

ARIZONA WATER BANKING AUTHORITY
Wednesday, June 15, 2011

	Name (Please print)	Affiliation	Phone No.
1	Tom Maher	JNWA	702-862-3702
2	DAVE BATEMAN	CWUA	520-604-9059
3	Beth Miller	Scottsdale	
4	Fred Breedlove		602-528-4098
5	DICK WALKER	PHOENIX	602-465-5853
6	Adrien Sanchez	AZDWR-legal	480628 9034
7	Dee Korin	Tucson Water	520-837-2238
8	Steve Olson	Amwua	602 248-8482
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ARIZONA WATER BANKING AUTHORITY
Wednesday, June 15, 2011

	Name (Please print)	Affiliation	Phone No.
1	Greg Wallace	None	602-8182399
2	Cliff Neal	CAP	623-869-2672
3	Tom McCann	CAP	623-869-2343
4	Dee Fuerst	CAP	623-869-2807
5	JASON BARAN	AMWUA	602 248 8482
6	GRANT BUMA	CRIT/WRD	928 669 1313
7	Marc Campbell	SRP	602 236 2351
8	Joe Singleton	PCWAA	520 518 1726
9	Nick Klobas	AWBA	
10	Diane Kusel	ADWR	602 771 8532
11	Bridget Schwartz-Manole	CAP	623 869 2150
12	Greg Bushman	Jidder	775.885.5000
13	Dave Merrill	"	"
14	Michael Block	Metro Water	520-575-8160
15	Collette Moore	City of Mesa	480-644-4364
16	Karen Nally	HARDICARDY Law Office of Karen Nally	602 258 4661
17	Taylor Shipman	Montgomery + Assoc.	520.881.4912
18	JIM HARTDEGEN	MSIDD	602 881-7401 (cell)
19	John BODENDUK	Reclamation	
20	Robin Stinnett	Avondale	623-333-4449
21	Brent Esplin	Reclamation	623.773.1218
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Arizona Water Banking Authority
3550 N. Central Avenue, Phoenix, Arizona 85012
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PLEASE POST

NOTICE OF PUBLIC MEETING

Pursuant to A.R.S. § 38-431.02, notice is hereby given that there will be a meeting of the Arizona Water Banking Authority Commission on Wednesday, June 15, 2011 at 10:00 a.m. at the Arizona Department of Water Resources, 3550 North Central Avenue, Phoenix, Arizona 85012, Upper Verde Conference Room. The meeting is open to the general public.

Dated this 14th day of June, 2011

FINAL AGENDA

Arizona Water Banking Authority Commission Meeting

- I. Welcome/Opening Remarks
- II. Approval of Minutes
 - March 30, 2011 meeting
- III. Water Banking Staff Activities
 - Deliveries
 - ICUA certification for 2010
 - Groundwater Savings Facility Agreement renewals
 - CAWCD *ad valorem* tax levy
 - Update on legislative transfers
 - On-going Indian settlement negotiations
 - Update on CAWCD v. Brewer
- IV. 2010 Annual Report
 - Overview of 2010 Annual Report
 - Discussion regarding Ten-Year Plan 2012-2021
 - Potential approval of 2010 Annual Report and Ten-Year Plan
- V. FY 2012 Administrative Budget
 - Overview of FY 2012 administrative budget
 - Potential adoption of FY 2012 administrative budget

- VI. Discussion on the Distribution of AWBA Long-Term Storage Credits During Shortages
 - Stakeholder meeting summary
 - Meeting with CAWCD and ADWR

- VII. Call to the Public

Future Meeting Dates:

Wednesday, September 21, 2011

Wednesday, December 7, 2011

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 Minutes

March 30, 2011
Arizona Department of Water Resources



AUTHORITY MEMBERS
Sandra Fabritz-Whitney, Chairman
Maureen R. George, Vice-Chairman
Tom Buschatzke, Secretary
John Mawhinney
Lisa A. Atkins

EX OFFICIO MEMBERS
Senator Steve Pierce
Representative Andy Tobin

Welcome/Opening Remarks

Chairman Sandra Fabritz-Whitney welcomed the attendees. All members of the Authority were present except for *ex-officio* members, Senator Steve Pierce and Representative Kirk Adams.

Chairman Fabritz-Whitney announced that there were resolutions recognizing the service and contributions of Kim Mitchell, Herb Guenther and Larry Dozier for the Authority to consider approving. Tom Buschatzke read the resolution recognizing Kim Mitchell, former Manager of the AWBA. The resolution was unanimously approved. Virginia O'Connell read the resolution recognizing Herb Guenther, former Chairman of the AWBA. The resolution was unanimously approved. Lisa Atkins read the resolution recognizing Larry Dozier, former Deputy General Manager of the Central Arizona Water Conservation District (CAWCD). The resolution was also unanimously approved.

Election of Commission Officers

Virginia O'Connell informed the Authority that the election of Vice-chairman and Secretary is required by statute. Tom Buschatzke made a motion to nominate Maureen George for Vice-chairman. The motion carried. Ms. George made a motion to nominate Mr. Buschatzke for Secretary. The motion carried.

Approval of Minutes of December 8, 2010, January 11, 2011 Work-Study Session and January 11, 2011 Special Meeting

The Authority approved the minutes of the December 8, 2010 AWBA meeting, and the minutes of both the January 11, 2011 Work-Study Session and Special Meeting.

Water Banking Staff Activities

Gerry Wildeman noted that water deliveries through February 2011 are ahead of projections with approximately 9,000 AF stored versus 2,000 AF projected. Most of the water was stored at the Lower Santa Cruz facility in the Tucson Active Management Area (AMA) and at the Tonopah Desert facility in the Phoenix AMA. Ms. Wildeman also reviewed total deliveries for 2010. In 2010, the AWBA delivered 192,712 AF for Arizona uses and 19,000 AF for interstate purposes. For the interstate deliveries, 14,000 AF were delivered to Pima County and 5,000 AF were delivered to Maricopa County. The AWBA utilized shortage reparation funds in 2010 to purchase water that became available early in the year.

Ms. Wildeman informed the Authority that staff had submitted a water storage permit application to ADWR for the Superstition Mountain Recharge Project in the Phoenix AMA. She noted that this is a new CAWCD project that will provide additional flexibility for water storage. Projected AWBA use of the facility is anticipated to be about 15,000 AF per year. Phase I of the project is 25,000 AF and should be operational in June of 2011; Phase II is 56,500 AF. Staff received the complete and correct letter notice for

the application that morning. Ms. Wildeman also provided a status update regarding the three water storage permit renewal applications recently submitted for the Queen Creek Irrigation District Groundwater Savings Facility (GSF) in the Phoenix AMA and the Central Arizona and Maricopa-Stanfield Irrigation District GSFs in the Pinal AMA. Review is complete and the AWBA is waiting for issuance of the permits. Discussions with ADWR staff have shown that the permits will cost less than the \$2,000 application fee; most likely closer to \$1,000 per permit.

Ms. O'Connell informed the Authority that staff had been attending the "Hammer it out Group" or HIOG-2 meetings as directed since they began in January. At the February 18, 2011 meeting, Ms. O'Connell presented a proposal that had been drafted to clarify the nature of AWBA participation in the ADD Water process. She noted that while it is the AWBA's preference to utilize excess CAP water under its contract with CAWCD, additional water supplies may be needed to meet the AWBA's Indian settlement and Nevada contract obligations. The following points were made in the proposal: (1) the AWBA is not eligible to hold any type of long-term contract; (2) the AWBA is eligible to enter into agreements with long-term contract holders for short-term or interim use of water; (3) the AWBA is eligible to purchase any excess water within the ADD water program at the established price for that water; and (4) the AWBA is eligible to hold any other type or short-term or spot market contracts that may be available. CAWCD staff indicated that this proposal simply clarified their position. Other stakeholders at the meeting concurred that this proposal was no different than what their perceptions were regarding AWBA participation in the ADD Water Program. Ms. O'Connell noted that one stakeholder did comment that it would be premature to include language in the ADD Water Program proposal regarding the AWBA's ability to enter into potential partnerships with long-term contract holders because that component of the program was not yet developed. Another stakeholder questioned whether the AWBA was seeking a priority for water within the program. Ms. O'Connell had responded that the AWBA was not, it only wanted the ability to participate in the program if necessary.

Tim Henley updated the Authority on AWBA staff attendance at a meeting regarding transportation of groundwater from the Harquahala Irrigation Non-expansion Area (INA). AWBA staff was invited to attend the meeting by Peter Culp, who was representing CV Harquahala (CVH), because they view the AWBA as a potential customer. CVH is a major landowner of irrigated lands in the Harquahala INA and they are interested in transporting groundwater out of the INA for use in the AMAs. At the meeting, Mr. Culp identified and discussed issues identified by CVH. Mr. Henley noted that AWBA participation would likely not be for interstate purposes. John Mawhinney asked if there were any statutory prohibitions associated with the proposal. Mr. Henley replied that statutes allow for movement of groundwater out of certain basins, however, there are a number of limitations, such as the volume of water per acre that may be transported and what entity can transport the groundwater. Ms. George asked about the interpretation of "from the land" and Mr. Henley stated that this is a primary issue and one that ADWR is currently working on as it relates to another groundwater basin. In summary, the question is whether the allotment of water which is tied to a specific acre must be taken from that acre, or whether multiple allotments can be grouped and taken from a single location. Mr. Henley informed the Authority that staff would continue to participate in these discussions and will provide updates.

Ms. O'Connell provided the Authority with an update on legislative transfers from the Arizona Water Banking (AWB) Fund. Most recently, there was a transfer of \$10,300 from the Administration subaccount that accounted for the loss of the merit portion of staff salaries and mandatory furlough days. She noted that, although a final budget for fiscal year (FY) 2011-2012 has not been approved, the JLBC (Senate Bill 1612) and Executive budgets both proposed a transfer of \$312,000. The JLBC has also proposed the same transfer amount for FY 2012-2013. She stated that the transfers usually take place in July and that the amount identified is roughly 10% of the total withdrawal fee revenues the AWBA receives. Mr. Mawhinney asked how this transfer would impact the 2011 Plan of Operation (Plan). Ms. O'Connell stated that storage in the Pinal and Tucson AMAs would be impacted if the transfer is pro-rated among the three AMA withdrawal fee subaccounts because the Plan included the expenditure of all available funds in those AMAs. She noted that there are a number of ways to deal with the loss: (1) transfer the entire amount from the Phoenix AMA subaccount because there are other funds available to pay for the scheduled deliveries in that AMA; or (2) if the amount is pro-rated, end-of-year (2011) 4-cent tax monies collected in Pinal and Pima Counties that were intended for use in 2012. This would result in decreased 2012 deliveries in those counties. Another option could be to utilize shortage reparation funds to pay for scheduled deliveries to the Pinal and Tucson AMAs. A full set of options will be provided to the Commission members at the next AWBA meeting in June. Ms. Atkins questioned whether the Authority had the ability to discuss these impacts with the legislature. Ms. O'Connell stated that the legislature did not ask the AWBA about the impacts, however, staff has on a number of previous occasions provided written materials to the legislature informing them of how transfers impact the AWBA's ability to meet its obligations.

Ms. O'Connell reviewed Senate Bill 1470 concerning the dissolution of county water authorities, i.e. the Mohave County Water Authority. The bill passed in the Senate and was transmitted to the House of Representatives. Opponents of the bill are currently working with the bill's sponsor and supporters to address their concerns in an attempt to keep the bill from moving forward.

Ms. O'Connell provided an update on the Indian firming negotiations. She stated that the parties to the Northeastern Arizona Indian Water Rights Settlement are still negotiating and that Senator Kyl was here the previous week to provide direction on the negotiations. Sen. Kyl indicated that the settlement, as it was currently proposed, was too expensive and that the parties needed to work towards decreasing the cost. He also noted that if he will be sponsoring the bill, it would need to be submitted by June of this year, since he will be retiring when his term ends in 2012. Mr. Mawhinney stated that the Authority had previously discussed preparing a letter to the governor's office stating that the AWBA does not have the money to meet any state firming obligation. Mr. Henley replied that a major portion of the cost of the settlement is the pipeline and if the pipeline is removed from the settlement to save cost, the amount of water in the settlement will be less and the state might not have any new firming obligation. Nonetheless, he noted that the negotiators have been informed that AWBA staff must be present if they are discussing anything that would result in a state firming obligation. He noted that the governor's office is firm on the stance that there cannot be a settlement if funds are not available to meet the state's obligations. Mr. Buschatzke stated that there are potential ramifications if a settlement is not reached, particularly in

the form of uncertainty for the M&I subcontractors. Mr. Henley noted that the pipeline was what gave certainty on the Colorado River. Without the pipeline component, that certainty does not exist. However, settlement is a priority for ADWR because it would result in a number of other positive outcomes for the state.

Larry Dozier provided an update on the status of *CAWCD v. Brewer*. He noted that the hearing keeps getting postponed but will be held on Friday, April 1. Mr. Mawhinney questioned whether there was any plan in the event that CAWCD won the case. Mr. Dozier stated that he did not think that any ruling would result in the AWBA getting back monies that had already been swept, but could likely result in protection for future money obtained from Nevada for interstate water banking purposes.

Storage Facility Inventory Update

Ms. Wildeman briefly reviewed the purpose and timing of the facility inventory update and provided an overview of the information found within the document. The 2011 update is similar in content to all previous updates. She noted that a key component of the inventory is the analysis shown in the 4th column of Tables 1A, 2A and 3A. This column is titled "Projected Capacity Available to AWBA" and is based on staff knowledge and recent historical AWBA use at facilities. The second set of tables for each AMA then projects AWBA water deliveries from 2012 through 2020. These projections are based on the assumptions made within the AWBA 10-year plan for that time period and are based largely on availability of water and funding. The determination regarding whether sufficient storage capacity is available to the AWBA is based on the information in Table 4 which compares the capacity available to the AWBA in each AMA with the projected total water deliveries in that AMA through 2020. The table shows that the capacity available exceeds the projected deliveries in every AMA and every year through 2020. Therefore, the conclusion is that there are sufficient storage facilities to meet the AWBA's needs through 2020.

Ms. Wildeman noted that AWBA staff received two comments on the draft facility inventory. One comment was a minor technical correction and one was received from an entity in the Tucson AMA requesting that the AWBA analyze the outcome in the Tucson AMA if water and money were not limiting factors in that AMA. This comment resulted in the footnote added to the conclusion of the inventory. In order to meet the Tucson AMA M&I firming goal, a total of 48,000 acre-feet of water must be stored in every year between 2011 and 2020. Because the capacity available to the AWBA for storage in the Tucson AMA is 86,500 acre-feet, the conclusion remains the same for the Tucson AMA, even if water and funding are not limiting factors.

Mr. Buschatzke had a question regarding the assumptions in the 10-year plan and Ms. O'Connell discussed the applicable components of that plan. Ms. George noted that this analysis brings her back to the underlying question with Indian firming. If water is a limiting factor in this inventory, where would the water come from for any additional obligations the state could incur for Indian firming? Ms. O'Connell noted that the AWBA would need to look at means of acquiring additional water supplies.

A motion and second were made to approve the final draft of the 2011 Storage Facility Inventory. The motion carried.

Scope of AWBA Supply and Demand Study

Mr. Henley noted that Ms. George's question was the perfect segue into this agenda item. He stated that the subject scope of work describes re-running the model to re-analyze the number of credits that are needed for all of the AWBA's goals and obligations and how long those credits will last. It is Mr. Henley's intent to have model runs completed such that there is a draft available by mid-May in order to have it available for review at the June meeting. The scope of work details that there are four potential scenarios to be modeled: (1) limited number of shortages; (2) median number of shortages but beginning earlier; (3) median number of shortages but beginning later; and (4) larger number of more frequent shortages. Mr. Henley stated that the results of these model runs will help the Authority start discussing the following: (1) How soon does the AWBA need to start looking at additional water supplies?; (2) How much additional water is needed?; (3) How will the Authority distribute the credits that it has?; (4) How much will any new demand for credits cost?; and (5) How much does the Authority want to spend? In response to a question regarding shortage demand assumptions, Mr. Henley noted that the model currently runs based on M&I subcontractor's current use of their subcontract, not the full subcontract volume. This is a model component that is being updated at this time.

Initial Discussion of Potential Policy for Transfer of Long-term Storage Credits during Declared Shortages

Mr. Henley informed the Authority that a number of questions have come out of the recent CAWCD staff recovery planning meetings, particularly with respect to how the AWBA is involved in the process. This is also an issue that the CAWCD Board is being briefed on. He stated that the AWBA has the responsibility to distribute long-term storage credits during shortages and that the credits accrued with 4¢ *ad valorem* tax funds must go to CAWCD, but it is unclear to whom the withdrawal fee credits must be distributed to. There are also additional questions that must be clarified with respect to when credits will be distributed and how many will be distributed, i.e. what volume is being firmed. Mr. Henley stated that clarification of these points is something that AWBA staff would like to undertake in the short-term.

Ms. Atkins noted that this is the exact issue coming before the CAWCD Board at its next meeting. Although CAWCD has an operational recovery plan in place, they are now starting to look at developing policies associated with credits, allocations of shortages, etc. Ms. George stated that she recognizes that AWBA staff must work cooperatively with CAWCD staff in this process, but that AWBA be an equal partner. She also stated that she would like to see this be a standing agenda item with regular updates from staff. Mr. Dozier stated that none of these issues can be addressed in a vacuum. Additionally, he noted that he does not see it as a CAWCD/AWBA process, but believes the Bureau of Reclamation and ADWR will also be involved in the discussions. He indicated that CAWCD staff will move forward in developing an operational plan that will be flexible enough to allow future policy decisions to be incorporated. The questions are detailed in the discussion paper provided to the Authority.

Mr. Buschatzke stated that some of these issues, such as the distribution of withdrawal fee credits and the amount of shortage the AWBA will be firming for each M&I entity, will need further discussion. He suggested having a series of meetings geared to

addressing the issues in a comprehensive manner. He stated that time is really of the essence because the M&I subcontractors require a fairly long planning horizon. The following entities spoke regarding their desire for this to take place in the short-term in coordination with CAWCD and with stakeholder participation: Beth Miller (City of Scottsdale); Mark Holmes (City of Mesa); Robin Stinnett (City of Avondale); Jeff Ehlers (SRP); Mike Block (Metro Water); Dee Korich (Tucson Water); Doug Kupel (City of Phoenix); and Doug Toy (City of Chandler).

AWBA staff was directed to continue working on this issue in conjunction with all interested parties and to keep this issue as a standing agenda item for future AWBA meetings.

Discussion of Concepts for Firming Indian CAP Contracts and Municipal and Industrial CAP Subcontracts

Mr. Henley informed the Authority that this discussion has come about from all of the previous discussions regarding the AWBA's obligations and goals. Staff has recognized that the Indian firming obligation is one that could require a significant amount of money and that discussion was needed with regard to where that money could come from. There is general consensus that it is probably not going to come from the legislature or via any type of legislative change.

Mr. Henley noted that the 4¢ *ad valorem* tax is collected by CAWCD and in the past it was levied and directly deposited into the Arizona Water Banking Fund for use by the AWBA. In more recent years, CAWCD has levied the tax and retained the funds to offset the operation, maintenance and replacement costs of water deliveries for AWBA storage. There have been discussions regarding the possibility of using the 4¢ *ad valorem* tax monies in a different manner.

There was a question regarding the number of withdrawal fee credits available for Indian firming. Mr. Henley replied that in the Tucson AMA, the withdrawal fee credits are needed to meet the M&I firming goal, however, in the Phoenix and Pinal AMAs, they might not be needed for that purpose and could be used for Indian firming if the member chose to use them for Indian firming. He reiterated that staff was not requesting any Authority action, unless the Authority wanted staff to stop pursuing discussions of this nature. He noted that the same issue was also going to be included on the next CAWCD Board meeting agenda. Mr. Dozier stated that CAWCD staff prepared a briefing paper that essentially states that if there are no restrictions on the use of withdrawal fees and 4¢ *ad valorem* tax revenues then there is enough money available to meet both the M&I firming goals and the Indian firming obligations. The question is whether the two boards want staff to be talking about this.

Mr. Buschatzke commented that he commends staff for looking at creative ways to address this issue and that there is some support for finding a way to use 4¢ *ad valorem* tax revenues to assist in meeting the Indian firming goals. While he disagrees that credits are not needed in the Phoenix AMA because they could be used for water management purposes, he agrees that it is worthwhile to continue this discussion because CAP M&I subcontractors have benefitted from the Indian settlements. He noted that because of the benefit seen by CAP water users in Maricopa County, he is not opposed to the use of those tax dollars elsewhere. Chairman Fabritz-Whitney

thanked both CAWCD and AWBA staff for the effort they have put into this discussion thus far and noted that the next step is looking at deadlines and volumes and making sure that commitments are clearly defined. Mr. Dozier stated that he anticipated both AWBA and CAWCD staff would work with stakeholders to see if this was a viable option, and would likely know by the June AWBA and CAWCD meetings.

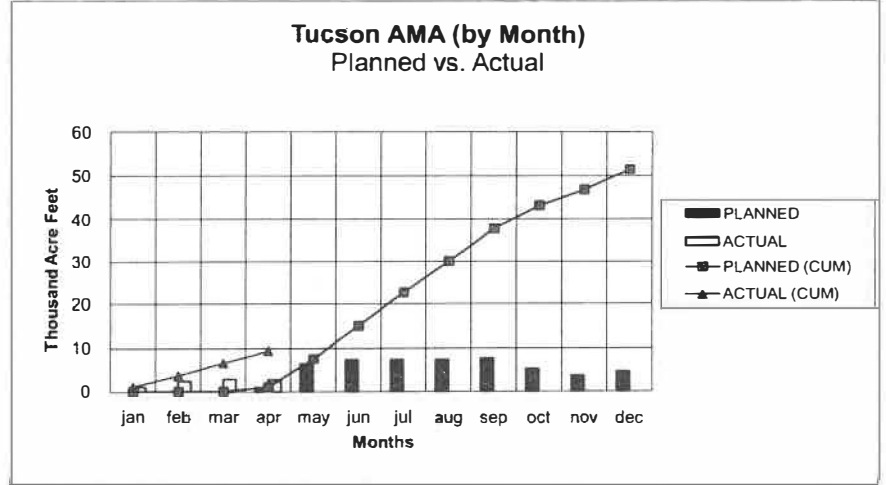
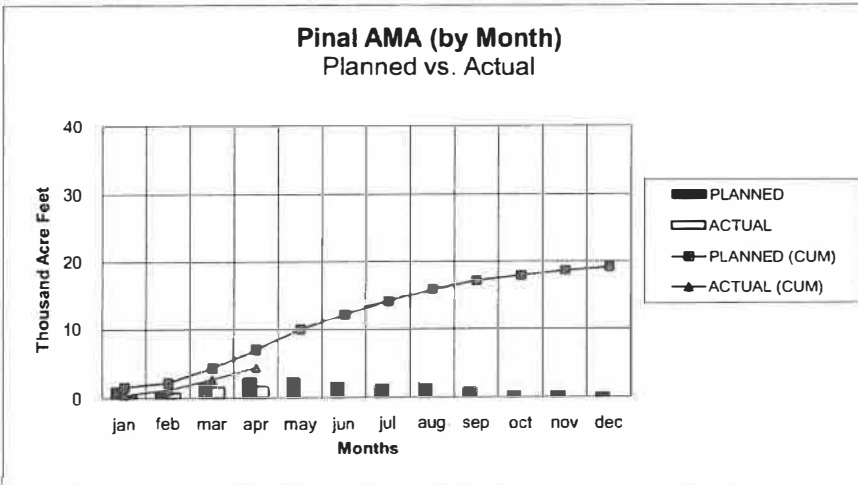
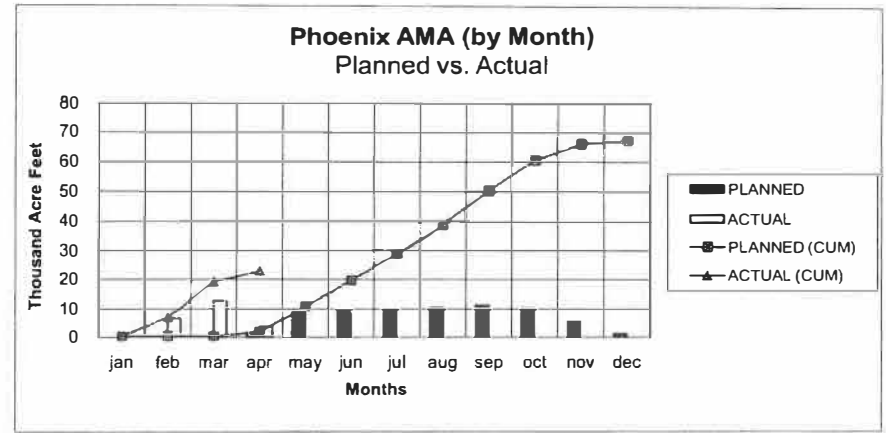
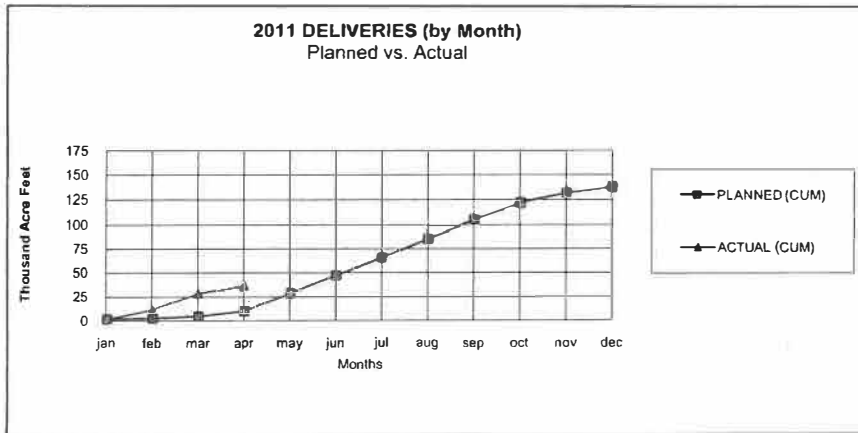
Call to the Public

There was no additional public comment.

The meeting adjourned at 11:30 p.m.

2011 Plan of Operation

INTRASTATE



Actual deliveries updated
Plan of Operation

09-Jun-11
1-Jan-11

Phoenix AMA

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
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	171	6,262	12,622	3,753	0	0	0	0	0	0	0	0	22,808
QCID	0	0	0	1,600	9,000	9,000	9,000	9,000	9,000	9,000	4,350	0	59,950
	0	0	0	0	0	0	0	1,343	2,285	1,142	1,143	1,142	0
Subtotal	171	6,262	12,622	3,753	0	0	0	0	0	0	0	0	22,808
Total to date	171	6,433	19,055	22,808	22,808	22,808	22,808	22,808	22,808	22,808	22,808	22,808	22,808
Projected total to date	0	0	0	1,600	10,600	19,600	28,600	38,943	50,228	60,370	65,863	67,005	67,005

Pinal AMA

CAIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	1,500	1,500	1,500	1,500	1,500	0	0	0	0	7,500
MSIDD	380	720	1,550	1,650	0	0	0	0	0	0	0	0	4,300
	508	635	1,589	1,335	1,335	636	318	318	572	0	0	254	7,500
HIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	500	0	0	0	0	0	750	750	750	250	3,000
Southside Bank	0	0	0	0	0	0	0	0	0	0	0	0	0
	1,000	0	0	0	0	0	0	0	0	0	0	0	1,000
Subtotal	380	720	1,550	1,650	0	0	0	0	0	0	0	0	4,300
Total to date	380	1,100	2,650	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300
Projected total to date	1,508	2,143	4,232	7,067	9,902	12,038	13,856	15,674	16,996	17,746	18,496	19,000	19,000

Tucson AMA

AVRA VALLEY	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	236	0	700	700	1,636
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
SAVSARP	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	4,000	5,000	5,000	5,000	5,000	5,000	3,000	4,000	36,000
LOWER SANTA CRUZ	1,146	2,526	2,893	2,811	0	0	0	0	0	0	0	0	9,376
	0	0	0	1,000	2,000	2,000	2,000	2,000	2,000	300	0	0	11,300
KAI FARMS - Red Rock	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	500	500	500	500	500	0	0	0	2,500
Subtotal	1,146	2,526	2,893	2,811	0	0	0	0	0	0	0	0	9,376
Total to date	1,146	3,672	6,565	9,376	9,376	9,376	9,376	9,376	9,376	9,376	9,376	9,376	9,376
Projected total to date	0	0	0	1,000	7,500	15,000	22,500	30,000	37,736	43,036	46,736	51,436	51,436

TOTAL	1,697	9,508	17,065	8,214	0	0	0	0	0	0	0	0	36,484
Total to date	1,697	11,205	28,270	36,484	36,484	36,484	36,484	36,484	36,484	36,484	36,484	36,484	36,484
Projected total to date	1,508	2,143	4,232	9,667	28,002	46,638	64,956	84,617	104,960	121,152	131,095	137,441	137,441

Arizona Water Banking Authority

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AUTHORITY MEMBERS

Sandra Fabritz-Whitney, Chairman

Tom Buschaltke

Maureen R. George

John Mawhinney

Lisa A. Atkins

EX OFFICIO MEMBERS

Honorable Steve Pierce

Honorable Andy Tobin

June 9, 2011

Ms. Lorri Gray-Lee, Regional Director
U.S. Department of the Interior
Bureau of Reclamation
Lower Colorado River Regional Office
P.O. Box 61470
Boulder City, Nevada 89006

Mr. Jeffrey Kightlinger, General Manager
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

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

RE: Certification of Intentionally Created Unused Apportionment (ICUA) for 2010 pursuant to the *Amended Letter Agreement for the Creation of Intentionally Created Unused Apportionment with Credits Created Under the 1992 Demonstration Agreement between CAWCD and MWD, December 11, 2007*

Dear Ms. Gray-Lee and Messrs. Kightlinger and Modeer:

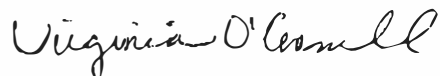
Pursuant to the above-referenced Amended Letter Agreement, the Arizona Water Banking Authority (AWBA) is providing certification of the quantity of ICUA created in 2010 and the method used to create the ICUA to the U.S. Bureau of Reclamation, Metropolitan Water District of Southern California (Metropolitan), and the Central Arizona Water Conservation District (CAWCD).

A total of 8,159 acre-feet of ICUA was created in calendar year 2010 for the benefit of Metropolitan. ICUA was created through the recovery of long-term storage credits (LTSC) from wells within three irrigation districts in Pinal County, Arizona. The LTSCs were previously accrued on behalf of Metropolitan pursuant to the above-mentioned 1992 Demonstration Agreement

A letter from the Arizona Department of Water Resources to the AWBA summarizing their review of CAWCD's annual reporting is enclosed for your information.

Please don't hesitate to contact me if you require additional information.

Sincerely,



Virginia O'Connell, Manager
Arizona Water Banking Authority

Enclosure

cc: Mr. Terry Fulp, Bureau of Reclamation
Mr. Paul Matuska, Bureau of Reclamation
Mr. Roger K. Patterson, Metropolitan Water District of Southern California
Mr. Christopher Harris, Colorado River Board of California
Mr. Thomas McCann, Central Arizona Water Conservation District
Ms. Sandra Fabritz-Whitney, Arizona Water Banking Authority
Mr. John Entsminger, Southern Nevada Water Authority
Mr. McClain Peterson, Colorado River Commission of Nevada



JANICE K. BREWER
Governor

SANDRA A. FABRITZ-WHITNEY
Director

ARIZONA DEPARTMENT OF WATER RESOURCES

3550 North Central Avenue, Second Floor
PHOENIX, ARIZONA 85012-2105
(602) 771-8500

May 31, 2011

Virginia O'Connell, Manager
Arizona Water Banking Authority
3550 North Central Avenue
Phoenix, Arizona 85012-2105

Dear Ms. O'Connell:

This letter is in response to your letter to Director Fabritz-Whitney requesting verification of the amount of long-term storage credits (LTSC) recovered by the Central Arizona Water Conservation District (CAWCD) for the year 2010 for the purpose of creating Intentionally Created Unused Apportionment (ICUA). The Department of Water Resources (Department) has received the pertinent annual reporting documents concerning CAWCD's 2010 recovery of LTSCs in the Pinal Active Management Area.

The Department's review of the annual reports submitted by CAWCD and the Irrigation Districts participating in the recovery confirm that 8,159 acre-feet of ICUA was generated through: 1) CAWCD's recovery of 2,500 acre-feet of CAP LTSCs at the Maricopa-Stanfield Irrigation and Drainage District (MSIDD); 2) CAWCD's recovery of 3,503 acre-feet of CAP LTSCs at the Central Arizona Irrigation and Drainage District (CAIDD); and 3) CAWCD's recovery of 2,156 acre-feet of CAP LTSCs at the Hohokam Irrigation and Drainage District (HIDD).

If you have any further questions or need additional assistance, please don't hesitate to contact me at 602-771-8589.

Sincerely,

A handwritten signature in cursive script that reads "Sandra Fabritz-Whitney".

Sandra Fabritz-Whitney
Director, Arizona Department of Water Resources

CC: Doug Dunham, Manager, Recharge, Assured & Adequate Water Supply Program

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

1. The ARIZONA WATER BANKING AUTHORITY (“AWBA”) and _____ (“Facility Operator”) enter into this Agreement this ____ day of _____, 20XX.

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-XXXXXXXXXX, 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 The Facility Operator shall use its best efforts to enter into agreements with owners of wells within the Facility Operator's boundaries to procure access to those wells for the Designated Recovery Agent for the purposes of recovering AWBA water stored at the Groundwater Savings Facility. The Facility Operator shall provide to the AWBA a description of wells and well

sites which the Designated Recovery Agent could utilize for recovery purposes, including the necessary authorization for the Facility Operator's use of such wells and well sites, within 30 days of entering into each such agreement.

- 11.5 If agreements for access to wells have been procured under Section 11.4 and upon the distribution of Long-Term Storage Credits by the AWBA to a Designated Recovery Agent, the Designated Recovery Agent may, at the Designated Recovery Agent's sole expense, recover the Long-Term Storage Credits at the Groundwater Savings Facility using those wells upon written notification to the Facility Operator.
- 11.6 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.
- 11.7 The Designated Recovery Agent shall be responsible for obtaining and maintaining recovery well permits and shall pay all permit fees and other costs and expenses of any nature associated with recovery of Long-Term Storage Credits at the Groundwater Savings Facility.
- 11.8 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 shall not 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.
- 11.9 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 to 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.

11.10 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 CAP 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
[Address]

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

DISTRICT DOES NOT OWN WELLS

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

XXXXXXXXXXXXXXXXXXXXX DISTRICT

Attest: _____
Manager

By: _____
President

DISTRICT DOES NOT OWN WELLS

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

1. The ARIZONA WATER BANKING AUTHORITY (“AWBA”) and _____ (“Facility Operator”) enter into this Agreement this ____ day of _____, 20XX.

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-XXXXXXXX, 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, at the Designated Recovery Agent's sole expense, 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 and other costs and expenses of any nature 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 CAP 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
[Address]

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 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 the AWBA.
17. 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

XXXXXXXXXXXX DISTRICT

Attest: _____

Manager

By: _____

President



P.O. Box 43020 • Phoenix, AZ 85080-3020
23636 N. 7th Street • Phoenix, AZ 85024

623-869-2333 • www.cap-az.com

2011-2012 Tax Levy for Water Storage

The Central Arizona Water Conservation District, pursuant to A.R.S. § 48-3715.02, Subsection B, hereby establishes the tax levy for water storage for the 2011-2012 tax year at four cents (04¢) per one hundred dollars (\$100) of assessed valuation. Said tax rate was approved by the Board of Directors of the Central Arizona Water Conservation District at the Regular Meeting held June 2, 2011, in Phoenix, Arizona as indicated in the official transcript prepared by Driver and Nix, certified court reporters.

CERTIFICATE

I certify that the above statement is a true and correct statement of the referenced action.

DATED this 2nd day of June 2011.

A handwritten signature in cursive script, appearing to read "Timothy R. Bray", is written over a horizontal line.

Timothy R. Bray, Secretary
Board of Directors
Central Arizona Water Conservation District

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

(June 2, 2011)

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

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

WHEREAS, the Board by separate action has fixed the tax rate pursuant to A.R.S. § 48-3715.02, subsection B, for the 2010-2011 tax year at four cents per one hundred dollars of assessed valuation; and

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

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

A.R.S. § 48-3712, subsection A, paragraph 5; and

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

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

1. That all of the taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, in the 2011-2012 tax year shall be applied to the annual operation, maintenance, and replacement costs of the Project; and
2. That all taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, in the 2011-2012 tax year be deposited in a designated District account in the District fund established pursuant to A.R.S. § 48-3712, subsection A, paragraph 5, to be used by the District to defray annual operation, maintenance, and replacement costs; and
3. That a certified copy of this resolution be delivered to the Arizona Department of Water Resources.

I, the undersigned, as Secretary of the Central Arizona Water Conservation District, hereby certify that the foregoing is a true and correct copy of the resolutions duly adopted by the Board of Directors of the Central Arizona Water Conservation District at a meeting thereof, duly called and held on June 2, 2011, at which a quorum was present and acting throughout. I further certify that said resolutions have not been modified or revoked since their adoption and are still in full force and effect.

SIGNED THIS 2nd DAY OF JUNE 2011.

By: 

Timothy R. Bray
Secretary

Arizona Water Banking Fund

Fiscal Year 2011 Legislative Transfers:

Pursuant to H. B. 2001, Section 148, 49th Legislature, Seventh Special Session, an amount of \$10,300 was transferred from the Arizona Water Banking Fund's Administration subaccount on March 3, 2011. This transfer accounted for reductions in personnel expenses and related benefit costs. An additional \$1,200 was transferred on June 2, 2011 as part of the "Uncaptured Pay Savings" for FY 2011.

Fiscal Year 2012 Legislative Transfers:

Senate Bill 1612, Section 108, signed April 6, 2011, identified a fund balance transfer of \$312,000 from the Arizona Water Banking Fund for FY 2012. The JLBC has since increased this amount to \$315,800, which reflects a baseline adjustment of \$3,800.

The following table identifies the distribution of this transfer among the three withdrawal fee subaccounts:

Water Banking Fund	2011 Withdrawal Fee Revenues	Pro Rata Share of Transfer based on 2011 Revenues	Transfer Amount
Phoenix AMA	\$1,500,000	49%	\$154,740
Pinal AMA	\$1,200,000	39%	\$123,160
Tucson AMA	\$387,000	12%	\$37,900
Total			\$315,800

United States Senate

WASHINGTON, DC 20510

June 9, 2011

Director Sandy Fabritz-Whitney
Arizona Department of Water Resources
3550 North Central Avenue
Phoenix, Arizona 85012

RE: *The Northeastern Arizona Indian Water Rights Settlement Agreement*

Dear Director Fabritz-Whitney:

On June 3, the Navajo Nation, the Hopi Tribe (collectively, the "Tribes"), and a host of state parties both public and private transmitted to me a proposed settlement agreement intended to resolve the Tribes' Little Colorado River claims, draft federal legislation implementing that agreement, and an agreement among the parties' attorneys to recommend approval of the settlement to their respective clients. Please share this letter with those negotiating parties.

My purpose here is twofold. First, I commend the parties for their tireless efforts to refocus negotiations and craft the settlement documents. I know it was not an easy process. Second, I caution that transmitting those documents to me marks the next phase of our conversation, rather than the culmination of the parties' efforts. As I have repeatedly counseled, the legislative component of this settlement must not only comport with the parties' negotiated agreement, but must also be able to win sufficient support from Congress and the Administration as well as satisfy policy concerns. It will take time for me and my staff to conduct that analysis. Likewise, the Department of the Interior will undoubtedly have to further scrutinize the proposed agreement.

At a minimum, that analysis will include detailed consideration of overall project costs relative to the benefits conferred. It is quite possible that those costs will have to be further reduced. In addition, the parties have identified a select few issues that may require more attention. I appreciate your patience during that review process. Meanwhile, I recommend that the parties refrain from seeking formal approval from their principals, boards, and councils until both Interior and I have an opportunity to conduct our review and respond to the parties.

Thank you again for your hard work on these difficult issues. I look forward to continuing this conversation in the near future.

Sincerely,



JON KYL

United States Senator

ARIZONA WATER BANKING AUTHORITY
(FY 2011 - July 2010 thru June 2011)

		<u>Actual</u>
FY 2011 ADMINISTRATIVE BUDGET	\$536,909	\$588,734
<hr/>		
Administration Account Balance		
Projected End-of-FY10	\$336,242	\$333,756
Projected End-of-FY11	(\$120,131)	\$78,500 ¹

1 \$345,062 transferred into Administrative Subaccount from CAWCD and SNWA

ARIZONA WATER BANKING AUTHORITY

FY 2011 ADMINISTRATIVE BUDGET

\$536,909

\$588,734

STAFFING

	Total FTE	Cost	Actual Cost
Department of Water Resources Cost of Services		\$426,559	\$477,156
Personnel Services	2.5	\$185,159	\$ 208,824
Water Bank Manager			
Water Bank Technical Administrator			
Attorney			
Employee Related Expenditures (at 34.1% of Personnel Services)		\$ 63,139	\$ 77,675
Permanent Part Time	0.5	\$ 25,137	\$ 23,160
Accountant			
Indirect Cost (at 56% of Personnel Service & ERE)		\$ 153,124	\$ 167,497
Central Arizona Project Cost of Services		\$21,000	\$21,000
Personnel Services & ERE		\$21,000	\$21,000
Water System Engineer			
Customer Service Coordinator			
Hydrologist			
Administrative Support			
Subtotal Staffing		\$447,559	\$498,156

OTHER COSTS

Professional & Outside Services		\$80,000	\$ 81,256
Travel		\$4,500	\$318
Instate Travel		\$3,500	\$318
Out of State Travel		\$1,000	\$0
Other Operating Expenses		\$4,100	\$ 9,004
Standard per employee	3.0	\$500	\$1,500
Miscellaneous		\$2,600	
Equipment		\$750	\$0
		\$750	
Subtotal Other Costs		\$89,350	\$90,578

DRAFT 6/1/11

Attachment 2012-1

ARIZONA WATER BANKING AUTHORITY
(FY 2012 - July 2011 thru June 2012)

FY 2012 ADMINISTRATIVE BUDGET

\$605,794

ARIZONA WATER BANKING AUTHORITY

FY 2012 ADMINISTRATIVE BUDGET**\$605,794****STAFFING**

	Total FTE	Cost
Department of Water Resources Cost of Services		\$483,869
Personnel Services	2.5	\$201,370
Water Bank Manager		
Water Bank Technical Administrator		
Attorney		
Employee Related Expenditures (at 40% of Personnel Services)		\$ 80,548
Permanent Part Time	0.5	\$ 28,056
Accountant		
Indirect Cost (at 56.1% of Personnel Service & ERE)		\$ 173,895
Central Arizona Project Cost of Services		\$21,000
Personnel Services & ERE		\$21,000
Water System Engineer		
Customer Service Coordinator		
Hydrologist		
Administrative Support		
Subtotal Staffing		\$504,869

OTHER COSTS

Professional & Outside Services		\$90,000
Travel		\$4,500
Instate Travel		\$3,500
Out of State Travel		\$1,000
Operating Expenses		\$6,425
Standard per employee	3.0	\$500
Miscellaneous		\$4,925
Equipment		\$0
Subtotal Other Costs		\$100,925

Attachment 2012-3

ARIZONA WATER BANKING AUTHORITY

TRAVEL

	Meetings	\$/Meeting	Cost
INSTATE TRAVEL			
Authority Members			
Tom Buschatzke	5	\$0	\$0
Maureen George	5	\$0	\$0
Sandra Fabritz-Whitney	5	\$0	\$0
John Mawhinney	5	\$100	\$500
Lisa Atkins	5	\$0	\$0
Subtotal			\$500
Authority Staff			
Manager	5	\$0	\$0
	3	\$600	\$1,800
Technical Administrator	5	\$0	\$0
	2	\$400	\$800
Other Support	1	\$400	\$400
Subtotal			\$3,000
Motor Pool			\$0
Instate Total			\$3,500
OUT OF STATE TRAVEL			
Authority Members	No out of state travel is anticipated for Authority Members		
Authority Staff			
Manager	1	\$1,000	\$1,000
Technical Administrator	0		\$0
Other Support	0		\$0
Total Out of State			\$1,000
Total Travel			\$4,500

Attachment 2012-3 (continued)

OPERATING EXPENSES

Miscellaneous		Cost
	Web Domain	\$125
	Telecomm	\$200
	Other	\$600
	Permits (2 @\$2,000)	\$4,000
		<u>\$4,925</u>
Total Operating Expenses		\$4,925

EQUIPMENT

	Units	Unit Cost	Cost
			\$0
			<u>\$0</u>
Subtotal			\$0
Total Equipment			\$0

MEMORANDUM



To: AWBA Commission Members
From: Virginia O'Connell
Subject: Summary of Distribution of AWBA Long-term Storage Credits Meeting dated May 17, 2011
Date: June 9, 2011

AUTHORITY MEMBERS
Sandra Fabritz-Whitney, Chairman
Maureen R. George, Vice-Chairman
Tom Buschatzke, Secretary
John Mawhinney
Lisa Atkins

EX OFFICIO MEMBERS
Senator Steve Pierce
Representative Andy Tobin

As requested by the AWBA Commission members at the March 30, 2011 meeting, AWBA staff held a meeting to initiate discussion regarding the development of policies and procedures associated with the transfer of AWBA long-term storage credits during declared shortages. As this was the first meeting with interested parties, the primary goal was to solicit input, particularly with respect to issue identification. A draft discussion paper was distributed prior to the meeting to assist in facilitating the discussion. The draft discussion paper is attached.

The meeting was attended by 43 entities and included representatives from ADWR, CAWCD, the Bureau of Reclamation, AMWUA, Indian tribes, CAP M&I subcontract holders, irrigation districts, Maricopa and Pinal counties, and consultants. The meeting attendance list is attached.

The following are the salient points from the discussion, not in any priority order:

1. It is recognized that some issues are more administrative in nature while others are more policy oriented. Additionally, the issues are different when discussing credits that were developed using 4- cent *ad valorem* tax revenues versus withdrawal fees, and even more so when discussing the use of withdrawal fee credits for Indian firming purposes. AWBA, CAWCD, and AWBA staff are currently discussing concepts regarding the use of withdrawal fee credits for Indian firming purposes. Until the outcome of these discussions is known, it is premature to discuss issues associated with the distribution of withdrawal fee credits. Therefore, the consensus of the group was that initial discussions should focus on the issues associated with credits developed using 4- cent *ad valorem* tax revenues.

It is also recognized that some policy issues are solely the AWBA's and some are solely CAWCD's, however, some need to be addressed cooperatively by the AWBA, CAWCD, ADWR and, to some extent, Bureau of Reclamation (Reclamation).

2. AWBA and ADWR staff recommend that long-term storage credits be distributed (or assigned) to CAWCD at the end of the year or after the recovery has already been completed for improved efficiency and accuracy. CAWCD staff noted that there is a need for CAWCD to have certainty that the credits will be transferred because of the costs associated with the recovery of the credits. It was noted that AWBA staff works

cooperatively with CAP staff to develop its Annual Plan of Operation (Plan) for the following year, which is approved in December. As part of the Plan, the AWBA must project the amount of long-term storage credits that will be distributed the following year for shortage purposes. CAP staff noted that they had anticipated the credits would be transferred beforehand to provide certainty and assurance regarding the AWBA's commitment. An alternative suggested was that the AWBA could potentially set aside the number of credits identified in the Plan for the shortage year by resolution and then assign the credits at the end of the year based on actual use.

Regardless of the timing of the distribution of credits, a reconciliation process will need to be developed to determine the final amount of credits needed. This process should also allow reconciliation in the longer-term (two or more years) because of unintentional reporting errors that may be found in that time frame. Depending on the procedure developed, it may require statutory change. The statutes governing the assignment of credits and recovery are recharge statutes, not AWBA statutes.

Potential Action: Determine/develop process that provides CAWCD security regarding distribution of credits.

3. There are questions regarding the amount of water the AWBA will firm during shortages i.e. in any shortage year, what volume will M&I subcontractors actually receive from the AWBA? This question has been raised because the statute is vague and merely states "to the extent necessary to meet the demands of M&I subcontractors". This is one of the primary policy questions that will need to be answered. It was suggested that AWBA, CAWCD and ADWR staff have further discussions to determine who should be responsible for making this determination and developing any potential policies. The policies should then be developed with input from M&I subcontractors.

The question of volume is directly tied to the length of time that the credits will be available for distribution. There are a finite number of credits and the underlying policy question is how many and for what purpose will the credits be distributed. The policy that is developed will determine how quickly the credits are utilized and how long they will last.

There was a statement regarding credits being a "common good" and the idea that there is some concern about eroding the benefit of the collective. Modeling results would be helpful to define the impact to the greater good, i.e. what is the actual scale/extent of the problem. It was also stated that the potential for unintended consequences needed to be taken into consideration in all discussions regarding the distribution of the credits.

4. Should accruing additional long-term storage credits by M&I subcontractors during times of shortage be a demand that is met by the AWBA?

It was noted that there are sometimes water management reasons for recharging water and that those would exist even during times of shortage. The City of Scottsdale's water gradient issue was described as an example. They also noted that they use

recharge to mitigate potential subsidence issues with the CAP canal. It is recognized that these situations do exist. The first test of whether storage is actually for a water management purpose would likely be location, i.e. is the storage actually taking place within the service area in a location that provides water management benefits. Protecting the physical availability of groundwater was also discussed.

Philosophy and politics were noted to be of high importance. From the philosophical viewpoint, it is recognized that at this level of shortage, many individuals will have had cuts to their CAP supplies and it will be difficult for some to justify the delivery of water for recharge purposes when others are going without water, potentially for direct uses. With respect to politics, it was noted that it is a reality that by the time this condition is reached, that water users are going to be curtailing water uses. There are too many in-state and interstate political ramifications for curtailment to not occur.

5. Is the CAP water that was stored and then recovered actually CAP M&I subcontract or Project water? This is a CAWCD policy decision that must be made. If it is not subcontract water, then CAP has a great deal of discretion. If it is subcontract water, then decisions need to be made in consultation with the M&I subcontract holders. Reclamation is currently also developing a position on whether recovered CAP credits are Project water. They are planning to have discussions with CAWCD once consensus within Reclamation is reached.

6. Developing these types of policies will be difficult because no two water service areas have the same supplies, distribution systems, treatment facilities, capacity for storage, canals, etc.

7. Should the AWBA be concerned about an equitable distribution of credits? For example, if some subcontractors have more access to non-CAP supplies, should they be required to use those first? Discussion primarily seemed to be opposed to this because the statement was made that it actually penalizes those that developed alternative supplies. Additionally, as noted above, it will be difficult to evaluate equity when all service areas are so different.

8. The issues associated with Indian firming are very different. There are many components of the settlements that must be incorporated into the discussion, including how CAP delivers water to Indian contracts. For these reasons it was suggested that Indian firming be addressed separately. Reclamation recommended having the Indian firming discussions after the M&I firming issues have been addressed.

At the end of the meeting it was decided that the AWBA would meet with CAWCD, ADWR, and Reclamation staff to reach clarity on some definitions and to resolve some of the issues regarding authorities and responsibilities. AWBA staff committed to schedule another stakeholder meeting following these meetings and the June 15th AWBA meeting. Interested parties that had additional issues, questions, or concerns were asked to submit those in writing to AWBA staff.

Subsequent, to the meeting one letter of comment was received and it is attached.

Arizona Water Banking Authority

Discussion Paper for Distributing Long-term Storage Credits for CAP M&I Firming

Background

The Intergovernmental Agreement (IGA) among ADWR, AWBA, and CAWCD identifies certain cooperative activities and joint planning processes that the parties must participate in periodically. These activities include developing a coordinated and cooperative planning process that addresses issues such as: 1) the future distribution and use of water stored by the AWBA, and 2) the recovery of water stored by the AWBA and CAWCD for water management objectives set forth in Title 45, Chapter 2, Arizona Revised Statutes.

CAWCD has a good understanding of the physical aspects of recovering credits and delivering water during shortages. However, during its recovery planning process, which has focused more on the location, timing, and purpose of recovering credits, several process and policy questions have been raised. AWBA staff identified these questions in a preliminary draft on *Potential Policies Regarding Distribution of Long-Term Storage Credits for M&I Firming*, which was provided at the AWBA Commission meeting on March 30, 2011. AWBA, CAWCD, and ADWR staff have since had initial discussions on these questions, which differ with regard to the source of funding the AWBA used to accrue the credits.

Some of these questions concern the "use" of AWBA credits. Pursuant to A.R.S. § 45-2457(D), except for the distribution of four-cent tax credits for M&I firming and agreements entered into by the Authority, the decision to distribute or extinguish AWBA credits is at the complete discretion of the Authority. Some of these questions will need to be answered, if the Authority is to develop guidelines on the distribution of its credits.

Four-Cent Tax Credits

The AWBA's role is fairly specific concerning the distribution of credits accrued with the four-cent tax. However, additional discussion is needed regarding the appropriate use of these credits during Colorado River shortage operations.

...shall distribute long-term storage credits accrued with monies deposited in the fund in accordance with section 48-3715.03, subsection B only for the benefit of the county in which the monies were collected. The authority shall distribute these long-term storage credits to CAWCD to the extent necessary to meet the demands of CAWCD's municipal and industrial subcontractors during times in which CAWCD's diversions from the Colorado River have been or will be disrupted by shortages on the Colorado River or by disruptions in operation of the central Arizona project.

Based on the plain reading of the statute, several of the questions identified in the preliminary draft paper discussed above can be resolved fairly easily since they are administrative in nature:

When are the credits distributed (assigned) to CAWCD?

CAWCD will have estimates in October of the amount of CAP water that will be available for delivery in the following shortage year and the amount of M&I demand it has for that water. Based on this information, CAWCD can estimate the amount of credits that will need to be recovered in order for CAWCD to meet its CAP M&I subcontract demands during the shortage year. CAWCD could provide these estimates to the AWBA so that they can be included in the AWBA's Annual Plan of Operation as required by statute. After the shortage year end, CAWCD can determine the number of credits necessary to cover the M&I shortage volume that will be reported to ADWR for recovery well permits held by CAWCD, as well as its recovery partners, along with any credits that will be needed for credit exchange. Based on the CAWCD year end report, the AWBA would request that ADWR assign the appropriate credits to CAWCD.

Are credits returned to the AWBA if CAWCD did not actually need them or do they stay with CAWCD until they are needed?

By requesting that ADWR assign credits at the end of the calendar year based on actual recovery, there is no need for CAWCD or recovering agents to return credits because only those credits that were used would be assigned. However, a mechanism for credit reconciliation would need to be established to address reporting errors that are not discovered until the following year.

What accounting is required for the AWBA to be sure the credits are used for the benefit of the county where the money is collected?

Likewise, by waiting to assign credits at the end of the calendar year, CAWCD can base its notification on the actual amount of credits recovered and water delivered to its customers. The wells from which those credits were recovered must be reported to ADWR as part of the annual reporting requirements. Furthermore, under current ADWR reporting requirements, the place of use of those credits can be verified if they were recovered by an M&I subcontractor pursuant to an agreement with CAWCD and used within that M&I subcontractor's service area or if that subcontractor delivered the recovered water to another M&I subcontractor.

Does the AWBA retain any control over the credits once distributed to CAWCD?

The AWBA would be assigning credits to CAWCD based on end-of-year reporting. ADWR can verify the recovery of these credits as part of its annual reporting review.

The following questions are related more towards policy and require additional discussion. The AWBA is seeking stakeholder input prior to resolving these questions. There may also be a need for additional AWBA policies before a procedure can be implemented. Points for discussion have been included under each question.

Should credits be distributed for water that is requested for the purpose of accruing long-term storage credits?

- The AWBA is required by statute to distribute four-cent tax credits to CAWCD "to the extent necessary" to meet M&I demand during shortages. Should the accrual of long-term storage (LTS) credits be considered "necessary" during times of shortage?

- Should direct use demand be met first before future water needs are considered? [Annual storage and recovery is considered a direct use]
- A leading rationale for establishing M&I firming goals was to assist in protecting a water provider's Designation of Assured Water Supply during shortages. Pursuant to the AWS rules, when a provider's surface water supply falls below the drought volume (80% of normal), a provider can apply to ADWR to qualify for a drought exemption. If approved, the provider's groundwater use would be considered consistent with the management goal of the AMA. Thus the firming goal was estimated to provide a replacement water supply up to 20% of CAP M&I supplies during shortages.
 - If shortages are equal to or greater than 20%, would it be reasonable to distribute credits for long-term storage if groundwater is also being pumped? Would there still be some subcontractors that are storing their subcontract water for LTS credits at this point?
 - There is an additional benefit associated with the distribution of AWBA's credits for accruing LTS credits because they could be sold to other entities. Should the AWBA allow its credits to be used for this purpose?
- If credits are distributed for the purpose of accruing LTS credits, would the AWBA distribute 5% less to account for the cut to the aquifer? Would there be an additional cut to account for losses? If so, how would the losses be calculated?
- Distributing credits for the purpose of accruing LTS credits could increase the pace at which four-cent tax credits are utilized. Does this also create issues concerning the equitable distribution of credits?

Should the AWBA be concerned about an equitable distribution of the credits within the county?

- Some M&I subcontractors may not need the full use of their subcontract at the time a shortage is declared because they either have access to other sources of water, have reduced their demand through drought planning, or do not have the demand to make full use of their subcontract.
 - If credits are distributed on a first come, first served basis, will credits be available to those providers in the future when they do make use of their full subcontract?
 - Likewise, if credits are distributed for the purpose of accruing LTS credits early, will credits be available in the future to meet direct use demands?
- How would the AWBA distribute credits to CAWCD to insure that there is equal/fair access to the credits? Would this reduce CAWCD's flexibility in meeting the demand of its M&I subcontractors?
- Does it matter if credits are distributed equitably as long as demand is being met?

Withdrawal Fee Credits

The Authority's role is not as specific in the distribution of the credits accrued with the withdrawal fees:

...shall distribute or extinguish long-term storage credits accrued with monies collected in accordance with section 45-611, subsection C, paragraph 3 only for the benefit of the active management area in which the monies were collected. The authority may distribute or extinguish these long-term storage credits to the extent necessary to meet the demands of CAWCD's municipal and industrial subcontractors during times in which CAWCD's diversions from the Colorado river have been or will be disrupted by shortages on the Colorado river or by disruptions in operation of the central Arizona project, to implement the settlement of water right claims by Indian communities in this state or, on request from the director, to meet the other water management objectives set forth in chapter 2 of this title.

What is clear is that withdrawal fee credits can be used for M&I firming and Indian settlements. The AWBA is currently participating in discussions with CAWCD and ADWR concerning the firming of Indian and CAP M&I Priority water. The following questions pertain to the concepts being discussed as part of this process:

Should the AWBA establish a priority for the use of withdrawal fee credits?

Absent the availability of general appropriation funds for the development of Indian firming credits, withdrawal fee credits remain the AWBA's only alternative for meeting its Indian settlement obligations, including Indian leases that have a CAP NIA Priority water firming requirement.

- If Indian firming is identified as the highest priority for the use of withdrawal fee credits, should there be a specific amount of credits identified before credits can be used for other water management goals?
- Withdrawal fee credits in the Pinal AMA may also be needed to meet a replenishment obligation in the southside protection zones.

Should the AWBA reserve a quantity of withdrawal fee credits that will be available for M&I firming?

- How would the quantity of reserved credits be determined?
- Should credits be reserved to meet other water management goals?
- If credits are reserved for M&I firming or other water management goals there could be a risk that they may be needed to meet the Indian settlement obligations.

Should the AWBA wait until there is an actual demand for the credits before they are dedicated for a specific use?

- Given that withdrawal fees are the only credits available to the AWBA for meeting its Indian firming obligations, is it necessary for the AWBA to formally prioritize the use of these credits?

- Would such prioritization provide comfort (to the legislature, settlement participants and/or CAP subcontractors) that the State can meet (has met) its Indian firming obligations?

Does the AWBA distribute withdrawal fee credits for M&I firming in conjunction with the use of the four-cent tax credits or wait until the four-cent tax credits are fully utilized?

The conditions and restrictions regarding use of four-cent tax credits have been identified in statute. Would it make sense to fully utilize those credits for M&I firming before withdrawal fee credits are used for the same purpose since withdrawal fee credits can be used for other purposes and are the only credits currently available for meeting Indian settlement obligations?

If withdrawal fee credits are dedicated, who does the AWBA distribute those credits to?

This would depend on what the credits are used for:

- There would be no need to distribute credits if they are extinguished to meet certain Indian settlement obligations and/or water management goals.
- Credits recovered for Indian firming purposes could be distributed to an entity (including, but not limited to, CAWCD) that has agreed to recover the credits and deliver the water or is accepting the credits pursuant to an exchange.
- If the credits are dedicated for M&I firming, should they be distributed in the same manner as four-cent tax credits are distributed?

Should the AWBA treat withdrawal fee credits similar to the four-cent tax credits and distribute to CAWCD?

If the credits are being used for M&I firming purposes it might be reasonable to follow the same procedure for distributing four-cent tax credits, which may include the assignment of credits directly to a subcontractor that has entered into an agreement with CAWCD.

The following questions are administrative in nature and can be addressed using procedures similar to those identified under the distribution of four-cent tax credits:

Once distributed for M&I firming, how does the AWBA insure the credits are used for the benefit of the Active Management Area where the fees are collected?

By requesting that ADWR assign AWBA credits at the end of the calendar year, the entity receiving the credits can notify the AWBA of the actual amount of credits recovered and used. The wells from which those credits were recovered must be reported to ADWR as part of the annual reporting requirements. Under current ADWR reporting requirements, the place of use of those credits can be verified if they were recovered by an M&I provider and used within that provider's service area.

How are credits returned to the AWBA if they are not fully utilized by the entity that received the credits?

By requesting that ADWR assign credits at the end of the calendar year based on actual recovery, there would be no need to return credits.

Distribution of Credits Meeting

May 17, 2011

	Name (Please print)	Affiliation	E-mail
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5	Stephen Rot	Cty of Glendale	srot@glendaleaz.com
6	Colette Moore	City of Mesa	Colette.moore@mesaz.gov
7	Steve Rossi	Phoenix	Steve.Rossi@phoenix.gov
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13	Sandra Rode	Goodyear	Sandra.Rode@goodyearaz.gov
14	Robin Stinnett	Avondale	rstinnett@avondale.org
15	Kathy Hall	Silber	

Distribution of Credits Meeting

May 17, 2011

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23	Fred Breedlove	SSD Squire Sanders	fred.breedlove@ssd.com
24	Ma. IT Bailey	FICO	mbailey@greenvallypecan.com
25	Dee Korich	Tucson Water	dee.korich@tucsonaz.gov
26	Beth Miller	Scottsdale	emiller@scottsdaleaz.gov
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29			
30			
31			
32			
33			

Gerry L. Wildeman

From: Virginia Oconnell
Sent: Wednesday, June 01, 2011 1:06 PM
To: Tim J. Henley; Gerry L. Wildeman
Subject: FW: Policy questions regarding distribution of AWBA credits

From: Miller, Elizabeth [<mailto:EMiller@scottsdaleaz.gov>]
Sent: Wednesday, June 01, 2011 1:14 PM
To: Virginia Oconnell
Subject: Policy questions regarding distribution of AWBA credits

Virginia –

I'm glad you had the meeting on the 17th – it's good to get things moving forward a little faster. At the end of the meeting, you asked for written comments from the stakeholders in attendance to further document the discussion at the meeting. I've put together some quick thoughts/comments on the stuff that was discussed @ the meeting on the 17th. I hope that they will be helpful. Please let me know if you'd rather have them show up as some kind of formal letter. It seemed more straightforward just sending them to you via email. Also, if you would pls forward to Gerry and Tim. I can't find either of their emails in my contact list. Thanks!

I'm concerned mainly about the question of whether it is appropriate to distribute credits for water that is requested for accruing long-term storage credits. Scottsdale believes that there may be circumstances where this may be appropriate. However, the baseline decision that must be made before it is possible to answer this question is the degree to which we want to 'save' the ad valorem credits for future M&I firming needs. In order to have enough information to make that decision, we need to know how often M&I shortage is expected, and how long the AWBA credits can be expected to last given that shortage level. The AWBA Supply and Demand Analysis that is currently underway will be invaluable in helping to answer this threshold question. I would hope that no final policy decisions are made re the distribution of credits until this study is completed.

There may be circumstances where underground storage of AWBA credits may be determined to be "necessary" to meet certain water management objectives. For example, a municipal provider might want to store water to protect the physical availability of its groundwater against the increased groundwater pumping that would likely result in times of shortage. Scottsdale is particularly interested in preserving our ability to store water, due to our location at the topmost end of the hydrologic gradient in the ESRV basin. Increased groundwater pumping in any situation would result in an increase in the hydrologic gradient and therefore an increase in the rate that groundwater flows away from the City of Scottsdale. Being able to recharge water in strategic locations will help stabilize water levels at a level where we will be able to pump if it is necessary.

The hydrologic conditions within the northern part of our service area also make it very unlikely that we would be in a position to increase our groundwater pumping pursuant to ADWR's assured water supply drought exemption. Your discussion paper raises the question of whether it is appropriate to distribute AWBA credits for storage if a provider is also pumping (or is legally allowed to pump?) groundwater pursuant to their assured water supply drought exemption. I urge you to not apply a blanket prohibition on distribution

of recovered AWBA credits to all water providers that would be considered eligible for the drought exemption, since some of us may not be in a position to make use of it.

Our hydrologic situation also limits the ways that we would be able to take delivery of recovered AWBA credits. We simply would not be able to pump the credits and maintain physical availability should they be assigned to us for recovery from our own wells. Scottsdale's need is for direct delivery of AWBA credits through the CAP canal system to our surface water treatment plant.

These comments are my initial thoughts on some of the policy issues raised in your discussion paper and at the meeting on May 17th. I'm glad that Tim committed at the end of the meeting to work with CAP and ADWR to begin to clarify the relative roles of the various agencies. I'm sure that the policy framework (perhaps a 'straw man') that comes out of those discussions will help focus our discussions toward that resolution.

Again, thanks for the chance to comment. I look forward to working with the AWBA, CAP, and other stakeholders to discuss and resolve the many issues associated with planning for the distribution and use of AWBA's stored water.

Please let me know if you have any questions or would like clarification re these comments.

Beth M.

ARIZONA WATER BANKING AUTHORITY

ANNUAL REPORT
2010



Submitted

July 1, 2011

Arizona Water Banking Authority

Annual Report 2010

**Honorable Janice K. Brewer
Governor of Arizona**

Members

**Herbert R. Guenther
*Chairman***

**Maureen R. George
*Vice-chairman***

**Tom Buschatzke
*Secretary***

**John T. Mawhinney
*Member***

**Lisa A. Atkins
*Member***

***Ex officio*
Senator Steve Pierce
Representative Kirk Adams**

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Acronyms and Abbreviations

ADWR	Arizona Department of Water Resources
AF	Acre-foot
Agreement to Firm	Agreement to Firm Future Supplies executed February 4, 2005 between the Arizona Water Banking Authority and the Mohave County Water Authority
Amended Agreement to Firm	Amended Agreement to Firm Future Supplies executed March 17, 2010.
AMA	Active Management Area
AWBA	Arizona Water Banking Authority
AWB Fund	Arizona Water Banking Fund
AWRSA	Arizona Water Rights Settlement Act
CAGR D	Central Arizona Groundwater Replenishment District
CAP	Central Arizona Project
CAWCD	Central Arizona Water Conservation District
GSF	Groundwater Savings Facility
ICUA	Intentionally Created Unused Apportionment
IGA	Intergovernmental Agreement
JLBC	Joint Legislative Budget Committee
M&I	Municipal and Industrial
MAF	Million acre-feet
MCWA	Mohave County Water Authority
MDWID	Metropolitan Domestic Water Improvement District
Metropolitan	Metropolitan Water District of Southern California
NIA	Non-Indian Agriculture
Plan	Annual Plan of Operation
Reclamation	U.S. Bureau of Reclamation
Recovery Agreement	Recovery Agreement executed June 9, 2010 among the Arizona Water Banking Authority, the Central Arizona Water Conservation District, the Southern Nevada Water Authority and the Colorado River Commission of Nevada
Second Amended Agreement	Second Amended Agreement for Interstate Water Banking signed December 9, 2010 between the Arizona Water Banking Authority and the Southern Nevada Water Authority and the Colorado River Commission of Nevada
SNWA	Southern Nevada Water Authority
SSRB	Southside Replenishment Bank
USF	Underground Storage Facility
WMAT	White Mountain Apache Tribe

Summary

The Arizona Water Banking Authority (AWBA) was created in 1996 to store the unused portion of Arizona's annual allocation of Colorado River water. Until the AWBA was created, Arizona had not fully utilized its 2.8 million acre-foot (MAF) allocation of Colorado River water and the state's leaders recognized that leaving a portion of Arizona's allocation in the river was a lost opportunity. The AWBA was created to provide assurances that water users within the state had secure, long-term water supplies.

The AWBA stores Colorado River water that would have otherwise been unused to accomplish the following goals:

- To firm (insure the availability of) water supplies for municipal and industrial users in the Central Arizona Water Conservation District (CAWCD) service area and along the Colorado River in times of shortages;
- To fulfill the management plan objectives of the Arizona Groundwater Code;
- To assist in the settlement of Indian water rights claims; and
- To assist Nevada and California through interstate water banking.

Each year, the AWBA pays the water delivery and storage costs to bring Colorado River water into Central and Southern Arizona through the Central Arizona Project (CAP) canal. The water is either stored underground in aquifers (direct recharge) at underground storage facilities (USF) or is used by irrigation districts in lieu of pumping groundwater (indirect or in lieu recharge) at groundwater savings facilities (GSF). The AWBA accrues a long-term storage credits that can be recovered and used in the future during times of a shortage in supply, either by Arizona or by Nevada.

The funding for water storage that benefits Arizona (intrastate storage) comes from three sources. There are restrictions regarding the manner in which these funds can be expended based on the source of the monies, which currently include:

- Fees for groundwater pumping currently collected within the Phoenix, Pinal and Tucson Active Management Areas (AMA). These monies can only be used to benefit the AMA in which the fees are collected.
- A four cent *ad valorem* property tax collected in the three county CAWCD 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.

In addition to these three sources of funding, an additional \$8 million for intrastate storage was made available from the Southern Nevada Water Authority (SNWA) pursuant to the Arizona-Nevada Shortage Sharing Agreement. This fund, referred to as the Shortage Reparation Fund, is intended to assist Arizona in storing water to offset impacts from Colorado River shortages that may occur during the Interim Period (2008 through 2026). Water was stored in 2010 using just under \$700,000 in Shortage Reparation Funds. In addition to the funding sources for intrastate storage, the AWBA also uses funds provided by Nevada pursuant to the Second Amended Agreement for Interstate Water Banking (2nd Amended Agreement) to create credits for the benefit of Nevada.

In calendar year 2010, the AWBA delivered for recharge a total of 211,712 acre-feet at a cost of \$29.9 million. Of that amount, 192,712 acre-feet were for intrastate storage at a cost of \$26.1 million

Final Draft

and 19,000 acre-feet were for interstate storage at a cost of \$3.8 million. The AWBA paid for the delivery of 1,000 acre-feet to the Gila River Indian Community for the Southside Replenishment Bank (SSRB) as mandated by the intergovernmental agreement between the AWBA and the Gila River Indian Community.

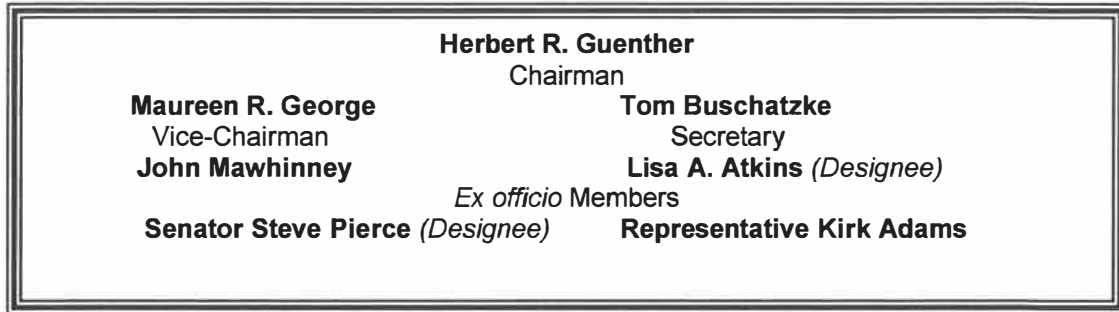
From inception through calendar year 2010, the AWBA has accrued approximately 3,515,926 acre-feet of credits at a cost of \$272,164,583. Of this total volume, intrastate credits totaled 2,965,275 acre-feet at a cost of \$163,076,761 or \$55.00 per acre-foot and interstate credits totaled 550,651 acre-feet at a cost of \$109,087,822 or \$198.10 per acre-foot. In addition to the credits accrued by the AWBA, 50,000 acre-feet of credits previously accrued by CAWCD were transferred to the account creating a total of 600,651 acre-feet of credits available for Nevada.

Annual Report Requirement

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

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

Organizational Chart



Update

On June 4, 2009, the CAWCD Board adopted the Procedure to Distribute Excess Water in 2010 through 2014. This policy, also termed Access to Excess, was developed due to the ever-increasing demand for water in the Excess class. The policy created four pools, one of which is 175,000 acre-feet shared between the AWBA, the Central Arizona Groundwater Replenishment District (CAGRDR) for replenishment reserve, and the Bureau of Reclamation (Reclamation) for Indian firming.

The original AWBA Plan of Operation for 2010 (Plan) identified 152,600 acre-feet available for intrastate storage from within the 175,000 acre-foot pool. There was no component for interstate storage in the original Plan due to limitations on water. In September, due to decreased demands along the Colorado River and the remarketing of previously allocated CAP supplies, CAWCD was able to make additional water available to the AWBA. The AWBA approved an Amended Plan that included an additional 57,000 acre-feet. The Amended Plan included 19,000 acre-feet scheduled for interstate storage to be done in the Phoenix and Tucson AMAs and utilized all storage facility capacity available to the AWBA. In 2010, the AWBA delivered 211,712 acre-feet of water for storage, 106,018 acre-feet for intrastate storage and 19,000 acre-feet for interstate storage. Additional information regarding water deliveries, is provided later in this section.

In 2010, the AWBA continued its quarterly meeting schedule with meetings on March 17, June 16, September 15, and December 8, 2010. There were no special meetings held by the AWBA. AWBA staff attended recovery planning meetings at CAWCD that continued throughout 2010. CAWCD's most recent efforts focused on methods for recovering long-term storage credits and identification of recovery opportunities within the Phoenix, Pinal and Tucson Active Management Areas. At the August 2010 meeting, CAWCD staff briefed attendees on CAWCD's *Draft Guiding Principles for Recovery of Stored CAP Water* that outlined basic recovery concepts. It is anticipated that refinement of those concepts and development of recovery policies will continue in 2011.

There were no membership changes within the AWBA Commission in 2010 which is the time period covered by this Annual Report. [While Chairman Guenther served in 2010, he retired in January 2011 and Sandra Fabritz-Whitney was appointed Director of the Arizona Department of Water Resources (ADWR) and became the new Chair of the AWBA]. Senator Steve Pierce continued to serve as *ex officio* member pursuant to his designation by President of the Senate, Robert Burns. Speaker of the House of Representatives, Kirk Adams, also continued serving as *ex officio* member of the Commission. Lisa Atkins continued to serve in her role as designee of Susan Bitter Smith, President of the CAWCD Board. The AWBA was greatly saddened by the loss of Gregg Houtz who passed away on July 29, 2010. Ajita Athalye joined the AWBA staff part-time in June. Ms. Athalye will serve as a financial assistant to the AWBA.

The continuing struggle within Arizona to balance the budget impacted the Arizona Water Banking (AWB) Fund in 2010. House Bill 2001 (7th Special Session of the 49th Legislature) was signed into law on March 18, 2010. This bill addressed budget reductions and additional transfers for fiscal years 2009-2010 and 2010-2011 necessary to provide support and maintenance for state agencies. The total impact to the AWB Fund over the two fiscal years was \$5.65 million. Of this, \$5 million was from the Nevada Resource subaccount.

The CAWCD Board filed a petition for special action with the Arizona Supreme Court which claimed that the legislative transfer of funds from the AWB Fund's Nevada Resource subaccount was unconstitutional. This petition was denied by the Supreme Court without comment, consequently, the

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CAWCD Board authorized attorneys to refile the lawsuit in Superior Court on February 3, 2010. [This case is titled LC2010-000468 and as of June 1, 2011, a final order had not yet been issued by Judge Kreamer. However, in April 2011, the court indicated that it would grant CAWCD's Motion for Summary Judgement].

In 2010, the AWBA delivered for recharge a total of 211,712 acre-feet of water for intrastate purposes and a total of 19,000 acre-feet were delivered for storage on behalf of the SNWA. The interstate credits accrued through 2010 are estimated at 600,651 acre-feet and fulfills about 48 percent of Arizona's obligation to Nevada under the 2nd Amended Agreement. The quantity of water received by each facility is described in Appendix A and totaled 92,460 acre-feet of water in the Phoenix AMA, 35,830 acre-feet of water in the Pinal AMA, and 83,422 acre-feet in the Tucson AMA.

In addition to the 2010 deliveries, 8,159 acre-feet of Intentionally Created Unused Apportionment (ICUA) were created and made available to California. This ICUA was created pursuant to the *Amended Letter Agreement for the Creation of Intentionally Created Unused Apportionment with Credits Created Under the 1992 Demonstration Agreement between CAWCD and MWD, December 11, 2007*. For the third time, ICUA was certified in 2010. In June, 2010, the AWBA certified the creation of 27,504 acre-feet of ICUA in 2009.

Based on the Decree accounting data, total consumptive use of Colorado River water by Arizona for 2010 was 2.78 MAF. Distribution of the 2.78 MAF was approximately 1.13 MAF for direct uses along the Colorado River and CAP diversions of approximately 1.65 MAF (U.S. Bureau of Reclamation, Lower Colorado River Operations, Colorado River Accounting and Water Use Report – 2010, dated May 2011). In 2010, storage by the AWBA assisted Arizona in using its entitlement to Colorado River water.

For additional information regarding the AWBA, please see the AWBA website at www.azwaterbank.gov or contact Virginia O'Connell (voconnell@azwater.gov), Gerry Wildeman (glwildeman@azwater.gov) or Tim Henley (tjhenley@azwater.gov), or by phone at 602-771-8487.

Activities and Projects - 2010

Interstate Banking

Interstate water banking in Arizona continued to evolve in 2010 primarily as a result of the overall economic climate. The AWBA sub-account for Nevada had a balance of 600,651 acre-feet of long-term storage credits at the end of 2010. Of that balance, 50,000 acre-feet of credits were transferred from CAWCD for storage done in the early 1990's under the demonstration project. Annual interstate storage for 2002 through 2010 is displayed in Table 6b.

Letter Amendment to the Second Amended Agreement for Interstate Water Banking

The 2nd Amended Agreement, that was developed to address the evolving nature of interstate water banking, was approved in April 2009. The 2nd Amended Agreement included a subarticle that permitted modification of certain subarticles of the agreement to accommodate changing economic and hydrologic circumstances. As an example of changing circumstances, in both 2009 and 2010, there was agreement that it was unlikely the AWBA would store water for the SNWA, therefore the contractual payment schedule had been modified.

However, as 2010 drew to an end, it was recognized that the hydrologic conditions in the Colorado River had not improved. Current projections by Reclamation indicated a strong probability that the elevation of Lake Mead would decline over the following two years. Under the current Colorado River operational guidelines, the Secretary of the Interior will declare a shortage when the elevation of Lake Mead drops below 1075 feet. Additionally, recognizing its current operational limit is elevation 1050 feet, SNWA was in the process of constructing a lower intake. Consequently, the AWBA and SNWA agreed that it was appropriate to evaluate interstate water banking over the next several years and make some longer term modifications to the 2nd Amended Agreement.

As a result of the evaluation, the parties agreed that it was prudent for the AWBA to forego additional interstate water banking for SNWA through 2014 and for SNWA to forego requests for development of ICUA in the same time frame. The assumption was that this would assist in maintaining a higher elevation in Lake Mead. Additionally, in light of the operational adjustments and the fiscal needs of SNWA associated with construction of the new intake, the parties agreed that the payment dates in the 2nd Amended Agreement would be extended by six years. The result is that SNWA's obligation to make ten payments of \$23 million would resume in 2015 and end in 2024. The letter agreement to make operational adjustments and modify the payment schedule in the 2nd Amended Agreement was executed on December 9, 2010 and superseded all previous letter agreements.

Recovery Agreement

In addition to the operational parameters discussed above, the parties to the 2nd Amended Agreement and the CAWCD also initiated discussions in 2009 regarding details associated with recovery of long-term storage credits stored for both interstate and intrastate purposes. The Recovery Agreement Among the Arizona Water Banking Authority, the Central Arizona Water Conservation District, the Southern Nevada Water Authority and the Colorado River Commission of Nevada (Recovery Agreement), identifying the process for future recovery and providing for direct financial arrangements between SNWA and CAWCD for future recovery actions, was executed on June 9, 2010. Specifically, the Recovery Agreement established a recovery planning process that will initiate in 2015, mandated three years notice prior to actual recovery, addressed other entities use of CAWCD

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recovery facilities, described the recovery mechanisms and provided for the SNWA and CAWCD to enter into separate agreements that address the financial components of recovery.

Interstate Water Banking Report

Since 2006, the AWBA has been required to submit a report to the Joint Legislative Budget Committee (JLBC) pursuant to A.R.S. § 45-2473. This report must be submitted by October 1 for the previous fiscal year if the AWBA was owed or received any monies pursuant to an interstate water banking agreement. The report shall account for all of the money received or disbursed pursuant to an interstate water banking agreement. By letter dated September 21, 2010, the AWBA transmitted the Interstate Water Banking Report for Fiscal Year 2009-2010 to the JLBC as required. A report that accounts for the distribution of interstate monies for the time period July 1, 2010 through June 30, 2011 will be submitted in October of 2011.

Amended 2010 Plan of Operation

The 2010 Plan of Operation did not include interstate storage on behalf of SNWA due to limited water availability. However, through CAWCD's remarketing process, 57,000 acre-feet of water became available to the AWBA. Consequently, the 2010 Plan was amended on September 15, 2010 to include the additional water. Planned utilization of the water included 38,000 acre-feet for storage for intrastate purposes and 19,000 acre-feet for interstate purposes with interstate storage being done in the Phoenix and Tucson AMAs. By the end of calendar year 2010, the AWBA was able to store 19,000 acre-feet of water on Nevada's behalf.

The AWBA sub-account for Nevada had a balance of 600,651 acre-feet of long-term storage credits at the end of 2010. Of that balance, 50,000 acre-feet of credits were transferred from CAWCD for water that was stored in the early 1990's. Annual interstate storage for 2002 through 2010 is shown in Table 6b.

Acquisition of Additional Water Supplies

Discussions regarding the potential acquisition of additional water supplies to meet the AWBA's obligation to SNWA continued through calendar year 2010. At the December 16, 2009 AWBA meeting, an update on the issue was provided and the Authority was informed that additional work would entail hiring a consultant. At the meeting, CAWCD indicated that they could potentially hire the consultant because the scope of work would be very similar to a scope of work needed by CAWCD for use by the CAGR. In January 2010, CAWCD contracted with Tom Carr, a recent ADWR retiree with extensive experience working with Colorado River communities, to complete the evaluation through June 2010.

At the March, 2010 AWBA meeting, Mr. Carr provided a progress report on the scope of work that included description and screening of potential water supplies, meetings and interviews with potential partners or stakeholders, and identification of mechanisms for acquiring the supplies. The progress report includes a summary of potential water supplies, a general schedule of when CAGR will need the additional supplies, a summary of the volume needed by AWBA to meet the interstate obligation to SNWA, and next steps.

Later in the year, as the Navajo-Hopi Indian Settlement discussions progressed, it became apparent that the AWBA's needs may be different than CAWCDs and may include acquiring additional supplies to meet Indian firming obligations. Consequently, the AWBA requested ADWR contract with Mr. Carr

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to assist the AWBA in identifying opportunities for acquiring additional supplies. The scope of work in this contract included: advise AWBA on availability and suitability of water supplies to meet AWBA obligations; prepare reports and presentations to Authority; conduct interviews regarding availability of water supplies; facilitate public meetings; and advise and assist with preparation of agreements and contracts. The AWBA planned a special Water Supply Workshop for January 10, 2011 that included a presentation regarding the consultant's initial findings.

Intentionally Created Unused Apportionment

Requests and Development

For the fourth year, ICUA was developed in 2010 for Metropolitan Water District of Southern California (Metropolitan). In December, 2009 the AWBA notified Reclamation that an estimated 8,663 acre-feet of ICUA would be created in 2010. By year's end, an estimated 8,159 acre-feet of ICUA was developed through recovery of long-term storage credits from wells within three irrigation districts in Pinal County: Central Arizona Irrigation and Drainage District; Maricopa-Stanfield Irrigation & Drainage District; and Hohokam Irrigation and Drainage District and the exchange of the recovered water with same districts their CAP water. The development of ICUA in 2010 fully utilized the long-term storage credits earned by Metropolitan in Arizona. Below is a table summarizing the ICUA developed for the benefit of Metropolitan. Unless an interstate water banking agreement is executed with entities in California in the future, there will be no additional development of ICUA for California.

Development of ICUA for the Benefit of Metropolitan

Year	Long-term Storage Credits		ICUA Developed	Credits Remaining
	Recovered	Exchanged		
				80,909
2007	10,921	5,883	16,804	64,105
2008	27,442	1,000	28,442	35,663
2009	27,504	-	27,504	8,159
2010	8,159	-	8,159	-
Total	74,026	6,883	80,909	-

Certification

AWBA is required to certify the creation of ICUA to the Secretary of the Interior, Metropolitan, and CAWCD in the year following development of the ICUA. Following ADWR's review of the 2009 annual reports and verification of the recovery of long-term storage credits, in a letter dated June 11, 2010, the AWBA certified the creation of 27,504 acre-feet of ICUA for 2009.

Agreement to Firm Future Supplies

The AWBA is required by statute to reserve a reasonable number of credits accrued with General Fund appropriations for entities outside the CAWCD service area. In 2005, the AWBA entered into an Agreement to Firm Future Supplies (Agreement to Firm) with Mohave County Water Authority (MCWA). In the Agreement to Firm, the AWBA agreed to reserve approximately 230,000 acre-feet of

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credits for MCWA's use. The MCWA agreed to make a \$20 per acre-foot pre-payment of the replacement cost for those credits.

Once the credits were identified for use by an entity outside of the three-county service area, CAWCD was required to charge the AWBA a fee in lieu of the 4¢ *ad valorem* tax. CAWCD refers to this cost component as the property tax equivalent. The property tax equivalent for 2005 was \$20 per acre-foot. The AWBA has utilized monies collected from MCWA to make the property tax equivalent payments to CAWCD. The final payment due under the Agreement to Firm was made by MCWA in November of 2010 for the first quarter of 2011.

Due to the acquisition of additional Colorado River entitlements by the MCWA and their desire to include these new supplies within the Agreement to Firm, the AWBA approved a resolution and executed an amended agreement. Resolution 2010-1 of the Authority established the procedure by which fourth priority on-river M&I water users not party to the Agreement to Firm can participate in a firming agreement with the AWBA and establishes that the agreements would be similar to the Agreement to Firm. This resolution was adopted at the March 17, 2010 AWBA meeting.

The Amended Agreement to Firm Future Supplies (Amended Agreement to Firm) was also approved at the same meeting; it had been previously approved by the MCWA on March 9, 2010. The Amended Agreement to Firm included a new exhibit, Exhibit C, which was developed based on Resolution 2010-1 and included the addition of the MCWA and an increased firming obligation for Bullhead City and Lake Havasu City. Exhibit C reserved an additional 25,894 acre-feet of credits for those entities. The Amended Agreement to Firm was considered fully executed with the execution of Exhibit C on December 8, 2010. Pre-payment for the new volume firming by Exhibit C will begin July 1, 2011.

Indian Firming Program

White Mountain Apache Tribe

The White Mountain Apache Tribe (WMAT) Water Rights Quantification Act signed on December 8, 2010 ratified the earlier quantification agreement that had been executed in January of 2009. Of significance to the AWBA is the State of Arizona's obligation to firm 3,750 acre-feet of the WMAT's CAP Non-Indian Agriculture (NIA) Priority water for one hundred years, beginning January 1, 2008. This firming volume is part of the state's obligation to firm 8,724 acre-feet of water associated with future Indian water rights settlements under the Arizona Water Rights Settlement Act (AWRSA).

Specifically, the AWBA, on behalf of the state, must firm the 3,750 acre-feet of water to a priority equivalent to CAP M&I Priority water so that during declared Colorado River shortages the WMAT CAP NIA Priority water will be delivered in the same manner as non-firmed CAP M&I Priority water. The AWBA's obligation is tied to the enforceability date; no firming is required until after enforceability. The deadline to meet the conditions necessary to achieve enforceability of the agreement is April 30, 2021.

Northeastern Arizona Indian Water Rights Settlement

At the beginning of 2010, the Navajo and Hopi Tribes were still negotiating in an effort to reach consensus on the components of the settlement agreement. Additionally, the other parties to the agreement had not yet reached consensus. Specifically, the State of Arizona expressed concerns

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about signing the agreement until the source of funds that would be used to meet the state's obligation had been identified. The state's obligation under this settlement represented a significant addition to the state's already existing Indian firming obligation. This is significant to the AWBA because the AWBA has assumed the state's obligations in earlier Indian settlements and could be required to assume this additional obligation. Throughout 2010, discussions associated with this settlement remained on-going and no agreements were executed.

Southside Replenishment Bank

In 2009, the AWBA entered into an intergovernmental agreement (IGA) with the Gila River Indian Community for direct delivery of water for the purpose of establishing the SSRB as mandated by the AWRSA. The first requisite delivery was made in 2009. In 2010, an additional 1,000 acre-feet of water were delivered pursuant to the IGA bringing the total volume of the SSRB to 2,000 acre-feet. By memorandum dated September 23, 2010, the AWBA was informed by ADWR that there were no irrigation replenishment obligations for the 2009 reporting year. It is not anticipated that there will be irrigation replenishment obligations for the 2010 reporting year, but that information will not be available until later in 2011 and will be reported in the 2011 Annual Report.

2011 Plan of Operation

Pursuant to the 2011 Plan approved December 8, 2010, projected deliveries for the AWBA are 136,441 acre-feet for intrastate storage and 1,000 acre-feet for direct delivery to the Gila River Indian Community for the SSRB. Of the quantity to be delivered for intrastate storage, 108,886 acre-feet are projected to be recharged at USFs and 27,555 acre-feet at GSFs. The 2011 Plan is the second plan of operation that included differing cost share structures for GSF partners based on AMA. The cost share for GSF partners in the Tucson AMA was \$15 per acre-foot and in the Phoenix and Pinal AMAs it was \$33 per acre-foot. There was no interstate storage planned for 2011. If opportunities for interstate storage arise, the 2011 Plan would require amendment to permit interstate water banking.

Agreement and Facility Permit Activity

The AWBA executed one new agreement for water storage in 2010. The water storage agreement for the Avra Valley Recharge project was executed with Metropolitan Domestic Water Improvement District (MDWID) on December 20, 2010. This new agreement was necessary because the MDWID purchased the facility from the CAWCD.

The AWBA submitted applications to renew three water storage permits on September 29, 2010. The facilities and volumes for which applications were made were: Queen Creek Irrigation District (28,000 acre-feet); Central Arizona Irrigation and Drainage District (110,000 acre-feet); and Maricopa-Stanfield Irrigation and Drainage District (120,000 acre-feet). The water storage permits were not issued in 2010.

Website

Staff continue to utilize the AWBA website in the effort to provide timely and accurate information regarding the AWBA's activities to the water community: www.azwaterbank.gov. The web page contains information about the AWBA, Commission members and staff, announcements, meetings, storage facilities and water deliveries. It also contains documents that may be downloaded and provides links to other water-related websites.

Monies Expended from the Banking Fund

Arizona Revised Statutes §45-2425 mandates the various sources of monies for the AWB Fund that is administered by the AWBA per the statute. In 2010, the AWBA obtained its funding from the following sources:

1. Fees for groundwater pumping are collected within the Phoenix, Pinal and Tucson AMAs. Fees for water banking purposes are charged at \$2.50 per acre-foot. Legislative changes allow for groundwater withdrawal fees to be collected and available to the AWBA beyond 2016 (A.R.S. §45-611(c)(3)). Long-term storage credits accrued with these monies must be used to benefit the AMA in which they were collected.
2. No *ad valorem* tax revenues were deposited into the AWB Fund in 2010. In June of 2009, the CAWCD board again resolved that all taxes to be levied for the following tax year would be retained by the CAWCD. All *ad valorem* monies previously held in the AWB Fund have now been expended. Money from this source must be used to benefit the county in which it was collected.
3. No general fund appropriation money was deposited in the AWB Fund in 2010.
4. Pursuant to the Agreement to Firm, MCWA agreed to prepay the AWBA to set aside 230,280 acre-feet of credits that were transferred to the MCWA sub-account. Once the credits were identified for use by an entity outside of the three-county service area, CAWCD was required to charge the AWBA a fee in lieu of the 4¢ *ad valorem* tax. Monies collected from MCWA are used to offset the CAWCD fees which are charged at the same rate and on the same quarterly schedule as MCWA's prepayments to the AWBA. The final payment due under the Agreement to Firm was made by MCWA in November of 2010 for the first quarter of 2011. Prepayments under the Amended Agreement to Firm do not begin until 2011.
5. The rate charged by CAP for AWBA Interstate Recharge water deliveries is comprised of four different components, three of which are reconcilable. The reconciliation of this rate for the 2009 interstate deliveries was completed in 2010 and yielded a refund to the AWBA which was utilized to pay for the 2010 interstate water deliveries. No additional funds were needed from SNWA to fund 2010 interstate water deliveries.
6. The AWBA utilized \$691,823 in Shortage Reparation Funds made available by SNWA upon request.

Table 1 shows the money the AWBA collected and the money that was expended for delivery and storage of water in 2010 by source of funds. Table 2 shows the total money received, expended and remaining through December 2010 by source of funds.

Table 1. Monies Collected and Expended in 2010 by Source of Funds

Source of Funds	Money Collected	Money Expended
General Funds	\$0	\$0
In-Lieu Fund – MCWA Prepayments	\$921,120	\$921,120
State Indian Firming	\$0	\$0
Interstate Water Banking - Nevada		
Nevada Resource ¹	\$14,629	\$0
Operating ¹	\$12,241	\$3,825,350
Subtotal for Interstate	\$26,870	\$3,825,350
Shortage Reparations - NV	\$691,823	\$691,823
4¢ Ad valorem Tax²		
Maricopa County	\$0	\$11,312,248
Pinal County	\$0	\$1,819,600
Pima County	\$0	\$9,709,265
Subtotal for <i>Ad valorem</i>	\$0	\$22,841,113
Groundwater Withdrawal Fees		
Phoenix AMA	\$1,623,923	\$1,006,943
Pinal AMA	\$1,233,351	\$1,381,400
Tucson AMA	\$438,467	\$224,668
Subtotal for Withdrawal Fees	\$3,295,741	\$2,613,011
TOTAL	\$4,935,554	\$30,892,417

¹ Amount collected is interest .

² Money expended by CAWCD to offset the AWBA delivery costs.

Table 2. Monies Collected and Expended through December 2010 and Monies Remaining Available

Source of Funds	Money Collected	Money Expended	Money Available ¹
General Funds	\$11,100,865	\$11,100,865	\$0
In-Lieu Fund - MCWA Pre-payments	\$4,605,600	\$4,605,600	\$0
State Indian Firming²	\$2,338,171	\$2,338,171	\$0
Interstate Water Banking-NV			
Pre-Amended Agreement	\$10,053,945	\$10,053,945	\$0
Nevada Resource ²	\$86,594,126	\$86,589,032	\$5,094 ³
Operating	\$12,697,697	\$12,444,845	\$252,852
Subtotal for Interstate	\$109,345,768	\$109,087,822	\$257,946
Shortage Reparations - NV	\$2,999,748	\$2,999,748.17	\$0.00
4¢ Ad valorem Tax⁴			
Maricopa County	\$181,231,014	\$72,402,805	\$108,828,209
Pinal County	\$8,144,184	\$7,433,465	\$710,719
Pima County	\$35,919,857	\$30,792,650	\$5,127,208
Subtotal for <i>Ad valorem</i>	\$225,295,054	\$110,628,919	\$114,666,135
Groundwater Withdrawal Fees			
Phoenix AMA ²	\$15,794,206	\$15,766,819	\$27,388
Pinal AMA ²	\$13,464,814	\$13,450,567	\$14,248
Tucson AMA ²	\$7,175,903	\$7,017,673	\$158,231
Subtotal for Withdrawal Fees	\$36,434,924	\$36,235,058	\$199,866
TOTAL	\$392,120,125	\$276,996,183	\$115,123,941

¹ Money remaining in AWB Fund or collected by CAWCD; includes monies committed for the 2011 Plan of Operation.

² Total money collected was decreased to reflect legislative transfers in CY 2004, CY 2005, CY 2009, and CY 2010.

³ Interest accrued prior to, but deposited after Legislative transfer in CY 2010.

⁴ Includes money collected and money expended by CAWCD to offset the AWBA delivery costs.

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The AWBA continued to suffer severe impacts from legislative transfers in calendar year 2010 with a series of transfers totaling over \$5.6 million. Of this, \$5 million was from the Nevada Resource subaccount. Legislative transfers from the AWBA's inception through the end of fiscal year 2010-2011 total approximately \$47.9 million. Of this, approximately \$19.65 million was transferred from the Nevada Resource subaccount. The remaining \$28.25 million was transferred from the AWB Fund subaccounts that are used to store intrastate water including Indian firming. Throughout this process, AWBA staff continued to produce extensive spreadsheets and alternative scenarios for Authority members to enable them to evaluate the administrative and operational impacts of the legislative transfers on the AWBA's activities.

Long-term Storage Credits

The AWBA has established long-term storage credit accounts with ADWR for each AMA. After receiving the AWBA's annual reports, ADWR calculates and issues long-term storage credits to the appropriate accounts. The AWBA receives credit for 95 percent of the stored water. After credits are issued to the account, AWBA staff allocates the credits to the appropriate sub-accounts based on source of funding. The number and distribution of long-term storage credits for 2010 are listed in Table 3. The cumulative totals of long-term storage credits accrued by the AWBA through December 2010 are listed in Table 4.

Table 3. Number and Location of Long-term Storage Credits Accrued in 2010

Location and Funding Source		Long-term Storage Credits Accrued (acre-feet)
Phoenix AMA		
	4¢ <i>Ad valorem</i> Tax	75,830
	Groundwater Withdrawal Fee	6,744
	General Fund	0
	Indian Firming	0
	Shortage Reparations	0
	Interstate - Nevada	4,721
	AMA Total	87,295
Pinal AMA		
	4¢ <i>Ad valorem</i> Tax	15,162
	Groundwater Withdrawal Fee	11,105
	General Fund	0
	Indian Firming	0
	Shortage Reparations	4,396
	Interstate - Nevada	0
	AMA Total	30,663
Tucson AMA		
	4¢ <i>Ad valorem</i> Tax	62,217
	Groundwater Withdrawal Fee	1,430
	General Fund	0
	Indian Firming	0
	Shortage Reparations	1,227
	Interstate - Nevada	13,157
	AMA Total	78,031
Totals by Funding Source		
	4¢ <i>Ad valorem</i> Tax	153,210
	Groundwater Withdrawal Fee	19,279
	General Fund	0
	Indian Firming	0
	Shortage Reparations	5,623
	Interstate - Nevada	17,878
	TOTAL	195,989

**Table 4. Cumulative Total and Location of Long-term Storage Credits
Accrued through December 2010**

Location and Funding Source	Long-term Storage Credits Accrued (acre-feet)
Phoenix AMA	
4¢ <i>Ad valorem</i> Tax	1,218,657
Groundwater Withdrawal Fee	268,985
General Fund	42,316
Indian FIRMing	0
Shortage Reparations	20,642
Interstate Water Banking - Nevada	51,008
AMA Total	1,601,608
Pinal AMA	
4¢ <i>Ad valorem</i> Tax	168,419
Groundwater Withdrawal Fee	373,231
General Fund	306,968
Indian FIRMing	0
Shortage Reparations	60,181
Interstate Water Banking - Nevada	439,851
AMA Total	1,348,651
Tucson AMA	
4¢ <i>Ad valorem</i> Tax	329,034
Groundwater Withdrawal Fee ¹	92,587
General Fund	54,546
Indian FIRMing	28,481
Shortage Reparations	1,227
Interstate Water Banking - Nevada	109,791
AMA Total	615,666
Totals by Source of Funds	
4¢ <i>Ad valorem</i> Tax	1,716,111
Groundwater Withdrawal Fee	734,803
General Fund ²	403,830
Indian FIRMing	28,481
Shortage Reparations	82,050
Interstate Water Banking – Nevada ³	600,650
TOTAL	3,565,925

¹ Includes 234 acre-feet of credits purchased from the Tohono O'odham Nation pursuant to § 45-841.01.

² 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 MCWA dated February 4, 2005, a total of 230,280 acre-feet of credits were transferred to the AWBA long-term storage subaccount for the MCWA in 2005. An additional 25,894 acre-feet of credits have been reserved under Exhibit C the Amended Agreement to Firm, dated December 8, 2010, for a total of 256,174 acre-feet. By resolution passed in 2008, the AWBA established a replacement account for 4th priority Colorado River M&I users.

³ Includes 50,000 acre-feet of credits transferred to SNWA.

Since inception, the AWBA has focused its efforts on developing long-term storage credits for firming purposes. The AWBA has identified 2,700,000 acre-feet of credits as a reasonable amount of credits to firm the CAP M&I subcontracts over the next 100 years. This volume is divided based on a pro-rata distribution by county based on CAP M&I subcontracts as follows: 58 percent Maricopa County; 32 percent Pima County; and 9 percent Pinal County.

The AWBA has also identified 420,000 acre-feet of credits as reasonable amount of credits to firm the on-river communities over the next 100 years. In 2002, the AWBA adopted a resolution that identified on-river firming as the highest priority of use for the general fund credits and established priorities for

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other uses (Indian settlements, etc.). Consequently, all or part of the general fund credits could be utilized to firm on-river M&I users. It should be noted that the AWBA will collect reimbursement for the replacement cost of credits used for on-river firming. In 2008, the AWBA executed Resolution 2008-1 that established a long-term storage credit 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. Table 5 illustrates the progress made by the AWBA towards meeting its established goals.

Table 5 also identifies the estimated remaining costs for meeting the AWBA's goals and obligations. These estimates are developed based on the assumptions contained in the AWBA's Ten-Year Plan for 2012-2021 and are subject to potential shortages discussed under recovery in the plan. For obligations that are not met in the ten-year plan, 2022 estimated costs were assumed when calculating the amount remaining to meet the goals.

As described in the Ten-Year Plan section of this report most of the firming goals will be met during the next ten years. Those not met include the Tucson AMA and on-river M&I firming goals, and the Nevada contract obligation. Approximately 70 percent of the Tucson AMA firming goal will have been met by 2021. Since all of the *ad valorem* tax monies will have been expended by 2016, the AWBA will need to rely on withdrawal fees to meet the remainder of this firming goal. Because revenue from withdrawal fees is limited in the Tucson AMA (less than \$500,000 per year), the firming goal would not be met until well beyond 2025. Therefore, estimated rates for 2022 were used to calculate the total remaining costs for the Tucson AMA firming goal. Expenditures under the ten-year plan for the Tucson AMA are estimated at \$31 million, utilizing *ad valorem* tax monies (\$26 million) and withdrawal fees (\$5 million), and the remaining costs are estimated at \$42 million for a total cost of \$73 million.

Likewise, because it is not known if, or when, the AWBA will receive general fund appropriations in the future, the same method was applied to calculate the remaining on-river firming costs. It was also assumed that storage for on-river firming purposes would be at GSFs.

Although funding is not the limiting factor for meeting the Nevada contract obligation, the same assumption was used to calculate the remaining interstate costs because the amount of water available for this purpose after 2021 is not known. Interstate storage costs for the ten-year plan are estimated at \$23 million, which results in a cumulative balance of 652,851 acre-feet of credits. Utilizing 2022 rates to calculate the costs for accruing the remaining 597,149 acre-feet of credits, assuming average USF/GSF storage costs, would cost an additional \$112 million for a total cost of \$134 million.

Lastly, the remaining costs for meeting the Indian firming goals were estimated by assuming that because the M&I firming goals could be met using *ad valorem* taxes and only a portion of existing withdrawal fee credits from the Pinal AMA, all withdrawal fee credits accrued in the Phoenix and Pinal AMAs in the next ten years would be applied toward meeting these goals. Existing withdrawal fee credits in the Pinal AMA and credits accrued from storage at the Gila River Indian Irrigation and Drainage District GSF, could be used to meet the remaining firming goal. Existing withdrawal fee credits from the Phoenix AMA could be used to meet the firming goal for future Indian settlements. Because funding has already been expended for these credits, they were not included in the calculation for remaining costs.

Table 5. Identified Uses of Long-term Storage Credits Accrued through December 2010 and Percentage of AWBA Goals Achieved

Location and Objective	Funding Source	Goal	Obligation	Non-Credit Goal/Oblig. Achieved	Credits Accrued (AF)	Percent Goal/Oblig. Achieved	Estimated ¹ Remaining Costs (\$ Million)
Phoenix AMA M&I Firming Groundwater Mgmt ²	<i>Ad valorem</i> tax Withdrawal Fees	1,566,000 AF			1,218,657 268,985	78% 95%	\$49
Pinal AMA M&I Firming Groundwater Mgmt ²	<i>Ad valorem</i> tax Withdrawal Fees	243,000 AF			168,419 373,231	69% 223%	\$5
Tucson AMA M&I Firming Groundwater Mgmt ²	<i>Ad valorem</i> tax Withdrawal Fees	864,000 AF			329,034 86,966	38% 48%	\$26 \$47
On-River M&I Firming³	General Fund	420,000 AF			403,830	96% ³	\$1.9
Indian Settlements: GRIC Firming Phoenix AMA Pinal AMA	Withdrawal Fees	350,000 AF ⁴	up to 15,000 AF/YR		0 ⁵	0%	\$11
Future Settlements	Withdrawal Fees	200,000 AF ⁴	up to 8,724 AF/YR		0 ⁵	N/A	\$19
Federal Assistance SAWRSA	Appropriation Withdrawal Fees Cost of Services ⁶		\$3,000,000	\$3,000,000 \$2,338,171 \$630,490 \$31,339	34,101 28,480 5,621 n/a	100%	-
Southside Repl. Bank	Withdrawal Fees		15,000 AF Direct Delivery		2,000	13%	\$1.8
Interstate Water Banking - NV	Contract with Nevada		1,250,000 AF ⁷		600,651	48%	\$134
Shortage Repairs- Nevada	Gifts, Grants, Donations	\$8,000,000		\$2,999,748	82,050	37%	\$5

¹ Based on the ten-year plan and an assumed rate escalation of 1% for water storage costs after 2016.

² Withdrawal fees could be utilized in addition to 4¢ *ad valorem* tax revenues for M&I firming if needed to reach firming goals.

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 subaccount for the MCWA in 2005. An additional 25,894 acre-feet of credits have been reserved under Exhibit C the Amended Agreement to Firm, dated December 8, 2010, for a total of 256,174 acre-feet.

⁴ Based on estimates from the Indian Firming Study Commission Report dated January 6, 2006.

⁵ No credits have been dedicated for this purpose but Withdrawal Fee Credits could be used if a shortage were to occur.

⁶ Expenditures include \$14,883 and \$16,456 deducted for payment of cost of services for FY 08 and FY 09, respectively.

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

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The average annual cost for the AWBA to obtain one acre-foot of long-term storage credit for intrastate and interstate storage is presented in Tables 6a and 6b, respectively. Table 6a illustrates that the unit cost per credit for intrastate storage fluctuate yearly. CAWCD establishes the cost for delivery and storage of excess water. The significant increase for 2010 is due CAWCD eliminating the incentive recharge cost structure.

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

Year	Credits ¹	Funds Expended	Average Cost (per acre-foot)	% Stored in GSF: % Stored in USF
1997	296,987	\$6,387,000	\$21.51	85% : 15%
1998	202,542	\$7,143,000	\$35.27	68% : 32%
1999	232,142	\$8,733,000	\$37.61	68% : 32%
2000	272,123	\$11,163,000	\$41.02	60% : 40%
2001	275,406	\$10,893,590	\$39.55	62% : 38%
2002	262,317	\$13,700,300	\$52.23	64% : 36%
2003	200,168	\$11,077,666	\$55.34	47% : 53%
2004	251,456	\$17,855,997	\$71.01	41% : 59%
2005	85,782	\$5,615,201	\$65.46	58% : 42%
2006	162,132	\$14,720,277	\$90.79	17% : 83%
2007	245,221	\$15,641,702	\$63.79	37% : 63%
2008	203,129	\$8,168,100	\$40.21	65% : 35%
2009 ²	97,540	\$6,977,590	\$71.54	76% : 24%
2010	178,111	\$26,027,947	\$146.13	21% : 79%

¹ Information in this table is reconciled on an annual basis.

² Does not include credits purchased pursuant to § 45-841.01.

Table 6b illustrates the unit cost per long-term storage credit for interstate als fluctuate yearly. No interstate storage occurred in 2008.

Table 6b. Average Annual Cost for the AWBA to Obtain a Long-term Storage Credit for Storage on Behalf of Nevada

Year	Credits	Funds Expended	Average Cost (per acre-foot)	% Stored in GSF: % Stored in USF
2002	61,098	\$8,617,393	\$141.04	100% : 0%
2003	50,000 ¹			
2004	14,162	\$2,899,647	\$204.75	66% : 34%
2005	111,805	\$25,723,366	\$230.07	65% : 35%
2006	175,569	\$35,386,306	\$201.55	68% : 32%
2007	114,886	\$21,853,906	\$190.22	91% : 09%
2008	None	None	\$0	0% : 0%
2009	55,252	\$10,781,853	\$195.14	45% : 55%
2010	17,879	\$3,825,350	\$213.96	0% : 100%

¹ Long-term Storage Credits transferred from CAWCD.

Long-term Storage Credits Distributed or Extinguished by the Authority

The long-term storage credits developed by the AWBA to date have been identified for five purposes: firming CAP M&I entitlements; firming the post-1968 M&I entitlements for entities outside the CAP service area; firming for the Federal obligation under the AWRSA; fulfilling the water management objectives set forth in Chapter 2 of Title 45 (Arizona Revised Statutes); and for interstate water banking purposes pursuant to agreements with Nevada. Credits created by the AWBA for firming purposes may be distributed or extinguished when the Colorado River system is deemed to be in a shortage or if there is an operational disruption of the CAP. There were no shortages or unplanned CAP operational problems, therefore, no credits were distributed or extinguished for these purposes in 2010. No credits were distributed or extinguished in 2010 for water management purposes.

Under the 1999 amendments to the AWBA legislation, the AWBA is authorized to develop credits with monies collected pursuant to water banking services agreements. In 2010, no credits were developed or distributed under such agreements.

The AWBA did not recover or distribute any credits in 2010, however, CAWCD did recover long-term storage credits held by CAWCD on behalf of Metropolitan. A total of 8,159 acre-feet of credits were recovered by CAWCD, extinguished from their long-term storage account and delivered to the irrigation districts in Pinal County in lieu of a portion their CAP agricultural pool water.

Ten-Year Plan

Introduction

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

The ten-year plan (Table 7) analyzes activity for the period 2012-2021 and was derived using the information found in Appendices A through J. AWBA accounting for previous years can be found in the 2009 Annual Report and 2011 Plan of Operation. AWBA staff developed the ten-year plan based on the following guiding principles:

1. Legislative transfers from the AWB Fund no longer occur.
2. The intent of the plan is to evaluate if the AWBA can engage in water banking activities beyond the scope of the currently established AWBA role and to what extent.
3. The plan covers a ten-year time period beginning with the next calendar year. For example, this ten-year plan covers the time period 2012-2021.
4. The plan is updated annually based on current priorities of the AWBA.
5. The plan is an important tool to be utilized in development of: 1) the next year's annual Plan of Operation and 2) policy guidelines for future AWBA activities.

Ten-Year Plan Components

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

1. Storage Partners and Storage Capacity

The AWBA currently has nine water storage permits for GSFs with a total permitted storage capacity of 427,547.7 acre-feet per year. Because most of the GSF operators in the Phoenix AMA have not partnered with the AWBA in the past several years, storage at these facilities has not been included in this ten-year plan. However, even though storage has also been limited at Tucson AMA GSFs, storage is anticipated during the next 10 years because of the different cost share applied to the Tucson AMA in 2009 and 2010. Therefore GSF storage has been included in this ten-year plan for the Tucson AMA.

All of the GSF permits will expire within this ten-year plan. In most instances, the AWBA's water storage permits and agreements will also expire. The AWBA will still pursue renewals of

its permits and agreements with those GSF operators who are interested in potential future partnerships with the AWBA.

The AWBA currently has nine water storage permits for USFs with a total permitted storage capacity of 561,000 acre-feet per year. Storage capacity available to the AWBA, primarily at CAWCD operated facilities, has decreased over the last few years because of storage by other participants. Storage capacity could continue to decline as additional entities contract with CAWCD and are issued water storage permits by ADWR. However, the actual capacity used by these entities could be limited by the availability of water to those entities. The ten-year plan assumes that sufficient storage capacity to store the amount of water assumed to be available to the AWBA under CAWCD's policy for distributing Excess CAP water. However, it is possible the location of AWBA storage could be affected in the future.

In addition, six of these USF permits will expire within this ten-year plan. Any difficulty in obtaining new permits could also impact the capacity available to the AWBA. However, impacts of this nature cannot be predicted and were discounted in the analysis of this ten-year plan and the permits were assumed to be renewed.

As with the GSFs, all of the agreements for water storage at these USFs will expire within this ten-year planning period. Although the AWBA has current water storage permits for the GRUSP and Vidler USFs, the AWBA's water storage agreements with these facility operators have expired. Thus storage at these two facilities has not been included in this ten-year plan.

Appendix C describes the storage partners, storage permits, and capacity available for use by the AWBA. It also identifies the partners that the AWBA included in development of this ten-year plan.

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Table 7. Ten-year plan

ARIZONA WATER BANKING AUTHORITY – Ten-Year Plan 2011 – 2020 (Acre-feet)																
YEAR	(a)	(b)		(c)		(d)		(e)		(f)		Interstate Banking				
	CAP Water Avail for AWBA	CAP M&I Firming (4¢ tax)		Water Management (Withdrawal Fees)		Appropriation from General Fund		Shortage Reparations (\$8 Million)		Indian Settlement		Water Avail.	AWBA Capacity Avail.	Credits	ICUA	Remaining Credits
		Del.	Credits	Del.	Credits	Del.	Credits	Del.	Credits	Del.	Credits					
Pre-Plan ^(h)	n/a	1,818,855		560,418		403,830		82,630		225,646				600,651		
2,012	149,000	119,981	111,582	4,566	3,316	0	0	0	0	24,453	22,742	0	159,700	0	0	600,651
2,013	148,000	119,412	111,053	4,452	3,211	0	0	0	0	24,136	22,446	0	166,000	0	0	600,651
2,014	147,000	117,980	109,721	4,508	3,263	0	0	0	0	24,512	22,796	0	178,100	0	0	600,651
2,015	146,000	117,448	109,226	4,425	3,185	0	0	0	0	24,127	22,438	0	179,000	0	0	600,651
2,016	145,000	116,044	107,921	4,452	3,211	0	0	0	0	24,504	22,788	0	179,900	0	0	600,651
2,017	144,000	101,785	94,660	4,414	3,175	0	0	0	0	24,499	22,784	13,302	193,102	12,371	0	600,651
2,018	143,000	101,862	94,732	4,376	3,140	0	0	0	0	24,496	22,781	12,265	192,965	11,406	0	613,022
2,019	142,000	101,939	94,803	4,339	3,105	0	0	0	0	24,495	22,780	11,227	192,827	10,441	20,000	624,428
2,020	141,000	102,016	94,590	4,302	3,071	0	0	0	0	24,494	22,742	10,188	192,688	9,475	30,000	614,869
2,021	140,000	102,092	94,660	4,266	3,037	0	0	0	0	24,495	22,743	9,147	192,547	8,507	40,000	594,344
TOTAL		2,841,803		592,132		403,830		82,630		452,686				652,851		

FOOTNOTES:

- (a) Assumes AWBA Pool of 175KAF less CAGR projected replenishment reserve and Bureau of Reclamation Indian firming uses. See Appendix B.
- (b) See Appendix D.
- (c) See Appendix E. Includes direct delivery of 1,000 AF of water each year to the Southside Replenishment Bank.
- (d) See Appendix F.
- (e) See Appendix G.
- (f) See Appendix H. A.R.S. §45-2491(B)(2) allows for the use of withdrawal fees after legislative appropriations for Indian firming have been expended. Withdrawal fee credits accrued in the Phoenix and Pinal AMAs could be utilized to meet this obligation. The Pre-Plan amount includes credits accrued from storage at the GRIIDD GSF and withdrawal fee credits accrued in the Phoenix and Pinal AMAs since 2008. The State Indian settlement firming obligation is estimated at 550,000 AF. In addition, 34,102 AF of credits have been accrued to meet the State's obligation under Section 306 of the AZ Water Settlement's Act (\$3 million for Federal assistance).
- (g) Available AWBA CAP supplies minus intrastate deliveries.
- (h) See Appendix I.
- (i) Cumulative totals for 1997-2011; 2010 are actual credits and 2011 are estimated based on projected deliveries.
- (j) Pursuant to the Recovery Agreement among the AWBA, CAWCD, SNWA, and CRCN executed June 9, 2010, recovery is anticipated to begin on or after 2018. The Plan assumes maximum allowable annual recovery as described in the Second Amended Agreement.
- (k) Credits remaining available in Nevada sub-account after recovery.

Table 8. AWBA Percentage of Goals Achieved through 2021

Location and Objective	Funding Source	Goal	Obligation	Non-Credit Goal/Oblig. Achieved	Credits ¹ Accrued (AF)	Percent Goal/Oblig. Achieved
Phoenix AMA M&I Firming ² Groundwater Mgmt ³	<i>Ad valorem</i> tax Withdrawal Fees	1,566,000 AF			2,138,563 118,855	137%
Pinal AMA M&I Firming ² Groundwater Mgmt ³	<i>Ad valorem</i> tax Withdrawal Fees	243,000 AF			220,575 220,510	91% 182%
Tucson AMA M&I Firming Groundwater Mgmt ³	<i>Ad valorem</i> tax Withdrawal Fees	864,000 AF			482,665 121,351	56% 70%
On-River M&I Firming⁴	General Fund	420,000 AF			403,830	96%
Indian Settlements⁵ GRIC Firming Phoenix AMA Pinal AMA	Withdrawal Fees	350,000 AF ⁶	up to 15,000 AF/YR		350,000 88,313 261,687	100%
Future Settlements	Withdrawal Fees	200,000 AF ⁶	up to 8,724 AF/YR		200,000	100%
Federal Assistance SAWRSA	Appropriation Withdrawal Fees		\$3,000,000	\$3,000,000	34,126	100%
Southside Repl. Bank	Withdrawal Fees		15,000 AF Direct Delivery	13,000	0	87%
Interstate Water Banking - NV	Contract with Nevada		1,250,000 AF		652,851	52%
Shortage Repairs-Nevada	Gifts, Grants, Donations	\$8,000,000		\$2,999,748	82,050	37%

¹ 1997-2011; actual credits through 2010 and estimated credits for 2011 based on projected deliveries.

² The M&I firming goal for the Phoenix AMA is met in 2015. Firming goals may be exceeded if monies, water, and capacity are available.

³ Pursuant to House Bill 2835, firming M&I supplies is a water management objective for the use of credits developed by groundwater withdrawal fees. Utilizing withdrawal fee credits, 70% of the Tucson AMA firming goal will be met by 2021. Existing withdrawal fee credits can be used to meet the Pinal AMA firming goal.

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

⁵ A.R.S. §45-2491(B)(2) allows for the use of withdrawal fees after legislative appropriations for Indian firming have been expended. By utilizing credits accrued from storage at the GRIIDD and credits accrued from withdrawal fees in the Pinal and Phoenix AMAs in this ten-year plan, about 59% of the GRIC and 64% of the future settlement firming goals are estimated to be met in 2021. Existing withdrawal fee credits from the Pinal and Phoenix AMAs were used to meet the remainder of the firming goals for the GRIC and future settlements, respectively.

⁶ Based on estimates from the Indian Firming Study Commission Report dated January 6, 2006. The AWBA is required to firm up to 23,724 acre-feet per year during shortages. If the firming goal has been underestimated, there are additional withdrawal fee credits available in the Phoenix and Pinal AMAs to meet this obligation.

2. Recovery

This ten-year plan includes a recovery component for interstate purposes pursuant to the Second Amended Agreement. The Second Amended Agreement authorizes Nevada to request development of ICUA, as follows: in the initial year, an amount not exceeding 20,000 acre-feet; the second year, an amount not exceeding 30,000 acre-feet; and in all subsequent years, an amount not exceeding 40,000 acre-feet.

The water supply for this ten-year plan includes only normal year deliveries and does not include any shortage year deliveries. ADWR and CAWCD staff work cooperatively on long-range shortage projections. Model analyses based on Reclamation's Colorado River System Simulation model indicate that by the end of the ten years there is approximately a one-in-four chance (25% probability) that shortages may occur. Using Arizona's assumptions in the model the probability of shortage could be reduced to approximately 10% to 15%. Shortages occur near the end of the period and the probability is low enough that a shortage delivery scenario was not evaluated in this ten-year plan. Under CAWCD's policy for distributing Excess water (Appendix J), shortages would first be applied to the M&I users in the excess pool. Absent this policy, the AWBA has the lowest priority for CAP water so any reduction in CAP supplies would impact the AWBA first.

It is not likely that credits would have to be recovered to firm CAP M&I supplies because there should be enough lower priority CAP water to absorb any shortage to CAP during the next ten years. If shortages do occur they would most likely reduce excess CAP supply available for storage. However, a shortage could require the recovery of credits to meet some other firming obligations. On-river M&I deliveries and NIA water being delivered pursuant to Indian settlements could be at risk but not until late in the ten-year period. If reductions to the on-river M&I users occur those reductions could trigger the need to recover credits to firm M&I on-river supplies. In addition to the recovery required for the on-river users, the AWBA might be required to recover credits to meet its obligation for Indian firming. However, absent shortages, the only recovery planned for this ten-year plan is for interstate purposes. Even though recovery for shortages is not anticipated for this ten-year plan, recognizing the lead time to implement recovery, plans should be developed and put in place. AWBA, CAWCD and interested parties continue to evaluate recovery options and analyze the impacts of shortages on Excess CAP water supply.

3. Water management objectives

The early activities of the AWBA were focused on achieving the goal of full utilization of Arizona's Colorado River allocation. With the exception of 2005, Arizona has been meeting this goal since 2002. Another primary objective of the AWBA is meeting the M&I firming goals. By the end of 2011 the AWBA anticipates having stored over 1.8 MAF of credits for that purpose. The ten-year plan again shows that meeting the goal set for firming Tucson AMA supplies is problematic.

4. Funding

AWBA General Fund Appropriation

The AWBA has not received a general fund appropriation that was not subject to restrictions since 2001. Consequently, the ten-year plan does not include the expenditure of general fund appropriations.

Groundwater Withdrawal Fees

In addition to meeting the water management objectives of the AMAs in which the fees were collected, the AWBA may also utilize withdrawal fees to meet the M&I demands of CAP subcontractors, to implement the settlement of water rights claims by Indian communities in Arizona and to meet the AWBA SSRB obligation. This ten-year plan utilizes withdrawal fees to accrue long term storage credits and for the purchase of CAP water for the purpose of establishing the SSRB.

Ad valorem Tax

Pursuant to A.R.S. §48-3715.03(B), 4¢ *ad valorem* taxes levied and collected by CAWCD that are not deposited in the CAWCD fund, shall be deposited into subaccounts held by the AWBA; one for each of the three counties in which the taxes were collected. CAWCD has not deposited monies collected into these AWBA subaccounts since 2003. The AWBA has since expended all available funds that remained in its subaccounts. CAWCD has however assisted the AWBA by offsetting AWBA water delivery and storage costs using the 4¢ *ad valorem* tax held in its own accounts. This ten-year plan relies on the continuation of CAWCD offsetting the AWBA's costs. It is important to note that A.R.S. §48-3715.02, which provides CAWCD the authority to levy the *ad valorem* tax for water storage, will be repealed effective January 2, 2017. Therefore, this ten-year plan does not include collection of the *ad-valorem* tax beyond 2016.

Appropriations for Indian Firming

This ten-year plan does not include any general fund appropriations for Indian firming. Any recover needed to meet the AWBA's Indian firming obligations during shortages would require the use of Withdrawal Fee credits.

Funding for Interstate Banking

Provisions in the Second Amended Agreement allow the AWBA and the SNWA to revise the annual payment schedule to provide operational flexibility. When water is not available for interstate storage this flexibility benefits both the AWBA and SNWA. Water supplies for interstate storage are expected to be minimal during this ten-year plan. When interstate storage occurs, monies will be deposited in the Operating Account by SNWA and will be used for those deliveries.

Gifts, Grants, or Donations

Pursuant to the Arizona-Nevada Shortage-Sharing Agreement, Nevada will provide to the AWBA \$8 million in order to assist Arizona in offsetting impacts that may occur during the

Interim Period; the period beginning on the date the Secretary of the Interior issued the Record of Decision, December 2007, and ending on December 31, 2025. The AWBA utilized a portion of these funds in 2008 to purchase and storage of CAP water. A final plan for the use of these funds has not yet been adopted by the Authority; therefore further expenditure of these funds has not been included in this ten-year plan.

5. Modifications within CAWCD with regard to pricing and pool allocation

Because of the demand for Excess CAP water, CAWCD adopted a policy in June, 2009 that established four separate pools, in addition to the NIA pool, thereby accounting for all Excess CAP water (see Appendix J). The NIA pool is a pool of 400,000 acre-feet which declines to 300,000 acre-feet in 2017 and remains there for the remainder of the ten-year plan. While CAWCD's policy is effective through 2014, this ten-year plan assumes a similar policy will be in effect for the entire ten-year period. The AWBA's water availability was determined by subtracting the CAGR's projected storage amounts for replenishment reserve purposes from the shared pool of 175,000 acre-feet identified in the policy. This ten-year plan also incorporates CAWCD's 2011/2012 rate schedule, updated in June of 2011, which no longer includes incentive recharge water.

6. Participation in Indian settlements

One objective of the AWBA is assisting with the settlement of water rights claims by Indian communities within Arizona. The State of Arizona has a 100-year firming obligation under the AWRSA. The AWBA also has statutorily mandated responsibilities for the SSRB.

This ten-year plan includes a component for meeting the State's Indian settlement firming obligation. Since future appropriations from the Legislature cannot be expected, withdrawal fee credits from the Phoenix and Pinal AMAs could be used to meet this obligation while still maintaining credits for other water management purposes. This includes credits that were previously accrued from water stored at the GRIIDD GSF. The AWBA retains full rights to the credits developed at the GRIIDD GSF until such time the credits are dedicated specifically for meeting the State's Indian firming obligation.

This ten-year plan also includes a component for meeting the initial SSRB obligation of 15,000 acre-feet. The AWBA will have delivered 3,000 acre-feet for this purpose by the end of 2011 and has identified an additional 10,000 acre-feet of deliveries under this plan, 1,000 acre-feet each year, leaving 2,000 acre-feet that must be delivered after 2021. Withdrawal fees collected in the Pinal AMA are used to meet this obligation.

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

The AWBA completed a revised inventory of existing storage facilities in the state as required by A.R.S. §45-2452, which was approved by the Authority on March 17, 2011. The revised inventory was utilized to develop this ten-year plan.

CAWCD was issued an underground storage facility permit from ADWR to operate the Superstition Mountains Recharge project located in the east Salt River Valley in January 2008. The project will be built in two phases. Phase one is expected to be operational by the third quarter of 2011 and has a permitted storage capacity of 25,000 acre-feet per year. Phase two of the project, if built, would increase the permitted storage capacity to 56,500 acre-feet per

year. The AWBA expects to utilize capacity at this facility once constructed and has therefore included it in this ten-year plan.

8. Interstate banking

The ten-year plan includes an interstate water banking component for Nevada and indicates that only 52 percent, or 652,851 acre-feet of credits of the 1,250,000 acre-feet of credits needed to meet the Nevada obligation, could be created by 2021.

Although this ten-year plan identifies storage for interstate purposes beginning in 2017, it is not certain that water will be available for this purpose if the amount of water available in the AWBA's pool is less than predicted. In contrast, it is also possible that additional water could become available for interstate banking due to unanticipated precipitation or decreased water orders by other CAP customers. Nevada could also make its unused apportionment available to the AWBA for storage in Arizona. These events cannot be foreseen however, and are therefore not included in this plan.

Given that there is limited water available for interstate banking, the AWBA Commission has directed staff to pursue opportunities with CAWCD to increase CAP supplies through the acquisition of additional water supplies. Some of the supplies being assessed include Colorado River water, mainstream tribal leases, and excess recharge credits and may require AWBA to pursue new legislation. Any additional supplies that become available would be addressed as part of the AWBA's Annual Plan of Operation and succeeding ten-year plans.

Conclusion

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

- 1) There may not be sufficient Excess CAP water to meet the state's obligation to Nevada.
- 2) Funding becomes a limiting factor in both Pinal and Pima County.
- 3) The magnitude of carryover funds in Maricopa County could become an issue in future years.
- 4) Absent future appropriations, withdrawal fees will become the principle source of funding for Indian firming.

Appendices

APPENDIX A
Colorado River Water Deliveries for Water Banking Purposes
for Calendar Year 2010 by Partner and Active Management Area

	Partner	Quantity of Water (Acre-feet)	
		Intrastate	Interstate
PHOENIX AMA	Agua Fria Recharge Project	2,604	
	Hieroglyphic Mountain Recharge Project	5,002	
	Tonopah Desert Recharge Project	79,545	5,000
	Queen Creek Irrigation District	309	0
	<i>Intrastate/Interstate AMA Subtotal</i>	87,460	5,000
	<i>Phoenix AMA Subtotal</i>	92,460	
PINAL AMA	Central Arizona Irrigation and Drainage District	13,196	0
	Hohokam Irrigation and Drainage District	7,000	0
	Maricopa-Stanfield Irrigation and Drainage District	15,634	0
	<i>Intrastate/Interstate AMA Subtotal</i>	35,830	0
	<i>Pinal AMA Subtotal</i>	35,830	
TUCSON AMA	Avra Valley Recharge Project	3,777	546
	Lower Santa Cruz Recharge Project	20,645	8,454
	CAVSARP	0	5,000
	SAVSARP	41,000	0
	Cortaro-Marana Irrigation District	4,000	0
	<i>Intrastate/Interstate AMA Subtotal</i>	69,422	14,000
	<i>Tucson AMA Subtotal</i>	83,422	
TOTAL INTRASTATE & INTERSTATE DELIVERIES		192,712	19,000
TOTAL DELIVERIES		211,712	

Appendix B
CAP Delivery Schedule
(Acre-feet)

Year	Total CAP Deliveries ¹	M&I ²	Indian ³	Ag ⁴	Banking Pool ⁵	
					Federal & CAGR ⁵	AWBA
2012	1,525,000	759,000	366,000	400,000	26,000	149,000
2013	1,525,000	748,100	376,900	400,000	27,000	148,000
2014	1,525,000	746,600	378,400	400,000	28,000	147,000
2015	1,525,000	745,100	379,900	400,000	29,000	146,000
2016	1,525,000	743,600	381,400	400,000	30,000	145,000
2017	1,525,000	842,100	382,900	300,000	31,000	144,000
2018	1,525,000	840,600	384,400	300,000	32,000	143,000
2019	1,525,000	839,100	385,900	300,000	33,000	142,000
2020	1,525,000	837,600	387,400	300,000	34,000	141,000
2021	1,525,000	836,100	388,900	300,000	35,000	140,000

¹ Based on average diversion, less losses

² Includes excess CAP, and federal water used by M&I users through leases, exchanges and assignments

³ Includes on & off-reservation deliveries for Indian uses (including recharge)

⁴ Ag settlement pool water, including deliveries made to the Harquahala INA

⁵ Based on a planning assumption that CAWCD's current Access to Excess policy is extended

**APPENDIX C
STORAGE FACILITIES AVAILABLE TO THE AWBA
(as used in the Ten-Year Plan)**

AMA and Facility Type ¹	Facility Permit Expiration	Facility Permitted Capacity (AF)	Capacity Available to AWBA ² (AF)	Year Water Last Stored	Volume of Water Last Stored (AF)
PHOENIX – GSF³					
Queen Creek ID	12/2015	28,000	7,000	2010	309
PHOENIX – USF					
Agua Fria Recharge Project	05/2019	100,000	5,000	2010	2,604
Hieroglyphic Mtns.	12/2021	35,000	5,000	2010	5,002
Tonopah Desert RP	09/2025	150,000	100,000	2010	79,545
West Maricopa Combine - USF	05/2021	25,000	5,000	4	0
PINAL – GSF					
Central Arizona IDD	12/2017	110,000	60,000	2010	13,196
Hohokam IDD	10/2012	55,000	20,000	2010	7,000
Maricopa-Stanfield IDD	12/2019	120,000	60,000	2010	15,634
TUCSON – GSF					
Cortaro-Marana ID	11/2013	20,000	5,000	2010	4,000
Kai-Farms – Red Rock	11/2016	11,231	2,000	2009	1,893
TUCSON – USF					
Avra Valley	03/2018	11,000	2,000	2010	4,323
CAVSARP	12/2028	100,000	10,000	2010	5,000
Lower Santa Cruz	02/2019	50,000	25,000	2010	29,099
Pima Mine Road	09/2020	30,000	5,000	2009	16
SAVSARP	01/2028	60,000	20,000	2010	41,000
Other Facilities Currently or Anticipated to be Available to the AWBA					
Superstition Mtn.-USF	01/2028	56,500 ⁵	10,000	6	n/a

Footnotes:

- (1) As additional facilities are developed, they will be included in future plans.
- (2) This does not reflect the actual "permitted" volume for these facilities; instead for the purposes of this plan, staff relied on average historical storage volumes and potential for future storage. Capacity available to the AWBA at the Avra Valley facility decreases 900 AF by 2021.
- (3) The AWBA also holds water storage permits at New Magma ID (54,000 AF), Tonopah ID (15,000 AF), and BKW Farms (16,000 AF) GSFs. These were not considered significant uses in this ten-year outlook.
- (4) No deliveries to date.
- (5) Phase one of the facility is permitted for 25,000 AF per year.
- (6) Water Storage Permit application pending.

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

	Year	Groundwater Savings			Underground Storage		
		Capacity Available ⁴	Capacity Used	Credits Earned	Capacity Available ⁴	Capacity Used	Credits Earned
PHOENIX AMA²	Pre-plan ³			529,779			739,951
	2012	1,589	0	0	101,823	76,747	71,374
	2013	796	0	0	102,735	90,173	83,861
	2014	723	0	0	101,826	88,511	82,315
	2015	809	0	0	101,990	87,097	81,000
	2016	1,035	0	0	101,683	82,622	76,838
	2017	0	0	0	101,785	101,785	94,660
	2018	0	0	0	101,862	101,862	94,732
	2019	0	0	0	101,939	101,939	94,803
	2020	0	0	0	102,016	102,016	94,590
	2021	0	0	0	102,092	102,092	94,660
	Total			529,779			1,608,784
	PINAL AMA²	Pre-plan ³			175,444		
2012		116,635	17,566	16,336	-	-	-
2013		116,833	7,545	7,016	-	-	-
2014		128,439	7,529	7,002	-	-	-
2015		128,574	7,574	7,044	-	-	-
2016		128,279	8,315	7,733	-	-	-
2017		128,216	0	0	-	-	-
2018		128,141	0	0	-	-	-
2019		128,066	0	0	-	-	-
2020		127,990	0	0	-	-	-
2021		127,913	0	0	-	-	-
Total				220,575			
TUCSON AMA²		Pre-plan ³			11,188		
	2012	3,434	3,434	3,194	56,200	22,234	20,678
	2013	3,548	3,548	3,299	61,500	18,147	16,877
	2014	3,492	3,492	3,248	61,600	18,448	17,156
	2015	3,575	3,575	3,325	61,500	19,202	17,858
	2016	3,548	3,548	3,299	61,400	21,560	20,050
	2017	3,586	0	0	61,300	0	0
	2018	3,624	0	0	61,200	0	0
	2019	3,661	0	0	61,100	0	0
	2020	3,698	0	0	61,000	0	0
	2021	3,734	0	0	60,900	0	0
	Total			27,553			455,112

Footnotes:

- (1) Development of M&I firming credits followed utilization of other funds in the Arizona Water Banking Fund.
- (2) M&I firming targets are Phoenix AMA - 1.566 MAF, Pinal AMA – 243,000 AF, and Tucson AMA – 864,000 AF.
- (3) Cumulative totals for 1997-2011; 2011 credits estimated based on projected deliveries.
- (4) The capacity available is based on the capacity remaining at the USFs and GSFs after all higher priority demands have been met.

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

	Year	Groundwater Savings			Underground Storage		
		Capacity Available ³	Capacity Used	Credits Earned	Capacity Available ³	Capacity Used	Credits Earned
PHOENIX AMA	Pre-plan ²			145,644			133,914
	2012	7,000	5,411	5,033	110,500	8,677	8,069
	2013	7,000	6,204	5,770	110,500	7,765	7,221
	2014	6,000	5,277	4,908	110,500	8,674	8,067
	2015	6,000	5,191	4,828	110,500	8,510	7,914
	2016	6,000	4,965	4,617	110,500	8,817	8,200
	2017	5,000	5,000	4,650	110,500	8,715	8,105
	2018	5,000	5,000	4,650	110,500	8,638	8,033
	2019	5,000	5,000	4,650	110,500	8,561	7,962
	2020	5,000	5,000	4,636	110,500	8,484	7,866
	2021	5,000	5,000	4,636	110,500	8,408	7,795
	Total			194,022			213,146
PINAL AMA	Pre-plan ²			382,768			0
	2012	128,000	11,365	9,640	-	-	-
	2013	128,000	11,167	9,455	-	-	-
	2014	140,000	11,561	9,822	-	-	-
	2015	140,000	11,426	9,696	-	-	-
	2016	140,000	11,721	9,971	-	-	-
	2017	140,000	11,784	10,029	-	-	-
	2018	140,000	11,859	10,098	-	-	-
	2019	140,000	11,934	10,168	-	-	-
	2020	140,000	12,010	10,239	-	-	-
	2021	140,000	12,087	10,311	-	-	-
	Total			482,197			0
TUCSON AMA	Pre-plan ²			4,877			90,381
	2012	7,000	3,566	3,316	56,200	0	0
	2013	7,000	3,452	3,211	61,500	0	0
	2014	7,000	3,508	3,263	61,600	0	0
	2015	7,000	3,425	3,185	61,500	0	0
	2016	7,000	3,452	3,211	61,400	0	0
	2017	7,000	3,414	3,175	61,300	0	0
	2018	7,000	3,376	3,140	61,200	0	0
	2019	7,000	3,339	3,105	61,100	0	0
	2020	7,000	3,302	3,071	61,000	0	0
	2021	7,000	3,266	3,037	60,900	0	0
	Total			36,591			90,381

- (1) Expenditure of withdrawal fees was given the highest priority.
(2) Cumulative totals for 1997-2011; 2011 credits estimated based on projected deliveries.
(3) The capacity available is based on the capacity remaining at the USFs and GSFs after all higher priority demands have been met.

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

	Year	Groundwater Savings			Underground Storage		
		Capacity Available	Capacity Used	Credits Earned	Capacity Available	Capacity Used	Credits Earned
		Pre-plan ³			16,275		
PHOENIX AMA	2012	1,589	0	0	101,823	0	0
	2013	796	0	0	102,735	0	0
	2014	723	0	0	101,826	0	0
	2015	809	0	0	101,990	0	0
	2016	1,035	0	0	101,683	0	0
	2017	0	0	0	101,785	0	0
	2018	0	0	0	101,862	0	0
	2019	0	0	0	101,939	0	0
	2020	0	0	0	102,016	0	0
	2021	0	0	0	102,092	0	0
	Total			16,275			26,041
	PINAL AMA	Pre-plan ³			306,968		
2012		128,000	0	0	-	-	-
2013		128,000	0	0	-	-	-
2014		140,000	0	0	-	-	-
2015		140,000	0	0	-	-	-
2016		140,000	0	0	-	-	-
2017		140,000	0	0	-	-	-
2018		140,000	0	0	-	-	-
2019		140,000	0	0	-	-	-
2020		140,000	0	0	-	-	-
2021		140,000	0	0	-	-	-
Total				306,968			
TUCSON AMA		Pre-plan ³			2,846		
	2012	7,000	0	0	56,200	0	0
	2013	7,000	0	0	61,500	0	0
	2014	7,000	0	0	61,600	0	0
	2015	7,000	0	0	61,500	0	0
	2016	7,000	0	0	61,400	0	0
	2017	7,000	0	0	61,300	0	0
	2018	7,000	0	0	61,200	0	0
	2019	7,000	0	0	61,100	0	0
	2020	7,000	0	0	61,000	0	0
	2021	7,000	0	0	60,900	0	0
	Total			2,846			51,700

Footnotes:

- (1) The ten-year plan does not include a component for General Fund appropriations.
- (2) The on-river M&I firming target is 420,000 AF.
- (3) Cumulative totals for 1997-2011.

APPENDIX G
Credits Developed Utilizing Funds Dedicated for Shortage Reparations ¹
(Acre-feet)

	Year	Groundwater Savings			Underground Storage			
		Capacity Available ²	Capacity Used	Credits Earned	Capacity Available	Capacity Used	Credits Earned	
PHOENIX AMA	Pre-plan ³			4,590			16,051	
	2012	1,589	0	0	101,823	0	0	
	2013	796	0	0	102,735	0	0	
	2014	723	0	0	101,826	0	0	
	2015	809	0	0	101,990	0	0	
	2016	1,035	0	0	101,683	0	0	
	2017	0	0	0	101,785	0	0	
	2018	0	0	0	101,862	0	0	
	2019	0	0	0	101,939	0	0	
	2020	0	0	0	102,016	0	0	
	2021	0	0	0	102,092	0	0	
	Total				4,590			16,051
	PINAL AMA	Pre-plan ³			60,782			
2012		128,000	0	0	-	-	-	
2013		128,000	0	0	-	-	-	
2014		140,000	0	0	-	-	-	
2015		140,000	0	0	-	-	-	
2016		140,000	0	0	-	-	-	
2017		140,000	0	0	-	-	-	
2018		140,000	0	0	-	-	-	
2019		140,000	0	0	-	-	-	
2020		140,000	0	0	-	-	-	
2021		140,000	0	0	-	-	-	
Total					60,782			
TUCSON AMA		Pre-plan ³			0			1,205
	2012	7,000	0	0	56,200	0	0	
	2013	7,000	0	0	61,500	0	0	
	2014	7,000	0	0	61,600	0	0	
	2015	7,000	0	0	61,500	0	0	
	2016	7,000	0	0	61,400	0	0	
	2017	7,000	0	0	61,300	0	0	
	2018	7,000	0	0	61,200	0	0	
	2019	7,000	0	0	61,100	0	0	
	2020	7,000	0	0	61,000	0	0	
	2021	7,000	0	0	60,900	0	0	
	Total				0			1,205

Footnotes:

- (1) \$8 million received from Nevada pursuant to the Arizona-Nevada Shortage-Sharing Agreement to assist Arizona in offsetting the impacts of shortages during the Interim Period.
- (2) The capacity available is based on the capacity remaining at the USFs and GSFs after all higher priority demands have been met.
- (3) Cumulative totals for 1997-2011.

APPENDIX H
Credits Developed Utilizing Indian Settlement Appropriations ¹
(Acre-feet)

	Year	Groundwater Savings			Underground Storage		
		Capacity Available	Capacity Used	Credits Earned	Capacity Available	Capacity Used	Credits Earned
PHOENIX AMA	Pre-plan			0			0
	2012	1,589	0	0	101,823	0	0
	2013	796	0	0	102,735	0	0
	2014	723	0	0	101,826	0	0
	2015	809	0	0	101,990	0	0
	2016	1,035	0	0	101,683	0	0
	2017	0	0	0	101,785	0	0
	2018	0	0	0	101,862	0	0
	2019	0	0	0	101,939	0	0
	2020	0	0	0	102,016	0	0
	2021	0	0	0	102,092	0	0
	Total			0			0
	PINAL AMA	Pre-plan			0		
2012		128,000	0	0	-	-	-
2013		128,000	0	0	-	-	-
2014		140,000	0	0	-	-	-
2015		140,000	0	0	-	-	-
2016		140,000	0	0	-	-	-
2017		140,000	0	0	-	-	-
2018		140,000	0	0	-	-	-
2019		140,000	0	0	-	-	-
2020		140,000	0	0	-	-	-
2021		140,000	0	0	-	-	-
Total				0			
TUCSON AMA		Pre-plan			0		
	2012	7,000	0	0	56,200	0	0
	2013	7,000	0	0	61,500	0	0
	2014	7,000	0	0	61,600	0	0
	2015	7,000	0	0	61,500	0	0
	2016	7,000	0	0	61,400	0	0
	2017	7,000	0	0	61,300	0	0
	2018	7,000	0	0	61,200	0	0
	2019	7,000	0	0	61,100	0	0
	2020	7,000	0	0	61,000	0	0
	2021	7,000	0	0	60,900	0	0
	Total			0			28,481

Footnotes:

- (1) The State Indian firming target is estimated at 550,000 AF.
- (2) Credits accrued through the expenditure of \$3 million for assisting Federal government in meeting its firming obligation under Section 306 of the Arizona Water Settlements Act.

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

Year	Available CAP Supplies²	Available AWBA Capacity³	Remaining Supply⁴	Interstate Credits⁵
Pre-plan ⁶				600,651
2012	0	159,700	0	0
2013	0	166,000	0	0
2014	0	178,100	0	0
2015	0	179,000	0	0
2016	0	179,900	0	0
2017	13,302	193,102	0	12,371
2018	12,265	192,965	0	11,406
2019	11,227	192,827	0	10,441
2020	10,188	192,688	0	9,475
2021	9,147	192,547	0	8,507
Total				652,851

Footnotes:

- (1) The AWBA has an obligation to have 1,250,000 acre-feet of credits for the SNWA.
- (2) Water available for Interstate Banking is calculated by subtracting the water delivered and stored by the AWBA for intrastate water banking from the total water supply available for the AWBA (see Appendix B).
- (3) Reflects the unused capacity available to the AWBA at USFs and GSFs in the Phoenix, Pinal, and Tucson AMAs. Additional capacity may be available at individual facilities based on the utilization by individual water storage permit holders.
- (4) Remaining supplies after subtracting the water delivered and stored by the AWBA for intrastate water banking and water delivered for interstate water banking.
- (5) Based on the Available Supplies or the Available AWBA Capacity, whichever is less, available funding and an annual limitation of 200,000 AF/YR.
- (6) Cumulative totals for 2002-2011; 2011 credits estimated based on projected deliveries.

APPENDIX J

CAWCD PROCEDURE TO DISTRIBUTE EXCESS WATER IN 2010 THROUGH 2014 Adopted June 4, 2009

Staff has worked with stakeholders to develop procedures that balance competing interests for the limited supply of Excess CAP water. The outcome of this "Access to Excess" process is a Staff Proposal that relies, where possible, on consensus among the stakeholders.

From the total available Excess supply, the Agricultural Settlement Pool is filled first, and is not subject to "Access to Excess" provisions. The Staff Proposal then creates four separate pools, in effect for a five year period (2010 through 2014). The pools are: AWBA & CAGRDR Replenishment Reserve; CAGRDR Annual Replenishment; Municipal; Industrial & Other.

The AWBA and CAGRDR Replenishment Reserve share a pool of a fixed volume of 175,000 acre-feet (AWBA/RR pool). Allocation within this pool is set as part of the existing annual AWBA-CAWCD coordination and public meetings. AWBA may use the water for any authorized purpose.

The pool established for the CAGRDR's annual replenishment is capped at 35,000 acre-feet. The remaining volume is split evenly between a Municipal pool and an Industrial & Other pool. Water not used by the AWBA or CAGRDR in either of their pools is split between the Municipal pool and the Industrial & Other pool.

The Municipal Pool is for public & private water providers. Access within the pool incorporates two different approaches: historic use, and equal shares. Historic use is based on each provider's maximum use (Incentive plus Full Cost Excess) between 2005 and 2009. In the first year (2010), historic use is the primary allocation mechanism (90%), with a small volume (10%) apportioned equally. By the fifth year (2014), the two approaches have equal weighting.

The Industrial & Other pool is open to all other users, but is broken into two tiers—Industrial Tier (direct use or users storing water for a specific project) and Remarketer Tier (users storing water for future credit resale). All of the orders for the Industrial Tier users will be filled before allocating and filling orders for the Remarketer Tier. Access within the pool is based on a three year rolling average of actual water deliveries for each entity. Small users (orders less than 1,000 acre feet/year) will receive their full order as long as that order is not greater than in the previous three years.

Form 7.8

Certification of Posting of Notice

Section 7.6.9

CERTIFICATION OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the attached notice was duly posted at the Arizona Department of Water Resources on bulletin board at MWR 8:19 a.m. in accordance with the statement filed by the Arizona Water Banking Authority.

Dated this 14th day of June, 2011.

Gerry Wildeman, Technical Administrator