

ARIZONA WATER BANKING AUTHORITY

Wednesday, June 21, 2000

No.	NAME (Please print)	Phone No.
1	Jeff Johnson	702-258-3948
2	Mary Reece	602-216-3884
3	Rich Siegel	602-236-2277
4	Mark Myers	520-742-0788
5	Alan Forrest	520-229-5000
6	Kathryn Sorensen	480 444 2947
7	Dan Shein	602-542-3146
8	Harry Ruzgiana	213 217 6082
9	Jim Davenport	702-486-2689
10	Beth Miller	480-312-5009
11	LANE M. LEONARD	480-988-9586
12	Floyd March	(602) 861-7450
13	Ed [unclear]	775-337-9398
14	Virginia O'Connell	602 417-2465
15	Shirlee Rhodes	602 263-9522
16	Rodic Cramer	520 669-2936
17	LINDA JAMES / R.S. LYNCH	602 254-5908
18	JAY MOYES	602 604 2106
19	Greg Bushner	480.517.9050
20	Dan Ty	480.782.3586
21	Jim Gibson	602 417-2400
22	John Newsome	623 869-2338
23	Paul Arne	623-465-0445
24	BRAD HILL	623-773-7213

No.	NAME (Please Print)	Phone No.
25	Cynthia Stefancic	542-2669
26	Suzanne Ticknor	371-1066
27	Kathy Jano	770-3800
28	Bob McLain	602-248-8482
29	Dennis Rul	520-791-2666
30	Dawn Nelson	602-216-3879
31	Bill Chase	602-261-8855
32	Tom Harban	623-869-2107
33	Dorothy Timken-Parker	775-885-5010
34	Kary Brothers	702-258-3939
35		
36	George Renner	
37	Tom Griffin	
38	Bill Chase	
39	Nina Warden	
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44		

Arizona Water Banking Authority
500 North Third Street, Phoenix, Arizona 85004
Telephone 602-417-2418
Fax 602-417-2401
Web Page: www.awba.state.az.us

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 June 21, 2000 at 10:00 a.m. at the Arizona Department of Water Resources, 500 North Third Street, Phoenix, Arizona 85004, third floor conference room. The meeting is open to the general public. A copy of the agenda for the meeting is posted below.

Dated this 9th day of June, 2000

FINAL AGENDA

Arizona Water Banking Authority Commission Meeting

- I. Welcome/Opening Remarks
- II. Approval of Minutes of March 14 and May 3 Meetings
- III. Water Banking Staff Activities
 - Deliveries
 - Newsletter
 - CAWCD Policy for Marketing Excess Water for Non-Indian Agriculture
 - Discussion Regarding Price Share at Groundwater Savings Facilities
 - Water Storage in Western Arizona
- IV. 1999 Annual Report
 - Overview of Annual Report
 - Adoption of Annual Report
- V. FY 2001 Operating Budget
- VI. Recovery Activities
 - Subcommittee Meeting
 - Core Group Meeting
 - Exchange Agreement with River Communities

VII. Interstate Storage and Release Agreements

- CAWCD Proposed Policy for Participation
- Update on Exploratory Discussions
 - Preliminary drafts of Storage and Release Agreement and Agreement for Development of ICUA

VIII. California Water Plan

IX. Call to the Public

Future Meeting Date:
Wednesday, September 20, 2000

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Nan Flores at (602) 417-2418. Requests should be made as early as possible to allow time to arrange the accommodation.

**ARIZONA WATER BANKING AUTHORITY
Draft Minutes**

**March 14, 2000
Arizona Department of Water Resources**



AUTHORITY MEMBERS
Rita Pearson Maguire, Chairman
Tom Griffin, Vice-Chairman
Bill Chase, Secretary
George Renner
Richard S. Walden

EX OFFICIO MEMBERS
Representative Gail Griffin
Senator Ken Bennett

Welcome/Opening Remarks

All members of the Authority were present except Tom Griffin, Sen. Ken Bennett and Rep. Gail Griffin.

Minutes

The Authority approved the minutes from the December 15, 1999 and January 26, 2000 meetings.

Water Bank Staff Activities

Tim Henley, manager of the AWBA, reviewed the current deliveries. The actual deliveries for January and February were very close to the planned deliveries for those months. Mr. Henley also informed the Authority that the Pima Mine Road Recharge (PMR) facility would close mid-March due to the permitted capacity being reached. The long term permit for PMR is currently being processed and it is anticipated that it will be issued sometime this summer. The Authority had some questions regarding the status of the Agua Fria Recharge facility and the capacity of GRUSP.

Mr. Henley discussed the AWBA newsletter which was developed to provide information between quarterly meetings. The first issue of the newsletter was published in February.

Interstate Storage and Release Agreements

Mr. Henley provided an update of the exploratory discussions being held with Southern Nevada Water Authority, Metropolitan Water District of Southern California and the Bureau of Reclamation. The discussion group, composed of Tim Henley, Mike Pearce of the ADWR, and Larry Dozier of CAWCD, has been utilizing the issues of negotiation which were identified in a handout at the January 26, 2000 meeting as a basis for the discussions. Mr. Henley presented a summary of the specific concerns of the three parties.

The Southern Nevada Water Authority and Metropolitan Water District of Southern California made presentations which described their water needs and what role they perceived the AWBA playing in their water planning process.

Mike Pearce distributed copies of a preliminary Storage and Release Agreement. He stated that it was his perception that this would be one of at least three agreements which would need to be drafted in the interstate storage process.

Mr. Henley stated that he would like the AWBA staff to be given the flexibility to hold special interstate banking exploratory discussion meetings outside of the scheduled water bank meetings. Ms. Pearson agreed and stated that the staff should be prepared to start scheduling these meetings.

Recovery Subcommittee

Mr. Henley informed the Authority that the Recovery Subcommittee met on March 2, 2000. Members of the subcommittee are Bill Chase and Tom Griffin. Mr. Henley stated that the meeting was informative and well attended, however, he anticipates better attendance by entities holding CAP subcontracts at the next meeting and desires to get more input from them. Mr. Henley stated that he will contact the river contractors and inform them of recovery meetings to allow them the

opportunity to attend and provide comment. The next meeting of the Recovery Subcommittee will be held sometime in May.

The update to the recovery database CD-ROM has been completed by WestLand Resources and it will be distributed in the near future to entities that provided information for the database.

1999 Annual Report

Gerry Wildeman presented an outline of the contents of the 1999 Annual Report which will be very similar to previous reports. The Authority will be able to view the annual report in draft form prior to the June meeting.

Mr. Henley discussed the 10 year plan development process and stated that there will likely be a 10 year plan meeting in April for staff and other interested parties.

Interstate Issues

Rita Pearson provided a brief update on the on-going negotiations occurring in California.

Call to the Public

Ms. Pearson concluded the meeting by stating that there may need to be a meeting prior to the regularly scheduled June meeting to discuss interstate banking issues. Mr. Henley stated that such a determination would be made at a later date and that the public would be informed in the standard manner.

Larry Dozier, of the CAWCD stated that the Central Arizona Project (CAP) has created a committee to discuss the issues of interstate banking. The members of that committee are George Renner, Karl Pollen, Van Donohoe and Steve Weatherspoon. The first meeting is to be held at the CAP office on March 16.

The next AWBA meeting is scheduled for Wednesday, June 21, 2000.

The meeting concluded at 12:25 p.m.

**ARIZONA WATER BANKING AUTHORITY
Draft Minutes**

**May 3, 2000
Arizona Department of Water Resources**



AUTHORITY MEMBERS
Rita Pearson Maguire, Chairman
Tom Griffin, Vice-Chairman
Bill Chase, Secretary
George Renner
Richard S. Walden

EX OFFICIO MEMBERS
Representative Gail Griffin
Senator Ken Bennett

This was a special meeting called to obtain a Commission vote on the approval of the storage agreement for the Lower Santa Cruz Replenishment Project.

Welcome/Opening Remarks

Rita Pearson, William Chase and Richard Walden were present at the meeting. Tom Griffin and George Renner participated in the meeting via conference call. Representative Gail Griffin and Senator Ken Bennett were absent.

Discussion and Action Item

Tim Henley, manager of the AWBA, explained that timing of CAWCD Board meetings necessitated today's meeting. By voting on the approval today, the AWBA could recharge water at the facility several months earlier than if the matter was presented at the June 21, 2000 meeting.

Mr. Henley informed the members that the AWBA received letters from the Town of Marana and Pima County supporting approval of the agreement. He then provided an overview of the storage agreement that is similar to other agreements between the AWBA and the CAWCD. Mr. Henley specifically discussed the cost component of this storage facility.

The Authority asked Mr. Henley if any public comment opposing the approval had been received. Mr. Henley replied that it had not. Authority members had questions regarding the magnitude and determination of the facility costs and whether costs would change if other entities utilized the facility. Mr. Henley and Tom Harbour of the CAP provided information regarding these questions. Some specific responses were: facility costs in the agreement are estimates and could change annually based on actual operational costs; the conveyance cost appears high due to the utilization of a private ditch (BKW), an energy component, and ditch modifications to allow its utilization; and the AWBA could decide annually (in the annual plan of operation) that facility costs were too high and recharge at the facility could be discontinued.

Richard Walden initiated discussion regarding recovery at the site. He said that he agreed that recharge in Pima County was beneficial but that he had some concerns whether the water would be available for recovery in the Tucson AMA due to the proximity of the site to the AMA boundary. There was then additional discussion regarding the general hydrology of the area and movement of water (both surface and ground) in the area surrounding the facility. Mr. Marv Cohen stated that he wanted to go on the record with similar concerns. Specifically, that he shared Mr. Walden's concerns regarding water movement when first recovery for firming of M&I supplies is not anticipated for approximately 30 years, and that other recovery issues may develop in the future because the recharge facility is within the boundaries covered by a trust agreement currently being negotiated by three parties. Rita Pearson stated that recovery issues are becoming increasingly important as the AWBA continues to evolve and that discussions of this nature are an important component of the decision making process of the AWBA.

In conclusion, Mr. Henley reiterated that the agreement only allows the AWBA to store at the facility, it does not require them to do so. Nor does the agreement bind the AWBA to a specific annual quantity of storage. If, in the future, alternative facilities are identified that are more cost effective or provide better recovery opportunities, the AWBA can cease recharging at this facility.

Mr. Renner moved that the AWBA approve the agreement. The motion carried unanimously and the agreement was signed.

Call to the Public

The meeting concluded at 8:30 a.m.

AWBA NEWSLETTER

Issue Number 2

May 2000

Recovery Database CD Distributed

On April 18, 2000 the AWBA distributed the CD containing the recovery GIS database to the primary contacts of municipal and industrial entities that provided information to the consultants or assisted with development of the database. There are a limited number of CD's available at the AWBA and additional copies can be prepared if needed.

In order to facilitate discussion at the next Recovery Subcommittee meeting, recipients of the CD were requested to be prepared to discuss the following with regard to recovery of a portion of their M&I subcontract when a shortage is declared on the Colorado River system:

1. Do you want to recover your own water and do you have the capability to do so?
2. Would you need to have water delivered?
3. Do you have the ability to recover more water than your own?
4. What assistance would you need to recover your own or additional water?

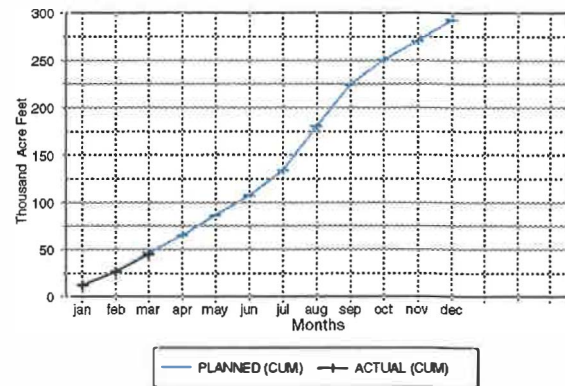
AWBA Approves Storage Agreement

The AWBA held a special meeting on May 3, 2000 to obtain a Commission vote on the approval of an agreement with CAP to store at the Lower Santa Cruz Replenishment Project. Due to the timing of AWBA and CAWCD Board meetings, obtaining approval at the special meeting allows the AWBA to recharge water at the facility at the earliest possible date.

Prior to the meeting, the AWBA received two letters supporting the agreement. Prior to the vote, there was discussion regarding cost of storage at the facility, other entities recharging at the facility, and recovery issues. Mr. George Renner moved that the AWBA approve the agreement, the motion carried unanimously and the agreement was signed.

AWBA Water Deliveries

2000 DELIVERIES (by Month)
Planned vs. Actual



February and March Water Deliveries

	Feb	March
Phoenix AMA	9,694 AF	10,925 AF
Pinal AMA	3,112 AF	6,361 AF
Tucson AMA	<u>1,678 AF</u>	<u>1,151 AF</u>
	14,484 AF	18,437 AF

Total Deliveries (through March) 45,245 AF

Senate Bill 1364 Signed Into Law

Senate Bill 1364, which grants the CAWCD the authority to acquire private property needed for state demonstration projects through an eminent domain action, was signed into law on April 4, 2000. For a complete description of the rights and limitations of the CAWCD under this legislation, please see Arizona Revised Statutes § 48-3719.

CAP Sets Preliminary 2001 Rates

On March 2, 2000 the Central Arizona Water Conservation District's Board approved the preliminary water rates for 2001. This preliminary rate schedule sets the AWBA and Incentive Recharge delivery rate at \$45 per acre foot, a \$1.00 increase over the 2000 rate. Final water rates for the year 2001 should be approved in June.

Recovery Subcommittee Meeting
Wednesday, **May 17, 2000 from 10-12 pm**
at ADWR Conference Room A

Draft Agenda

1. Discussion of Recovery Strategies
2. Open Discussion

**Public Meeting Regarding
AWBA Ten Year Plan**
Wednesday, **May 17, 2000 from 1-3 pm**
At ADWR Conference Room A

Draft Agenda

1. Presentation of draft 10 year plan to be included in the 1999 Annual Report
2. Open Discussion

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the Arizona Water Banking Authority at (602) 417-2418. Requests should be made as early as possible to allow time to arrange the accommodation.

MEETINGS

The next AWBA meeting is scheduled for **Wednesday, June 21, 2000** at the Arizona Department of Water Resources from 10:00-12:00 p.m.

Arizona Water Banking Authority

500 North Third Street
Phoenix, Arizona 85004

Web Page
www.awba.state.az.us

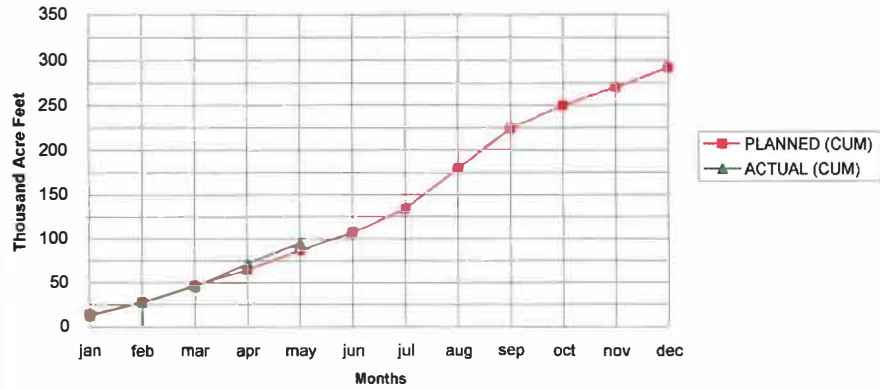
E-mail
tjhenley@adwr.state.az.us
glwildeman@adwr.state.az.us

TEL: 602-417-2418
FAX: 602-417-2401

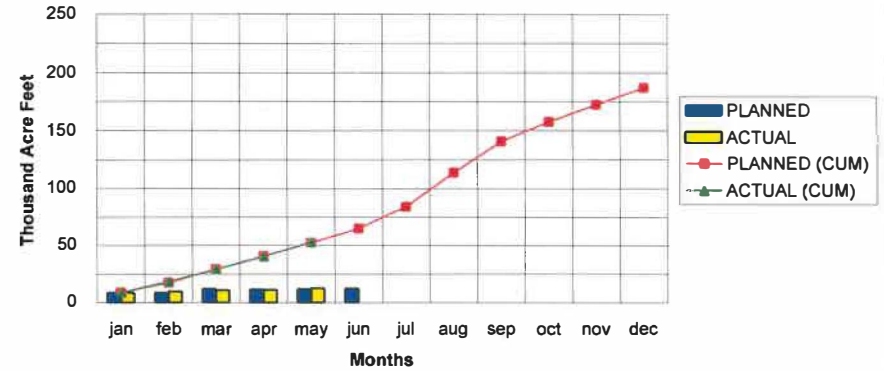
ARIZONA WATER BANKING AUTHORITY
500 North Third Street
Phoenix, Arizona 85004

2000 Plan of Operation

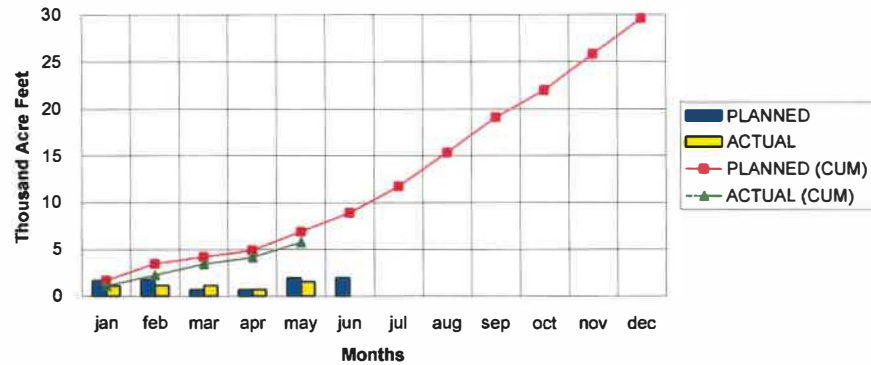
2000 DELIVERIES (by Month)
Planned vs. Actual



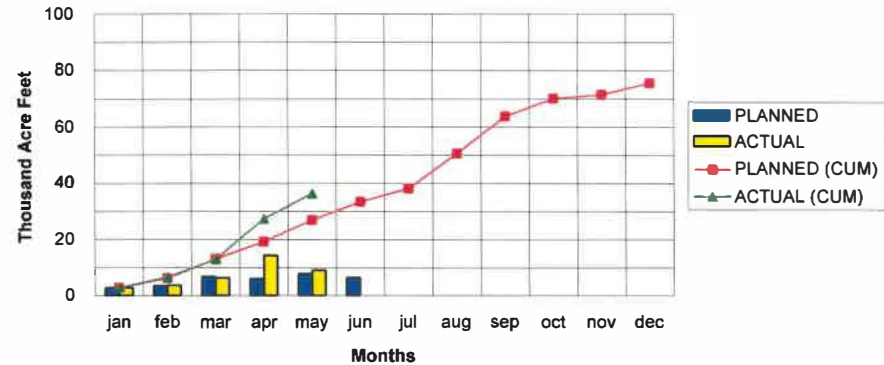
Phoenix AMA (by Month)
Planned vs. Actual



Tuscon AMA (by Month)
Planned vs. Actual



Pinal AMA (by Month)
Planned vs. Actual



Actual deliveries updated
Modified Plan of Operation

15-Jun-00
29-Nov-99

Phoenix AMA

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
GRUSP	6,553	6,617	6,623	4,846	7,216	6,600	6,600	6,600	6,600	6,600	6,600	6,600	78,055
	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	79,200
AGUA FRIA	0	0	0	0	0	0	2,500	2,500	2,500	2,500	2,500	2,500	15,000
	0	0	0	0	0	0	2,500	2,500	2,500	2,500	2,500	2,500	15,000
CHCID	83	136	0	0	99	126	100	100	100	191	100	0	1,035
	50	100	50	100	100	126	100	100	100	191	100	0	1,117
NMIDD	2,098	2,941	2,182	4,054	3,000	3,500	3,700	9,700	9,600	3,500	2,500	2,000	48,775
	2,000	2,000	3,200	2,500	3,000	3,500	3,700	9,700	9,600	3,500	2,500	2,000	47,200
QCID	0	0	0	0	0	0	3,946	7,270	3,720	1,600	1,050	2,460	20,046
	0	0	0	0	0	0	3,946	7,270	3,720	1,600	1,050	2,460	20,046
MWD	0	0	0	0	0	0	0	1,633	2,353	2,353	0	0	6,339
	0	0	0	0	0	0	0	1,633	2,353	2,353	0	0	6,339
TID	0	0	0	0	0	0	0	0	0	0	2,000	1,000	3,000
	0	0	0	0	0	0	0	0	0	0	2,000	1,000	3,000
SRP	0	0	2,120	2,120	2,120	2,120	2,120	2,120	2,120	0	0	0	14,840
	0	0	2,120	2,120	2,120	2,120	2,120	2,120	2,120	0	0	0	14,840
VIDLER MBT	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	8,734	9,694	10,925	11,020	12,435	12,346	18,966	29,923	26,993	16,744	14,750	14,560	187,090
Total to date	8,734	18,428	29,353	40,373	52,808	65,154	84,120	114,043	141,036	157,780	172,530	187,090	187,090
<i>Projected total to date</i>	<i>8,650</i>	<i>17,350</i>	<i>29,320</i>	<i>40,640</i>	<i>52,460</i>	<i>64,806</i>	<i>83,772</i>	<i>113,695</i>	<i>140,688</i>	<i>157,432</i>	<i>172,182</i>	<i>186,742</i>	<i>186,742</i>

Pinal AMA

CAIDD	0	0	0	0	0	0	0	1,451	8,506	4,184	482	377	15,000
	0	0	0	0	0	0	0	1,451	8,506	4,184	482	377	15,000
MSIDD	530	320	0	6,940	0	2,000	4,620	3,260	1,370	110	110	1,580	20,840
	530	0	320	0	320	2,000	4,620	3,260	1,370	110	110	1,580	14,220
HIDD	2,300	3,500	6,361	7,396	9,092	4,500	0	7,600	3,500	2,000	800	2,000	49,049
	2,300	3,500	6,500	6,000	7,500	4,500	0	7,600	3,500	2,000	800	2,000	46,200
Subtotal	2,830	3,820	6,361	14,336	9,092	6,500	4,620	12,311	13,376	6,294	1,392	3,957	84,889
Total to date	2,830	6,650	13,011	27,347	36,439	42,939	47,559	59,870	73,246	79,540	80,932	84,889	84,889
<i>Projected total to date</i>	<i>2,830</i>	<i>6,330</i>	<i>13,150</i>	<i>19,150</i>	<i>26,970</i>	<i>33,470</i>	<i>38,090</i>	<i>50,401</i>	<i>63,777</i>	<i>70,071</i>	<i>71,463</i>	<i>75,420</i>	<i>75,420</i>

Tucson AMA

Avra Valley	0	0	0	0	0	200	0	0	200	200	200	200	1,000
	200	200	200	200	200	200	0	0	200	200	200	200	2,000
CAVSARP	492	0	749	713	1,589	500	500	500	500	500	500	500	7,043
	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Pima Mine	630	1,178	402	0	0	1,300	1,300	1,300	1,300	1,300	1,300	1,300	11,310
	1,000	1,100	0	0	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	12,500
Lower Santa Cruz	0	0	0	0	0	0	1,000	1,800	1,800	900	1,800	1,800	9,100
	0	0	0	0	0	0	1,000	1,800	1,800	900	1,800	1,800	9,100
Kai/Avra	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	1,122	1,178	1,151	713	1,589	2,000	2,800	3,600	3,800	2,900	3,800	3,800	28,453
Total to date	1,122	2,300	3,451	4,164	5,753	7,753	10,553	14,153	17,953	20,853	24,653	28,453	28,453
<i>Projected total to date</i>	<i>1,700</i>	<i>3,500</i>	<i>4,200</i>	<i>4,900</i>	<i>6,900</i>	<i>8,900</i>	<i>11,700</i>	<i>15,300</i>	<i>19,100</i>	<i>22,000</i>	<i>25,800</i>	<i>29,600</i>	<i>29,600</i>

TOTAL	12,686	14,692	18,437	26,069	23,116	20,846	26,386	45,834	44,169	25,938	19,942	22,317	300,432
Total to date	12,686	27,378	45,815	71,884	95,000	115,846	142,232	188,066	232,235	258,173	278,115	300,432	300,432
<i>Projected total to date</i>	<i>13,180</i>	<i>27,180</i>	<i>46,670</i>	<i>64,690</i>	<i>86,330</i>	<i>107,176</i>	<i>133,562</i>	<i>179,396</i>	<i>223,565</i>	<i>249,503</i>	<i>269,445</i>	<i>291,762</i>	<i>291,762</i>



BOARD POLICY

ADOPTED BY CAP BOARD

May 18, 2000

CAWCD POLICY FOR MARKETING OF EXCESS WATER FOR NON-INDIAN AGRICULTURE USE - 2004 THROUGH 2030

BACKGROUND

The Repayment Settlement Stipulation provides that CAWCD may, at its discretion, establish programs for the sale of Excess Water in various categories and with different charges. It specifically provides for a category reserved exclusively for Non-Indian Agriculture (NIA).

As part of the overall water allocation resolution and to allow the GRIC settlement to proceed, the NIA subcontractors are being required to give up claims to long-term NIA water allocations. To convince them to do so, they must have an assurance of a reasonable supply of reasonably priced Excess Water beginning in 2004 when the current program expires and continuing through 2030. Staff analysis of future water supply, expected demands for Excess Water, and monthly delivery demands give assurance that CAWCD can commit to the highest priority of Excess Water and delivery capacity through 2030 for NIA use.

The attached discussion documents describe an exclusive category of NIA Excess Water beginning at 400,000 af with stepped reductions to 225,000 af ending in 2030. The price would be only the energy component of costs. There are certain restrictions that require use of some NIA water to be eligible for participation as a groundwater savings facility with a partner that is purchasing incentive priced recharge water.

POLICY

It is the policy of CAWCD to promote the continued use of Excess CAP Water by Non-Indian Agriculture (NIA). This policy establishes a program that provides:

- A. As long as Excess Water is available, CAWCD shall reserve and make available for exclusively NIA use at least 400,000 af/year for the period 2004 through 2016, 300,000 af/year for the period 2017 through 2023, and 225,000 af/year for the period 2024 through 2030. This use shall be the highest priority use for Excess Water.

- B. The charge for NIA use Excess Water will be equal to the Pumping Energy Charge established for delivery of water to long-term contractors and subcontractors.

- C. The right to monthly delivery capacity for scheduled NIA water shall be equal to the rights of long-term contractors and subcontractors.

- D. A program for determining the allocation of the NIA pool among eligible users and for determining the eligibility to participate as a groundwater savings facilities will be established. The final details are expected to be similar to the program described in the accompanying discussion documents.

NOTE: The definitions for Excess Water, Pumping Energy Charge, and long-term contractors and subcontractors are the definitions provided in the Repayment Settlement Stipulation.



BOARD POLICY

ADOPTED BY CAP BOARD

May 18, 2000

CAWCD POLICY FOR MARKETING OF EXCESS WATER FOR NON-INDIAN AGRICULTURE USE - 2004 THROUGH 2030

BACKGROUND

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As part of the overall water allocation resolution and to allow the GRIC settlement to proceed, the NIA subcontractors are being required to give up claims to long-term NIA water allocations. To convince them to do so, they must have an assurance of a reasonable supply of reasonably priced Excess Water beginning in 2004 when the current program expires and continuing through 2030. Staff analysis of future water supply, expected demands for Excess Water, and monthly delivery demands give assurance that CAWCD can commit to the highest priority of Excess Water and delivery capacity through 2030 for NIA use.

The attached discussion documents describe an exclusive category of NIA Excess Water beginning at 400,000 af with stepped reductions to 225,000 af ending in 2030. The price would be only the energy component of costs. There are certain restrictions that require use of some NIA water to be eligible for participation as a groundwater savings facility with a partner that is purchasing incentive priced recharge water.

POLICY

It is the policy of CAWCD to promote the continued use of Excess CAP Water by Non-Indian Agriculture (NIA). This policy establishes a program that provides:

- A. As long as Excess Water is available, CAWCD shall reserve and make available for exclusively NIA use at least 400,000 af/year for the period 2004 through 2016, 300,000 af/year for the period 2017 through 2023, and 225,000 af/year for the period 2024 through 2030. This use shall be the highest priority use for Excess Water.
- B. The charge for NIA use Excess Water will be equal to the Pumping Energy Charge established for delivery of water to long-term contractors and subcontractors.
- C. The right to monthly delivery capacity for scheduled NIA water shall be equal to the rights of long-term contractors and subcontractors.
- D. A program for determining the allocation of the NIA pool among eligible users and for determining the eligibility to participate as a groundwater savings facilities will be established.

NOTE: The definitions for Excess Water, Pumping Energy Charge, and long-term contractors and subcontractors are the definitions provided in the Repayment Settlement Stipulation.



05/5/00

CAP EXCESS WATER CATEGORIES AND PRICING - 2004-2030

Summary

The Repayment Settlement Stipulation provides that CAWCD may, at its discretion, establish programs for sale of Excess Water in various categories and with different charges. The Stipulation provides for, and anticipates categories reserved exclusively for non-Indian Agriculture use (NIA) and for the Arizona Water Banking Authority (AWBA). It also provides that the U.S. or Indian contractors shall have the right to purchase Excess Water from any category not reserved exclusively for NIA or the AWBA. This discussion paper describes a proposal for establishing categories of Excess Water, with particular eligibility criteria, priority, and price for each category.

The first category is for NIA use and is priced at energy rate 1. It is a limited pool beginning at 400,000 acre-feet (af) and declining to 225,000 af, and ending in 2030. It is the highest priority use for Excess Water and the only category with a commitment to 2030. All other categories are five year projections. The second category is reserved for the AWBA for in-state underground storage. It is priced at an incentive recharge rate which is energy rate 2 plus other costs as set by current policy (about \$5). The third category of Excess Water is set at full price, including any capital charge, and is available for sale to any user including the CAGR, cities, Ag entities, water companies, private entities, Indians, or federal. The Board may limit the amount of water available in this category or may elect to make this the second highest priority in

order to meet the needs of the CAGR. The fourth category would be any remaining available water for any use including NIA, Indian, federal, and recharge. There may be various subcategories and differing prices depending on the amount of water and competing demands. The fifth category is the last priority and is to be used by the AWBA for interstate storage purposes. The price will be as established by the Board consistent with state laws.

Excess Water is generally considered to be all Colorado River water available for delivery through the CAP under normal, shortage, or surplus conditions on the Colorado River that is in excess of the amounts scheduled for delivery under long-term contracts and subcontracts. It is specifically defined in the Stipulation. The categories and pricing discussed apply only to Excess Water; all long-term contract and subcontract orders will be scheduled ahead of Excess Water. Monthly delivery capacity limitations on those orders will be as established by contract or agreement. Staff analysis of the CAP system operational capability indicates we can meet the commitments of our long-term contractors and subcontractors and provide a similar level of service to Excess Water contractors.

The availability of Excess Water is determined annually. A contract for Excess Water does not provide any right for recurring use and does not imply right for permanent service. However, staff has made its best efforts to estimate the availability of Excess Water. Attached with this discussion paper is a table of Projected CAP Deliveries. We projected a fairly rapid rate of use for the Indian communities and M&I use. There is still enough Excess Water to meet CAGR needs, the projected NIA pool, and the AWBA needs with some water supply remaining. In addition, the projections assumed no declaration of surplus Colorado River supplies and we expect surplus criteria to be developed for Colorado River operations that will

include frequent surpluses for the next 15 years. While there can be no guarantees, our good faith, best effort projections indicate an ample supply for 20-30 years.

The Board will commit to a NIA category and pricing methodology through 2030. All other categories will be identified and established for a five year period. Each succeeding year, the Board will extend or change the program to identify the fifth year program.

The long-term commitment to price and priority for the NIA category is premised on the expectation of a satisfactory resolution of the CAP water allocation issues and the GRIC water rights settlement, as well as the long-term water supply and demand forecasts. A dramatic change in any of the assumed conditions could result in a policy review and change.

Discussion

CAWCD will establish a category of water for NIA use available at a reasonable price for the period 2004 through the year 2030 in order to facilitate several important purposes. Most importantly, a CAP objective was and is to replace Agricultural groundwater use with CAP water use to preserve groundwater resources. The Stipulation fixed the non-interest bearing portion of the CAP repayment at 27%. This agreement was based on the assumption that an NIA program similar to the program proposed would be implemented. Agricultural use is a must if we intend to bring most or all of our Colorado River allocation into Arizona. In the past few years, use of the current Ag pool water has exceeded 500,000 af per year, about 35% to 50% of total CAP use. In addition, Ag has participated through in-lieu recharge for an additional 200,000 af to 350,000 af. Also, as a part of the GRIC settlement, the GRIC insists that certain irrigation districts have a reasonably priced long-term Ag pool available so that the irrigation districts will use CAP water

instead of pumping groundwater which contributes to groundwater moving away from the GRIC reservation area.

In order to make water available to facilitate the Indian water rights settlements, NIA users must terminate their long-term subcontract rights. The NIA users insist upon access to a supply of CAP water in reasonable amounts and at a reasonable price as a condition of release of their long-term rights.

CAWCD recognizes it is desirable that NIA water be available to all NIA users at the same price, regardless of whether or not the irrigation district has or had a subcontract or federal distribution system debt. All irrigation districts and other current Ag users will be given the opportunity to elect to participate or not participate in the NIA category Excess Water program.

As part of CAP's role in helping to manage central Arizona's groundwater resource, it is important that we continue to have direct Agricultural use of CAP water in addition to in-lieu recharge. We recognize that as a result of cost sharing with the AWBA or other incentive recharge partners, the price of the NIA Excess Water, at variable cost (energy rate 1), will probably be more expensive for the agricultural entity than in-lieu water delivered to a groundwater savings facility (GSF). In order to ensure continued direct Ag use of CAP water, CAWCD will require the use of NIA Excess Water as a condition of participating in in-lieu arrangements with purchasers of CAP water at the incentive recharge rate. The attached Ag Pool Allocations paper discusses the allocation of .5 acre-feet per acre as a minimum level of participation for NIA users in Maricopa and Pima counties. Many of the city partners at the GSF facilities would prefer a smaller or no requirement for NIA use prior to in-lieu use. CAWCD and

ADWR feel .5 acre-feet per acre is a very nominal commitment for direct NIA use before beginning development of long-term underground storage credits. It is approximately 10% of the groundwater duty. To allow a lower requirement would amount to totally ignoring CAP purposes and GMA requirements to use reasonably available CAP water directly before you are allowed to store CAP water.

An alternative proposed by some of the cities is to allow the in-lieu partner to leave an additional 10% for a total of 15% of the recharged water as a “cut for the aquifer” if the in-lieu partner did not participate in the NIA Program. More specifically, M&I entities who purchase CAP water at the incentive recharge rate for long-term underground storage will have the following options if using an agricultural user for an in-lieu partner at a GSF.

1. The Ag user must use all of its allocated share of the NIA Excess Water, then it can take as much incentive-priced in-lieu water as is consistent with availability, need, and the GSF permit. NIA category and in-lieu water can be delivered concurrently, but end of calendar-year total use must account for all NIA category usage.
2. If the Ag user does not participate in the NIA category or does not use all of its allocation of the NIA category, then incentive priced in-lieu water from the AWBA category or possibly the fourth category may be available to the GSF storing partner at one acre foot of in-lieu for each acre foot of NIA water purchased. Some NIA category water may be available for others if not all of the NIA category water is ordered by the participants or if other NIA Excess Water is available in the fourth category.

3. If the Ag user does not order NIA category Excess Water due to pricing, RRA ineligibility, or any other reason, the M&I partner may be able to purchase Excess Water at the rate established in the fourth category, but will be required to accept a lesser credit for later recovery. Current state law requires a 5% reduction in the recovery of stored water as a “cut for the aquifer” to help meet overall groundwater management goals. In recognition of these goals and the lower cost incentive recharge rate, the M&I partner will leave an additional 10% “cut for the aquifer” for a recovery right of 85% of the stored water. A second option is to allow credits for 95% of the stored water if the irrigation district, which is the GSF Partner, also delivers a surface water supply and 50% of the credits are committed to use to offset shortages in those surface water supplies. The other 50% of the credits will be available for use by the M&I partner as permitted by appropriate state law.

4. If the M&I partner and the Ag user (GSF operator) do not wish to participate under any of the above conditions, the M&I entity may purchase Excess Water from the full cost category, if available, or regular subcontract water for in-lieu recharge.

Attached is a NIA Category Allocations paper that includes a table that illustrates some options of allocations of NIA category Excess Water to agricultural entities.

We believe that customers for Excess Water at the full OM&R plus capital rate, such as CAGR, should have the opportunity to purchase Excess Water. We also expect the CAGR to acquire some long-term subcontracts for M&I priority water and to apply for some NIA priority water in the future. We do expect the CAGR to be a customer for Excess Water. It will be

necessary to make certain commitments to the NIA users who relinquish their subcontract allocations. In addition, it is important that a reasonable supply of water be available for the AWBA in order to meet shortage protection goals. CAWCD staff must periodically provide the Board with information necessary to establish the amount of water and price in the NIA and AWBA categories so that we may also ensure the needs of the CAGR are met. Staff analysis indicates there is a sufficient water supply to meet all of those needs through 2030. In consideration of the principles stated above, CAWCD proposes to establish the following categories of Excess Water:

NIA Category - This category is exclusively for non-Indian Ag use and is the highest priority Excess Water category. For the period 2004 through 2030, CAWCD will establish an NIA pool beginning at 400,000 af, declining to 300,000 af beginning in 2017, and further declining to 225,000 af in 2024. All irrigation districts and other Ag user entities would be given an opportunity to elect to participate in the pool. The level of participation (water share) will be based on the CAP eligible irrigable acres within the entity's service area. The acreage included to determine the proportionate share will be CAP eligible acres that are capable of receiving CAP water service and are dependent on a groundwater supply. If eligible acres convert to M&I use, the proportionate share for the participant will be recalculated. Such review and recalculation will be done every three (3) years. If the initial allocation does not require the entire available pool or if in any year a participant does not elect to schedule its full share, the remaining amount will be offered to other pool participants pro rata until it is fully scheduled or there are no further requests. Participants should keep in mind the requirement to use the NIA category Excess Water as one of the prerequisites to in-lieu participation with incentive recharge partners.

The price for this NIA category shall be the energy rate 1 as established by the CAWCD Board of Directors.

AWBA Category - This category is established exclusively for use by the AWBA for underground storage to meet the in-state purposes of the AWBA. The size of the pool and price shall be as established by the CAWCD Board of Directors. Current Board policy has established the price at energy rate 2, plus 10% of the fixed OM&R rate component, and a component for lost revenues.

Full Cost Category - This is the most expensive category. It may be used for the CAGR, direct M&I, recharge, Ag, Indian, federal, or any other use at the full OM&R and capital cost or at the rate established by the CAWCD Board if different from full cost recovery. The Board shall, if necessary, limit the size of the pool after taking into account the available Excess Water supply and commitments to deliver water to the NIA category and the AWBA category.

Other Category - The remaining available water supply after meeting the orders in NIA, AWBA and Full Cost categories will be available for other Ag use, Indian use, miscellaneous use, federal use, or underground storage by Arizona entities (other than CAGR) who do not have long-term contracts or subcontracts or who have used all water available under such contracts. Different prices, eligibility criteria or delivery constraints may be established for different uses. The price will be as established by the Board of Directors, but is expected to be no less than incremental delivery cost - energy rate 2, an OM&R component and a lost revenue component.

Interstate Storage Category- Any remaining Excess Water may be marketed to the AWBA for interstate storage. The price will be as established by the Board of Directors and will include full OM&R, energy rate 2, a capital charge, an in-lieu tax charge, and an administrative charge.

If in any year the orders for water in any category exceeds the water available in that category, CAWCD will develop a procedure to apportion the supply.

Attachments

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May 11, 2000 (11:58AM)

PROJECTED CAP DELIVERIES RESULTING FROM SETTLEMENT

UNITS = 1,000 AF

03/23/2000

Year	Long Term Contracts				Excess Water			Total
	Indian On Reservation (Inc. Ak-Chin)	Total M&I Demand	Indian Leases	M&I Sub	Ag Pool	CAGR D & Full Cost Excess	AWBA & Other Uses	
1999	68	241	33	200	558	8	383	1,250
2000	65	249	50	189	619	10	458	1,391
2001	89	271	41	218	584	12	530	1,474
2002	102	293	47	232	539	14	481	1,415
2003	107	315	79	219	498	17	495	1,415
2004	117	337	85	234	400	18	561	1,415
2005	126	359	99	240	400	20	530	1,415
2006	138	382	113	247	400	22	495	1,415
2007	150	403	127	259	400	17	462	1,415
2008	162	425	141	266	400	18	428	1,415
2009	174	447	155	273	400	19	394	1,415
2010	186	470	169	280	400	21	359	1,415
2011	198	482	183	277	400	22	335	1,415
2012	210	495	197	275	400	23	310	1,415
2013	222	508	211	273	400	24	285	1,415
2014	234	521	225	271	400	25	260	1,415
2015	246	534	225	283	400	26	235	1,415
2016	258	546	225	294	400	27	211	1,415
2017	270	559	225	307	300	27	286	1,415
2018	282	572	225	319	300	28	261	1,415
2019	294	585	225	330	300	30	236	1,415
2020	306	598	225	341	300	32	211	1,415
2021	318	611	225	353	300	33	186	1,415
2022	330	624	225	365	300	34	161	1,415
2023	342	637	225	376	300	36	136	1,415
2024	354	650	225	387	225	38	186	1,415
2025	366	663	225	398	225	40	161	1,415
2026	378	677	225	410	225	42	135	1,415
2027	390	690	225	421	225	44	110	1,415
2028	402	703	225	432	225	46	85	1,415
2029	414	716	225	443	225	48	60	1,415
2030	440	729	225	454	225	50	21	1,415
2031	440	740	225	463	235	52	0	1,415
2032	440	751	225	469	224	57	0	1,415
2033	440	762	225	477	213	60	0	1,415
2034	440	773	225	483	202	65	0	1,415
2035	440	784	225	489	191	70	0	1,415
2036	440	795	225	495	180	75	0	1,415
2037	440	806	225	506	169	75	0	1,415
2038	440	816	225	516	159	75	0	1,415
2039	440	827	225	527	148	75	0	1,415
2040	440	838	225	538	137	75	0	1,415
2041	440	849	225	549	126	75	0	1,415
2042	440	860	225	560	115	75	0	1,415
2043	440	871	225	571	104	75	0	1,415
2044	440	882	225	582	93	75	0	1,415
2045	440	893	225	593	82	75	0	1,415
2046	440	904	225	604	71	75	0	1,415

Total =

9,446



AG POOL ALLOCATIONS 2004 - 2030

CAWCD will establish an incentive price Ag water pool for the period 2004-2030 as discussed in the companion document entitled CAP Excess Water Pools and Pricing 2004-2030. Attached are some examples of how this pool might be allocated.

The initial pool will consist of 400,000 af. Allocation of the pool among users will be based on CAP eligible, irrigable acres that are RRA eligible. If any entity has a surface water supply, the eligible acreage will be reduced to represent only the acreage that is dependent on a groundwater supply. Eligible acreage will be determined by CAWCD after consultation with the Ag users and the DWR. Information regarding RRA eligibility must be consistent with information provided by the USBR. Also, the conditions of the Groundwater Savings Facility permit will be considered.

As a part of the GRIC Settlement, it is desirable that those irrigation districts that border the reservation or potentially impact groundwater levels within the reservation boundaries, be allocated a significant amount of CAP Ag water. Therefore, MSIDD, CAIDD, Hohokam ID, SCIDD, and NMIDD were allocated 1.3 af/acre. The HVID has a history of purchasing substantial amounts of Ag water and has not been used as a Groundwater Savings Facility with in-lieu partners. To help support their historic demand, HVID was allocated 1 af/acre. The

remaining irrigation districts and Ag user entities located in the Maricopa and Pima AMAs were allocated .5 af/acre. Those Ag users have more opportunities to participate as GSF partners and in some cases, would prefer to take no NIA water. However, CAWCD and ADWR believe that in consideration of groundwater management goals, we must insist on at least a reasonable but nominal use of NIA water as a condition of participation in a GSF. Under some circumstances, this may not fully allocate the 400,000 af pool. Any amount remaining will be offered to the participating districts and if necessary, will be prorated based on the eligible acres of those districts requesting additional water. If any pool water remains unscheduled, it may be offered to other CAP eligible Ag users who did not elect to participate in the pool.

It is possible that some entities may be able to use Ag pool water only if surplus conditions on the Colorado River result in waiver of certain RRA eligibility requirements. CAWCD will consider expanding the size of the Ag pool under surplus conditions or will make the additional water available to Ag users from Pool excess water.

Attachments

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CAP NIA Pool

Standard Allocation

	<u>Eligible Acres</u>	<u>Acre-feet per Acre</u>	<u>Initial Volume</u>
Central Arizona	87,102	1.3	113,233
Chandler Heights	1,119	0.5	560
Cortaro-Marana	11,500	0.5	5,750
Harquahala	33,250	1.0	33,250
Hohokam	27,588	1.3	35,864
Maricopa-Stanfield	86,617	1.3	112,602
MWD	8,000	0.5	4,000
New Magma	27,325	1.3	35,523
Queen Creek	18,112	0.5	9,056
Roosevelt WCD	18,000	0.5	9,000
SRP	12,000	0.5	6,000
San Carlos	25,884	1.3	33,649
San Tan	2,826	0.5	1,413
Tonopah	<u>3,437</u>	0.5	<u>1,719</u>
Total	362,760		401,618

Non-RRA Allocation

	<u>Eligible Acres</u>	<u>Acre-feet per Acre</u>	<u>Initial Volume</u>
BKW	5,000	0.5	2,500
FICO	6,194	0.5	3,097
Kai	<u>2,000</u>	0.5	<u>1,000</u>
Total	13,194		6,597



Summary of AWBA Recharge Recovery Meeting¹ May 17, 2000

1. Subcommittee Members Present

William Chase and Tom Griffin were present at the meeting.

2. Introduction and Discussion

Tim Henley, manager of the AWBA, introduced the meeting by briefly reviewing previous meetings of the Recovery Subcommittee and the discussion questions that had been given to M&I subcontract entities. Mr. Henley stated that Peoria and Avondale had submitted their responses to the questions in writing as they were unable to attend the meeting. He also informed the participants that this meeting was focused on intrastate recovery during times of shortage but discussions regarding mechanisms for interstate recovery would need to be initiated soon. Open discussion followed Mr. Henley's introduction.

Topics of discussion included the following:

1. The process by which river communities would obtain water during a shortage declaration and the AWBA's role in that process. Mr. Henley stated that the process would most likely entail exchange agreements and the AWBA's role would be to supply credits to insure wet water for the exchange. It was recognized that exchange agreements should be developed simultaneously with development of a recovery protocol.
2. The idea that recovery should not even be an issue because entities that cannot get sufficient CAP water will pump groundwater to deliver to customers under the belief that restrictions on pumping will be lessened when a drought is declared.
3. Preferences regarding recovery scenarios for the holders of municipal and industrial subcontracts. Glendale, Scottsdale, Mesa and Phoenix would prefer delivery to treatment facilities due to infrastructure, well capacity, water quality and other limitations. Peoria and Avondale expressed the preference to recover their own water.

¹Please note that these are not formal minutes but a summary of discussion and action of the meeting. Official minutes are prepared prior to the next Authority meeting and are approved at that meeting.

4. Possible restrictions on quality of water being pumped into the CAP could influence recovery.
5. Entities that could assist with recovery were identified as follows: the CAGR (would be a suitable recovery mechanism because they are already utilizing a groundwater system); Tucson Water (still may have some issues with water quality); Town of Marana and other Pinal County water users; Gila River Indian Community (through a potential exchange agreement); Salt River Project; and the City of Phoenix (could play a small role, currently only use 4% from wells).
6. Recovery for a shortage declaration not anticipated until approximately 2028, however, interstate recovery has a shorter timeline (perhaps 2015). An interstate recovery protocol could be used as a trial for intrastate recovery.

Mr. Henley stated that, based on the discussion, it is his perception that there exists a core group of entities that have the operational flexibility to participate in development of recovery strategies. He also stated that those individuals and their ability to provide water for transfers, agreements, etc. will be the focus of future meetings.

3. Conclusion

The next meeting will be a meeting of the smaller group discussed above and will focus on specifics.

The core group was identified as: Salt River Project, Tucson Water, CAGR, AWBA, CAP, Pinal County water users, and the City of Phoenix. Other entities wishing to be included should contact AWBA staff.

The meeting adjourned at 11:20 a.m.

Please note that these are not formal minutes but a summary of discussion and action of the meeting. Official minutes are prepared prior to the next Authority meeting and are approved at that meeting.

**CAWCD POLICY FOR PARTICIPATION IN INTERSTATE OFFSTREAM
UNDERGROUND STORAGE THROUGH THE AUTHORITY
OF THE ARIZONA WATER BANKING AUTHORITY**

Background

CAWCD had a key role in the formation of the Arizona Water Banking Authority (AWBA). One of the driving issues was to more fully use Arizona's Colorado River water supply and the CAP system. CAWCD is the operating arm of the AWBA. The CAWCD Board President is, by statute, a member on the AWBA. Another member of the five person Authority is a CAP M&I customer. CAWCD collects a property tax that is the largest source of AWBA funding. As the AWBA moves forward to accomplish its mission, CAWCD will have a lead role in storing water and in the recovery and delivery of the stored water. These activities must occur for in-state purposes but will be increased and accelerated by interstate banking. CAWCD will be involved in four major areas of an interstate storage arrangement: 1) a water delivery; 2) storage; 3) recovery; and 4) creation of Intentionally Created Unused Apportionment (ICUA).

In developing this Policy, CAWCD should ensure that it supports the policy and goals of the AWBA and ADWR and does not negatively impact CAP contractors and subcontractors.

Policy

It is the Policy of CAWCD to assist the AWBA in implementing an Interstate Offstream Water Banking Program provided that:

- A. The Excess Water available for Interstate use shall be the last priority of Excess Water.

- B. The cost of Excess Water to the AWBA for Interstate use will include a full Fixed O&M charge, the highest established Pumping Energy Charge, an M&I Capital Charge, and In-lieu property tax charge.
- C. The storage and recovery of Excess CAP water is consistent with state water management goals and CAP operational needs and is not directed by the interstate entity.
- D. The CAWCD is a party to any recovery agreements that use the CAP system or deliver water to a CAP contractor or subcontractor.
- E. The CAWCD is a party to any agreement for the creation of Intentionally Created Unused Apportionment (ICUA).
- F. The interstate entity has a formal water resource plan that plans for an end to the reliance on interstate storage.

Summary Page

Scenario 1 GSF Partners start at \$2

Year	CAP Water (AF)	Total Banked (AF)		Carryover Million \$	Banked in GSF (AF)		Banked in USF (AF)		CAP Water (AF) Remaining
	Available	Deliveries	Credits		Deliveries	Credits	Deliveries	Credits	
2001	530,000	417,000	374,100	\$ 28.85	182,000	163,300	235,000	210,800	113,000
2002	481,000	417,000	373,900	\$ 27.67	182,000	163,200	235,000	210,700	64,000
2003	495,000	417,000	374,100	\$ 25.13	182,000	163,300	235,000	210,800	78,000
2004	561,000	417,000	374,100	\$ 22.29	182,000	163,300	235,000	210,800	144,000
2005	530,000	415,000	372,200	\$ 18.81	180,000	161,400	235,000	210,800	115,000
2006	495,000	415,000	372,100	\$ 14.81	180,000	161,400	235,000	210,700	80,000
2007	462,000	415,000	372,300	\$ 9.95	180,000	161,500	235,000	210,800	47,000
2008	428,000	415,000	372,300	\$ 4.10	180,000	161,500	235,000	210,800	13,000
2009	394,000	378,000	339,500	\$ (0.01)	180,000	161,500	198,000	178,000	16,000
2010	359,000	320,000	286,400	\$ 0.00	180,000	161,000	140,000	125,400	39,000
2011	335,000	309,000	277,100	\$ 0.01	175,000	156,800	134,000	120,300	26,000
2012	310,000	300,000	268,400	\$ 0.00	171,000	153,000	129,000	115,400	10,000
2013	292,000	290,000	260,100	\$ (0.00)	167,000	149,500	123,000	110,600	2,000
2014	310,000	279,000	250,000	\$ 0.00	162,000	145,300	117,000	104,700	31,000
2015	285,000	267,000	239,400	\$ 0.01	156,000	140,100	111,000	99,300	18,000
2016	261,000	259,000	232,300	\$ 0.01	154,000	138,100	105,000	94,200	2,000
2017									
2018									
TOTAL	6,528,000	5,730,000	5,138,300		2,793,000	2,504,200	2,937,000	2,634,100	798,000

STORAGE AND INTERSTATE RELEASE AGREEMENT

Among

The Secretary of the United States Department of the Interior, the United States Bureau of Reclamation, the Arizona Water Banking Authority, the Colorado River Commission of Nevada and the Southern Nevada Water Authority

1. Recitals of Authority

- 1.1. The Secretary of the United States Department of the Interior and the United States Bureau of Reclamation are authorized to enter into Storage and Interstate Release Agreements pursuant to 43 C.F.R. Part 414.
- 1.2. The Arizona Water Banking Authority is expressly authorized by A.R.S. § 45-2401 *et seq.* to enter into Storage and Interstate Release Agreements and develop Intentionally Created Unused Apportionment. 43 C.F.R. § 414.2.
- 1.3. The Colorado River Commission is authorized by N.R.S. § 538.186 to enter into this Agreement, together with and for the benefit of the Southern Nevada Water Authority, a Nevada joint powers agency and political subdivision of the State of Nevada, created by agreement dated July 25, 1991, as amended November 17, 1994 and January 1, 1996, pursuant to N.R.S. § 277.074 and 277.120. The Southern Nevada Water Authority is also authorized by N.R.S. § 538.186 to enter into this Agreement and acquire the right to use Intentionally Created Unused Apportionment. 43 CFR § 414.2.

2. Definitions

- 2.1. For Purposes of this Storage and Interstate Release Agreement, terms that are defined in Article I of the Decree in *Arizona v. California*, 376 U.S. 340 (1964), terms that are defined in Arizona Revised Statutes (A.R.S.) Title 45, Chapter 3.1, and terms that are defined in 43 C.F.R. Part 414 shall have the meaning there stated. The following terms shall have the meaning defined here, unless the context manifestly requires otherwise. All defined terms shall be identified by initial capitalization.

- 2.1.1. "ADWR" shall mean the Arizona Department of Water Resources.

- 2.1.2. "Agreement" shall mean this Storage and Interstate Recovery Agreement.
- 2.1.3. "Agreement for Development of Intentionally Created Unused Apportionment" shall mean that agreement between AWBA and the Central Arizona Water Conservation District describing the terms for replacing the use of Central Arizona Project water with water recovered from storage and forbearing diversions by the State of Arizona from the mainstream of the Colorado River through the Central Arizona Project.
- 2.1.4. "AWBA" shall mean the Arizona Water Banking Authority.
- 2.1.5. "Bureau of Reclamation" shall mean the United States Bureau of Reclamation, Lower Colorado River Region, at the Regional offices in Boulder City, Nevada.
- 2.1.6. "CAP" shall mean the Central Arizona Project, as authorized by the Colorado River Basin Project Act, 43 U.S.C. § 1501 *et seq.*, and as operated under that certain master repayment contract dated December 1, 1988, Contract No. 14-06-W-245 between CAWCD and the United States Bureau of Reclamation, as amended.
- 2.1.7. "CAWCD" shall mean the Central Arizona Water Conservation District.
- 2.1.8. "CRC/SNWA" shall mean collectively the Colorado River Commission of the State of Nevada and the Southern Nevada Water Authority.
- 2.1.9. "Decree" shall mean the Decree entered by the United States Supreme Court in *Arizona v. California*, 376 U.S. 340 (1964) as supplemented.
- 2.1.10. "ICUA" shall mean Intentionally Created Unused Apportionment as defined in 43 C.F.R. Part 414.
- 2.1.11. "Interstate Water Banking Financial Agreement" shall mean that agreement between AWBA and CRC/SNWA stating the terms for the allocation of cost for the storage of water under this Agreement.
- 2.1.12. "Year" shall mean calendar year.

3. Term of Agreement

- 3.1. This Agreement shall commence on the date of execution by all parties and shall continue until December 31, 2050; provided however that after 2025, the Agreement shall terminate when all water stored for the benefit of the State of Nevada under this Agreement has been released by the Secretary for the benefit of Nevada, whichever is sooner.

4. Water Storage

- 4.1. This Agreement shall govern the storage of Colorado River water by the AWBA in the State of Arizona on behalf of the State of Nevada for the benefit of the CRC/SNWA.
- 4.2. This Agreement shall allow the storage of _____ acre feet of water per Year, up to a maximum of _____ acre feet of total storage over the term of this Agreement.
- 4.3. The water to be stored under this Agreement may be water within unused Basic Apportionment of Arizona, or may be water within the unused Surplus Apportionment of Arizona.
- 4.4. Water stored under this Agreement that is within Arizona's Basic Apportionment or Arizona's Surplus Apportionment shall be offered to all entitlement holders within Arizona before it is stored under this Agreement as provided in 43 CFR § 414.3(a)(2).
- 4.5. No water shall be stored under this Agreement in any Year until the AWBA determines that it will also store the maximum feasible amount of water for Arizona in that Year.
 - 4.5.1. In making this determination, AWBA shall use a ten-year planning horizon, taking into account the ability of the State of Arizona to increase overall storage as the proposed facilities identified in the AWBA Storage Facility Inventory begin operation.
- 4.6. The AWBA shall establish with ADWR a long term storage subaccount under A.R.S. § 45-852.01 for this Agreement. AWBA shall each Year verify that the amount of long term storage credits posted to the account by ADWR for the preceding year is the correct amount under applicable Arizona law, and shall and prepare an account of all water stored under this Agreement for the benefit of the State of Nevada by September 1 of the following Year. 43 CFR § 414.3(a)(5).
 - 4.6.1. The amount of water stored under this Agreement for the benefit of Nevada shall mean the cumulative amount of long term storage credits posted each Year by ADWR to the AWBA long term storage subaccount established by ADWR and AWBA for this Agreement.
 - 4.6.2. Accrual of long term storage credits by AWBA under this Agreement by storage of water at certain Storage Facilities does not mean that the water represented by those long term storage credits will be recovered from the same location.

- 4.7. The records of all parties to this Agreement that relate to the storage of water shall be open to inspection by any other party.

5. Storage of Nevada Unused Apportionment

- 5.1. Water allocated to the State of Nevada under the Decree may be used for storage under this Agreement if the following conditions are met. 43 CFR § 414.3(a)(3)
 - 5.1.1. Water within Nevada's Basic or Surplus Apportionment has been offered for use in the State of Nevada and will not be used.
 - 5.1.2. The Secretary of the Interior, through the Bureau of Reclamation, has decided that such unused Nevada Basic or Surplus Apportionment shall be released for Consumptive Use within Arizona under Article II(B)(6) of the 1964 Decree.
 - 5.1.3. The water released to Arizona under Article II(B)(6) of the 1964 Decree has been offered to all Entitlement holders within Arizona in their respective order of priority and such water still remains unused.
 - 5.1.4. The AWBA has agreed that it will accept delivery of such water and store it for the benefit of Nevada.

6. Storage Facilities

- 6.1. Water stored under this Agreement shall be stored in the Underground Storage Facilities and Groundwater Savings Facilities for which AWBA has or will enter into storage agreements. 43 CFR § 414.3(a)(1)
 - 6.1.1. All water stored under this Agreement shall be stored in the Underground Storage Facilities and Groundwater Savings Facilities that are listed either as proposed or existing facilities in the Arizona Water Banking Authority Storage Facilities Inventory, dated March 1, 1997.
 - 6.1.2. Additional Storage Facilities may only be used for the storage of water under this Agreement if approved in writing by the parties.
- 6.2. In any given Year, the water to be stored for the benefit of the State of Nevada shall be directed to storage facilities in the sole discretion of AWBA. The specific facilities shall be identified in the AWBA Annual Plan of Operation, adopted by AWBA in accordance with A.R.S. § 45-2456 by January 1 of each Year.

- 6.2.1. The AWBA Annual Plan of Operation shall be subject to modification in the sole discretion of AWBA in accordance with A.R.S. § 45-2456.
- 6.2.2. AWBA shall notify CRC/SNWA and the Bureau of Reclamation of any change in the storage of water under this Agreement caused by a change in the Annual Plan of Operation. Any change in the cost of storage caused by a change in the Annual Operating Plan shall be allocated between AWBA and CRC/SNWA in accordance with the Interstate Water Banking Financial Agreement.
- 6.3. Before any water is directed to storage facilities for the benefit of the State of Nevada, the AWBA shall determine that there is adequate storage capacity for all water to be stored for the benefit of the State of Arizona in that Year.
 - 6.3.1. In making this determination, AWBA agrees that it shall use a ten-year planning horizon, taking into account the ability of the State of Arizona to increase overall storage as the proposed facilities identified in the AWBA Storage Facility Inventory actually begin operation.

7. Creation of Intentionally Created Unused Apportionment

- 7.1. That certain contract with CAWCD entitled Agreement for Development of Intentionally Created Unused Apportionment shall control the development of ICUA by the State of Arizona, through the AWBA, for purposes of this Agreement.
- 7.2. AWBA shall decide how stored water will be recovered under this Agreement, taking into account water management considerations within Arizona. The Agreement for Development of Intentionally Created Unused Apportionment shall identify the actions to be taken by CAWCD to reduce its consumptive use of mainstream Colorado River water while maintaining full delivery of contractor, subcontractor and excess water users orders.
- 7.3. To develop ICUA for purposes of this Agreement, AWBA shall cause CAWCD to reduce its delivery of water diverted from the mainstream Colorado River at the Mark Wilmer (Havasu) pumping plant by causing the delivery of recovered water to fill water orders by CAP contractors, subcontractors and excess water users. 43 CFR § 414.3(a)(8)(i). The Agreement for Development of Intentionally Created Unused Apportionment shall provide that AWBA may enforce CAWCD's reduction in use of mainstream Colorado River water in any Year in which ICUA is to be released by the Secretary for use in the State of Nevada. 43 CFR § 414.3(a)(9).
- 7.4. CRC/SNWA shall notify AWBA no later than October 1 of each Year if SNWA will request the development of ICUA in the following Year. Such

request shall be in writing and shall specify the quantity of the requested ICUA. A copy of such request shall be provided to each Lower Division State. 43 CFR § 414.3(a)(7).

- 7.4.1 CRC/SNWA shall prepare and deliver to AWBA no later than June 1 of each year a written preliminary estimate of the anticipated request for development of ICUA in the following year, and shall cooperate with AWBA between June 1 and October 1 to make AWBA aware of any change in the preliminary request for development of ICUA.
- 7.4.2 CRC/SNWA shall include in the October 1 request for development of ICUA a written preliminary estimate of the requested ICUA for the next two years. CRC/SNWA shall promptly notify AWBA if there is reason to believe that the preliminary estimate for the next two years is likely to change.
- 7.5. When ICUA is developed and certification of that development is made to the Secretary in accordance with the terms of this Agreement, the Secretary shall acknowledge that bona fide recipients of CAP water have voluntarily exchanged Colorado River water for water recovered on behalf of AWBA. The Colorado River water made available for the benefit of the State of Nevada by such exchange shall not thereafter be available for delivery to an Arizona Entitlement Holder in that year.
- 7.5.1 The exchange described in this Agreement is not an exchange within the meaning of A.R.S. § 45-1001, *et seq.*
- 7.6. When ICUA is developed and certification of that development is made to the Secretary in accordance with the terms of this Agreement, the Secretary shall reduce the appropriate balances of water stored for the benefit of the State of Nevada under the terms of this Agreement and deem that amount of water to have been released by the Secretary for use by a Consuming Entity in accordance with 43 C.F.R. § 414.4(b)(3) unless:
- 7.6.1 CRC/SNWA consults with AWBA and AWBA agrees that the creation of ICUA can be reversed within the Year;
- 7.6.2 AWBA agrees to prevent the development of ICUA within the year; and
- 7.6.3 AWBA certifies to the Secretary that a specific quantity of ICUA shall not be developed and requests that the Secretary restore that quantity to the balance of the account of water stored for the benefit of Nevada under the terms of this Agreement.

- 7.7. CRC/SNWA may not request the development of ICUA in an amount that exceeds the quantity of water stored by AWBA for the benefit of the State of Nevada. 43 CFR § 414.3(a)(5)
- 7.8. The quantity of ICUA that may be developed and made available for release for use within the State of Nevada shall not exceed 100,000 acre feet per Year. 43 CFR § 414.3(a)(4).
- 7.9. In years in which the Secretary of the Interior has declared shortage conditions on the mainstream of the Colorado River, AWBA shall be under no obligation to develop ICUA or make water available for the benefit of Nevada under the terms of this Agreement.
- 7.10. All actions that AWBA and CAWCD shall take to develop ICUA shall be consistent with the laws of the State of Arizona. 43 CFR § 414.3(a)(8)(ii).
- 7.11. AWBA shall give notice to all Colorado River water Entitlement Holders in Arizona, including Indian Tribes, of the request by CRC/SNWA to develop ICUA and the opportunities, if any, for entitlement holders to participate in the development of ICUA. The Parties acknowledge that the opportunities for development of ICUA may be limited by the terms of the Agreement to Develop Intentionally Created Unused Apportionment.
- 7.12. The Agreement for Development of Intentionally Created Unused Apportionment shall establish a procedure for verifying development of ICUA by CAWCD. AWBA shall prepare an account to CRC/SNWA and the Bureau of Reclamation describing the manner in which the ICUA was developed. 43 CFR § 414.3(a)(11).
- 7.13. There shall be no overrun/deficiency accounting of ICUA to allow excess ICUA to be carried over to the next Year, or a deficiency in ICUA to be made up in the next Year.
- 8. Release of Intentionally Created Unused Apportionment**
- 8.1. The release of ICUA may only take place in accordance with the Secretary's obligations under federal law. 43 CFR § 414.3(a)(4).
- 8.2. If CRC/SNWA intends to request recovery of stored water from AWBA under this Agreement, CRC/SNWA shall file a written request that the Secretary release ICUA to the State of Nevada. Such request shall be filed by October 1 of the current Year for a release of ICUA in the following Year. The request shall specify the quantity of ICUA to be released by the Secretary. A copy of the request shall be provided to each Lower Division State. 43 CFR §414.3(a)(7).

- 8.3. Upon receipt of a request to release ICUA, AWBA shall, if the appropriate conditions under the terms of this Agreement have been met, certify to the Secretary that ICUA will be developed. The certification shall identify the quantity, the means and the entity by which ICUA will be developed. The certification shall include a request that the Secretary make the ICUA available to CRC/SNWA by release of water for consumptive use in the State of Nevada under Article II(B)(6) of the Decree and this Agreement.
- 8.4. Upon receipt of a request to release ICUA, and upon verification that sufficient water has been stored to honor such request, and upon verification that ICUA will be developed by AWBA in the Year of release, the Secretary through the Bureau of Reclamation shall release the ICUA for consumptive use within the State of Nevada. The release shall be in accordance with the request of CRC/SNWA, in accordance with the terms of this Agreement, and in accordance with the Boulder Canyon Project Act of 1928, Article II(B)(6) of the 1964 Decree and all other applicable laws and executive orders. 43 CFR § 414.3(a)(12).

9. General Provisions

- 9.1 This Agreement is intended to operate in strict compliance with the Decree. In the event that there is any inconsistency between this Agreement and the Decree, the Decree shall govern.
- 9.2 The Secretary acknowledges that the development of ICUA under the terms of this Agreement may not result in an acre foot for acre foot reduction in the diversions of the entity that develops the ICUA. The Secretary recognizes that the Decree must be enforced fairly against all Entitlement Holders and excess diversion by an Entitlement Holder that is not participating in the development of ICUA cannot be offset by reducing diversions to another Entitlement Holder merely because the latter Entitlement Holder is participating in the development of ICUA.

10. Notices

- 10.1. All notices required by this Agreement shall be sent, as required, to the following addresses.
- 10.1.1. Arizona Water Banking Authority
500 North Third Street
Phoenix, Arizona 85004
(602) 417- 2418
- 10.1.2 Colorado River Commission of Nevada
- 10.1.3 Southern Nevada Water Authority

10.1.4 United States Secretary of the Interior

10.1.5 United States Bureau of Reclamation, Lower Colorado Region

In Witness of this Agreement, the Parties affix their official signatures below, acknowledging execution of this document on the ____ day of _____, 2000.

DRAFT

AGREEMENT FOR THE DEVELOPMENT OF INTENTIONALLY CREATED UNUSED APPORTIONMENT

Between

The Arizona Water Banking Authority and the Central Arizona Water
Conservation District

1. Recitals of Authority

- 1.1. The Arizona Water Banking Authority is an agency of the State of Arizona expressly authorized by A.R.S. § 45-2401 *et seq.* to develop Intentionally Created Unused Apportionment on behalf of the State of Arizona.
- 1.2. The Central Arizona Water Conservation District is a political subdivision of the State of Arizona created under A.R.S. § 48-3701 *et seq.* and empowered to operate the Central Arizona Project.

2. Definitions

- 2.1. For purposes of this Agreement to Develop Intentionally Created Unused Apportionment, terms that are defined in Article I of the Decree in *Arizona v. California*, 376 U.S. 340 (1964), terms that are defined in Arizona Revised Statutes (A.R.S.) Title 45, Chapter 3.1, and terms that are defined in 43 C.F.R. Part 414 shall have the meaning there stated. The following terms shall have the meaning defined here, unless the context manifestly requires otherwise. All defined terms shall be identified by initial capitalization.
 - 2.1.1. “Agreement” shall mean this Agreement to Develop Intentionally Created Unused Apportionment.
 - 2.1.2. “AWBA” shall mean the Arizona Water Banking Authority.
 - 2.1.3. “Bureau of Reclamation” shall mean the United States Bureau of Reclamation, Lower Colorado Region.
 - 2.1.4. “CAWCD” shall mean the Central Arizona Water Conservation District.
 - 2.1.5. “CAP” shall mean the Central Arizona Project, as authorized by the Colorado River Basin Project Act, 43 U.S.C. § 1501 *et*

seq., and as operated under that certain master repayment contract dated December 1, 1988, Contract No. 14-06-W-245 between CAWCD and the United States Bureau of Reclamation, as amended.

2.1.6. “Credit” shall mean Long Term Storage Credit as defined in A.R.S. § 45-802.01(11).

2.1.7. “ICUA” shall mean Intentionally Created Unused Apportionment as that term is defined in 43 C.F.R. § 414.2.

2.1.8. “1964 Decree” shall mean the Decree entered by the United States Supreme Court in the matter of *Arizona v. California*, 376 U.S. 340 (1964).

2.1.9. “Master Repayment Contract” shall mean that Contract No. 14-06-W-245 dated December 1, 1988 between CAWCD and the United States Bureau of Reclamation, as amended.

2.1.10. “Project Works” shall have the meaning ascribed in the Master Repayment Contract.

2.1.11. “Secretary” shall mean the Secretary of the United States Department of the Interior.

2.1.12. “Year” shall mean calendar year.

3. Purpose of this Agreement

3.1. This Agreement is entered into between AWBA and CAWCD to facilitate and implement one or more Storage and Interstate Release Agreements entered into by AWBA under the authority of A.R.S. § 45-2471 and 43 C.F.R. Part 414, relating to the interstate banking and recovery of water in the Lower Division of the Colorado River basin.

3.2. The purpose of this Agreement is to provide a contractual mechanism by which AWBA can develop ICUA by causing water previously stored by AWBA in Arizona to be recovered and delivered to customers of the CAP in exchange for water that would have otherwise been diverted through Project Works from the mainstream of the Colorado River.

3.2.1 The exchange described in this Agreement is not an exchange as defined in A.R.S. § 45-1001, *et seq.*

- 3.3. By exchanging water in the manner aforesaid, AWBA is statutorily authorized to contractually forebear a portion of Arizona's entitlement to water from the mainstream of the Colorado River, as that entitlement is defined in the 1964 Decree. Once contractually forborne by AWBA, Colorado River water that would have otherwise been diverted into Arizona becomes unused allocation within the meaning of Article II(B)(6) of the 1964 Decree, and is subject to release by the Secretary for consumptive use in another Lower Division state.
- 3.4. Under authority of 43 C.F.R. Part 414, the Secretary may enter into one or more Storage and Interstate Release Agreements whereby the Secretary will agree to release the ICUA developed pursuant to this Agreement for consumptive use in certain Lower Division States in accordance with the specific terms of those Storage and Interstate Release Agreements.
- 3.5. This Agreement shall provide the means by which AWBA, as a party to the Storage and Interstate Release Agreement, shall ensure that Arizona's consumptive use of Colorado River water will be decreased by a quantity sufficient to develop the requested quantity of ICUA and that any actions taken by AWBA to develop the requested quantity of ICUA shall be consistent with the laws of the State of Arizona, all in accordance with 43 C.F.R. § 414.3(a)(8) and the Storage and Interstate Release Agreements.
- 4. Recovery of Water Stored for Interstate Purposes; Interstate Recovery Schedule**
- 4.1. AWBA shall distribute long term storage credits accrued through the use of monies paid under an Storage and Interstate Recovery Agreement to CAWCD upon receipt of a request, made in accordance with such Storage and Interstate Recovery Agreement, for the development of ICUA.
- 4.2. AWBA shall require that a request for the development of ICUA by a party to a Storage and Interstate Release Agreement be made by October 1 of a Year for development of ICUA in the following Year. AWBA shall also require that a preliminary estimate of the request for development of ICUA be made by June 1 of a Year for the following Year. Upon receipt of such a preliminary estimate and upon receipt of the October 1 request, AWBA shall develop an Interstate Recovery Schedule in cooperation with CAWCD to withdraw water in certain specified locations within the State at certain specified times throughout the Year.
- 4.3. The water to be recovered by CAWCD under this Agreement may be recovered exclusively by CAWCD, blended with other CAP water and delivered to CAWCD water customers. In the alternative, AWBA and CAWCD may elect to contract with individual contractors or subcontractors in an arrangement whereby the contractors or subcontractors will accept AWBA credits and agree to recover water in exchange for water that would have otherwise been delivered by CAWCD. If AWBA and CAWCD elect to

contract with individual contractors and subcontractors, the Interstate Recovery Schedule shall identify which entity or entities within the CAP service area shall receive the credits in place of normal CAP deliveries in that Year

- 4.4. The Interstate Recovery Schedule shall be designed develop sufficient ICUA to meet a valid request under a Storage and Interstate Release Agreement and to develop that ICUA in a manner consistent with Arizona law and with minimal impact to other Arizona water users. The Interstate Recovery Schedule shall be completed no later than December 1 of the Year in which the request for ICUA is made.

5.0 Development of ICUA

- 5.1 Upon receipt of a valid request to develop ICUA by a party to a Storage and Interstate Release Agreement, AWBA shall consult with CAWCD and CAWCD shall provide AWBA with the total projected water orders for the upcoming Year. AWBA and CAWCD shall jointly prepare a certification to be executed by AWBA and delivered to the Bureau of Reclamation identifying the amount of water that CAWCD would have delivered to its customers in the upcoming Year, but for an obligation under a Storage and Interstate Release Agreement to develop ICUA. This certification shall be entitled the Upcoming Year Delivery Certification.
- 5.2 AWBA and CAWCD shall jointly prepare a certification to be executed by AWBA and delivered to the Bureau of Reclamation identifying the amount of water to be recovered under the Interstate Recovery Schedule for the upcoming Year. This certification shall be entitled the Interstate Recovery Schedule Certification.
- 5.3 AWBA and CAWCD shall then jointly prepare a certification to be executed by AWBA and delivered to the Bureau of Reclamation stating that CAWCD shall reduce the projected deliveries of water from the mainstream of the Colorado River by the amount of water specified in the Interstate Recovery Schedule Certification. This certification shall be entitled the Development of ICUA Certification.
- 5.4 The three certifications described above may be combined in one document and shall be delivered to the Bureau of Reclamation no later than December 31 of the year in which the request for development of ICUA was received pursuant to a Storage and Interstate Release Agreement.
- 5.5 Upon delivery of the Development of ICUA Certification to the Bureau of Reclamation, CAWCD shall be obligated to use credits provided by AWBA to reduce deliveries of water from the mainstream of the Colorado

River to its customers in the amount specified in the Interstate Recovery Schedule and Development of ICUA Certifications.

5.6 Upon delivery of the Development of ICUA Certification to the Bureau of Reclamation, AWBA shall have the right to specifically enforce the recovery of water and the reduction of delivery by CAWCD of water from the mainstream of the Colorado River. Such right may be asserted in any court of competent jurisdiction. CAWCD acknowledges that money damages shall not be adequate to compensate for a breach of the obligation to reduce deliveries of water from the mainstream of the Colorado River. AWBA's rights under the terms of this Agreement may be enforced by mandatory injunction.

6.0 Compensation to CAWCD for Interstate Banking

6.1 AWBA shall collect sufficient funding from a Consuming Entity under a Storage and Interstate Release Agreement to compensate CAWCD for all costs, including costs that are subsidized, directly or indirectly, by the State of Arizona or its political subdivision, associated with the recovery of stored water for interstate purposes and the delivery of stored water in exchange for CAP project water for the purpose of creating ICUA.

6.2 AWBA shall transmit funds to CAWCD on a quarterly basis, commencing with the first quarter on April 1 of each year, in payment for the costs of interstate banking operations as defined in this Agreement.

In Witness of this Agreement, the Parties affix their official signatures below, acknowledging execution of this document on the _____ day of _____, 2000.



SOUTHERN NEVADA
WATER AUTHORITY

RECEIVED
LYNDON OFFICE
200 APR -7 PM 2: 22

Administrative Office
1001 S. Valley View Blvd.
Las Vegas, Nevada 89153
Telephone: (702) 258-3939
Fax: (702) 258-3268

Project Office
1900 E. Flamingo, Ste. 170
Las Vegas, Nevada 89119
Telephone: (702) 862-3400
Fax: (702) 862-3470

Southern Nevada Water System
243 Lakeshore Road
Boulder City, NV 89005
Telephone: (702) 564-7697
Fax: (702) 564-7222

April 5, 2000

Deanna Miller
Director of Resource Management
U.S. Bureau of Reclamation
Lower Colorado Regional Office
P.O. Box 61470
Boulder City, NV 89006-1470

Dear Ms. Miller:

SUBJECT: SOUTHERN NEVADA WATER AUTHORITY COOPERATIVE
AGREEMENT NO. SNWA95-C-0011, USBR NO. 5-CR-30-P1127, COST
AUTHORITY 1753-89R4

This letter authorizes the U.S. Bureau of Reclamation (Reclamation) to provide assistance to the Southern Nevada Water Authority (Authority) for the completion of an Interstate Storage and Release Agreement under the subject agreement. This authorization includes Reclamation's services on reviewing and executing the Storage and Release Agreement, and for completing the necessary environmental compliance.

In accordance with the Final Rule for Offstream Storage of Colorado River Water and Development and Release of Intentionally Created Unused Apportionment in the Lower Division States, issued by Reclamation on November 1, 1999, the Authority and the Arizona Water Banking Authority intend to negotiate on a Storage and Interstate Release Agreement. Reclamation would be a party to that agreement. Reclamation would also be responsible for ensuring appropriate environmental compliance has been completed for the agreement. The Authority and the Arizona Water Banking Authority have agreed that the Authority will be responsible for the necessary environmental compliance and reimbursing Reclamation costs associated with this Storage and Interstate Release Agreement.

The Authority intends to begin discussions with the Arizona Water Banking Authority on an agreement, and would like to begin working with Reclamation on the appropriate environmental compliance. Please coordinate your support services for the environmental compliance with Lisa Luptowitz at (702) 822-8489 and for the Interstate Storage and Release Agreement with David Donnelly at (702) 258-3107.

BOARD OF DIRECTORS

erry J. Kincaid, Chair
County Commissioner

Amanda M. Cyphers, Vice Chair
Henderson Councilman

Shari Buck
North Las Vegas Councilman

Lance Malone
County Commissioner

Michael McDonald
Las Vegas Councilman

Bryan Nix
Boulder City Councilman

Myrna Williams
County Commissioner

Patricia Mulroy
General Manager

Ms. Deanne Miller

SOUTHERN NEVADA WATER AUTHORITY COOPERATIVE AGREEMENT . . .

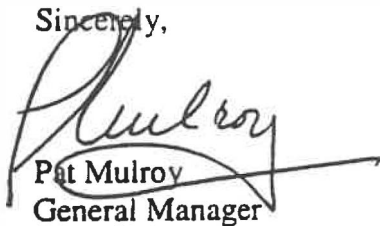
April 5, 2000

Page 2

Please invoice Reclamation's services in accordance with current agreement between the Authority and Reclamation. When invoicing, please identify your work under a separate cost authority as Arizona Groundwater Banking. Please notify us in writing when the costs for this work approach \$25,000.

If you have any questions about this authorization, please contact David Donnelly at (702) 258-3107.

Sincerely,



Pat Mulroy
General Manager

PM:DAD:KB:LL:sh

cc: James P. Green, U.S. Bureau of Reclamation
Dale Ensminger, U.S. Bureau of Reclamation
David Donnelly, Deputy General Manager, Engineering/Operations
Kay Brothers, Director, SNWA Resources
Janet Monaco, Environmental Planning Manager, SNWA Resources



United States Department of the Interior

BUREAU OF RECLAMATION
Lower Colorado Regional Office
P.O. Box 61470
Boulder City, NV 89006-1470

REC'D
MAY 26 3:58 PM '00

IN REPLY REFER TO:

BCOO-4400
WTR-4.10

MAY 25 2000

Ms. Pat Mulroy
General Manager
Southern Nevada Water Authority
1001 S. Valley View Boulevard
Las Vegas, NV 89153-4447

Subject: Southern Nevada Water Authority Cooperative Agreement
No. SNWA95-C-0011. USBR No. 5-CR-30-P1127, Cost
Authority 1753-89R4 (Your Letter Dated April 5, 2000)

Dear Ms. Mulroy:

Thank you for your letter authorizing the Bureau of Reclamation (Reclamation) to provide assistance to Southern Nevada Water Authority (Authority) in accordance with the subject Cooperative Agreement. We look forward to helping the Authority initiate offstream storage of Colorado River water under an Interstate Storage and Release Agreement. Reclamation will review the Storage and Interstate Release Agreement and its associated environmental compliance documents as necessary. We will charge our time to the Authority in accordance with the terms of the Cooperative Agreement. As you have requested, we will notify the Authority when Reclamation's costs approach \$25,000.

Mr. James (Pat) Green and Mr. Dave Curtis are Reclamation's points of contact for the environmental compliance work, and Mr. Dale Ensminger is the point of contact for the Interstate Storage and Release Agreement. We will continue working in cooperation with the Authority on this action.

Sincerely,

Robert W. Johnson
Regional Director

ACTING FOR



SOUTHERN NEVADA
WATER AUTHORITY

Administrative Office
1001 S. Valley View Blvd.
Las Vegas, Nevada 89153
Telephone: (702) 258-3939
Fax: (702) 258-3268

Project Office
1900 E. Flamingo, Ste. 170
Las Vegas, Nevada 89119
Telephone: (702) 862-3400
Fax: (702) 862-3470

Southern Nevada Water System
243 Lakeshore Road
Boulder City, NV 89005
Telephone: (702) 564-7697
Fax: (702) 564-7222

June 6, 2000

Tim Henley, Manager
Arizona Water Banking Authority
500 North 3rd Street
Phoenix, AZ 85004

Dear Mr. Henley *Tim*

Attached is a copy of a letter from the Bureau of Reclamation (BOR) acknowledging the Southern Nevada Water Authority's authorization to fund the review of the future Interstate Storage and Release Agreement and associated environmental documents. The letter also specifies BOR staff assigned.

If there are any questions, please contact me at (702) 258-3176.

Sincerely,

Kay Brothers

Kay Brothers
Director, SNWA Resources

KB:vw

Attachment

BOARD OF DIRECTORS

Mary J. Ancaia, Chair
County Commissioner

Amanda M. Cyphers, Vice Chair
Henderson Councilman

Shari Buck
North Las Vegas Councilman

Lance Malone
County Commissioner

Michael McDonald
Las Vegas Councilman

Bryan Nix
Boulder City Councilman

Myrna Williams
County Commissioner

Patricia Mulroy
General Manager

This is a working draft of California's Colorado River Water Use Plan. It is subject to further editing and revisions based on additional information, comments received and ongoing associated environmental reviews of Plan components. The draft Plan will be finalized following completion of the environmental reviews and the subsequent execution of agreements associated with the Plan which are scheduled to occur before the end of January 2001.

CALIFORNIA'S
COLORADO RIVER WATER
USE PLAN



COLORADO RIVER BOARD OF CALIFORNIA
THE RESOURCES AGENCY
STATE OF CALIFORNIA

CALIFORNIA'S COLORADO RIVER WATER USE PLAN

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EXECUTIVE SUMMARY

The Colorado River is a vital water resource for California. For some areas, it is the only source of water supply. Currently, Colorado River water and hydroelectric energy support approximately 17 million people in southern California and the region's municipal, industrial, and agricultural centers, which are considered some of the most productive in the world. California also has a vital interest in the recreation, fish, wildlife, and other environmental resources of the Colorado River. The quality of Colorado River water and watershed management are also extremely important to California.

There is a fundamental change occurring in the availability and use of Colorado River water in California. As we enter the new millennium, California for the first time will be required to reduce the amount of Colorado River water it uses. Beyond its basic apportionment of Colorado River water, California will no longer be assured of the availability of water apportioned to but unused by Arizona and Nevada or the availability of surplus water under its surplus water apportionment.

California's Colorado River water right holders and users are inseparably linked through the Colorado River Basin's state apportionment/user entitlement and priority systems. They are also economically interdependent.

To meet California's Colorado River water needs within its basic apportionment of River water, given these interdependencies, necessitates a cooperative, regional approach and consensus-based solution and the addressing of long-standing unresolved issues relative to priority to and use of Colorado River water. The solution, California's Colorado River Water Use Plan (The Plan), is a framework by which programs, projects, and other activities would be coordinated and cooperatively implemented allowing California to most effectively satisfy its annual water supply needs within its annual apportionment of Colorado River water.

The framework is to be used to plan resource and financial investments and provide overall coordination on important initiatives undertaken by the Colorado River Board member agencies and others. The components of The Plan can be viewed as a diverse collection of policies, programs, projects, actions, and other activities, which deal with safeguarding, protecting, and optimizing California's Colorado River resources. Some of these are associated components, meaning that they don't directly involve Colorado River water but are needed by implementing entities and individuals to meet their water needs within California's Colorado River water apportionment. The components of The Plan are wide in scope addressing both quantity and quality of Colorado River water.

The Plan is intended to be dynamic and flexible enough to allow for modifications in, and periodic updates to, the framework when and where appropriate, and to allow for

the substitution of projects and programs within The Plan components when they have been found to be more cost effective and/or appropriate.

The California agencies and individuals with Colorado River rights and interests are the principal implementing entities for the framework projects and programs of The Plan. They are responsible for planning, financing, and implementing projects, programs, and other actions consistent with The Plan that best meet the needs of their service area constituents. They are also responsible for obtaining the necessary project and program approvals, conducting appropriate environmental reviews, and ensuring compliance with endangered species acts (federal and state).

The Plan's provisions to transition California to its basic Colorado River water apportionment without potential major water supply and economic disruptions include initial linchpin components:

- core voluntary cooperative conservation/transfers from agricultural use to urban water use,
- further quantification of the third and sixth priorities of the Seven-Party Agreement,
- improved River and reservoir management and operations, including interim surplus water criteria, and
- water storage and conjunctive use programs.

The goal is to put into place, during the 15-year interim surplus water criteria period, the necessary cooperative water conservation/transfers, storage and conjunctive use programs, and other programs and activities that allow California to meet its Colorado River water needs within its basic apportionment.

Other actions and options necessary for individual agencies to meet their water needs within California's basic apportionment of Colorado River water include:

- demand management (e.g., water conservation and best management practices),
- increased efficiencies in water use and conveyance,
- cooperative water reduction/transfer programs (e.g., cooperative land fallowing/water transfers),
- coordinated project operations,
- interstate offstream Colorado River water banking,
- improved integration of available supplies,
- groundwater management,
- exchanges,
- dry year supplies,
- water purchases,
- drought and surplus water management,

- additional local projects, water reuse, and groundwater and surface water recovery, and
- administrative actions necessary for effective use and management of water supplies.

There are other resource management activities that may significantly affect the quality and quantity of Colorado River water available to California. These include:

- Colorado River Basin Salinity Control Program,
- Lower Colorado River Multi-Species Conservation Program,
- watershed management,
- management of River system losses,
- improved coordinated reservoir operation,
- River augmentation, and
- Salton Sea restoration efforts.

The Plan's framework also provides for water supplies for the San Luis Rey Indian Water Rights Settlement Parties, and for municipal, industrial, and recreational users along the River with inadequate or no Colorado River water rights.

Being an international resource, there are obligations, resources management concerns, and international cooperation efforts that affect, or may affect, River operations and water use. These include:

- Mexican Water Treaty deliveries,
- International Boundary and Water Commission Minute No. 242 compliance with respect to salinity,
- conveyance and siltation,
- emergency deliveries,
- border groundwater pumping, and
- environmental issues.

There are also necessary water right and water use administrative provisions needed to ensure consistency with "The Law of the River" and provide sufficient resource management flexibility and oversight. These include:

- mainstream and tributary water determinations,
- Section 5 Contracts,
- decree accounting,
- reasonable beneficial use requirements,
- proper credit for return flows,
- inadvertent overrun accounts and pay backs, and
- agency water budgets pursuant to Quantification Settlement Agreement.

The Plan also includes consideration of environmental factors. Implementation of The Plan is expected to:

- result in less Colorado River water use by California (the reduction of up to 1 million acre-feet (af) per year as compared to the highest amount diverted in the past 25 years),
- further water conservation, water reuse, local water supply development, storage and conjunctive use programs, and recovery of groundwater and surface water,
- result in cooperative water conservation/transfers that shift water from agriculture to urban use, and
- maintain current agricultural production with less water.

California's Colorado River Water Use Plan will reduce reliance on the Colorado River without severe dislocations in either urban or agricultural areas. It will not stimulate new growth, foster unplanned urban development, affect demands on local or regional transportation systems, require new public services and utilities, or create long-term increases in ambient noise levels. It will make a de minimus contribution to cumulative land use impacts and have a de minimus effect on associated socioeconomic resources, such as employment, earnings, and housing. The Plan and the accompanying Quantification Settlement Agreement programs and projects are designed to preserve the ability to meet existing needs while diverting less water from the Colorado River.

Fundamentally, these programs and projects are not about increasing water supplies to accommodate increased population growth. Some of the key points that need to be considered regarding The Plan and the issue of population growth are as follows:

- Water Does Not Equal Growth – Studies by the Southern California Association of Governments (SCAG) show that water is not causally linked to population growth in southern California. Growth is a result of many factors, most of them economic in nature.
- Plan Maintains Current Level of Water Supply – No additional supplies of Colorado River water will reach southern California as a result of The Plan. Urban southern California has historically received in many years a full Colorado River Aqueduct delivery of approximately 1.25 million af and will continue to do so with these programs in place.
- CVWD's Colorado River Water Use Offsets Groundwater Usage – Under The Plan, CVWD's Colorado River water use will return to previous normal diversion levels to offset Coachella Valley groundwater basin over-draft. Consequently, the settlement and programs will provide for needs to be met, but will not facilitate new population growth in the Valley.
- Plan Consistent With Historic Diversion Patterns – Under The Plan, IID will reduce its diversion of Colorado River water due to conservation efforts

within the Imperial Valley; Coachella will increase its diversion of Colorado River water with a corresponding decrease in use of groundwater; and Metropolitan will continue to receive a full Colorado River Aqueduct delivery. This pattern has occurred a number of times in the past, and will now be locked into place by agreement. Because this simply replicates historic patterns, this diversion pattern is not linked to new population growth.

Between 1996 and 2000, California voters approved historic levels of general obligation bond financing for improving California water supply reliability, water quality and for restoring watershed ecosystems. The funding support provided by the \$995 million Safe, Clean, Reliable Water Supply Act in 1996; the \$2.1 billion Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Act in 2000; and the \$1.97 billion Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Act in 2000 extends to the implementation of the Colorado River Water Use Plan.

The State of California has also supported Plan implementation from the General Fund. Most notably, \$235 million was appropriated in 1998 for lining portions of the All American and Coachella Canals (\$200 million) and for groundwater storage and conjunctive use programs (\$35 million) identified in The Plan.

The new Quantification Settlement Agreement, other inter-agency agreements and associated implementation agreements with the Secretary of the Interior, together with the Secretary's administration of water rights and use, constitute the principal binding and enforceable provisions of The Plan. The agreements have specific implementation timetables that are reflected in the implementation schedule discussion.

The agencies responsible for implementing the components of The Plan intend to move forward as quickly as possible. In a number of cases, environmental documentation must be prepared and, in certain cases, permits and approvals must be secured from state and/or federal agencies to permit projects to move forward. An implementation schedule has been developed. The goal is to comply with the schedules, but it must be understood that considering the complexity of the implementation of components, that the actual timing may vary somewhat. Similarly, it should be understood that some components and/or associated components may be modified but would still produce the same conceptual results, or that other options may be substituted if they are found to be more effective and appropriate. There are also related activities, such as the Salton Sea restoration efforts, that may affect the use of Colorado River water that have been included with respect to their implementing actions.

The complete document is 156 pages and can be obtained by accessing California's Colorado River Water Use Plan at <http://crb.water.ca.gov>.