirty (30) days or more, the AWBA may terminate this Agreement, which termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator;
- 13.1.2 If the Facility Operator remains in arrears in the reimbursement of any portion of the AWBA's Contribution for thirty (30) days or more, the AWBA may terminate this Agreement, which termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator and

CAWCD;

13.1.3 If the excess water contract between the AWBA and CAWCD providing for delivery of Authority Water is terminated, the AWBA may terminate this Agreement, which termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator; or

13.1.4 if the AWBA determines in its sole discretion that the Facility Operator is operating the Groundwater Savings Facility in a manner contrary to law or in a manner which is likely to jeopardize the ability of the AWBA to earn Long-Term Storage Credits for Authority Water delivered to the facility for the benefit of the AWBA, the AWBA may terminate this Agreement, which termination shall be effective ten (10) days after mailing written notice of termination to the Facility Operator and CAWCD.

13.2 The Parties' and CAWCD's rights under this Agreement to collect any monies owed under the Agreement shall survive the termination of this Agreement.

13.3 The rights of the AWBA to terminate this Agreement as provided in this Section 13 shall be in addition to all other rights of the AWBA under this Agreement and as provided by law.

14. The Facility Operator shall establish and maintain accounts and other books and records pertaining to administration of the terms and conditions of this Agreement, including: the Facility Operator's water supply data, water-use data, and other matters that the AWBA or CAWCD may require. Reports thereon shall be furnished

to the AWBA or CAWCD in such form and on such date or dates as the AWBA or CAWCD may require. Subject to applicable federal and state laws and regulations, each party to this Agreement shall have the right during office hours to examine and make copies of each other party's books and records relating to matters covered by this Agreement.

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

If to the AWBA:

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

If to the Facility Operator:

General Manager
Cortaro-Marana Irrigation District
12253 West Grier Road
Marana, Arizona 85653

The designation of the address or addressee for the giving of notice may be changed by notice given as provided in this Section 15.

16. The parties shall comply with Chapter 9, Title 41, Arizona Revised Statutes, Arizona Executive Orders 75-5 and 99-4 and any other federal or state laws relating to equal opportunity and non-discrimination, including the Americans with Disabilities Act.
17. The provisions of this Agreement shall apply to and bind the successors and

assigns of the parties hereto, but no assignment or transfer of this Agreement or any interest therein shall be valid unless and until approved in writing by and the AWBA.

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

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective the day and year first above-written.

ARIZONA WATER BANKING AUTHORITY

Attest: _____

Tom Buschatzke, Secretary

By: _____

Herbert R. Guenther, Chairman

CORTARO-MARANA IRRIGATION DISTRICT

Attest: _____

Sidney Smith, General Manager, CMID

By: _____

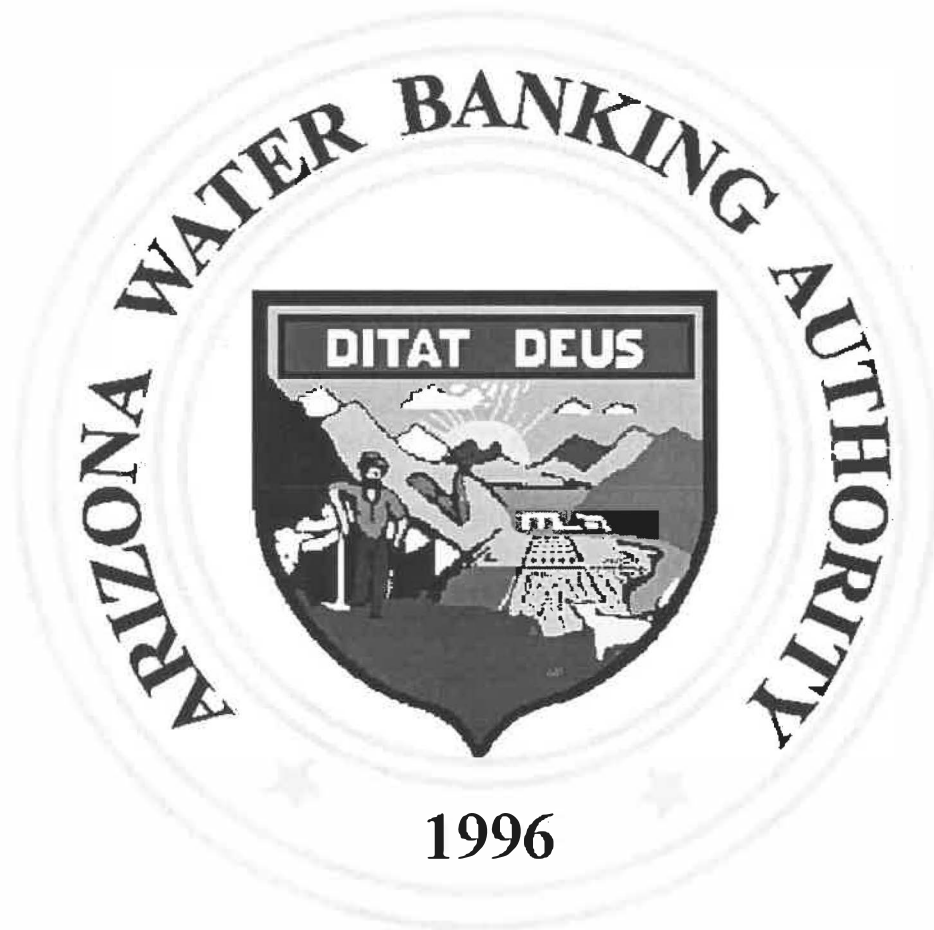
Dan Post, President, Cortaro Water Users Association, authorized agent for CMID

DRAFT 12-15-2009

ARIZONA WATER BANKING AUTHORITY

ANNUAL PLAN OF OPERATION

2010



Herbert R. Guenther, Chairman

December 2009

The Arizona Water Banking Authority

Summary

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

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

- Firming (to secure) adequate water supply to municipal and industrial users in the Central Arizona Project service area and along the Colorado River in times of shortages;
- Meeting the management plan objectives of the Arizona Groundwater Code;
- Meeting the State's obligation pursuant to Indian Water Rights Settlements;
- Assisting the Colorado River fourth priority municipal and industrial users in developing credits that could be used to increase their future supplies for firming; and
- Assisting Nevada and California through interstate water banking.

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

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

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

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

DRAFT 12-15-2009

In 2010, the Water Bank will store approximately 152,600 acre-feet for intrastate storage at a cost of approximately \$20 million. There is no interstate storage planned for 2010. Furthermore, the AWBA will deliver an additional 1,000 acre-feet of water for the purpose of establishing the Southside Replenishment Bank at a cost of \$118,000.

To date, the AWBA has delivered for storage approximately 3.6 million acre-feet of water at a cost of \$247 million; 3.0 million acre-feet for intrastate storage at a cost of \$136 million and 589,000 acre-feet for interstate storage at a cost of \$111 million.

INTRODUCTION

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

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

The AWBA is required by statute to approve an annual Plan of Operation (Plan) by January 1 of each year. Prior to approval of the final Plan, the AWBA is required to solicit public comment. A draft of the Plan was presented to the Groundwater Users Advisory Councils (GUAC) for the Phoenix, Pinal and Tucson Active Management Areas (AMA). Presentation of the draft Plan must be made at publicly-noticed open meetings at which members of the public are permitted to provide comment. The AWBA also makes the Plan available on its web page and accepts public comment in writing up to the time the final draft Plan is presented for approval.

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

2009 PLAN OF OPERATION

In 2009, the AWBA recharged and directly delivered approximately 182,670 acre-feet of Colorado River water, which includes 40,000 acre-feet of intentionally created unused apportionment (ICUA) from Nevada stored for interstate purposes. Arizona is planning to use its full entitlement of 2.8 MAF, which includes 27,500 acre-feet of ICUA developed for and diverted by California. CAWCD recovered and utilized credits previously stored for the benefit of California allowing the creation of ICUA (see Figure 1). Arizona is forecasted to divert approximately 2.81 MAF, which includes the 40,000 acre-feet of ICUA from Nevada.

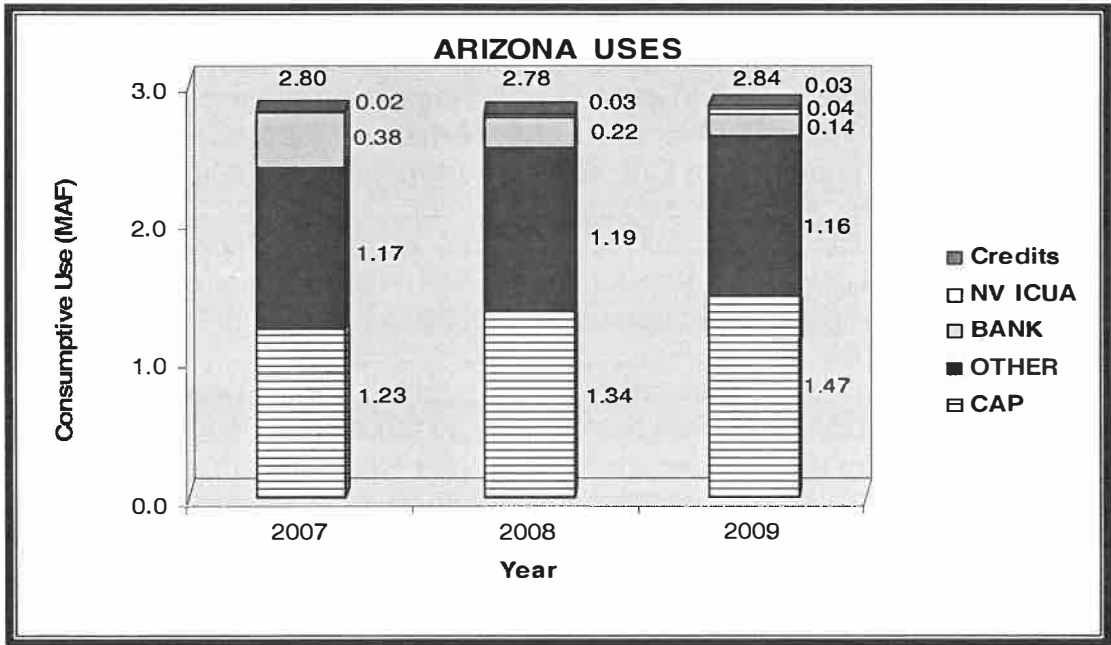


Figure 1. Recent Comparison of Colorado River Water Uses by Arizona

Forecasted direct use of Colorado River water in the Lower Basin is 7.35 MAF in 2009 (see Figure 2). California and Nevada also created Intentionally Created Surplus in 2009 for use in future years.

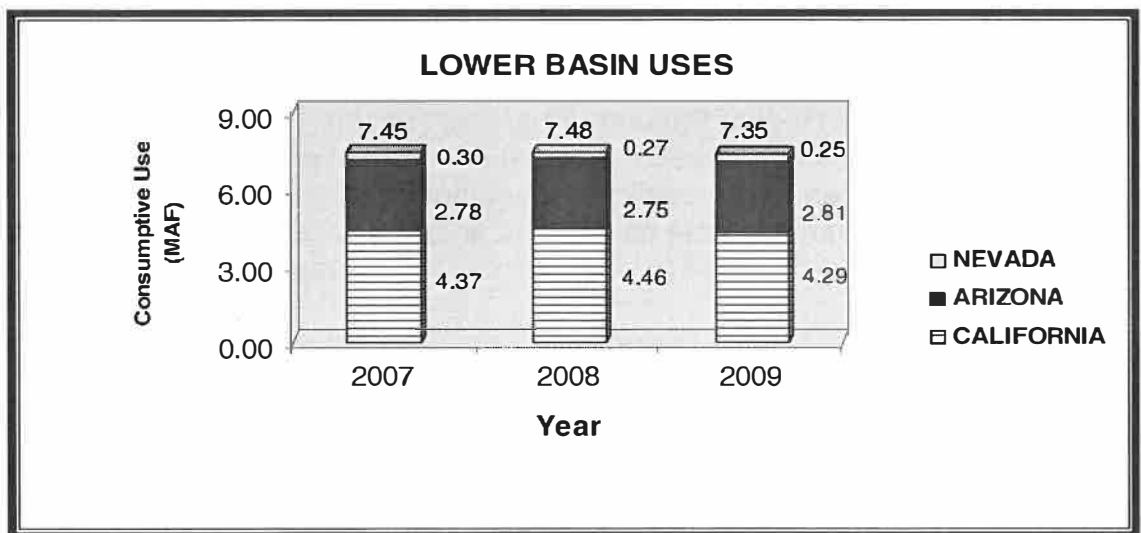


Figure 2. Recent Comparison of Lower Basin Uses of Colorado River Water

The AWBA recharged water at both USFs and GSFs in 2009. Table 1a lists the AWBA's recharge partners for 2009, the amount of water that can be stored under each AWBA water storage permit, and the amount of water delivered to the facility by the AWBA in 2009. Values are based on actual deliveries through October with November and December deliveries estimated. The amount of water delivered to a facility is always greater than the amount of long-term storage credits earned by the AWBA because credits are computed by subtracting approximately 3% for losses and 5% for a "cut to the aquifer" from the total annual deliveries. Final figures for credits earned generally become available in the middle of the following year after review of the annual reports filed with the ADWR and are reported in the AWBA's Annual Report.

Table 1a. Recharge Partners and Water Deliveries for 2009

AMA	Facility	Type	Permit Capacity (acre-feet)	Delivered (acre-feet)		
				Intrastate	Interstate	
PHOENIX AMA	Tonopah Desert	USF	150,000	0	30,000	
	Hieroglyphic Mtn.	USF	35,000	0	5,000	
	Queen Creek ID	GSF	28,000	6,697	0	
	Gila River Indian IDD	GSF	37,520	35,326	0	
	<i>Intrastate/Interstate AMA Subtotal</i>				42,023	35,000
	<i>Phoenix AMA Subtotal</i>				77,023	
PINAL AMA	Central Arizona IDD	GSF	110,000	20,000	12,500	
	Maricopa-Stanfield IDD	GSF	120,000	20,000	20,726	
	<i>Intrastate/Interstate AMA Subtotal</i>				40,000	33,226
	<i>Pinal AMA Subtotal</i>				73,226	
TUCSON AMA	Avra Valley	USF	11,000	3,001	500	
	Lower Santa Cruz	USF	50,000	6,000	2,500	
	Pima Mine Road	USF	30,000	0	2,000	
	CAVSARP	USF	100,000	11,599	0	
	SAVSARP	USF	60,000	4,525	0	
	Kai Farms – Red Rock	GSF	11,231	2,300	0	
	<i>Intrastate/Interstate AMA Subtotal</i>				27,425	5,000
	<i>Tucson AMA Subtotal</i>				32,425	
TOTAL INTRASTATE & INTERSTATE DELIVERIES				109,448	73,226	
TOTAL RECHARGE DELIVERIES				182,674		

In addition to recharge deliveries, the AWBA also delivered water to meet the requirements of the Gila River Indian Community Water Settlement Program (Settlement Program). In 2009, the AWBA entered into an intergovernmental agreement (IGA) with the Gila River Indian Community that identifies the procedure for

delivering water for meeting a replenishment obligation and/or for establishing the Southside Replenishment Bank identified in the Settlement Program. While these deliveries do not accrue long-term storage credits that may be recovered in the future, the Replenishment Bank receives a replenishment credit for each acre-foot of water delivered. Table 1b identifies the amount of water the AWBA delivered for replenishment purposes. A replenishment obligation was not incurred in 2008.

Table 1b. Replenishment Deliveries

Southside Replenishment Activities	2009 Deliveries (acre-feet)	Cumulative Deliveries (acre-feet)
Replenishment Obligations	0	0
Replenishment Bank	1,000	1,000
TOTAL DIRECT DELIVERIES	1,000	1,000

The initial Plan of Operation (Plan) for 2009 proposed to deliver 118,523 acre-feet of water and did not include deliveries for interstate storage. Because demand for excess CAP water exceeded supplies, CAWCD established excess pools based on certain criteria. The AWBA met the criteria for participating in two pools: the Indian firming pool and the agricultural incentive-priced pool. The Plan was amended in April of 2009 to include an additional 16,124 acre-feet of water made available through CAWCD's remarketing process. Legislative transfers from the Arizona Water Banking fund required the Plan to be amended to reclassify 25,000 acre-feet of deliveries to the Pinal AMA as interstate storage for Nevada. The Plan was amended a second time when Nevada made 40,000 acre-feet of intentionally created unused apportionment available to the AWBA. The AWBA also used interstate funds to pay for the storage relinquished by another CAP customer. By the end of the year, the AWBA delivered for storage an estimated 182,670 acre-feet of water: 109,450 acre-feet for intrastate banking and 73,220 acre-feet for interstate banking. Figure 3 shows the acre-foot breakdown between GSFs and USFs for 2009 and a comparison between 2009 and previous years.

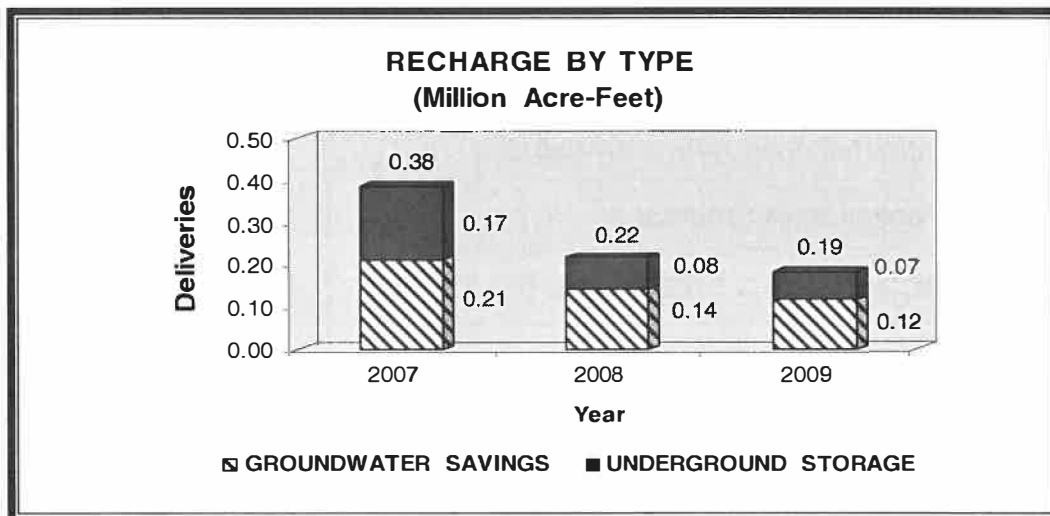


Figure 3. Recent Comparison of Annual Deliveries to GSFs and USFs

2010 PLAN OF OPERATION

For 2010, the AWBA will store 152,600 acre-feet of intrastate water. Water storage will be occurring in facilities in all three counties. The AWBA is not planning any interstate storage. The AWBA will also deliver 1,000 acre-feet of water for the Southside Replenishment Bank.

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

I. Water Availability

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

The Bureau of Reclamation (Bureau) distributed the Draft Annual Operating Plan (AOP) for water year 2010 to the states in September of 2009. The AOP stated that the Intentionally Created Surplus (ICS) Surplus Condition is the criterion that will govern the release of water for the states in the Lower Basin during calendar year 2010. Because Arizona has not created ICS, the State will operate under normal conditions, which allows 2.8 MAF of water available for use within Arizona. Arizona's on-river use is forecast to be 1.2 MAF, leaving approximately 1.6 MAF available for diversion by CAP. Pursuant to a letter agreement between the Metropolitan Water District of Southern California (Metropolitan), CAWCD, and the AWBA, Metropolitan has requested the recovery of its remaining balance of 8,663 acre-feet of credits in 2010 which, when exchanged for CAP water, will create Intentionally Created Unused Apportionment (ICUA) available to California from Arizona's apportionment.

With respect to availability of CAP water, the AWBA purchases water from the category that is termed excess water. Excess water is all water available for delivery through the CAP in excess of the quantities scheduled under long-term contracts and subcontracts. The availability of excess water is determined on an annual basis. The AWBA may order any excess water not requested by another entity within the CAP service area. The AWBA shares an equal priority for water for municipal and industrial (M&I) firming with the Central Arizona Groundwater Replenishment District for replenishment reserve purposes.

The CAWCD Board of Directors (Board), in anticipation of increased excess water orders, had directed its staff to develop a comprehensive strategy for distributing excess CAP water among competing demands. In July of 2009, the

Board adopted a five-year policy for the distribution of excess water beginning in 2010. Under this policy, CAWCD created four pools in addition to the agricultural pool previously established. One of these pools is shared between the AWBA, the CAGRDR for replenishment reserve purposes, and the Bureau for Indian firming, and is for a fixed amount of 175,000 acre-feet. The AWBA may use this water for any authorized purpose. After subtracting the projected uses for the CAGRDR and the Bureau, the total amount of water available to the AWBA in 2010 is 153,600 acre-feet.

II. CAP System Capacity

Under normal operating conditions, CAP can divert approximately 1.6 million acre-feet. Although the CAP is capable of delivering approximately 180,000 acre-feet per month, the available capacity does not always total that because of unique situations, i.e. the filling of Lake Pleasant in the winter months, deliveries to the western portion of the aqueduct, New Waddell Dam releases to the aqueduct in the summer months and scheduled maintenance and outages. The amount of water available to be diverted by the CAP within Arizona's 2.8 million acre foot allocation was not a limiting factor in this Plan.

III. Available Funds

The AWBA will have withdrawal fees collected in 2010 available for use in this Plan for intrastate storage. Total withdrawal fees are estimated at \$3.7 million; of that amount, \$1.7 million is available for the Phoenix AMA, and approximately \$1.5 million and \$450,000 are available for the Pinal and Tucson AMAs, respectively.

As in previous years, the CAWCD Board resolved to continue to retain the county *ad valorem* property taxes collected and not transfer those revenues to the AWBA Fund. Property tax revenues retained by CAWCD can be used to offset the cost of AWBA water deliveries in the tri-county CAWCD service area. The estimated *ad valorem* tax balances available for 2010, including carryover, are: Maricopa County (\$110 million), Pinal County (\$1.97 million), and Pima County (\$12.6 million).

While funding was not a limiting factor in developing the Plan for the Phoenix and Tucson AMAs, funding in the Pinal area did limit the amount of water available for storage. The 2010 Plan expends funds that have been carried over from previous years' collections in the Tucson AMA. The amount of funds collected in both the Pinal and Tucson AMAs is expected to be a limiting factor in these areas in the future.

IV. Available Storage Facility Capacity

AWBA staff conferred with facility operators to discuss their delivery schedules and their continued interest in participating with the AWBA. These discussions confirmed that there was significant interest in partnering with the AWBA. If additional supplies become available, the AWBA still has sufficient capacity to meet its anticipated needs.

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The Water Delivery Schedule (Table 2) identifies the AWBA's partners for 2010 and the amount of water scheduled to be recharged. The second column in this section identifies the AWBA's water storage permit capacities for each facility based on the facility permits. The capacity available as shown does not always equate to the storage permit capacity because the storage facility operators may have agreements with other storage partners. In addition to recharge deliveries, Table 2 also identifies the amount of water scheduled for meeting the AWBA's Southside Replenishment obligations.

NEW FACILITIES

There are no new facilities for 2010; however in July of 2009, ADWR issued a permit modification for the Tonopah Desert Recharge Project that allows for the continued storage of 150,000 acre-feet per year, subject to the condition that storage does not exceed 2,000,000 acre-feet at any time. This permit modification provides an additional 62,500 acre-feet per year of storage capacity in the Phoenix AMA. While not a new facility, the AWBA for the first time has entered into a partnership with the Cortaro-Marana Irrigation District for storage at its GSF. The GSF is located in the Tucson AMA and is permitted to store 20,000 acre-feet of water annually.

**Table 2
Water Delivery Schedule (Acre-Feet)
Calendar Year 2010**

AWBA-Recharge Sites		Permitted Capacity (AF)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
PHOENIX AMA :															
USF	West Maricopa Combine	25,000	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	0	9,000	9,000	9,000	9,000	9,000	1,345	0	0	0	0	0	46,345
			46,345												
GSF	RWCD	105,000	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	0	1,142	7,055
	TONOPAH ID	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0
			7,055												
AMA TOTAL INTRASTATE			0	9,000	9,000	9,000	9,000	9,000	1,345	1,343	2,285	2,285	0	1,142	53,400
PINAL AMA :															
GSF	CAIDD	110,000	0	1,000	2,000	1,000	2,000	2,000	2,000	1,400	0	0	0	0	11,400
	HOHOKAM	55,000	0	500	1,000	500	0	0	0	0	2,460	2,000	2,175	2,365	11,000
	MSIDD	120,000	800	1,000	2,500	2,100	2,100	1,000	500	500	900	0	0	400	11,800
			34,200												
AMA TOTAL INTRASTATE			800	2,500	5,500	3,600	4,100	3,000	2,500	1,900	3,360	2,000	2,175	2,765	34,200
TUCSON AMA:															
USF	AVRA VALLEY	11,000	0	250	250	500	500	500	500	0	0	0	0	0	2,500
	PIMA MINE RD	30,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	LOWER SANTA CRUZ	50,000	0	2,500	2,500	2,500	2,500	2,500	2,500	2,500	0	0	0	0	17,500
	CAVSARP	100,000	0	0	0	0	0	0	0	0	5,000	0	0	0	5,000
	SAVSARP	60,000	0	0	0	0	5,000	5,000	5,000	5,000	5,000	4,000	3,000	4,000	36,000
			61,000												
GSF	CORTARO-MARANA ID	20,000	500	500	675	325	500	500	500	500	0	0	0	0	4,000
	KAI FARMS (Red Rock)	11,231		0	0	0	0	0	0	0	0	0	0	0	0
			4,000												
AMA TOTAL INTRASTATE			500	3,250	3,425	3,325	8,500	8,500	8,500	8,000	10,000	4,000	3,000	4,000	65,000
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			1,300	14,750	17,925	15,925	21,600	20,500	12,345	11,243	15,645	8,285	5,175	7,907	152,600
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL RECHARGE			1,300	14,750	17,925	15,925	21,600	20,500	12,345	11,243	15,645	8,285	5,175	7,907	152,600
DIRECT DELIVERY (Non-Storage):															
	Southside Replenishment Bank		0	0	0	0	0	0	0	0	1,000	0	0	0	1,000
	Southside Replenishment Obligation		0	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL DIRECT		0	0	0	0	0	0	0	0	1,000	0	0	0	1,000
TOTAL DELIVERIES			1,300	14,750	17,925	15,925	21,600	20,500	12,345	11,243	16,645	8,285	5,175	7,907	153,600

INDIAN SETTLEMENTS

The Plan does not specifically identify storage to meet the State's firming obligations under the Arizona Water Settlements Act (Settlements Act), however it does incorporate replenishment deliveries required under the Gila River Indian Community (GRIC) Settlement Program.

Indian Firming

The Settlements Act recognizes three categories where the State has firming responsibilities. The first two obligations pertain to firming of water for the GRIC and other Arizona tribes in times of shortage for a 100-year period; the third obligation pertains to providing assistance to the Secretary of the Interior (Secretary) in carrying out obligations of the Southern Arizona Water Rights Settlement Act.

1. GRIC - The AWBA must ensure that up to 15,000 acre-feet per year of CAP NIA priority water be made available to the GRIC. The AWBA did not receive a general fund appropriation to meet this obligation. Although withdrawal fees may be utilized for Indian firming after appropriated funds are expended, the 2010 Plan does not identify the expenditure of withdrawal fees specifically for this purpose. Credits accrued through the use of withdrawal fees could be used to meet this obligation if necessary.
2. Other Tribes - The AWBA is also required to firm up to 8,724 acre-feet per year of CAP NIA priority water for future Indian Settlements. Settlements for other Indian Tribes have not been enacted at this time, thus the 2010 Plan does not include a component for this obligation.
3. Federal Assistance - The State is required to contribute \$3 million in cash or in-kind services to assist the Secretary in meeting the Federal obligation to the Tohono O'odham Nation. The Secretary and the AWBA agreed to develop long-term storage credits (credits), which will later be transferred to the Federal government. The AWBA completed this obligation in 2009.

GRIC Water Settlement Program

In addition to the firming requirements of the Settlements Act, the AWBA, acting as agent for the State, is required to deliver 15,000 acre-feet of water to the GRIC for the purpose of establishing the Southside Replenishment Bank. The AWBA must deliver a minimum of 1,000 acre-feet per year to establish this Bank. The Southside Replenishment Bank will fulfill the obligations created under the Settlements Act for protection of the Reservation from off-reservation groundwater pumping. The 2010 Plan includes 1,000 acre-feet of direct deliveries to the GRIC for this purpose.

Assignment of Long-term Storage Credits Pursuant to A.R.S. § 45-841.01

Pursuant to A.R.S. § 45-841.01, an Indian community may accrue credits to further the implementation of Indian water rights settlements. One criterion for accruing credits is that ten percent of the credits be offered to the AWBA at a price per acre-foot that is

equal to the AWBA's delivery and storage costs at the time of sale. The Tohono O'dham Nation (Nation) stored water at the Mission Mine Complex in 2008. In 2009, the Nation offered to assign 234 acre-feet of credits to the AWBA from the credits accrued from its 2008 storage. For 2010, an estimated 812 acre-feet of credits may be available to the AWBA based on the Nation's 2009 storage. While these credits may be used for M&I firming or for water management purposes, there is a restriction that the credits not be recovered within five miles of the exterior boundary of the reservation.

INTERSTATE WATER BANKING

The 2010 Plan does not include an interstate water banking component for the State of Nevada. Because of the reduced water supplies available to the Water Bank in 2010, it is important to complete intrastate water banking with the funds available to the AWBA before interstate water is offered. However, if excess water becomes available later in the year after all storage for intrastate purposes has been maximized, the AWBA could store for interstate banking to ensure that Arizona's full entitlement is diverted from the Colorado River.

RECOVERY

The Metropolitan Water District of Southern California (Metropolitan) has requested that CAWCD recover the remaining 8,663 acre-feet of long-term storage credits (credits) held on its behalf by CAWCD in 2010. Pursuant to the letter agreement between Metropolitan, CAWCD, and the AWBA, these credits will be recovered or exchanged and ICUA created. Table 3 identifies the planned recovery schedule for 2010.

In addition to the efforts to recover credits for Metropolitan, CAWCD staff conducted recovery planning in 2009. Staff presented detailed results of the planning effort to the CAWCD Board at a work-study session on November 19. CAWCD staff then provided the following summary to the AWBA at the AWBA's work-study session on November 23:

- Currently CAWCD has approximately 40,000 AF of recovery capacity available.
- Most of the current capacity is from 35 recovery wells in MSIDD, CAIDD, and HIDD, in the Pinal AMA.
- Modeling efforts show that under extreme conditions, a shortage could be declared as early as 2014.
- Firming of Fourth Priority On-River M&I users would be required first and current recovery capacity would be sufficient to meet these needs.
- Modeling efforts also showed that additional recovery capacity may be needed by 2018 to meet potential requests for recovery by the Southern Nevada Water Authority.
- Current planning efforts focus on meeting the additional capacity needs by the following means: acquisition and refurbishment of underutilized wells, agreements with water providers for indirect recovery, and credit exchange opportunities.
- Modeling efforts suggests that recovery for M&I firming may not be needed until 2025.

Table 3. 2010 CAWCD Recovery Schedule

Entity	Annual Amount (Acre-feet)
Maricopa-Stanfield Irrigation & Drainage District (MSIDD)	2,000
Central Arizona Irrigation & Drainage District (CAIDD)	3,000
Hohokam Irrigation & Drainage District (HIDD)	3,663
TOTAL	8,663

PRICING

In June 2009, the CAWCD Board amended its water delivery rate schedule for calendar years 2009/2010. The Board concluded that because of the recent demand for excess CAP water, the incentive recharge rate was no longer necessary. Thus the rate for incentive recharge is now equivalent to the rate for excess M&I water. The 2010 rate for AWBA is \$133 per acre-foot.

This is the first year that the AWBA will have a different cost share structure between AMAs for its GSF partners. Historically, there has been little interest in GSF partnerships with the AWBA in the Tucson AMA because groundwater pumping costs in that AMA have been much lower than the cost share. Because funding in the Tucson AMA is not sufficient for meeting the M&I firming goal and since storage at GSFs is less expensive than underground storage facilities (USFs), accruing more credits per dollar spent, the AWBA Commission directed staff to pursue GSF opportunities in the Tucson AMA. Based on data submitted by the Tucson GSF operators, which included a range of groundwater pumping costs and cost shares paid by other partners, it was determined that a reasonable cost share for 2010 is \$15 per acre-foot.

Groundwater pumping costs in the Phoenix and Pinal AMAs vary depending on energy sources used and the location of wells, i.e. depth to water. The AWBA increased the cost share for the GSF partners by \$1 to \$33 per acre-foot for the Phoenix and Pinal AMAs, which is comparable to the average groundwater pumping costs in these areas.

Table 4 reflects the water delivery rate CAWCD will charge the AWBA, the cost share GSF operators pay, and the rates the AWBA pays to utilize different USFs for M&I firming. For other than M&I firming purposes, the AWBA also pays a capital charge component. There is no administrative cost component in the facility cost because the AWBA pays the CAWCD administrative costs on an annual basis. The rate established for interstate banking is \$231 per acre-foot, plus facility costs and facility capital costs.

Table 4. 2010 Water and Facility Rates

CAWCD delivery rate to AWBA for water storage	\$133 per acre-foot
Interstate rate	\$231 per acre-foot
Groundwater Savings Facility operator cost share rate ¹	
Intrastate	
Phoenix and Pinal AMAs	\$33 per acre-foot
Tucson AMA	\$15 per acre-foot
Interstate	\$26 per acre-foot
Underground Storage Facility rate paid by AWBA	
Agua Fria Recharge Project (CAWCD) ²	\$8 per acre-foot
Hieroglyphic Mtns. (CAWCD) ²	\$8 per acre-foot
Tonopah Desert Recharge Project (CAWCD) ²	\$8 per acre-foot
West Maricopa Combine	\$26 per acre-foot
Avra Valley (CAWCD) ³	\$15 per acre-foot
Lower Santa Cruz (CAWCD/Pima County) ³	\$15 per acre-foot
Pima Mine Road (CAWCD) ³	\$15 per acre-foot
Clearwater Facility (Tucson Water – CAVSARP/SAVSARP)	\$14.30 per acre-foot
CAWCD rate to AWBA for Southside Replenishment Bank deliveries	\$118 per acre-foot

¹ This rate is paid directly to CAP by the GSF operators and is not available as revenue to the AWBA. The AWBA's rate for delivery of in lieu water is thus reduced to \$100/af for intrastate deliveries to the Phoenix and Pinal AMAs, \$118/af to the Tucson AMA, and \$205/af for interstate deliveries.

² Additional capital charge of \$15 per acre-foot for interstate storage.

³ Additional capital charge of \$9 per acre-foot for interstate storage.

ACCOUNTING

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

The estimated total cost of the AWBA's 2010 Plan of Operation is approximately \$20 million. Table 5 provides estimates of the funds available to be utilized by the AWBA, including any funds carried over from previous years and an estimate of funds to be collected during the year, the funds to be utilized, the entity that holds the funds, and the credits that will accrue to those accounts based on the 2010 Plan.

Table 5. Funding for 2010 Annual Plan of Operation

	Funds Available (\$)		Funds Utilized (\$)		Credits (AF)
	AWBA	CAWCD	AWBA	CAWCD	
Withdrawal Fees					
Phoenix AMA	\$1,700,000	-	\$1,700,000	-	12,030
Pinal AMA ¹	\$1,575,000	-	\$1,575,000	-	13,400
Tucson AMA	\$450,000	-	\$450,000	-	2,830
Four Cent Tax					
Phoenix AMA	\$0	\$110,218,000	\$0	\$5,562,000	37,630
Pinal AMA	\$0	\$1,966,000	\$0	\$1,963,000	18,060
Tucson AMA ^{2,3}	\$0	\$12,700,000	\$0	\$9,160,000	57,740
Other					
General	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
Indian FIRMING	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
Gifts, Grants, Donations					
Shortage Reparations (NV):	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
Interstate Banking- Nevada					
Operating ⁴	\$31,447,000		\$0		0
Resource	\$5,169,000		\$0		0
	Total Funds Available		Total Funds Expended		Credits
	\$165,200,000		\$20,410,000		141,170

¹ Includes expenditure for 1,000 acre-feet of direct deliveries for establishing the Southside Replenishment Bank under the Gila River Indian Water Settlement Program.

² 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 2009 is estimated to be \$1,719,467.

³ Includes expenditure of \$120,176 for the assignment of an estimated 812 acre-feet of credits to the AWBA from the Tohono O'odham Nation pursuant to §45-841.01.

⁴ The amount of funding that will be available from the Southern Nevada Water Authority if water becomes available for interstate storage.

The 2010 Plan was developed expending all available withdrawal fees in the three AMAs. The Plan also requires that CAWCD utilize a portion of the four-cent tax they collect to offset water costs to the AWBA.

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

Table 6. Cumulative Totals of Long-term Storage Credits 1997-2009

	FUNDS		CREDITS ¹	
	EXPENDED	AMOUNT (AF)	LOCATION	
Withdrawal Fee				
Phoenix AMA	\$14,713,676	261,363	Phoenix AMA	
Pinal AMA ²	\$12,069,167	361,762	Pinal AMA	
Tucson AMA ³	\$6,793,004	90,831	Tucson AMA	
Four Cent Tax				
Maricopa County	\$61,292,863	1,145,822	Phoenix AMA	
Pinal County	\$5,613,865	155,046	Pinal AMA	
Pima County	\$21,103,735	267,120	Tucson AMA	
Other				
General Fund ⁴	\$11,100,865	403,830		
	<i>\$1,522,115</i>	<i>42,316</i>	Phoenix AMA	
	<i>\$6,394,964</i>	<i>306,968</i>	Pinal AMA	
	<i>\$3,183,786</i>	<i>54,546</i>	Tucson AMA	
Indian Firming	\$2,338,171	28,436		
	<i>\$0</i>	<i>0</i>	Phoenix AMA	
	<i>\$0</i>	<i>0</i>	Pinal AMA	
	<i>\$2,338,171</i>	<i>28,436</i>	Tucson AMA	
Shortage Reparations	\$2,307,919	76,102		
	<i>\$1,099,339</i>	<i>20,642</i>	Phoenix AMA	
	<i>\$1,208,580</i>	<i>55,460</i>	Pinal AMA	
	<i>\$0</i>	<i>0</i>	Tucson AMA	
Interstate				
Nevada ⁵	\$111,603,400	595,620		
	<i>\$14,523,027</i>	<i>56,370</i>	Phoenix AMA	
	<i>\$74,247,908</i>	<i>446,144</i>	Pinal AMA	
	<i>\$22,832,465</i>	<i>93,106</i>	Tucson AMA	
TOTAL	\$248,936,664	3,385,931		

¹ Actual credits used for 1997-2008; credits estimated for 2009.

² Includes expenditure of \$108,000 for Southside Replenishment Bank deliveries.

³ Includes expenditure of \$22,698 for the assignment of 234 acre-feet of credits to the AWBA from the Tohono O'odham Nation pursuant to §45-841.01.

⁴ 230,280 AF of credits reserved pursuant to contract dated February 2, 2005 with Mohave County Water Authority.

⁵ Includes 50,000 acre-feet of credits transferred from CAWCD pursuant to Amended Agreement for Interstate Water Banking.

Table 7 identifies the progress made on the AWBA's goals and obligations in 2010.

Table 7. Projected Percent of Goals and Obligations Achieved through 2010

Location and Objective	Funding Source	Goal	Obligation	Non-Credit Goal/Oblig. Achieved	Credits Accrued (AF)	Percent Goal/Oblig. Achieved
Phoenix AMA M&I Firming Groundwater Mgmt ¹	Ad valorem tax Withdrawal Fees	1,566,000 AF			1,182,162 272,863	75% 93%
Pinal AMA M&I Firming Groundwater Mgmt ¹	Ad valorem tax Withdrawal Fees	243,000 AF			173,106 375,162	71%
Tucson AMA M&I Firming ² Groundwater Mgmt ^{1,2}	Ad valorem tax Withdrawal Fees	864,000 AF			326,057 85,533	38% 48%
On-River M&I Firming³	General Fund	420,000 AF			403,830	96% ⁴
Indian Settlements: GRIC Firming Phoenix AMA Pinal AMA	Withdrawal Fees	350,000 AF ⁵	up to 15,000 AF/YR		0 0 0	0%
Future Settlements	Withdrawal Fees	200,000 AF ⁵	up to 8,724 AF/YR		0	0%
Federal Assistance SAWRSA	Appropriation Withdrawal Fees Cost of Services ⁶		\$3,000,000	\$3,000,000 \$2,338,171 \$630,489 \$31,339	33,968 28,436 5,532 n/a	100%
Southside Repl. Bank	Withdrawal Fees		15,000 AF Direct Delivery	15,000 AF	2,000	13%
Interstate Water Banking - NV	Contract with Nevada		1,250,000 AF ⁷		595,620	48%
Shortage Repairs- Nevada	Gifts, Grants, Donations	\$8,000,000		\$2,307,919	76,102	29%

¹ Withdrawal fees could be utilized in addition to 4¢ ad valorem tax revenues for M&I firming if needed to reach firming goals.

² Includes credits acquired from the Tohono O'odham Nation pursuant to §45-841.

³ 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 were transferred to the AWBA long-term-storage sub-account for the MCWA in 2005.

⁴ This percentage reflects full utilization of general fund credits accrued to date and would change as other objectives are identified by the AWBA.

⁵ Based on estimates from the Indian Firming Study Commission Report dated January 6, 2006.

⁶ Include \$14,883 and \$16,456 deducted for payment of cost of services for FY08 and FY09, respectively.

⁷ Pursuant to the Amended Agreement for Interstate Water Banking, the AWBA has committed to have this number of long-term storage credits within the Nevada sub-account.

PUBLIC REVIEW AND COMMENT

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

Phoenix GUAC

In general, the GUAC supported the Plan as presented. There were questions concerning legislative transfers from the AWBA Fund and this would impact the AWBA in meeting its obligations. The GUAC continued to encourage the AWBA to work with appropriate entities to develop recovery plans.

Pinal GUAC

The GUAC supported the Plan as presented. Staff provided background information on the Southside Replenishment Program and on AWBA obligations for delivery of water in establishing the Southside Replenishment Bank. Members expressed overall concern over the legislative transfers from the Arizona Water Banking Fund and the resultant impacts to the AWBA in storing water supplies. The Pinal GUAC fully supports efforts to ensure that the AWBA continues to function as intended and meet its obligations within the AMAs.

Tucson GUAC

General discussion regarding the Plan included the relationship of water availability to CAWCD's rate increase and new policy on pools. There were questions concerning ADWR's recent self funding proposal and, specifically, the option proposing to temporarily redirect existing withdrawal fees from the Arizona Water Bank Fund to ADWR. Comments were made requesting clarification in the Plan on the status of recovery planning efforts. The GUAC supports the AWBA in their efforts to develop different cost share pricing for GSFs in the three AMA's and stated that the lower cost in Tucson will increase participation and help to achieve the M&I firming goal in the Tucson AMA.

RECOVERY AGREEMENT
AMONG
ARIZONA WATER BANKING AUTHORITY, CENTRAL ARIZONA WATER
CONSERVATION DISTRICT, SOUTHERN NEVADA WATER AUTHORITY AND
COLORADO RIVER COMMISSION OF NEVADA

This Recovery Agreement is made this ___ day of _____, among the Arizona Water Banking Authority (“AWBA,”), Central Arizona Water Conservation District (“CAWCD”), Southern Nevada Water Authority (“SNWA”) and Colorado River Commission of Nevada (“CRCN”) in order to address some details of the “recovery of intrastate and interstate Long-term Storage Credits” as contemplated by the Second Amended Agreement for Interstate Water Banking Among the AWBA, SNWA and CRCN (“Interstate Water Banking Agreement”).

1. This Recovery Agreement shall be interpreted at all times to be consistent with the Interstate Water Banking Agreement, the Storage and Interstate Release Agreement between the Secretary of the Interior, AWBA, SNWA and CRCN, dated December 18, 2002, and the Agreement for the Development of Intentionally Created Unused Apportionment between AWBA and CAWCD, dated December 18, 2002.
2. Relevant provisions of the Interstate Water Banking Agreement provide as follows:
 - a. Subarticle 1.1.15 provides that “ ‘Recovery Facilities’ shall mean constructed facilities capable of recovering both intrastate and interstate Long-term Storage Credits.”
 - b. Subarticle 1.1.13 provides that “ ‘Long-term Storage Credit’ shall mean Long-term Storage Credit as defined in A.R.S. § 45-802.01(11).”
 - c. Subarticle 1.1.20 provides that “ ‘Storage Facility’ or ‘Storage Facilities’ shall mean an Underground Storage Facility or a Groundwater Savings Facility as those terms are defined in A.R.S. § 45-802.01.”
 - d. Subarticle 1.1.12 provides that “ ‘Interstate Recovery Schedule’ shall have the meaning defined in the Agreement for Development of Intentionally Created Unused Apportionment.”
 - e. Subarticle 1.2.3 provides that “No ownership rights in specific storage facilities shall accrue to either SNWA or CRCN by this Agreement.”
 - f. Subarticle 3.1.1 provides that “SNWA shall have the right to require the recovery of Long-term Storage Credits in the SNWA Interstate Account and the development of ICUA in any year”
 - g. Subarticle 3.2.1 provides that “For any year in which SNWA will require development of ICUA by AWBA and the release of ICUA by the Secretary, SNWA shall confer with the AWBA prior to June 1 of the preceding Year and

provide notice of the amount of such ICUA to AWBA by June 1 of the preceding Year.

- h. Subarticle 3.2.2 provides that “Between June 1 and September 15 of the Year in which a notice has been given under Subarticle 3.2.1, AWBA staff shall meet and confer with SNWA concerning the proposed location, manner and estimated cost of the development of the specified ICUA.”
 - i. Subarticle 3.2.3 provides that “On or before September 15 of the Year in which a notice for the development of ICUA has been given to AWBA under Subarticle 3.2.1, or as otherwise required by the Secretary, SNWA shall make a request of the Secretary for the release of such ICUA during the following Year and shall provide a copy of such notice to AWBA.”
 - j. Subarticle 3.3.1 provides that “Upon receipt of a notice under 3.2.1 for the development of ICUA, AWBA shall meet and confer with CAWCD to develop an Interstate Recovery Schedule under the terms of the Agreement for the Development of Intentionally Created Unused Apportionment. The Interstate Recovery Schedule shall utilize the recovery of Long-term Storage Credits to develop ICUA through recovery methods identified in the corresponding Storage and Interstate Release Agreement. These methods include recovery and exchange of Long-term Storage Credits for Colorado River Water and/or credit exchange of Long-term Storage Credits for Colorado River Water that would have otherwise been delivered for underground storage in that year.”
 - k. Subarticle 3.3.1.3 provides that “Factors to be considered when preparing the Interstate Recovery Schedule shall include, but are not limited to:
 - 3.3.1.3.1 Arizona water management goals,
 - 3.3.1.3.2 CAP operational requirements,
 - 3.3.1.3.3 Water Quality requirements,
 - 3.3.1.3.4 Opportunities for shared or joint facilities
 - 3.3.1.3.5 Opportunities to reduce recovery costs.
 - l. Subarticle 3.4.3 provides that “SNWA shall specify in its notice given under Subarticle 3.2.1 if, and the extent to which, ICUA is to be developed through the recovery of Long-term Storage Credits previously held by CAWCD for the benefit of SNWA under its October 15, 1992 agreement with The Metropolitan Water District of Southern California. The Parties acknowledge that pursuant to the terms of such agreement and prior to the effective date of the Original Agreement, SNWA made advance payments of the entire cost to recover such credits and to develop such ICUA.
3. Relevant provisions of the Agreement for the Development of Intentionally Created Unused Apportionment between the ABWA and CAWCD provide as follows:

- a. Subarticle 3.1 provides that “An Interstate Recovery Schedule shall set forth the means by which CAWCD plans to create ICUA on behalf of AWBA in any Year. Except as provided in Article 3.2, an Interstate Recovery Schedule shall use the recovery and exchange method, the credit exchange method, or both of these two methods to develop ICUA.”
- b. Subarticle 3.2 provides that “An Interstate Recovery Schedule may use a method other than the recovery and exchange method and the credit exchange method if that method complies with 43 CFR Part 414 and if the Secretary has approved its use.
- c. Subarticle 3.3 provides that “The recovery and exchange method requires that Long-term Storage Credits in the SNWA Interstate Account be recovered and the recovered water exchanged for Colorado River water that would otherwise have been delivered through the CAP in that Year.
 - 3.3.1 An Interstate Recovery Schedule may provide that CAWCD recover Long-term Storage Credits assigned by AWBA and deliver the recovered water that would have been delivered by CAWCD in that Year.
 - 3.3.2 An Interstate Recovery Schedule may provide that Long-term Storage Credits assigned by AWBA to CAWCD be assigned by CAWCD to an entity scheduled to receive CAP water from CAWCD in that Year for recovery and use by that entity in place of CAP water that would have been delivered by CAWCD in that Year.
 - 3.3.3 If the recovery and exchange method will be used to develop ICUA in a Year, an Interstate Recovery Schedule shall demonstrate that there is sufficient recovery capacity to recover the necessary Long-term Storage Credits from the SNWA Interstate Account and shall describe how the Credits will be recovered and delivered through the CAP or how the Credits will be recovered by individual CAP customers in lieu of their scheduled CAP deliveries.”
- d. Subarticle 3.4 provides that “The credit exchange method requires that Long-term Storage Credits in the SNWA Interstate Account be exchanged for Colorado River water that would otherwise have been delivered through the CAP for underground storage in that Year. The recipient of the Credits shall be an entity scheduled to receive water from CAWCD for purposes of underground storage in that Year.
 - 3.4.1 The entity receiving Long-term Storage Credits under the credit exchange method shall be required to pay CAWCD the same fees and charges that it would have paid had CAP water been delivered to it for underground storage.
 - 3.4.2 If the credit exchange method will be used to develop ICUA in a Year, an Interstate Recovery Schedule shall demonstrate that CAWCD has received sufficient orders for the delivery of Colorado River water for underground storage

and shall identify the entity or entities accepting the transfer of Long-term Storage Credits in lieu of the delivery of Colorado River water.

- e. Subarticle 3.5 provides that “If a method other than the recovery and exchange method or credit exchange method is used to develop ICUA, an Interstate Recovery Schedule shall include such information as required by the Secretary for that method.
 - f. Subarticle 3.6 provides that “An Interstate Recovery Schedule shall identify the total quantity of Long-term Storage Credits to be assigned to CAWCD by AWBA from the SNWA Interstate Account to develop the quantity of ICUA needed for the following Year.”
4. Cooperative Planning for Timing and Amount of Recovery In order to facilitate timely and effective performance of the above-stated relevant provisions, the parties to this Recovery Agreement, agree as follows:
- a. The parties now anticipate that SNWA recovery will be required on or after 2018. The parties agree that since significant lead time is needed to construct and initiate operations of new recovery wells and that sound financial, construction and operations practices require deferral of construction and operation of recovery facilities until closer in time to when recovery wells are needed, the parties agree to meet annually to discuss:
 - i. The timing and magnitude of SNWA’s recovery requests.
 - ii. CAWCD’s available and planned recovery capacity.
 - iii. CAWCD’s current estimates of recovery capital and operations costs.
 - iv. The effects of potential shortages of Colorado River water on such requests, capacity and costs.
 - b. SNWA shall present an initial recovery request schedule in the first such annual meeting and shall provide any amendment thereto at least three years prior to any recovery year for which the initial recovery request is proposed to be amended.
 - c. The parties also now anticipate that CAWCD’s recovery capacity may be utilized for parties other than SNWA on a schedule inconsistent with SNWA’s initial recovery request schedule. Inasmuch as sound financial, construction and operations practices require at least minimal operations of recovery facilities once operation is initiated, the parties agree to discuss and amend any proposed recovery request schedule as may be required to maintain the sound operating condition of CAWCD’s recovery facilities.
 - d. Recovery Methods Involving Recovery and Exchange of Long Term Storage Credits for Colorado River Water
 - i. Capital Costs of Recovery Facilities. Capital costs for developing recovery facilities include the costs of planning, permitting, design and

construction, as well as any cost of construction financing. According to the Interstate Water Banking Agreement, capital costs may be borne exclusively by SNWA, payable in advance if recovery facilities are dedicated exclusively to recovery for SNWA, or may be borne proratably by multiple interstate or intrastate users of the same recovery facilities.

The parties agree that, in each annual meeting in which SNWA's initial or amended recovery request schedule is discussed, the parties shall disclose all available information regarding their best estimates of the costs of planning, permitting, design, construction and construction financing and the plans and intentions of any other party who may seek recovery utilizing CAWCD's recovery facilities. [Example to be inserted]

- ii. Operating Costs of Recovery Facilities. Operating costs for the operation of recovery facilities include the cost of electrical power used to pump water for delivery to a CAWCD customer or into the Central Arizona Project delivery system, and the cost of repair and maintenance of the well site, motors, pumps, discharge lines, and electrical facilities. Operating costs exist whether CAWCD's recovery facilities are newly constructed for the intended recovery purpose or are existing irrigation district wells which share operations as recovery wells and water supply production wells. [Example to be inserted]

The parties agree that, in each annual meeting in which SNWA's initial or amended recovery request is discussed, the parties shall disclose their best estimates of the costs of electrical power, recognizing that estimates of such costs are prone to gross uncertainty with respect to distant years, and their best estimates of the repair and maintenance costs of anticipated recovery facilities. The parties agree that they shall explore cost-avoidance strategies, including any means which may be available to any of them that would reduce the costs of electrical power, or the repair and maintenance costs of anticipated recovery facilities, including the substitution of direct delivery of Colorado River water in lieu of recovery of stored water in central Arizona. [More on this concept in example, including SOI approval and compliance with part 414.]

- e. Credit Exchange for Long-term Storage Credits for Colorado River Water. Multiple interstate or intrastate users of the Arizona Water Banking system now maintain Long-term Storage Credit balances with the Arizona Water Bank and may seek recovery of those credits on recovery request schedules that are similar to or varied from SNWA's initial or amended recovery request schedule. The parties agree, that in each annual meeting in which SNWA's initial or amended recovery request schedule is discussed, that the parties shall disclose any available information regarding the recovery request schedules of other interstate or intrastate users of the Arizona Water Banking system, and the existence of any opportunities for the integration of recovery request schedules, including through

the exchange of existing Long-term Storage Credit balances for the right to direct delivery of Colorado River water, so as to minimize recovery costs. The parties agree that any administrative costs, as contemplated by the Interstate Water Banking Agreement would not be avoided by such credit exchanges. [Same as above regarding Example and SOI approval and part 414 compliance]

- f. Costs Avoided. Recovery strategies identified by the parties in the course of annual meetings, and utilized or integrated into initial or amended recovery request schedules may avoid costs which would have otherwise been incurred in the normal costs of operation of facilities by any one or more of the parties. The parties agree that the actual annual value of those avoided costs shall be set off against SNWA's actual annual recovery costs due in any year under the Agreement for Interstate Water Banking, as it may be amended from time to time, but shall give SNWA no credit beyond the actual annual recovery costs due in any year. [Example to be inserted]

In witness of this Agreement, the Parties affix their official signatures below.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

ARIZONA WATER BANKING AUTHORITY

SOUTHERN NEVADA WATER AUTHORITY

COLORADO RIVER COMMISSION OF NEVADA