

ID	Last Name	First Name	Organization	E-Mail Address	Category	Attended February 14, 2014 Meeting
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2	Atkins	Lisa	CAP	laatkins@gmail.com	CAWCD Board	
3	Avery	Christopher	Tucson Water	Christopher.Avery@tucsonaz.gov	General Public	✓
4	Bauer	Mary		marycbauer@gmail.com	General Public	
5	Beadnell	Jim	U.S. Bureau of Reclamation	jbeadnell@usbr.gov	General Public	
6	Benemelis	Perri	CAP	pbenemelis@cap-az.com	General Public	
7	Betcher	Brian	MSIDD	brian@msidd.com	General Public	
8	Bevins	Orson		orson.bevins@gmail.com	General Public	
9	Block	Mike	Metro Water	mblock@metrowater.com	General Public	
10	Braun	Eric	Mesa, City of	eric.braun@mesaaz.gov	General Public	
11	Brooks	George		editor@theebonycactus.com	General Public	
12	Brothers	Kay	Las Vegas Valley Water District	Kay.Brothers@lvvwd.com	General Public	
13	Buma	Grant	CRIT	grant.buma@crit-nsn.gov	General Public	
14	Burns	Gayle	CAP	gburnsaz@cox.net	CAWCD Board	✓
15	Buschatzke	Tom	ADWR	tbuschatzke@azwater.gov	AWBA Member cc list	
16	Bushner	Greg	Vidler Water	GBushner@vidlerwater.com	General Public	
17	Cannon-Etie	Pamela		pamelacetie@cox.net	General Public	
18	Capps	Gregg	Chandler, City of	Gregg.Capps@chandleraz.gov	General Public	
19	Carpenter	Guy	CAP	guy@arizonawaterguy.com	CAWCD Board	
20	Chandler	Randy	USBOR	rchandler@usbr.gov	General Public	
21	Chappell	Barbara	Avondale, City of	bchappell@avondale.org	General Public	
22	Collazo	Tom	Nature Conservancy	tcollazo@tnc.org	General Public	
23	Commandeur	Leo	Global Water Resources	Leo.Commandeur@gwresources.com	General Public	
24	Cooke	Ted	CAP	tcooke@cap-az.com	General Public	
25	Crockett	David	Flowing Wells Irrigation District	dcrockett@fwid.org	General Public	
26	Cullom	Chuck	CAP	ccullom@cap-az.com	General Public	
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28	Curtis			MCURTIS401@aol.com	General Public	
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30	Danos	Val	AMWUA	vdanos@amwua.org	General Public	
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32	Dent	Patrick	CAP	pdent@cap-az.com	General Public	
33	DeRosa	Marilyn	Avondale, City of	mderosa@avondale.org	General Public	
34	Dishlip	Herb	Herb Dishlip Consulting	herbdishlip@cox.net	General Public	
35	Donnelly	David	Las Vegas Valley Water District	david.donnelly@lvvwd.com	General Public	
36	Downing	James		Jim@harcuvarco.com	General Public	
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38	Dunlap	Doug	CAP	ddunlap@cap-az.com	General Public	
39	Ehlers	Jeff	SRP	jwehlers@srpnet.com	General Public	
40	Entsminger	John	Las Vegas Valley Water District	John.Entsminger@lvvwd.com	General Public	
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45	Farmer	Scott		scott@land-homes.com	General Public	
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48	Flores	Nan		nxf@cox.net	General Public	
49	Forbes	Denise	Ryley Carlock & Applewhite	dforbes@rcalaw.com	General Public	
50	Fowler	Ron		Ronald.W.Fowler@usace.army.mil	General Public	
51	Franzoy	Gene	Franzoy Consulting	Franzoyconsulting@cox.net	General Public	CFZ
52	Fuerst	Dee	CAP	dfuerst@cap-az.com	General Public	Dee
53	Garrick	Dustin		dustingarrick@gmail.com	General Public	
54	George	Maureen		mrglaw1@frontier.com	AWBA Member	
55	George	Maureen		georgemaureen373@gmail.com	AWBA Member	
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58	Goddard	Terry	CAP	terry@terrygoddard.com	CAWCD Board	
59	Gray	Jeff	R&R Partners	jeff.gray@rrpartners.com	General Public	JG
60	Griffin	Gail	Arizona Senate	ggriffin@azleg.gov	AWBA Member - Ex Officio	
61	Grignano	Laura	CAP	lgrignano@cap-az.com	General Public	LG
62	Gross	Don	ADWR	digross@azwater.gov	General Public	
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64	Harbour	Tom	CAP	tharbour@cap-az.com	General Public	
65	Harrell	Tom		tharrell@azwater.com	General Public	
66	Harris	Christopher	Colorado River Board of California	charris@crb.ca.gov	General Public	
67	Hartdegen	Jim	The Hartdegen Group	jim@jv85194.com	AWBA Member	
68	Hartdegen	Jim	The Hartdegen Group	jim@ed-3.org	AWBA Member	

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69	Hartdegen	Jim	CAP	jim@jv85194.com	CAWCD Board	
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71	Hendricks	Paul	Consultant	phendricks@cox.net	General Public	
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73	Henley	Tim	AWBA	thenley@azwater.gov	AWBA Staff	
74	Henning	Brian	CAP	bhenning@cap-az.com	General Public	
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76	Holway	Jim	CAP	HolwayforCAWCD@gmail.com	CAWCD Board	
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80	Jesser	MJ	CAP	mjesser@cap-az.com	General Public	
81	Johanson	Hakon	Gilbert, Town of	hakon.Johanson@gilbert.gov	General Public	
82	Johnson	Theresa	ADWR	tjohnson@azwater.gov	AWBA Member cc list	
83	Johnson	Jeff	Las Vegas Valley Water District	jeff.johnson@lvwd.com	General Public	
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89	Knox	Kathi	Knox Consulting	kathiknox@cox.net	General Public	
90	Korich	Dee	Tucson Water	Dee.Korich@tucsonaz.gov	General Public	
91	Kukino	Doug	Glendale, City of	kukino@ci.glendale.az.us	General Public	
92	Kupel	Doug	Glendale, City of	DKupel@GLENDALEAZ.COM	General Public	
93	Kusel	Diane	ADWR	djkusel@azwater.gov	General Public	<i>DK</i>
94	Lacey	Michael	ADWR	mjlacey@azwater.gov	AWBA Member	
95	Lacey	Mike	ADWR	mjlacey@azwater.gov	General Public	
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97	Lea	Harold	Active Water Markets	haroldlea@activewatermarkets.com	General Public	
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107	Marquez	Lawrence	USBOR	lrmarquez@usbr.gov	General Public	
108	Mawhinney	John		jtm012@comcast.net	AWBA Member	
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110	McEachern	Ron	CAIDD	manager@caidd.com	General Public	
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114	McNulty	Michael	Lewis and Roca	Michael_McNulty@lrlaw.com	General Public	
115	Megdall	Sharon	CAP	smegdall@cals.arizona.edu	CAWCD Board	
116	Merrill	Dave	Vidler Water	dmerrill@vidlerwater.com	General Public	
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118	Miller	Adam	City of Phoenix	adam.miller@phoenix.gov	General Public	
119	Moore	Colette	Mesa, City of	Colette.Moore@mesaaz.gov	General Public	
120	Moreno	Michelle	ADWR	mamoreno@azwater.gov	AWBA Member cc list	
121	Morrison	Richard		rnm@slwplc.com	General Public	
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ID	Last Name	First Name	Organization	E-Mail Address	Category	Attended February 14, 2014 Meeting
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138	Philbin	Asia	Tucson Water	asia.philbin@tucsonaz.gov	General Public	
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140	Pierson	Timothy	GRIC	tim.pierson@gric.nsn.us	General Public	
141	Purcell	Larry	SDCWA	lpurcell@cdcwa.org	General Public	
142	Quigley	Andrew	Tucson Water	andrew.quigley@tucsonaz.gov	General Public	
143	Ray			mray@azleg.gov	General Public	
144	Reece	Mary	USBOR	mreece@usbr.gov	General Public	
145	Renner	George		georenner@aol.com	General Public	
146	Roberts	Dave	SRP	dcrobert@srpnet.com	General Public	
147	Roos			mroos@water.ca.gov	General Public	
148	Rossi	Terri Sue	AWBA	tsrossi@azwater.gov	AWBA Staff	
149	Rot	Stephen	Scottsdale, City of	srot@scottsdaleaz.gov	General Public	
150	Rule	Dennis	CAGR	drule@cap-az.com	General Public	
151	Rupprecht	Candice		candicer@cals.arizona.edu	General Public	
152	Ruzgerian	Harry		hruzgerian@mwdh2o.com	General Public	
153	Saletta	Phil	Oro Valley, Town of	psaletta@orovalleyaz.gov	General Public	
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159	Sejkora	Bob	Arizona State Parks	rds2@azstateparks.gov	General Public	
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162	Shipman	Taylor	Errol Montgomery	tshipman@elmontgomery.com	General Public	
163	Siegel	Rich	SRP	rssiegel@srpnet.com	General Public	
164	Silvani	Gerard	Phoenix, City of	gerard.silvani@phoenix.gov	General Public	
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173	Stirling	Scott		ssirling@beusgilbert.com	General Public	
174	Stowe	Tami	Arizona House of Representatives	tstowe@azleg.gov	General Public	
175	Sullivan	William		wsullivan@cgsuslaw.com	General Public	
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177	Sweeney	Sheryl	Ryley Carlock & Applewhite	ssweeney@rcalaw.com	General Public	
178	Tamashiro	Larry	Las Vegas Valley Water District	larry.tamashiro@lvwd.com	General Public	
179	Tannler	jeff	ADWR	jmtannler@azwater.gov	ADWR Staff	
180	Tenney	Warren	CAP	wtenney@metrowater.com	CAWCD Board	
181	Thompason	Crystal	CAP	cthompson@cap-az.com	General Public	
182	Thompson	Dirk	Tucson Water	dirk.thompson@tucsonaz.gov	General Public	
183	Thorley	Matthew	Las Vegas Valley Water District	matthew.thorley@lvwd.com	General Public	
184	Timian-Palmer	Dorothy	Vidler	dorothy@vidlerwater.com	General Public	
185	Tobin	Andrew	Arizona House of Representatives	atobin@azleg.gov	AWBA Member - Ex Officio	
186	Tosline	Deborah	U.S. Bureau of Reclamation	dtosline@usbr.gov	General Public	
187	Toy	Doug	Chandler, City of	doug.toy@chandleraz.gov	General Public	
188	Turkett	Warren	CRCN	wturkett@crc.nv.gov	General Public	
189	Udall	Chris	Agribusiness Council	chris@agribusinessarizona.org	General Public	
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193	Walker	Shelly	MSIDD	shelly@msidd.com	General Public	
194	Ward	Grant	MSIDD	grant@msidd.com	General Public	
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196	Whitler	Ron	Buckeye, Town of	rwhitler@buckeyeaz.gov	General Public	
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203	Woner	Jeff	Tonopah Irrigation District	TIDDistrictAdmin@krsalien.com	General Public	
204	Wong	Ron	BKW Farms	ron@bkwfarms.com	General Public	
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**NOTICE AND FINAL AGENDA OF A SPECIAL MEETING OF THE
ARIZONA WATER BANKING AUTHORITY COMMISSION**

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 **February 14, 2014 at 1:30 p.m.** at the Arizona Department of Water Resources, 3550 North Central Avenue, Phoenix, Arizona 85012, Verde conference rooms on the 2nd floor. The meeting is open to the general public. Members of the Commission will attend either in person or by teleconference.

The agenda for the meeting is as follows:

- I. Welcome/Opening Remarks
- II. Arizona House Bill 2326
 - Overview of process
 - Description of introduced legislation
 - Discussion and position on request to defer HB 2326 to a future legislative session
 - Discussion and position on potential amendments to HB 2326
- III. Call to the Public

Dated this 13th day of February, 2014

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 Michelle Moreno at 602-771-8530 or 602-771-8501 (TDD). Requests should be made as early as possible to allow time to arrange the accommodation.

REFERENCE TITLE: water banking authority; storage credits

State of Arizona
House of Representatives
Fifty-first Legislature
Second Regular Session
2014

HB 2326

Introduced by
Representatives Shope: Orr

AN ACT

AMENDING SECTIONS 45-2423, 45-2457 AND 45-2491, ARIZONA REVISED STATUTES;
RELATING TO THE ARIZONA WATER BANKING AUTHORITY.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 45-2423, Arizona Revised Statutes, is amended to
3 read:
4 45-2423. Powers and duties of authority
5 A. The authority, acting through its commission, shall:
6 1. Administer the Arizona water banking fund in accordance with this
7 chapter.
8 2. Coordinate its staffing needs with the director and CAWCD.
9 3. Coordinate the storage of water and distribution and extinguishment
10 of long-term storage credits with the director in accordance with this
11 chapter and the water management objectives set forth in chapter 2 of this
12 title.
13 4. Coordinate with CAWCD for the purchase, delivery and storage of
14 Colorado river water delivered through the central Arizona project in
15 accordance with this chapter.
16 5. Coordinate and confer with state agencies, municipal corporations,
17 special districts, authorities, other political subdivisions, private
18 entities, Indian communities and the United States on matters within their
19 jurisdiction relating to the policy and purposes of this chapter.
20 6. Determine, on an annual basis, the quantity of Colorado river
21 water, surface water other than Colorado river water and effluent to be
22 stored by the authority and where that storage will occur.
23 7. Account for, hold and distribute or extinguish long-term storage
24 credits in accordance with this chapter.
25 8. Comply with all aspects of chapter 3.1 of this title.
26 9. Perform the authority's replenishment responsibilities under
27 chapter 15, article 3 of this title with monies appropriated from the state
28 general fund by the legislature for that purpose and to the extent that
29 monies appropriated by the legislature for that purpose are not available,
30 with monies collected in the Pinal active management area pursuant to section
31 45-611, subsection C, paragraph 3.
32 10. Carry out the obligations of this state under section 105 of Public
33 Law 108-451 as agent for this state, including the direct delivery of water
34 to Indian communities in this state and the leasing of non-Indian
35 agricultural priority and Indian priority central Arizona project water as
36 prescribed by article 5 of this chapter.
37 11. Adopt an official seal for the authentication of its records,
38 decisions and resolutions.
39 12. Keep the minutes of its meetings and all records, reports and other
40 information relating to its work and programs in permanent form,
41 systematically indexed and filed.
42 B. The authority, acting through its commission, may:
43 1. Apply for and hold water storage permits.
44 2. Accrue, PURCHASE, exchange, assign, lend and hold long-term storage
45 credits in accordance with this chapter. LONG-TERM STORAGE CREDITS ACCRUED

1 OR PURCHASED BY THE AUTHORITY MUST BE DISTRIBUTED OR EXTINGUISHED IN
2 ACCORDANCE WITH THE RULES OF OPERATION PRESCRIBED IN SECTION 45-2457 FOR THE
3 MONIES USED BY THE AUTHORITY TO ACCRUE OR PURCHASE THE CREDITS.

4 3. Exchange Colorado river water for any type of water in accordance
5 with chapter 4 of this title.

6 4. Enter into water banking services agreements.

7 5. Charge fees for water banking services.

8 6. Apply for and hold any water quality permit required for water
9 storage by the department of environmental quality under title 49, chapter 2,
10 article 3 or by federal law.

11 7. Make and execute all contracts, including intergovernmental
12 agreements pursuant to title 11, chapter 7, article 3, that shall be signed
13 by the chairperson, or in the chairperson's absence the vice-chairperson, and
14 attested by the secretary, necessary to:

15 (a) Obtain for storage Colorado river water delivered through the
16 central Arizona project. Agreements by which the authority obtains Colorado
17 river water are exempt from the requirements of title 41, chapter 23.

18 (b) Obtain effluent or surface water other than Colorado river water
19 for storage but only ~~after~~ TO THE EXTENT THAT MONIES AND STORAGE CAPACITY ARE
20 AVAILABLE TO the authority ~~has stored~~ IN EXCESS OF THE AMOUNTS REQUIRED TO
21 PURCHASE AND STORE all available excess Central Arizona project water or when
22 central Arizona project water is otherwise unavailable or undeliverable.

23 (c) Affiliate water storage permits held by the authority with storage
24 facility permits.

25 (d) Store water for purposes of this chapter at permitted storage
26 facilities.

27 (e) Distribute long-term storage credits earned by the authority to
28 make water available to municipal and industrial users of Colorado river
29 water in this state that are inside or outside of the CAWCD service area, in
30 accordance with the provisions of this chapter.

31 (f) Store Colorado river water in Arizona on behalf of appropriately
32 authorized agencies in California and Nevada.

33 (g) Cause a decrease in Arizona diversions from the Colorado river,
34 ensuring that Arizona will use less than its full entitlement to Colorado
35 river water in years in which California and Nevada agencies are
36 contractually authorized to call on the water stored on their behalf by the
37 authority.

38 (h) Distribute long-term storage credits earned by the authority on
39 behalf of agencies in California and Nevada to Colorado river water users in
40 Arizona to use in place of Colorado river water that would have otherwise
41 been used by those Arizona users.

42 (i) Replenish water pursuant to chapter 15, article 3 of this title,
43 including entering into an intergovernmental agreement with the Gila river
44 Indian community pursuant to section 45-2624.

1 (j) Distribute long-term storage credits earned by the authority to
2 make water available to Indian communities in this state for Indian firming
3 measures pursuant to article 5 of this chapter.

4 8. Sue and be sued.

5 9. Perform all other acts necessary for the authority to carry out its
6 purposes, powers and duties in accordance with this chapter.

7 10. Submit a request for a general fund appropriation to the
8 legislature each year. A request shall be accompanied by a budget detailing
9 how the appropriation would be used and justifying the need for the
10 appropriation.

11 11. Form temporary committees as deemed necessary by the authority to
12 provide the authority with advice on issues identified by the
13 authority. Advisory committees may consist of members of the public selected
14 by the authority, members of the authority and authority staff.

15 ~~12. Purchase long-term storage credits accrued by an Indian community~~
16 ~~pursuant to section 45-841.01, provided such long-term storage credits are~~
17 ~~distributed or extinguished in accordance with the rules of operation~~
18 ~~specified in section 45-2457 for the funds used by the authority to purchase~~
19 ~~the credits.~~

20 Sec. 2. Section 45-2457, Arizona Revised Statutes, is amended to read:
21 45-2457. Accounting; rules of operation

22 A. The authority shall develop an accounting system for the long-term
23 storage credits accrued OR PURCHASED by the authority. The accounting system
24 shall be designed to allow the authority to determine which funding source of
25 the banking fund paid for each long-term storage credit accrued OR PURCHASED
26 by the authority.

27 B. The authority shall operate in accordance with all of the following
28 rules of operation:

29 1. The authority shall reserve a reasonable number of long-term
30 storage credits accrued OR PURCHASED with general fund appropriations, other
31 than general fund appropriations for replenishment under chapter 15, article
32 3 of this title, for the benefit of municipal and industrial users of
33 Colorado river water in this state that are outside of the service area of
34 CAWCD.

35 2. The authority may distribute long-term storage credits accrued OR
36 PURCHASED with general fund appropriations, other than general fund
37 appropriations for replenishment under chapter 15, article 3 of this title,
38 for both of the following:

39 (a) To make water available to a municipal and industrial user of
40 Colorado river water in this state that is outside of the service area of
41 CAWCD, if both of the following apply:

42 (i) The municipal and industrial user would otherwise suffer a water
43 shortage. The authority may distribute long-term credits to the extent
44 reasonably necessary to offset the water shortage.

1 (ii) The authority collects reimbursement for the cost to the
2 authority of replacing the long-term storage credits distributed. The
3 authority may replace the long-term storage credits in any year it deems
4 appropriate but shall use good faith efforts to replace the long-term storage
5 credits at a reasonable cost to the person who is responsible for reimbursing
6 the authority for the credits distributed.

7 (b) To make water available to CAWCD to the extent necessary for CAWCD
8 to meet the demands of its municipal and industrial subcontractors, if all of
9 the following apply:

10 (i) CAWCD's normal diversions from the Colorado river have been or
11 will be disrupted by shortages on the river or by disruptions in the
12 operation of the central Arizona project.

13 (ii) The authority does not distribute for this purpose the long-term
14 storage credits reserved in accordance with paragraph 1 OF THIS SUBSECTION.

15 (iii) The authority collects reimbursement from CAWCD for the cost to
16 the authority of replacing the long-term storage credits distributed. The
17 authority may replace the long-term storage credits in any year it deems
18 appropriate but shall use good faith efforts to replace the long-term storage
19 credits at a reasonable cost to CAWCD.

20 3. The authority may distribute or extinguish long-term storage
21 credits accrued OR PURCHASED with general fund appropriations, other than
22 general fund appropriations for replenishment under chapter 15, article 3 of
23 this title, to implement the settlement of water right claims by Indian
24 communities in this state.

25 4. On request from the director, the authority may extinguish
26 long-term storage credits accrued OR PURCHASED with general fund
27 appropriations, other than general fund appropriations for replenishment
28 under chapter 15, article 3 of this title, to fulfill the water management
29 objectives set forth in chapter 2 of this title.

30 5. The authority may exchange long-term storage credits accrued OR
31 PURCHASED with general fund appropriations for long-term storage credits held
32 by other persons if the long-term storage credits received by the authority
33 were stored in a location that better enables the authority to fulfill the
34 purposes and policies of this chapter than were the long-term storage credits
35 exchanged by the authority. For the purposes of this paragraph, the
36 authority may make exchanges of long-term storage credits stored in one
37 active management area for long-term storage credits stored in a different
38 active management area or of long-term storage credits stored in one
39 groundwater basin for long-term storage credits stored in a different
40 groundwater basin.

41 6. The authority shall distribute or extinguish long-term storage
42 credits accrued OR PURCHASED with monies collected in accordance with section
43 45-611, subsection C, paragraph 3 only for the benefit of the active
44 management area in which the monies were collected. The authority may
45 distribute or extinguish these long-term storage credits to the extent

1 necessary to meet the demands of CAWCD's municipal and industrial
2 subcontractors during times in which CAWCD's diversions from the Colorado
3 river have been or will be disrupted by shortages on the Colorado river or by
4 disruptions in operation of the central Arizona project, to implement the
5 settlement of water right claims by Indian communities in this state or, on
6 request from the director, to meet the other water management objectives set
7 forth in chapter 2 of this title. The authority may use the monies collected
8 in the Pinal active management area under section 45-611, subsection C,
9 paragraph 3 to acquire long-term storage credits for replenishment purposes
10 under chapter 15, article 3 of this title.

11 7. The authority shall distribute long-term storage credits accrued OR
12 PURCHASED with monies deposited in the fund in accordance with section
13 48-3715.03, subsection B only for the benefit of the county in which the
14 monies were collected. The authority shall distribute these long-term
15 storage credits to CAWCD to the extent necessary to meet the demands of
16 CAWCD's municipal and industrial subcontractors during times in which CAWCD's
17 diversions from the Colorado river have been or will be disrupted by
18 shortages on the Colorado river or by disruptions in operation of the central
19 Arizona project.

20 8. For each county within the CAWCD service area, on a determination
21 by the authority that the number of long-term storage credits accrued OR
22 PURCHASED with monies deposited in the fund in accordance with section
23 48-3715.03, subsection B exceeds the needs specified in paragraph 7 OF THIS
24 SUBSECTION for that county, the authority shall distribute those excess
25 long-term storage credits to municipal water providers within that county
26 that are at the time of distribution experiencing surface water supply
27 shortages not associated with the central Arizona project. The authority
28 shall distribute to each such municipal water provider the lesser of the
29 following number of long-term storage credits:

30 (a) The total number of credits determined to be available by the
31 authority under this paragraph multiplied by the percentage produced by
32 dividing a numerator equaling the amount of revenues paid pursuant to section
33 48-3715.02, subsections B and C by taxpayers that are within both the
34 boundaries of the municipal provider that is experiencing the shortage and
35 the boundaries of the surface water supply system that is experiencing the
36 shortage by a denominator equaling the total revenues paid pursuant to
37 section 48-3715.02, subsections B and C by all taxpayers that are located
38 within both the boundaries of a municipal water provider and the boundaries
39 of a surface water supply system in the county. In making these
40 computations, the authority shall use the amounts of revenue paid by
41 taxpayers during the most recent tax year for which this information is
42 available.

43 (b) Twenty per cent of the total surface water shortage that the
44 municipal and industrial water provider is experiencing.

1 9. The authority shall distribute or replace long-term storage credits
2 accrued with monies collected pursuant to water banking services agreements
3 in accordance with the terms of those agreements.

4 10. The authority shall acquire sufficient water supplies to perform
5 its replenishment responsibilities under chapter 15, article 3 of this title.
6 The authority shall acquire those water supplies with monies appropriated
7 from the state general fund by the legislature for replenishment under
8 chapter 15, article 3 of this title and to the extent that monies
9 appropriated by the legislature for that purpose are not available, with
10 monies collected in the Pinal active management area under section 45-611,
11 subsection C, paragraph 3. The authority shall use the water supplies
12 acquired pursuant to this paragraph for any replenishment activity authorized
13 by section 45-2623 and for implementation of the southside replenishment bank
14 established by section 45-2624, including delivering water directly to the
15 Gila river Indian community for those purposes.

16 C. Any other long-term storage credits accrued **OR PURCHASED** by the
17 authority may be distributed or extinguished by the authority in accordance
18 with the policy and purposes of this chapter.

19 D. Except as provided by subsection B, paragraph 7 of this section and
20 except as provided by agreements entered into by the authority, the decision
21 to distribute or extinguish any long-term storage credit accrued **OR PURCHASED**
22 by the authority is at the complete discretion of the authority.

23 Sec. 3. Section 45-2491, Arizona Revised Statutes, is amended to read:

24 45-2491. State commitments to firm Indian settlement water

25 A. The authority shall act as agent for this state in meeting this
26 state's obligation to deliver water in times of shortage pursuant to Public
27 Law 108-451, fulfilling the requirements of sections 105, 207(c)(I)(ii) and
28 302(b)(8), and the Indian firming measures established pursuant to this
29 article. In carrying out this obligation the authority may:

30 1. Store water at permitted recharge facilities for the purpose of
31 Indian firming.

32 2. **PURCHASE LONG-TERM STORAGE CREDITS FOR THE PURPOSE OF INDIAN**
33 **FIRMING.**

34 ~~3.~~ 3. Enter into contracts or agreements with the United States and
35 Indian communities for storage, recovery or direct delivery of water for
36 Indian firming.

37 ~~4.~~ 4. Enter into leasing agreements with one or more Indian
38 communities in partnership with other entities for non-Indian agricultural
39 priority or Indian priority central Arizona project water.

40 ~~5.~~ 5. Enter into contracts for the use of water sources including
41 Colorado river water, surface water other than Colorado river water and
42 effluent.

43 ~~6.~~ 6. Enter into contracts with eligible entities for the use of
44 imported groundwater from allowable groundwater basins pursuant to sections
45 45-552, 45-553 and 45-554 for the purposes of Indian firming.

1 ~~6.~~ 7. Enter into agreements with a multi-county water conservation
2 district established pursuant to title 48, chapter 22 for delivery of water
3 to Indian communities.

4 ~~7.~~ 8. Subject to periodic review of progress toward meeting this
5 state's Indian firming obligation, allow for the use of existing long-term
6 storage credits developed from withdrawal fees collected pursuant to section
7 45-611, subsection C, paragraph 3.

8 ~~8.~~ 9. Transfer long-term storage credits to a multi-county water
9 conservation district established pursuant to title 48, chapter 22 for
10 recovery and subsequent delivery to Indian communities in times of shortage.

11 ~~9.~~ 10. Enter into agreements for the recovery of long-term storage
12 credits for purposes of Indian firming.

13 B. Indian firming measures established pursuant to this article shall
14 include funding from the following sources:

15 1. Legislative appropriations provided for Indian firming on an annual
16 basis to carry out Indian firming measures.

17 2. To the extent necessary to carry out Indian firming measures after
18 expenditure of legislative appropriations, the authority may use withdrawal
19 fees collected from the Phoenix, Pinal and Tucson active management area
20 water management accounts.



February 12, 2014

Arizona Water Banking Authority Commission
3550 N. Central Avenue
Phoenix, AZ 85012

Dear Commissioners:

I write this letter regarding the Arizona Water Banking Authority's ("AWBA") proposed legislation, HB 2326. For the reasons outlined below, I request that the AWBA defer the legislation this session to allow our organizations to engage in a meaningful dialogue about whether— and under what circumstances— CAWCD's 4-cent tax monies might be utilized by the AWBA to acquire long-term storage credits. I make this request in the interest of protecting and advancing the long-standing cooperative relationship between our organizations.

As an elected body, the CAWCD Board takes very seriously its sovereign authority to levy property taxes. Therefore, the CAWCD Board expects to be formally notified and consulted regarding any proposals to expand the statutorily authorized uses of its tax revenues prior to those proposals becoming fully developed legislation. Such an expectation is reasonable and, I believe, is held by all elected bodies within the state, not just the CAWCD Board.

Unfortunately, in the case of HB 2326, the AWBA failed to notify CAWCD of its intent to expand the statutorily permitted uses of CAWCD's 4-cent tax revenues, if indeed that was the AWBA's intent. The AWBA Chair, as well as AWBA and ADWR staff, assured CAWCD in December 2013 that the legislation would not include CAWCD's 4-cent tax revenues. CAWCD first became aware that the AWBA's proposed legislation would allow the use of CAWCD's 4-cent tax revenues to acquire long-term storage credits on January 7, 2014, when the draft bill was shared with stakeholders at the Rump Group meeting. I understand that was also the first opportunity that AWBA commissioners had to see the proposed legislation. HB 2326 was dropped 9 days later, before CAWCD had an opportunity to discuss the bill with AWBA and even before AWBA commissioners had a chance to discuss the bill among them.

Following the introduction of the legislation, the AWBA Chair assured CAWCD's General Manager and other CAWCD staff that the inclusion of CAWCD's 4-cent tax revenues as a funding source was a drafting mistake and that the funding

Source was always intended to be limited to ADWR's groundwater withdrawal fees.

Further, the process to develop HB 2326 was inconsistent with the long-standing protocol for vetting water-related legislation in the Arizona water community. That protocol calls for an open, inclusive process that attempts to achieve consensus before a bill is introduced. Public entities such as CAWCD, ADWR and AWBA have been particularly insistent that this protocol should be followed to promote cooperation and cohesiveness within the Arizona water community.

CAWCD's initial approach to HB 2326 was to seek an amendment to exclude reference to CAWCD's 4-cent tax revenues. CAWCD wanted to support AWBA's attempt to obtain legislative authority to acquire long-term storage credits, but to clarify that this new authority could not be funded with 4-cent taxes. We were hopeful that this approach would be fruitful and we believed we were moving towards consensus with your staff on amendment language. CAWCD has now been advised that other entities will oppose its amendments to HB 2326 in the House Agriculture and Water Committee, raising the specter of a public controversy at the legislature.

The process to develop HB 2326 was neither open nor inclusive. There was no opportunity for dialogue among stakeholders, especially with regard to the use of CAWCD's 4-cent tax revenues to acquire long-term storage credits. That conversation must occur before HB 2326 advances. Importantly, no compelling argument has been put forth for why HB 2326 must move this session or what harm may occur if the bill is deferred pending the outcome of these necessary discussions. Excess CAP water is available for the AWBA in 2014 and will be in 2015 as well. While a Colorado River shortage is possible as early as 2016, that still leaves ample time to engage in stakeholder discussions about the AWBA legislative proposal.

Because of the process taken to develop HB 2326, our organizations now face the possibility of public controversy at the legislature. This would be an unfortunate and undesirable outcome that is not in either of our best interests, nor is it in the best interests of the water users we serve. I believe the better course is to defer the bill for now so that our organizations and all interested stakeholders can have the opportunity to meet and discuss this important issue. I hope you will agree.

Sincerely,



Pamela Pickard, Board President
Central Arizona Project
Board of Directors

REFERENCE TITLE: **water banking authority; storage credits**
State of Arizona
House of Representatives
Fifty-first Legislature
Second Regular Session
2014

HB 2326

Introduced by

Representatives Shope: Orr

amending sections 45-2423, 45-2457 and 45-2491, Arizona Revised Statutes; relating to the arizona water banking authority.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 45-2423, Arizona Revised Statutes, is amended to read:

45-2423. Powers and duties of authority

- A. The authority, acting through its commission, shall:
 1. Administer the Arizona water banking fund in accordance with this chapter.
 2. Coordinate its staffing needs with the director and CAWCD.
 3. Coordinate the storage of water and distribution and extinguishment of long-term storage credits with the director in accordance with this chapter and the water management objectives set forth in chapter 2 of this title.
 4. Coordinate with CAWCD for the purchase, delivery and storage of Colorado river water delivered through the central Arizona project in accordance with this chapter, AND CONFER WITH CAWCD REGARDING THE PURCHASE OF LONG-TERM STORAGE CREDITS FOR WHICH CAWCD WILL BE THE RECOVERY AGENT.
 5. Coordinate and confer with state agencies, municipal corporations, special districts, authorities, other political subdivisions, private entities, Indian communities and the United States on matters within their jurisdiction relating to the policy and purposes of this chapter.
 6. Determine, on an annual basis, the quantity of Colorado river water, surface water other than Colorado river water and effluent to be stored by the authority, ~~and~~ where that storage will occur AND THE VOLUME OF LONG-TERM STORAGE CREDITS TO BE PURCHASED BY THE AUTHORITY.
 7. Account for, hold and distribute or extinguish long-term storage credits in accordance with this chapter.
 8. Comply with all aspects of chapter 3.1 of this title.

9. Perform the authority's replenishment responsibilities under chapter 15, article 3 of this title with monies appropriated from the state general fund by the legislature for that purpose and to the extent that monies appropriated by the legislature for that purpose are not available, with monies collected in the Pinal active management area pursuant to section 45-611, subsection C, paragraph 3.

10. Carry out the obligations of this state under section 105 of Public Law 108-451 as agent for this state, including the direct delivery of water to Indian communities in this state and the leasing of non-Indian agricultural priority and Indian priority central Arizona project water as prescribed by article 5 of this chapter.

11. Adopt an official seal for the authentication of its records, decisions and resolutions.

12. Keep the minutes of its meetings and all records, reports and other information relating to its work and programs in permanent form, systematically indexed and filed.

B. The authority, acting through its commission, may:

1. Apply for and hold water storage permits.

2. Accrue, PURCHASE, exchange, assign, lend and hold long-term storage credits in accordance with this chapter, SUBJECT TO THE FOLLOWING:-

(A) EXCEPT AS PROVIDED IN SECTION 45-841.01, THE AUTHORITY MAY PURCHASE LONG-TERM STORAGE CREDITS ONLY WITH GENERAL FUND APPROPRIATIONS OR WITH MONIES COLLECTED IN ACCORDANCE WITH SECTION 45-611, SUBSECTION C, PARAGRAPH 3.

(B) EXCEPT AS PROVIDED IN SECTION 45-841.01, THE AUTHORITY SHALL STORE, OR SCHEDULE FOR STORAGE, ALL AVAILABLE EXCESS CENTRAL ARIZONA PROJECT WATER BEFORE PURCHASING LONG-TERM STORAGE CREDITS.

(C) LONG-TERM STORAGE CREDITS ACCRUED OR PURCHASED BY THE AUTHORITY MUST BE DISTRIBUTED OR EXTINGUISHED IN ACCORDANCE WITH THE RULES OF OPERATION PRESCRIBED IN SECTION 45-2457, FOR THE MONIES USED BY THE AUTHORITY TO ACCRUE OR PURCHASE THE CREDITS.

3. Exchange Colorado river water for any type of water in accordance with chapter 4 of this title.

4. Enter into water banking services agreements.

5. Charge fees for water banking services.

6. Apply for and hold any water quality permit required for water storage by the department of environmental quality under title 49, chapter 2, article 3 or by federal law.

7. Make and execute all contracts, including intergovernmental agreements pursuant to title 11, chapter 7, article 3, that shall be signed by the chairperson, or in the chairperson's absence the vice-chairperson, and attested by the secretary, necessary to:

(a) Obtain for storage Colorado river water delivered through the central Arizona project. Agreements by which the authority obtains Colorado river water are exempt from the requirements of title 41, chapter 23.

(b) Obtain effluent or surface water other than Colorado river water for storage but only AFTER ~~after~~ TO THE EXTENT THAT MONIES AND STORAGE CAPACITY ARE AVAILABLE TO the authority HAS STORED, OR SCHEDULED FOR STORAGE, has stored IN EXCESS OF THE AMOUNTS REQUIRED TO PURCHASE AND STORE all

available excess Central Arizona project water or when central Arizona project water is otherwise unavailable or undeliverable.

~~(c) PURCHASE LONG TERM STORAGE CREDITS, BUT ONLY AFTER THE AUTHORITY HAS STORED ALL AVAILABLE EXCESS CENTRAL ARIZONA PROJECT WATER OR WHEN CENTRAL ARIZONA PROJECT WATER IS OTHERWISE UNAVAILABLE OR UNDELIVERABLE.~~

(c) Affiliate water storage permits held by the authority with storage facility permits.

(d) Store water for purposes of this chapter at permitted storage facilities.

(e) Distribute long-term storage credits earned ACCRUED OR PURCHASED by the authority to make water available to municipal and industrial users of Colorado river water in this state that are inside or outside of the CAWCD service area, in accordance with the provisions of this chapter.

(f) Store Colorado river water in Arizona on behalf of appropriately authorized agencies in California and Nevada.

(g) Cause a decrease in Arizona diversions from the Colorado river, ensuring that Arizona will use less than its full entitlement to Colorado river water in years in which California and Nevada agencies are contractually authorized to call on the water stored on their behalf by the authority.

(h) Distribute long-term storage credits earned ACCRUED OR PURCHASED by the authority on behalf of agencies in California and Nevada to Colorado river water users in Arizona to use in place of Colorado river water that would have otherwise been used by those Arizona users.

(i) Replenish water pursuant to chapter 15, article 3 of this title, including entering into an intergovernmental agreement with the Gila river Indian community pursuant to section 45-2624.

(j) Distribute long-term storage credits earned ACCRUED OR PURCHASED by the authority to make water available to Indian communities in this state for Indian firming measures pursuant to article 5 of this chapter.

8. Sue and be sued.

9. Perform all other acts necessary for the authority to carry out its purposes, powers and duties in accordance with this chapter.

10. Submit a request for a general fund appropriation to the legislature each year. A request shall be accompanied by a budget detailing how the appropriation would be used and justifying the need for the appropriation.

11. Form temporary committees as deemed necessary by the authority to provide the authority with advice on issues identified by the authority. Advisory committees may consist of members of the public selected by the authority, members of the authority and authority staff.

~~12. Purchase long term storage credits accrued by an Indian community pursuant to section 45-841.01, provided such long term storage credits are distributed or extinguished in accordance with the rules of operation specified in section 45-2457 for the funds used by the authority to purchase the credits.~~

Sec. 2. Section 45-2457, Arizona Revised Statutes, is amended to read:

45-2457. Accounting; rules of operation

A. The authority shall develop an accounting system for the long-term storage credits accrued **OR PURCHASED** by the authority. The accounting system shall be designed to allow the authority to determine which funding source of the banking fund paid for each long-term storage credit accrued **OR PURCHASED** by the authority.

B. The authority shall operate in accordance with all of the following rules of operation:

1. The authority shall reserve a reasonable number of long-term storage credits accrued **OR PURCHASED** with general fund appropriations, other than general fund appropriations for replenishment under chapter 15, article 3 of this title, for the benefit of municipal and industrial users of Colorado river water in this state that are outside of the service area of CAWCD.

2. The authority may distribute long-term storage credits accrued **OR PURCHASED** with general fund appropriations, other than general fund appropriations for replenishment under chapter 15, article 3 of this title, for both of the following:

(a) To make water available to a municipal and industrial user of Colorado river water in this state that is outside of the service area of CAWCD, if both of the following apply:

(i) The municipal and industrial user would otherwise suffer a water shortage. The authority may distribute long-term credits to the extent reasonably necessary to offset the water shortage.

(ii) The authority collects reimbursement for the cost to the authority of replacing the long-term storage credits distributed. The authority may replace the long-term storage credits in any year it deems appropriate but shall use good faith efforts to replace the long-term storage credits at a reasonable cost to the person who is responsible for reimbursing the authority for the credits distributed.

(b) To make water available to CAWCD to the extent necessary for CAWCD to meet the demands of its municipal and industrial subcontractors, if all of the following apply:

(i) CAWCD's normal diversions from the Colorado river have been or will be disrupted by shortages on the river or by disruptions in the operation of the central Arizona project.

(ii) The authority does not distribute for this purpose the long-term storage credits reserved in accordance with paragraph 1 **OF THIS SUBSECTION**.

(iii) The authority collects reimbursement from CAWCD for the cost to the authority of replacing the long-term storage credits distributed. The authority may replace the long-term storage credits in any year it deems appropriate but shall use good faith efforts to replace the long-term storage credits at a reasonable cost to CAWCD.

3. The authority may distribute or extinguish long-term storage credits accrued **OR PURCHASED** with general fund appropriations, other than general fund appropriations for replenishment under chapter 15, article 3 of this title, to implement the settlement of water right claims by Indian communities in this state.

4. On request from the director, the authority may extinguish long-term storage credits accrued **or PURCHASED** with general fund appropriations, other than general fund appropriations for replenishment under chapter 15, article 3 of this title, to fulfill the water management objectives set forth in chapter 2 of this title.

5. The authority may exchange long-term storage credits accrued ~~OR PURCHASED~~ with general fund appropriations for long-term storage credits held by other persons if the long-term storage credits received by the authority were stored in a location that better enables the authority to fulfill the purposes and policies of this chapter than were the long-term storage credits exchanged by the authority. For the purposes of this paragraph, the authority may make exchanges of long-term storage credits stored in one active management area for long-term storage credits stored in a different active management area or of long-term storage credits stored in one groundwater basin for long-term storage credits stored in a different groundwater basin.

6. The authority shall distribute or extinguish long-term storage credits accrued ~~OR PURCHASED~~ 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. The authority may use the monies collected in the Pinal active management area under section 45-611, subsection C, paragraph 3 to acquire long-term storage credits for replenishment purposes under chapter 15, article 3 of this title.

7. The authority shall distribute long-term storage credits accrued ~~OR PURCHASED~~ 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.

8. For each county within the CAWCD service area, on a determination by the authority that the number of long-term storage credits accrued ~~OR PURCHASED~~ with monies deposited in the fund in accordance with section 48-3715.03, subsection B exceeds the needs specified in paragraph 7 ~~OF THIS SUBSECTION~~ for that county, the authority shall distribute those excess long-term storage credits to municipal water providers within that county that are at the time of distribution experiencing surface water supply shortages not associated with the central Arizona project. The authority shall distribute to each such municipal water provider the lesser of the following number of long-term storage credits:

(a) The total number of credits determined to be available by the authority under this paragraph multiplied by the percentage produced by dividing a numerator equaling the amount of revenues paid pursuant to section 48-3715.02, subsections B and C by taxpayers that are within both the boundaries of the municipal provider that is experiencing the shortage and the boundaries of the surface water supply system that is experiencing the shortage by a denominator equaling the total revenues paid pursuant to section 48-3715.02, subsections B and C by all

taxpayers that are located within both the boundaries of a municipal water provider and the boundaries of a surface water supply system in the county. In making these computations, the authority shall use the amounts of revenue paid by taxpayers during the most recent tax year for which this information is available.

(b) Twenty per cent of the total surface water shortage that the municipal and industrial water provider is experiencing.

9. The authority shall distribute or replace long-term storage credits accrued with monies collected pursuant to water banking services agreements in accordance with the terms of those agreements.

10. The authority shall acquire sufficient water supplies to perform its replenishment responsibilities under chapter 15, article 3 of this title. The authority shall acquire those water supplies with monies appropriated from the state general fund by the legislature for replenishment under chapter 15, article 3 of this title and to the extent that monies appropriated by the legislature for that purpose are not available, with monies collected in the Pinal active management area under section 45-611, subsection C, paragraph 3. The authority shall use the water supplies acquired pursuant to this paragraph for any replenishment activity authorized by section 45-2623 and for implementation of the southside replenishment bank established by section 45-2624, including delivering water directly to the Gila river Indian community for those purposes.

C. Any other long-term storage credits accrued **OR PURCHASED** by the authority may be distributed or extinguished by the authority in accordance with the policy and purposes of this chapter.

D. Except as provided by subsection B, paragraph 7 of this section and except as provided by agreements entered into by the authority, the decision to distribute or extinguish any long-term storage credit accrued **OR PURCHASED** by the authority is at the complete discretion of the authority.

Sec. 3. Section 45-2491, Arizona Revised Statutes, is amended to read:

45-2491. **State commitments to firm Indian settlement water**

A. The authority shall act as agent for this state in meeting this state's obligation to deliver water in times of shortage pursuant to Public Law 108-451, fulfilling the requirements of sections 105, 207(c)(I)(ii) and 302(b)(8), and the Indian firming measures established pursuant to this article. In carrying out this obligation the authority may:

1. Store water at permitted recharge facilities for the purpose of Indian firming.

2. PURCHASE LONG-TERM STORAGE CREDITS FOR THE PURPOSE OF INDIAN FIRING USING THE FUNDING SOURCES IDENTIFIED IN SUBSECTION B OF THIS SECTION, BUT ONLY AFTER THE AUTHORITY HAS STORED, OR SCHEDULED FOR STORAGE, ALL AVAILABLE EXCESS CENTRAL ARIZONA PROJECT WATER OR WHEN CENTRAL ARIZONA PROJECT WATER IS OTHERWISE UNAVAILABLE OR UNDELIVERABLE.

~~2.~~ 3. Enter into contracts or agreements with the United States and Indian communities for storage, recovery or direct delivery of water for Indian firming.

~~3.~~ 4. Enter into leasing agreements with one or more Indian communities in partnership with other entities for non-Indian agricultural priority or Indian priority central Arizona project water.

~~4.~~ 5. Enter into contracts for the use of water sources including Colorado river water, surface water other than Colorado river water and effluent.

~~5.~~ 6. Enter into contracts with eligible entities for the use of imported groundwater from allowable groundwater basins pursuant to sections 45-552, 45-553 and 45-554 for the purposes of Indian firming.

~~6.~~ 7. Enter into agreements with a multi-county water conservation district established pursuant to title 48, chapter 22 for delivery of water to Indian communities.

~~7.~~ 8. Subject to periodic review of progress toward meeting this state's Indian firming obligation, allow for the use of existing long-term storage credits developed from withdrawal fees collected pursuant to section 45-611, subsection C, paragraph 3.

~~8.~~ 9. Transfer long-term storage credits to a multi-county water conservation district established pursuant to title 48, chapter 22 for recovery and subsequent delivery to Indian communities in times of shortage.

~~9.~~~~10.~~ Enter into agreements for the recovery of long-term storage credits for purposes of Indian firming.

B. Indian firming measures established pursuant to this article shall include funding from the following sources:

1. Legislative appropriations provided for Indian firming on an annual basis to carry out Indian firming measures.

2. To the extent necessary to carry out Indian firming measures after expenditure of legislative appropriations, the authority may use withdrawal fees collected from the Phoenix, Pinal and Tucson active management area water management accounts.

DRAFT – 2/10/2014

Alternative to CAWCD staff
submittal drafted by AWBA &
ADWR staff

REFERENCE TITLE: **water banking authority; storage credits**
State of Arizona
House of Representatives
Fifty-first Legislature
Second Regular Session
2014

HB 2326

Introduced by

Representatives Shope: Orr

amending sections 45-2423, 45-2457 and 45-2491, Arizona Revised Statutes; relating to the arizona water banking authority.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 45-2423, Arizona Revised Statutes, is amended to read:

45-2423. Powers and duties of authority

A. The authority, acting through its commission, shall:

1. Administer the Arizona water banking fund in accordance with this chapter.
2. Coordinate its staffing needs with the director and CAWCD.
3. Coordinate the storage of water and distribution and extinguishment of long-term storage credits with the director in accordance with this chapter and the water management objectives set forth in chapter 2 of this title.
4. Coordinate with CAWCD for the purchase, delivery and storage of Colorado river water delivered through the central Arizona project in accordance with this chapter, **AND CONFER WITH CAWCD REGARDING THE PURCHASE OF LONG-TERM STORAGE CREDITS FOR WHICH CAWCD WILL BE THE RECOVERY AGENT.**
5. Coordinate and confer with state agencies, municipal corporations, special districts, authorities, other political subdivisions, private entities, Indian communities and the United States on matters within their jurisdiction relating to the policy and purposes of this chapter.
6. Determine, on an annual basis, the quantity of Colorado river water, surface water other than Colorado river water and effluent to be stored by the authority, ~~and~~ where that storage will occur **AND THE VOLUME OF LONG-TERM STORAGE CREDITS TO BE PURCHASED BY THE AUTHORITY.**
7. Account for, hold and distribute or extinguish long-term storage credits in accordance with this chapter.

8. Comply with all aspects of chapter 3.1 of this title.
 9. Perform the authority's replenishment responsibilities under chapter 15, article 3 of this title with monies appropriated from the state general fund by the legislature for that purpose and to the extent that monies appropriated by the legislature for that purpose are not available, with monies collected in the Pinal active management area pursuant to section 45-611, subsection C, paragraph 3.
 10. Carry out the obligations of this state under section 105 of Public Law 108-451 as agent for this state, including the direct delivery of water to Indian communities in this state and the leasing of non-Indian agricultural priority and Indian priority central Arizona project water as prescribed by article 5 of this chapter.
 11. Adopt an official seal for the authentication of its records, decisions and resolutions.
 12. Keep the minutes of its meetings and all records, reports and other information relating to its work and programs in permanent form, systematically indexed and filed.
- B. The authority, acting through its commission, may:
1. Apply for and hold water storage permits.
 2. Accrue, **PURCHASE**, exchange, assign, lend and hold long-term storage credits in accordance with this chapter, **SUBJECT TO THE FOLLOWING:-**
 - (a) **EXCEPT FOR THE PURCHASE OF LONG-TERM STORAGE CREDITS FROM AN INDIAN COMMUNITY PURSUANT TO SECTION 45-841.01, THE AUTHORITY MAY PURCHASE LONG-TERM STORAGE CREDITS ONLY AFTER THE AUTHORITY HAS STORED, OR SCHEDULED FOR STORAGE, ALL AVAILABLE EXCESS CENTRAL ARIZONA PROJECT WATER OR WHEN CENTRAL ARIZONA PROJECT WATER IS OTHERWISE UNAVAILABLE OR UNDELIVERABLE.**
 - (b) **LONG-TERM STORAGE CREDITS ACCRUED OR PURCHASED BY THE AUTHORITY MUST BE DISTRIBUTED OR EXTINGUISHED IN ACCORDANCE WITH THE RULES OF OPERATION PRESCRIBED IN SECTION 45-2457, FOR THE MONIES USED BY THE AUTHORITY TO ACCRUE OR PURCHASE THE CREDITS.**
 3. Exchange Colorado river water for any type of water in accordance with chapter 4 of this title.
 4. Enter into water banking services agreements.
 5. Charge fees for water banking services.
 6. Apply for and hold any water quality permit required for water storage by the department of environmental quality under title 49, chapter 2, article 3 or by federal law.
 7. Make and execute all contracts, including intergovernmental agreements pursuant to title 11, chapter 7, article 3, that shall be signed by the chairperson, or in the chairperson's absence the vice-chairperson, and attested by the secretary, necessary to:
 - (a) Obtain for storage Colorado river water delivered through the central Arizona project. Agreements by which the authority obtains Colorado river water are exempt from the requirements of title 41, chapter 23.
 - (b) Obtain effluent or surface water other than Colorado river water for storage but only **AFTER** ~~after~~ ~~TO THE EXTENT THAT MONIES AND STORAGE CAPACITY ARE AVAILABLE TO~~ the authority **HAS STORED, OR SCHEDULED FOR STORAGE,** ~~has stored~~ ~~IN EXCESS OF THE AMOUNTS REQUIRED TO PURCHASE AND STORE~~ all

available excess Central Arizona project water or when central Arizona project water is otherwise unavailable or undeliverable.

(c) Affiliate water storage permits held by the authority with storage facility permits.

(d) Store water for purposes of this chapter at permitted storage facilities.

(e) Distribute long-term storage credits earned ACCRUED OR PURCHASED by the authority to make water available to municipal and industrial users of Colorado river water in this state that are inside or outside of the CAWCD service area, in accordance with the provisions of this chapter.

(f) Store Colorado river water in Arizona on behalf of appropriately authorized agencies in California and Nevada.

(g) Cause a decrease in Arizona diversions from the Colorado river, ensuring that Arizona will use less than its full entitlement to Colorado river water in years in which California and Nevada agencies are contractually authorized to call on the water stored on their behalf by the authority.

(h) Distribute long-term storage credits earned ACCRUED OR PURCHASED by the authority on behalf of agencies in California and Nevada to Colorado river water users in Arizona to use in place of Colorado river water that would have otherwise been used by those Arizona users.

(i) Replenish water pursuant to chapter 15, article 3 of this title, including entering into an intergovernmental agreement with the Gila river Indian community pursuant to section 45-2624.

(j) Distribute long-term storage credits earned ACCRUED OR PURCHASED by the authority to make water available to Indian communities in this state for Indian firming measures pursuant to article 5 of this chapter.

8. Sue and be sued.

9. Perform all other acts necessary for the authority to carry out its purposes, powers and duties in accordance with this chapter.

10. Submit a request for a general fund appropriation to the legislature each year. A request shall be accompanied by a budget detailing how the appropriation would be used and justifying the need for the appropriation.

11. Form temporary committees as deemed necessary by the authority to provide the authority with advice on issues identified by the authority. Advisory committees may consist of members of the public selected by the authority, members of the authority and authority staff.

~~12. Purchase long-term storage credits accrued by an Indian community pursuant to section 45-841.01, provided such long-term storage credits are distributed or extinguished in accordance with the rules of operation specified in section 45-2457 for the funds used by the authority to purchase the credits.~~

Sec. 2. Section 45-2457, Arizona Revised Statutes, is amended to read:

45-2457. Accounting; rules of operation

A. The authority shall develop an accounting system for the long-term storage credits accrued **OR PURCHASED** by the authority. The accounting system shall be designed to allow the authority to determine which funding source of the banking fund paid for each long-term storage credit accrued **OR PURCHASED** by the authority.

B. The authority shall operate in accordance with all of the following rules of operation:

1. The authority shall reserve a reasonable number of long-term storage credits accrued **OR PURCHASED** with general fund appropriations, other than general fund appropriations for replenishment under chapter 15, article 3 of this title, for the benefit of municipal and industrial users of Colorado river water in this state that are outside of the service area of CAWCD.
2. The authority may distribute long-term storage credits accrued **OR PURCHASED** with general fund appropriations, other than general fund appropriations for replenishment under chapter 15, article 3 of this title, for both of the following:
 - (a) To make water available to a municipal and industrial user of Colorado river water in this state that is outside of the service area of CAWCD, if both of the following apply:
 - (i) The municipal and industrial user would otherwise suffer a water shortage. The authority may distribute long-term credits to the extent reasonably necessary to offset the water shortage.
 - (ii) The authority collects reimbursement for the cost to the authority of replacing the long-term storage credits distributed. The authority may replace the long-term storage credits in any year it deems appropriate but shall use good faith efforts to replace the long-term storage credits at a reasonable cost to the person who is responsible for reimbursing the authority for the credits distributed.
 - (b) To make water available to CAWCD to the extent necessary for CAWCD to meet the demands of its municipal and industrial subcontractors, if all of the following apply:
 - (i) CAWCD's normal diversions from the Colorado river have been or will be disrupted by shortages on the river or by disruptions in the operation of the central Arizona project.
 - (ii) The authority does not distribute for this purpose the long-term storage credits reserved in accordance with paragraph 1 **OF THIS SUBSECTION**.
 - (iii) The authority collects reimbursement from CAWCD for the cost to the authority of replacing the long-term storage credits distributed. The authority may replace the long-term storage credits in any year it deems appropriate but shall use good faith efforts to replace the long-term storage credits at a reasonable cost to CAWCD.
3. The authority may distribute or extinguish long-term storage credits accrued **OR PURCHASED** with general fund appropriations, other than general fund appropriations for replenishment under chapter 15, article 3 of this title, to implement the settlement of water right claims by Indian communities in this state.
4. On request from the director, the authority may extinguish long-term storage credits accrued **or PURCHASED** with general fund appropriations, other than general fund appropriations for replenishment under chapter 15, article 3 of this title, to fulfill the water management objectives set forth in chapter 2 of this title.
5. The authority may exchange long-term storage credits accrued **OR PURCHASED** with general fund appropriations for long-term storage credits held by other persons if the long-term storage credits received by the authority were stored in a location that better enables the authority to fulfill the purposes and policies of this chapter than were the long-term storage credits exchanged by the authority. For the purposes of this paragraph, the authority may make exchanges of long-term storage credits stored in one active management area for long-term storage credits stored in a different active management area or of long-term storage credits stored

in one groundwater basin for long-term storage credits stored in a different groundwater basin.

6. The authority shall distribute or extinguish long-term storage credits accrued **OR PURCHASED** 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. The authority may use the monies collected in the Pinal active management area under section 45-611, subsection C, paragraph 3 to acquire long-term storage credits for replenishment purposes under chapter 15, article 3 of this title.

7. The authority shall distribute long-term storage credits accrued **OR PURCHASED** 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.

8. For each county within the CAWCD service area, on a determination by the authority that the number of long-term storage credits accrued **OR PURCHASED** with monies deposited in the fund in accordance with section 48-3715.03, subsection B exceeds the needs specified in paragraph 7 **OF THIS SUBSECTION** for that county, the authority shall distribute those excess long-term storage credits to municipal water providers within that county that are at the time of distribution experiencing surface water supply shortages not associated with the central Arizona project. The authority shall distribute to each such municipal water provider the lesser of the following number of long-term storage credits:

(a) The total number of credits determined to be available by the authority under this paragraph multiplied by the percentage produced by dividing a numerator equaling the amount of revenues paid pursuant to section 48-3715.02, subsections B and C by taxpayers that are within both the boundaries of the municipal provider that is experiencing the shortage and the boundaries of the surface water supply system that is experiencing the shortage by a denominator equaling the total revenues paid pursuant to section 48-3715.02, subsections B and C by all taxpayers that are located within both the boundaries of a municipal water provider and the boundaries of a surface water supply system in the county. In making these computations, the authority shall use the amounts of revenue paid by taxpayers during the most recent tax year for which this information is available.

(b) Twenty per cent of the total surface water shortage that the municipal and industrial water provider is experiencing.

9. The authority shall distribute or replace long-term storage credits accrued with monies collected pursuant to water banking services agreements in accordance with the terms of those agreements.

10. The authority shall acquire sufficient water supplies to perform its replenishment responsibilities under chapter 15, article 3 of this title. The authority shall acquire those water supplies with monies appropriated from the state general fund by the legislature for replenishment under chapter 15, article 3 of this title and to the extent that monies appropriated by the legislature for that purpose are not available, with monies collected in the Pinal active management area under section 45-611, subsection C, paragraph 3. The authority shall use the water supplies acquired pursuant to this paragraph for any replenishment activity authorized by section 45-2623 and for implementation of the southside replenishment bank established by section 45-2624, including delivering water directly to the Gila river Indian community for those purposes.

C. Any other long-term storage credits accrued **OR PURCHASED** by the authority may be distributed or extinguished by the authority in accordance with the policy and purposes of this chapter.

D. Except as provided by subsection B, paragraph 7 of this section and except as provided by agreements entered into by the authority, the decision to distribute or extinguish any long-term storage credit accrued **OR PURCHASED** by the authority is at the complete discretion of the authority.

Sec. 3. Section 45-2491, Arizona Revised Statutes, is amended to read:

45-2491. State commitments to firm Indian settlement water

A. The authority shall act as agent for this state in meeting this state's obligation to deliver water in times of shortage pursuant to Public Law 108-451, fulfilling the requirements of sections 105, 207(c)(I)(ii) and 302(b)(8), and the Indian firming measures established pursuant to this article. In carrying out this obligation the authority may:

1. Store water at permitted recharge facilities for the purpose of Indian firming.

2. **PURCHASE LONG-TERM STORAGE CREDITS FOR THE PURPOSE OF INDIAN FIRING USING THE FUNDING SOURCES IDENTIFIED IN SUBSECTION B OF THIS SECTION, BUT ONLY AFTER THE AUTHORITY HAS STORED, OR SCHEDULED FOR STORAGE, ALL AVAILABLE EXCESS CENTRAL ARIZONA PROJECT WATER OR WHEN CENTRAL ARIZONA PROJECT WATER IS OTHERWISE UNAVAILABLE OR UNDELIVERABLE.**

~~2.~~ 3. Enter into contracts or agreements with the United States and Indian communities for storage, recovery or direct delivery of water for Indian firming.

~~3.~~ 4. Enter into leasing agreements with one or more Indian communities in partnership with other entities for non-Indian agricultural priority or Indian priority central Arizona project water.

4. 5. Enter into contracts for the use of water sources including Colorado river water, surface water other than Colorado river water and effluent.

~~5.~~ 6. Enter into contracts with eligible entities for the use of imported groundwater from allowable groundwater basins pursuant to sections 45-552, 45-553 and 45-554 for the purposes of Indian firming.

~~6.~~ 7. Enter into agreements with a multi-county water conservation district established pursuant to title 48, chapter 22 for delivery of water to Indian communities.

~~7.~~ 8. Subject to periodic review of progress toward meeting this state's Indian firming obligation, allow for the use of existing long-term storage credits developed from withdrawal fees collected pursuant to section 45-611, subsection C, paragraph 3.

~~8.~~ 9. Transfer long-term storage credits to a multi-county water conservation district established pursuant to title 48, chapter 22 for recovery and subsequent delivery to Indian communities in times of shortage.

~~9.~~ 10. Enter into agreements for the recovery of long-term storage credits for purposes of Indian firming.

B. Indian firming measures established pursuant to this article shall include funding from the following sources:

1. Legislative appropriations provided for Indian firming on an annual basis to carry out Indian firming measures.

2. To the extent necessary to carry out Indian firming measures after expenditure of legislative appropriations, the authority may use withdrawal fees collected from the Phoenix, Pinal and Tucson active management area water management accounts.