

ARIZONA WATER BANKING AUTHORITY
Wednesday, June 16, 2010

	Name (Please print)	Affiliation	Phone No.
1	VIC DANOS	AMWUA	602 248 2482
2	Mike Malano	None	520 483 0562
3	Lawrence Marquez	Reclamation	623-773-6213
4	Steve Olson	AMWUA	602 248-8482
5	Larry Dozier	CAP	
6	Brian Hennink	CAP	
7	Dee Kovich	Tucson Water	520-837-2238
8	Cliff Neal	CAP	623-869-2672
9	Joe Singleton	PCWAA	520-518-1726
10	Michael Block	Metro Water	520-575-8100
11	GRANT BUMA	CRIT	928 669 1313
12	Dennis Ryle	CAP	623-869-2667
13	JEFF EHLERS	SRP	602 236-5504
14	Juliet McKenna	Montgomery Assoc.	520-881-4912
15	Mitch Houws	mehouws@cedr.gov	623-773-6274
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Arizona Water Banking Authority
3550 N. Central Avenue, Phoenix, Arizona 85012
Telephone 602-771-8487
Fax 602-771-8686
Web Page: www.azwaterbank.gov

PLEASE POST

NOTICE OF PUBLIC MEETING

Pursuant to A.R.S. § 38-431.02, notice is hereby given that there will be a meeting of the Arizona Water Banking Authority Commission on Wednesday, June 16, 2010 at 11:00 a.m. at the Arizona Department of Water Resources, 3550 North Central Avenue, Phoenix, Arizona 85012, Upper Verde Conference Room. The meeting is open to the general public.

Dated this 15th day of June, 2010

FINAL AGENDA

Arizona Water Banking Authority Commission Meeting

- I. Welcome/Opening Remarks
- II. Approval of Minutes
 - March 17, 2010 meeting
- III. Water Banking Staff Activities
 - Deliveries
 - CAWCD *ad valorem* tax levy
 - ICUA certification for 2009
 - Water supply acquisition activities
 - Update on AWBA legislative amendment
 - On-going Indian settlement negotiations
 - Update on CAWCD v. Brewer
- IV. Legislative Transfers from the Arizona Water Banking Fund
 - Briefing
 - Potential approval of source of funds for HB 2001FY 11 transfer
 - Potential approval of source of funds for HB 2001FY 10 transfer
- V. 2009 Annual Report
 - Overview of 2009 Annual Report
 - Discussion regarding Ten-Year Plan 2011-2020
 - Potential approval of 2009 Annual Report and Ten-Year Plan
- VI. FY 2011 Administrative Budget
 - Overview of FY 2011 administrative budget
 - Potential adoption of FY 2011 administrative budget

- VII. Interstate Water Banking
 - Update
 - Overview of interstate accounting

- VIII. Call to the Public

Future Meeting Dates:

Wednesday, September 15, 2010

Wednesday, December 8, 2010

All visitors must use the south elevators; please stop at the 2nd floor to sign-in and receive a visitor's badge. Badges are to be displayed at all times. Visitors are also required to sign out and return their badges. Thank you for your assistance.

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Virginia O'Connell at (602) 771-8491, TDD # (602) 771-8501. Requests should be made as early as possible to allow time to arrange the accommodation.

ARIZONA WATER BANKING AUTHORITY
Draft Minutes¹

March 17, 2010
Arizona Department of Water Resources



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

EX OFFICIO MEMBERS
The Honorable Steve Pierce
The Honorable Kirk Adams

Welcome/Opening Remarks

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

Chairman Guenther announced Kay Brothers, Deputy General Manager of the Southern Nevada Water Authority (SNWA), was retiring after 26 years of service. She was a calming presence during the Seven Basin States discussions while representing Nevada's interests. She has been a pleasure to work with over the years and we wish her the best in the future.

Approval of Minutes

The Authority approved the minutes of the December 16, 2009 meeting with reservation. Commissioner John Mawhinney expressed his frustration with water acquisition progress and open meeting law restrictions.

Staff Activities

Virginia O'Connell briefed the Commission on AWBA water deliveries for calendar year 2009. Deliveries for the year totaled 165,000 acre-feet and included 109,000 acre-feet for Arizona and 59,000 acre-feet on behalf of Nevada. Mr. Mawhinney inquired how much interstate storage had come from Nevada's unused apportionment. Ms. O'Connell responded that it included approximately 51,000 acre-feet. She clarified that Arizona stored Nevada's unused apportionment first to avoid potential overruns on its entitlement. Mr. Mawhinney inquired if the AWBA would be storing any of Nevada's unused apportionment in 2010. Staff responded that Nevada had, at this time, not made a formal request to make its unused apportionment available for storage in Arizona.

Ms. O'Connell reviewed water deliveries for 2010. Deliveries to the Phoenix and Pinal Active Management Areas (AMAs) were slightly behind however deliveries to the Tucson AMA were ahead of schedule, thus overall delivery amounts were on target.

Ms. O'Connell also reviewed the recovery schedule for developing Intentionally Created Unused Apportionment (ICUA) for the Metropolitan Water District of Southern California (Metropolitan). CAWCD has scheduled the recovery of 8,159 acre-feet of water for 2010. This is the remaining amount of long-term storage credits (credits) that will be recovered and ICUA developed for Metropolitan.

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

Kim Mitchell provided an update on staff meetings. She attended an AWBA Orientation meeting on February 18th that CAWCD staff provided to its Board of Directors (Board). The Board was given background information on the history of the AWBA and updates on current operations. Ms. Mitchell was available to answer questions.

On March 5th, AWBA staff met with representatives from the Bureau of Reclamation (Bureau) and ADWR's Colorado River Management section to discuss and clarify Arizona's proposal for implementing shortages to its Colorado River entitlement under a shortage determination. The meeting was in response to the Director's formal notification of its proposal to the Bureau last summer. The method for implementing shortages was based on recommendations developed by the Director's Shortage-Sharing Workgroup. The group was part of a larger stakeholder process for developing shortage-sharing guidelines for the Lower Basin during the Interim Period. The Bureau will provide its response to the Director after further review of the materials. The Commission members inquired if the discussions included the potential for shortages in 2012. Ms. Mitchell responded that they did and informed the Commission that reservoir levels in Lake Mead increased since January because of precipitation in the Upper Basin and subsequent releases into L. Mead. Increased lake levels could delay shortages.

Ms. Mitchell briefed the Commission on the status of the AWBA's proposed legislative amendment. Senate Bill (SB) 1356 clarifies the AWBA's ability to participate in Excess CAP water pools created by CAWCD for AWBA purposes. Staff had met with various members of the Senate to provide background information on the AWBA and to discuss the proposed legislation in greater detail. The bill passed unanimously (5-0) in the Senate Natural Resources Committee on Feb. 15th. Mr. Mawhinney was in attendance. The bill also passed third read on March 1st (24-4) and was transmitted to the House of Representatives. Staff is planning to meet with Representative Lucy Mason to discuss the legislation.

Ms. Mitchell informed the Commission on legislative transfers for fiscal years (FY) 2010 and 2011. A total of \$684,700 was transferred from the Arizona Water Banking Fund (AWB Fund) in January, following execution of SB 1001 on December 23, 2009. These funds were transferred from the Nevada Resource subaccount based on comments received from Commission members on operating alternatives that had been provided by staff. Ms. Mitchell stated that House Bill (HB) 2001, resembling SB 1001, proposes to transfer an additional \$5.6 million from the AWB fund. Of this amount, \$5 million is specifically identified as a transfer from the Interstate subaccount. The \$5 million plus \$198,200 would be transferred on April 15th. The remaining \$455,800 is a reduction for FY 2011 and would be transferred on July 15th. HB 2001 could be executed today. Ms. Mitchell noted that the only funds remaining in the AWB Fund are withdrawal fees that will be collected from the three AMAs in March and deposited into each of the subaccounts in April. Staff recommended that the remaining legislative transfers be taken from the Phoenix AMA subaccount because there are sufficient funds in CAWCD's Maricopa 4-cent *ad valorem* tax fund to offset 2010 planned withdrawal fee expenditures. This would also ensure that water is stored for Arizona. Ms. Mitchell commented that as an alternative, funds could be transferred from each AMA subaccount proportionally based on the amount of funds collected in each AMA. The amounts would be approximately \$300,000, \$275,000, and \$80,000 for the Phoenix,

Pinal, and Tucson AMAs, respectively. This would require a reclassification of some of the deliveries to the Pinal AMA as interstate because planned deliveries already include expenditure of all Pinal County 4-cent *ad valorem* tax funds. While there are sufficient *ad valorem* funds in CAWCD's Pima County account, it would reduce the amount of water that could be stored in the Tucson AMA the following year.

Tom Buschatzke commented that even though funds are available in the Phoenix AMA subaccount, the AMA should not bear the full burden of the cuts. Transferring the full \$654,000 from the Phoenix AMA would also reduce the amount of storage that could be accomplished for the Indian firming obligation in that AMA. He commented the initial \$198,200 could possibly be transferred from the Phoenix AMA subaccount, with the second transfer in July divided proportionally among AMAs. He suggested further discussion on alternatives and called for input from the public. Steve Olson (AMWUA) mirrored Mr. Buschatzke's concerns and supported his suggestions on meeting the transfers. He commented that the Phoenix AMA was sympathetic to agriculture in the Pinal AMA and could possibly support opportunities for using the Maricopa 4-cent *ad valorem* tax in that AMA if it provided benefit to the Phoenix AMA. Mr. Mawhinney commented that given the amount of funds available in the Maricopa account, it might be prudent to develop alternatives for utilizing the funds in both the Pinal and Tucson AMAs. Paul Orme, general counsel for the Central Arizona and Maricopa-Stanfield Irrigation and Drainage Districts, also agreed with Mr. Buschatzke's suggestions, noting it would allow time to understand the implications of the different fund transfers. Mr. Buschatzke inquired if expenditure of the 4-cent *ad valorem* tax for Indian firming purposes was included in CAWCD's strategic plan, noting it would benefit Maricopa County stakeholders. Tom McCann (CAWCD) commented that he was not certain and would explore the matter further. The Commission directed staff to utilize withdrawal fees from the Phoenix AMA subaccount for the FY 2010 transfer of \$198,200 and to provide additional information on the alternatives for the FY 2011 transfer at the June meeting.

Mr. Mawhinney inquired how the legislature could transfer \$5 million from the Interstate subaccount, when the current balance in the Nevada Resource subaccount is just under \$4.7 million. Mr. Henley responded that the AWBA would have to adjust its 2009 expenditures and request reimbursement of those funds from CAWCD. Interstate funds expended in 2009 were from funds CAWCD owed to the AWBA as part of the 2008 reconciliation of deliveries. Funds in the Nevada Resource subaccount are less than \$5 million due to the legislative transfer that occurred in January. The Commission members noted that manipulating funds in this manner was inappropriate and could lead to other potential lawsuits. Staff commented that the Bill, as written, includes a provision that a rationale must be provided for any funds not available for transfer by April 15th. The Commission directed staff to conduct a legal investigation on the legislation and to provide documentation to Legislature clarifying why the Nevada Resource subaccount has less than the \$5 million required.

Fred Breedlove briefed the Commission on proposed legislation affecting ADWR. He noted that HB 2081, which would continue the agency, would soon be going to the Committee of the Whole (COW) and is expected to pass. In addition, there are three bills that would provide a source of revenue to ADWR for self-funding purposes. HB 2744, which proposed a bottled water surcharge, failed in the House and SB 1355,

which proposed a water assessment fee, did not receive a hearing. Only SB 1359, which establishes a Water Resource Fund for ADWR, passed in Committee, albeit with amendments. The bill would allow existing fees imposed by ADWR to be redirected from the State General Fund to the Water Resource Fund. It also modifies the statutorily authorized use of monies in the Dam Repair Fund to be used for all expenditures related to dams and reservoirs. The amendments to the bill eliminated the ability to produce additional revenue. Anticipated revenue would be approximately \$255,000. Mr. Mawhinney inquired if monies collected for self-funding purposes are subject to legislative transfer. Mr. Breedlove responded that the bill did not include language precluding legislative transfers, though it does limit use of the monies to expenditures under Title 45. The legislature could however override statute by exercising the “notwithstanding” clause.

Chairman Guenther pointed out that ADWR will have the authority to spend up to \$5.6 million in fees with legislative oversight. However revenue from application fees has declined because of the downturn in the economy and is only estimated at \$2 million. He noted that in response to ADWR’s reduction in general fund appropriation, all outlying AMA offices will be closing and the Phoenix office will be consolidating to two floors. The remainder will be met through a reduction in force.

Chairman Guenther also briefed Commission members on HB 2661, which was proposed by the Northern Arizona Municipal Water Users Association (NAMWUA) and sponsored by Senator Tobin. The bill will be put forth with the CAGR bill and the settlement bill between Salt River Project and the Prescott area. The legislation would require the Director of ADWR to appoint 15 people to evaluate water needs for the State, including infrastructure and funding needs. Mr. Mawhinney inquired if the bill included an appropriation given that it requires technical support from ADWR and the AWBA. Chairman Guenther responded that it did not. The bill was initiated by the “JUST water” counties to provide them the opportunity to participate in CAWCD’s ADD water process. Mr. Buschatzke commented that he had also participated in the discussions and noted that NAMWUA was concerned they would not have access to future water supplies. As a result, the AWBA’s evaluation for acquiring additional supplies also slowed. He commented that for these reasons he did not submit his comments to staff on water acquisition.

Gregg Houtz provided an update on Indian settlements. House Bill H.R.1065, the White Mountain Apache Tribe (WMAT) Water Rights Quantification Act, introduced by Representative Ann Kirkpatrick, passed the House of Representatives on Jan 21, 2010 by a vote of 262-147. The bill is identical to S.313, introduced by Senator Kyl, who is currently working with the leadership in the Senate to pass H.R. 1065 and send it to the President. The vote may not be unanimous because of objections from one majority member and one minority member. The AWBA’s firming obligation is tied to the enforceability date, which could be as late as 2020.

Gregg Houtz also provided an update on CAWCD v. Brewer, the litigation regarding the legislative transfer of funds from the Nevada Resource subaccount. The AWBA is not a party in the lawsuit. There have not been any requests for public records or depositions from AWBA members or staff.

On-River Firming

Resolution 2010-1 of the AWBA

Mr. Henley briefed the Commission on Resolution 2010-1. The resolution establishes a procedure by which fourth priority on-river M&I water users can participate in a firming agreement with the AWBA. It also states that these agreements would be similar to the Mohave County Water Authority (MCWA) Agreement to Firm Future Supplies (Agreement to Firm). He clarified that the pro-rata share of shortages for each entitlement holder listed in Exhibit 1 could decrease if the AWBA is required to firm additional supplies. As an example, if agricultural water uses are reclassified as domestic or industrial uses, the AWBA would have an obligation to firm that water. Mr. Mawhinney inquired if the ability to participate was open-ended. Mr. Henley commented that the resolution would not need to be amended because the overall amount of credits does not change.

Mr. Buschatzke made a motion to adopt Resolution 2010-1 as submitted with minor editorial changes. Mr. Mawhinney provided the second to that motion. The motion carried.

Amended Agreement to Firm Future Supplies

Mr. Henley reviewed the Amended Agreement to Firm. While most of the changes to the agreement are editorial, it does include the addition of Exhibit C, which is based on the newly adopted Resolution 2010-1. Exhibit C recognizes the addition of Mohave Water Irrigation and Drainage District and MCWA and an increased firming obligation for Bullhead City and Lake Havasu City of 3,139 acre-feet each because of the reallocation of Kingman water and Cibola water that was newly acquired by MCWA. Exhibit A does not change since the credits have already been reserved. Exhibit B was amended to identify an increase in available firming credits from 396,499 acre-feet to 403,830 acre-feet. Mr. Henley clarified that the purpose of Exhibits A and C is to create certainty on available credits. If new entities choose to participate they will receive a pro-rata share of the remaining credits not reserved. The entities identified in Exhibit C will have until December 15, 2010 to enter into an agreement with MCWA and become part of the Agreement to Firm. Payments for reserving the credits will begin the following fiscal year.

Mr. Mawhinney made a motion to authorize Chairman Guenther to sign the Amended Agreement to Firm, including Exhibits A and B as submitted and furthermore, to authorize Chairman Guenther to sign Exhibit C following the submittal on or before December 15, 2010, of subcontracts or proof of compliance with provisions of the Amended Agreement by entities identified in Exhibit C. Lisa Atkins provided the second to that motion. The motion carried.

Interstate Water Banking

Mr. Henley reviewed the first quarter interstate accounting table for 2010. He commented that staff would amend the table based on earlier discussion regarding legislative transfer of funds.

Ms. Mitchell briefed the Commission on the Recovery Agreement among AWBA, CAWCD, SNWA and the Colorado River Commission of Nevada (CRCN) (Recovery Agreement). The Recovery Agreement establishes the process for future recovery and provides for direct financial arrangements between SNWA and CAWCD for future recovery activities. It also includes attachments with examples of future cost sharing and cost recovery for the purpose of providing guidance. The CAWCD Board of Directors has authorized the president to sign the agreement following approval by other partners. Mr. Buschatzke inquired if paragraph one of the agreement is sufficient to allow financial arrangements directly with CAWCD. Mr. Henley commented that subsection 4.h had been included for that purpose. Mr. Mawhinney inquired if the AWBA was relinquishing any other authorities besides the financial arrangements. Mr. Henley responded that no other authorities were given up and that the AWBA was still the entity required to certify ICUA. Ms. Mitchell noted that the SNWA Board would be meeting the next day and voting on the Recovery Agreement with the understanding that if there are significant changes it would come back to the Commission for reconsideration. Jennifer Crandall, representing CRCN, commented that the agreement would be on the agenda for their meeting in April.

Mr. Buschatzke made a motion authorizing Chairman Guenther to sign the Recovery Agreement as submitted with minor or editorial changes following approval of the other parties. Mr. Mawhinney provided the second to that motion. The motion carried.

Ms. Mitchell noted that at the last quarterly meeting Commission members were provided a scope of activities that could be accomplished in the January-March timeframe for evaluating water supplies that may be available to the AWBA for meeting its obligation to Nevada. CAWCD indicated the scope identified activities similar to their own needs. Recognizing the shared interest, CAWCD with AWBA staff's recommendation, hired Tom Carr to evaluate these water supplies. Ms. Mitchell commented that Mr. Carr recently retired from ADWR after 30 years of service. He has a long-standing relationship with people along the river.

Mr. Carr provided a progress report on the water supply acquisition study. The scope of the study includes several components, including background information, evaluation of the water supplies, conducting meetings with stakeholders and potential partners who might want to make arrangements with the AWBA or CAWCD, and identifying the mechanisms for acquiring the supplies. Stakeholder meetings would not take place until after the AWBA and CAWCD had their respective Commission and Board meetings. He clarified that he would not be negotiating agreements for water supplies.

Mr. Carr reviewed a summary of potential water supplies, noting the list provided in Table 1 was not prioritized in any way. He commented he would further evaluate the water supply needs of each agency, including the time period for when supplies are needed and the methods for acquiring the supplies. Initial estimates indicate the AWBA would likely need supplies over the next ten years, while the majority of the CAGR's supply needs tend to be long-term increasing over time. The next step was to continue preparing background information to better understand potential availability of water supplies and the significant issues associated with the acquisition and delivery of those supplies. Mr. Carr commented that he would be meeting with CAGR and AWBA staff next week to review the screening process.

Mr. Buschatzke inquired how many of the potential water supplies in Table 1 have legal restitution. Mr. Carr responded that almost all did and consideration was included as part of the transaction costs. He noted that Table 1 is an overview and that he would be providing detailed information in the background discussion paper. Mr. Buschatzke also inquired if some of the supplies would require statutory change and what authority the AWBA and CAWCD have for acquiring supplies. Mr. Carr commented that he had not investigated to that level of detail at this time. Mr. Buschatzke noted he was in favor of moving quickly, but acknowledged that he would prefer to see a worst case scenario that included the amount of credits the AWBA currently has and how many credits might need to be recovered in the next ten years. Mr. Mawhinney inquired if Indian firming needs were considered as one of the objectives of the AWBA. Staff responded that the focus at this time was on using the \$100 million to meet the Nevada firming requirement. There are supplies currently available for M&I and Indian firming purposes. However, it is not likely supplies will be available for meeting the Nevada obligation. Mr. Buschatzke noted that staff had been directed to acquire water for meeting the Nevada obligation because of supply availability. He added that the AWBA could acquire supplies through the ADD water process in the future if they are needed for M&I firming. Mr. Henley pointed out that the \$100 million is for the benefit of Arizona. Therefore, some of the money could be used for Arizona uses if additional water is available. However, Arizona must ensure its obligation to Nevada is met first.

Mr. Mawhinney questioned if there were any conflicts that would be created in the AWBA's relationship with CAWCD with regard to obligations and priorities. Mr. Henley commented that the agencies are currently working synergistically. It is always possible there could be issues in the future depending on the availability of water supplies. He noted that like the AWBA, CAWCD must also have an understanding of supplies that might be available. Mr. Buschatzke commented that the CAWCD Board demonstrated its ability to balance needs between entities by creating the Excess water pool for the AWBA and CAGR. Mr. Mawhinney commented that the pressure on the CAGR will grow as its responsibilities increase. Tom McCann (CAWCD) noted that the scope of activities will mutually benefit both parties. It is possible that a long-term supply could be purchased for the same amount of money as a short-term lease, which could benefit other Arizona water users. A process could be created that would alleviate the perception of unfairness. He clarified that if the AWBA does not have water to meet its obligation, it would ultimately affect M&I customers, who are as important as CAGR customers. Water acquisitions could fold into ADD water and there are efforts to include Just water. Mr. Buschatzke encouraged staff to be involved with Just water as they have been with ADD water.

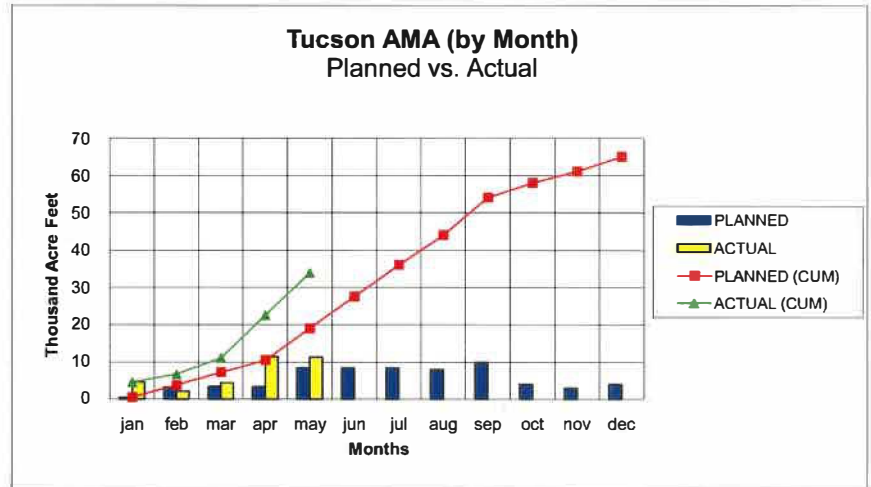
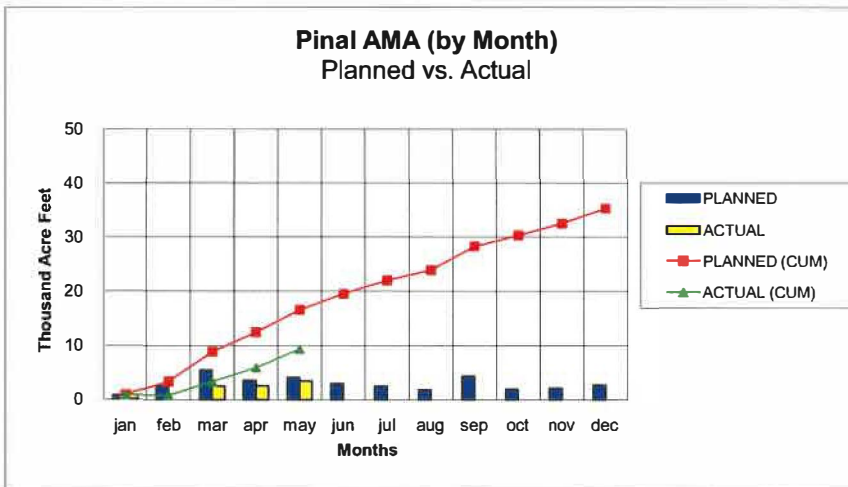
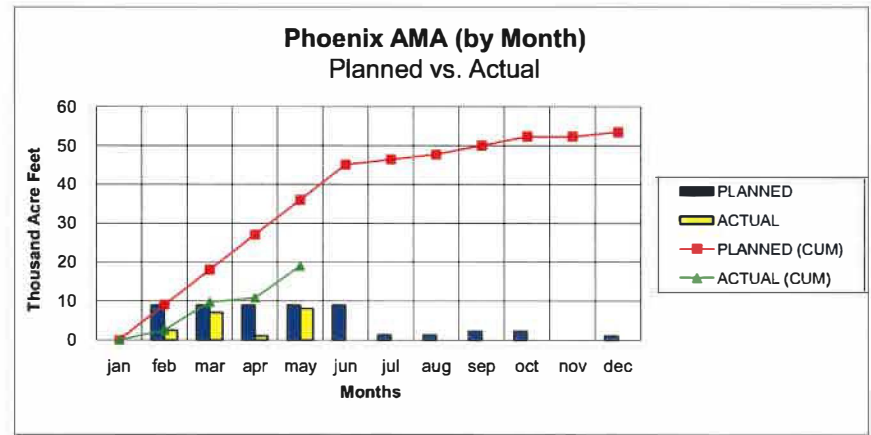
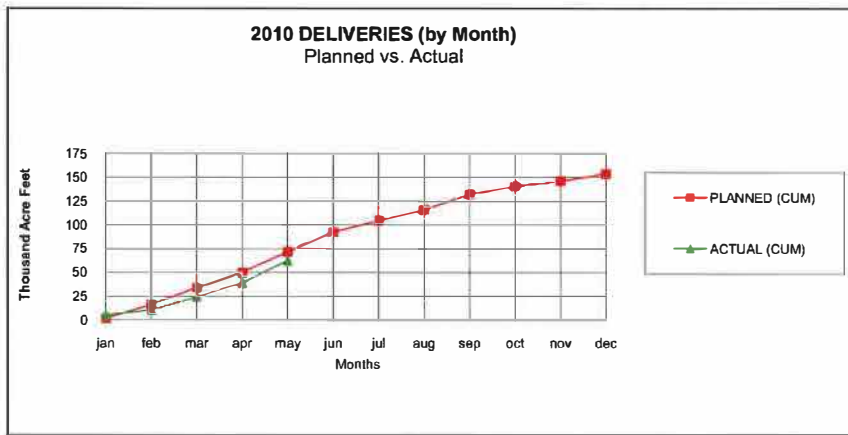
Call to the Public

There were no additional comments.

The meeting adjourned at 12:20 p.m.

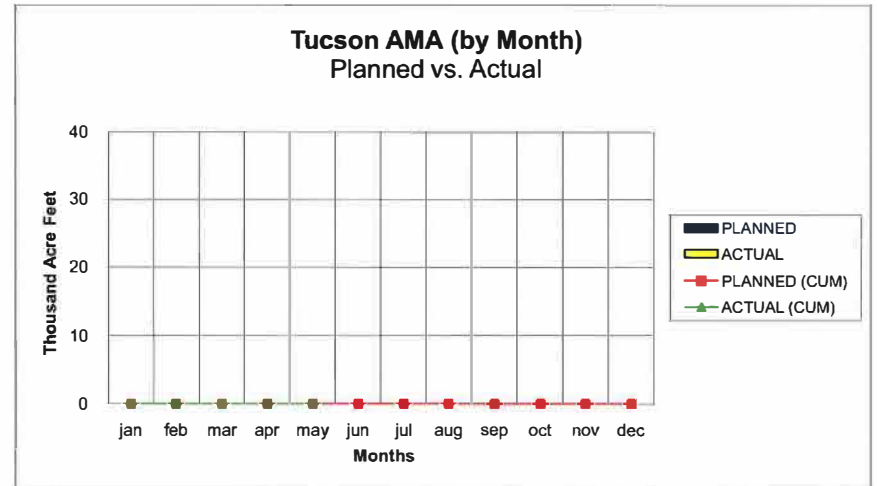
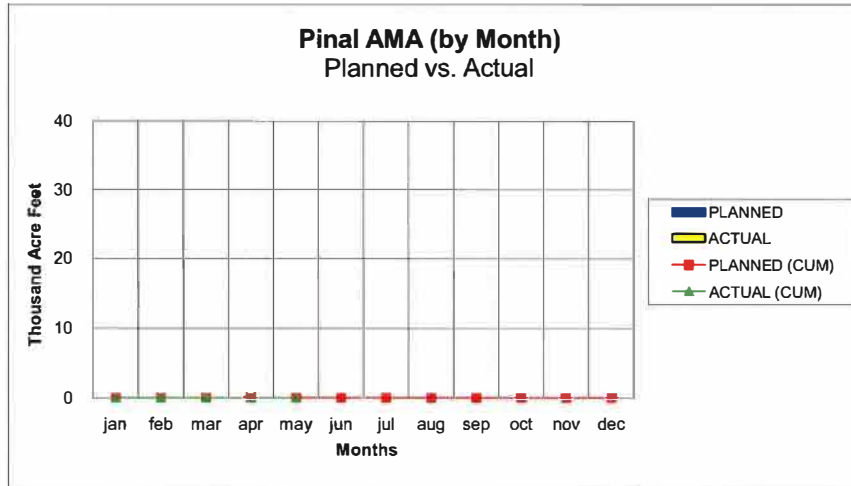
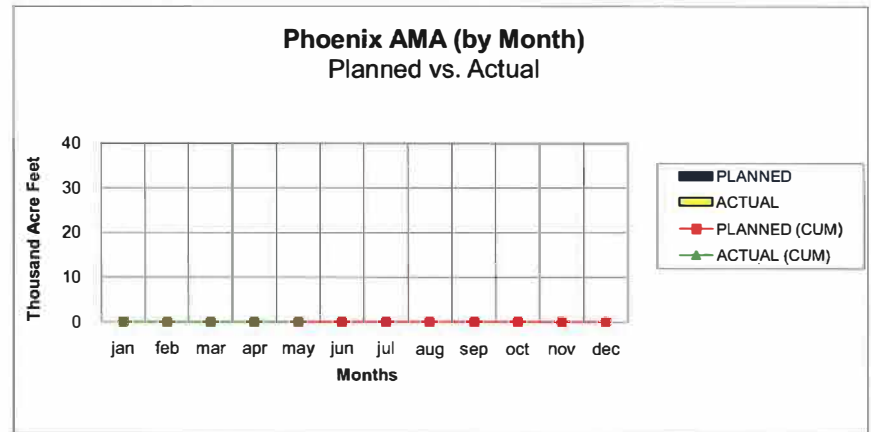
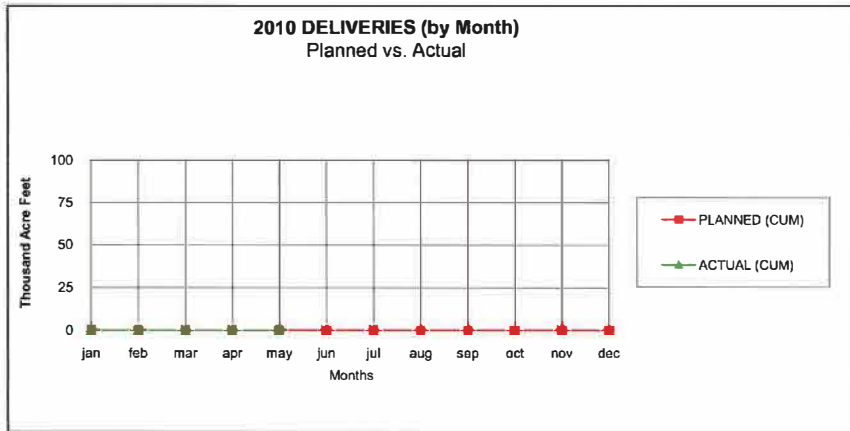
2010 Plan of Operation

INTRASTATE



2010 Plan of Operation

INTERSTATE



Actual deliveries updated
Plan of Operation

14-Jun-10
1-Jan-10

Phoenix AMA

Intrastate

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
AGUA FRIA	0	0	0	0	0	0	0	0	0	0	0	0	0
HIEROGLYPHIC MTNS	0	0	0	0	0	0	0	0	0	0	0	0	0
TONOPAH DESERT	0	2,583	7,113	1,137	8,131	0	0	0	0	0	0	0	18,964
QCID	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	2,583	7,113	1,137	8,131	0	0	1,343	2,285	2,285	0	1,142	18,964
Total to date	0	2,583	9,696	10,833	18,964	18,964	18,964	18,964	18,964	18,964	18,964	18,964	18,964
Projected total to date	0	9,000	9,000	9,000	9,000	9,000	1,345	1,343	2,285	2,285	0	1,142	53,400

Interstate

AGUA FRIA	0	0	0	0	0	0	0	0	0	0	0	0	0
HIEROGLYPHIC MTNS	0	0	0	0	0	0	0	0	0	0	0	0	0
TONOPAH DESERT	0	0	0	0	0	0	0	0	0	0	0	0	0
QCID	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Total to date	0	0	0	0	0	0	0	0	0	0	0	0	0
Projected total to date	0	0	0	0	0	0	0	0	0	0	0	0	0

Combined

Subtotal	0	2,583	7,113	1,137	8,131	0	0	0	0	0	0	0	18,964
Total to date	0	2,583	9,696	10,833	18,964	18,964	18,964	18,964	18,964	18,964	18,964	18,964	18,964
Projected total to date	0	9,000	9,000	9,000	9,000	9,000	1,345	1,343	2,285	2,285	0	1,142	53,400

Pinal AMA

Intrastate

CAIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
MSIDD	800	0	2,500	2,100	3,100	0	0	0	0	0	0	0	8,500
HIDD	0	0	0	500	364	0	0	0	0	0	0	0	864
Southside Bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	800	0	2,500	2,600	3,464	0	0	0	0	0	0	0	9,364
Total to date	800	800	3,300	5,900	9,364	9,364	9,364	9,364	9,364	9,364	9,364	9,364	9,364
Projected total to date	800	2,500	5,500	3,600	4,100	3,000	2,500	1,900	4,360	2,000	2,175	2,765	35,200

Interstate

CAIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
MSIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
HIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Total to date	0	0	0	0	0	0	0	0	0	0	0	0	0
Projected total to date	0	0	0	0	0	0	0	0	0	0	0	0	0

Combined

Subtotal	800	0	2,500	2,600	3,464	0	0	0	0	0	0	0	9,364
Total to date	800	800	3,300	5,900	9,364	9,364	9,364	9,364	9,364	9,364	9,364	9,364	9,364
Projected total to date	800	2,500	5,500	3,600	4,100	3,000	2,500	1,900	4,360	2,000	2,175	2,765	35,200

Actual deliveries updated
Plan of Operation

14-Jun-10
1-Jan-10

Tucson AMA

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
Intrastate													
AVRA VALLEY	607	428	565	438	500	0	0	0	0	0	0	0	2,538
CAVSARP	0	0	0	0	0	0	0	0	0	0	0	0	0
SAVSARP	0	0	0	7,043	6,524	0	0	0	0	0	0	0	13,567
LOWER SANTA CRUZ	3,957	1,709	3,854	2,920	2,733	0	0	0	0	0	0	0	15,173
CORTARO-MARANA	0	0	0	1,030	1,602	0	0	0	0	0	0	0	2,632
Subtotal	500	500	675	325	500	500	500	500	0	0	0	0	4,000
Total to date	4,564	6,701	11,120	22,551	33,910	33,910	33,910	33,910	33,910	33,910	33,910	33,910	33,910
Projected total to date	500	3,750	7,175	10,500	19,000	27,500	36,000	44,000	54,000	58,000	61,000	65,000	65,000
Interstate													
AVRA VALLEY	0	0	0	0	0	0	0	0	0	0	0	0	0
CAVSARP	0	0	0	0	0	0	0	0	0	0	0	0	0
SAVSARP	0	0	0	0	0	0	0	0	0	0	0	0	0
LOWER SANTA CRUZ	0	0	0	0	0	0	0	0	0	0	0	0	0
CORTARO-MARANA	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Total to date	0	0	0	0	0	0	0	0	0	0	0	0	0
Projected total to date	0	0	0	0	0	0	0	0	0	0	0	0	0
Combined													
Subtotal	4,564	2,137	4,419	11,431	11,359	0	0	0	0	0	0	0	33,910
Total to date	4,564	6,701	11,120	22,551	33,910	33,910	33,910	33,910	33,910	33,910	33,910	33,910	33,910
Projected total to date	500	3,750	7,175	10,500	19,000	27,500	36,000	44,000	54,000	58,000	61,000	65,000	65,000
TOTAL	5,364	4,720	14,032	15,168	22,954	0	0	0	0	0	0	0	62,238
Total to date	5,364	10,084	24,116	39,284	62,238	62,238	62,238	62,238	62,238	62,238	62,238	62,238	62,238
Projected total to date	1,300	15,250	21,675	23,100	32,100	39,500	39,845	47,243	60,645	62,285	63,175	68,907	153,600

**CENTRAL ARIZONA PROJECT
ANNUAL RECOVERY PLAN & USE
Calendar Year 2010
(in acre-feet)**

Revised 6/8/10

Pinal County Irrigation Districts Recovery Schedule:

MONTH	MSIDD		CAIDD		HIDD		CAGRDX EXCHANGE		TOTAL	
	SCH	Used	SCH	Used	SCH	Used	SCH	Used	SCH	Used
Jan	200	207	0	0	200	200	0	0	400	407
Feb	400	400	0	0	417	0	0	0	817	400
Mar	500	815	500	500	417	109	0	0	1,417	1,424
Apr	400	578	500	513	417	455	0	0	1,317	1,546
May	300	0	500	536	617	202	0	0	1,417	738
Jun	200	0	500	0	750	0	0	0	1,450	0
Jul	0	0	500	0	341	0	0	0	841	0
Aug	0	0	500	0	0	0	0	0	500	0
Sep	0	0	0	0	0	0	0	0	0	0
Oct	0	0	0	0	0	0	0	0	0	0
Nov	0	0	0	0	0	0	0	0	0	0
Dec	0	0	0	0	0	0	0	0	0	0
Total	2,000	2,000	3,000	1,549	3,159	966	0	0	8,159	4,515

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

Total MWD credits for recovery (5% cut to aquifer + 4,909 af losses)	= 80,909 AF
Less 2007 total recovered credits:	= 16,804 AF
Less 2008 total recovered credits:	= 28,442 AF
Less 2009 total recovered credits:	= 27,504 AF
Less 2010 total recovered credits:	= <u>4,515 AF</u>
Remaining credits to be recovered by CAP:	= 3,644 AF

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

(June 3, 2010)

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

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

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

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

WHEREAS, A.R.S. § 48-3715.03 further provides that those monies specified in such resolution for repayment of the construction costs or payment of the annual operation, maintenance, and replacement costs of the Project shall be deposited in the District fund established pursuant to A.R.S. § 48-3712, subsection A, paragraph 5; and

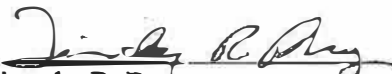
WHEREAS, A.R.S. § 48-3715.03 further provides that a certified copy of such resolution shall be delivered to the Arizona Department of Water Resources;

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

1. That all of the taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, in the 2010-2011 tax year shall be applied to the annual operation, maintenance, and replacement costs of the Project; and
2. That all taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, in the 2010-2011 tax year be deposited in a designated District account in the District fund established pursuant to A.R.S. § 48-3712, subsection A, paragraph 5, to be used by the District to defray annual operation, maintenance, and replacement costs; and
3. That a certified copy of this resolution be delivered to the Arizona Department of Water Resources.

I, the undersigned, as Secretary of the Central Arizona Water Conservation District, hereby certify that the foregoing is a true and correct copy of the resolutions duly adopted by the Board of Directors of the Central Arizona Water Conservation District at a meeting thereof, duly called and held on June 3, 2010, at which a quorum was present and acting throughout. I further certify that said resolutions have not been modified or revoked since their adoption and are still in full force and effect.

SIGNED THIS 3rd DAY OF JUNE 2010.

By: 
Timothy R. Bray
Secretary

Arizona Water Banking Authority

3550 N. Central Avenue, Phoenix, Arizona 85012
Telephone 602-771-8487
Fax 602-771-8685



June 11, 2010

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

EX OFFICIO MEMBERS
Honorable Steve Pierce
Honorable Kirk Adams

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

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

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

RE: Certification of Intentionally Created Unused Apportionment (ICUA) for 2009 pursuant to the *Amended Letter Agreement for the Creation of Intentionally Created Unused Apportionment with Credits Created Under the 1992 Demonstration Agreement between CAWCD and MWD, December 11, 2007*

Dear Ms. Gray and Messrs. Kightlinger and Modeer:

Pursuant to the above-referenced Amended Letter Agreement, the Arizona Water Banking Authority (AWBA) is providing certification of the quantity of ICUA created in 2009 and the method used to create the ICUA to the U.S. Bureau of Reclamation, Metropolitan Water District of Southern California (Metropolitan), and the Central Arizona Water Conservation District (CAWCD).

A total of 27,504 acre-feet of ICUA was created in calendar year 2009 for the benefit of Metropolitan. ICUA was created through the recovery of LTSCs from wells within three irrigation districts in Pinal County, Arizona. The LTSCs were previously accrued on behalf of Metropolitan pursuant to the above-mentioned 1992 Demonstration Agreement

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

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

Sincerely,

A handwritten signature in black ink that reads "Kim Mitchell". The signature is written in a cursive, flowing style.

Kim Mitchell, Manager
Arizona Water Banking Authority

Enclosure

cc: Mr. Terry Fulp, Bureau of Reclamation
Mr. Paul Matuska, Bureau of Reclamation
Mr. Roger K. Patterson, Metropolitan Water District of Southern California
Mr. Gerald "Jerry" Zimmerman, Colorado River Board of California
Mr. Larry Dozier, Central Arizona Water Conservation District
Mr. Herbert R. Guenther, Arizona Water Banking Authority
Mr. Richard Holmes, Southern Nevada Water Authority
Mr. George Caan, Colorado River Commission of Nevada

Summary of Legislative Transfers from the Arizona Water Banking Fund Pursuant to H.B. 2001

Governor Brewer signed into law March 18, 2010 H.B. 2001 that addresses budget reductions and further transfers for FYs 2009-10 and 2010-11.

The AZ Water Bank Fund transfers as identified in H.B. 2001 are listed below:

Sec. 112, pg. 67	Transfer of fund monies to General Fund: FY 2010-11 \$301,700	[Fund transfers to be made by 7/15/10]
Sec. 113, pg. 71	Fund balance transfers: FYs 2009-10 and 2010-11 \$198,200 \$154,100	[Fund transfers to be made by 4/15/10] [Fund transfers to be made by 7/15/10]
	Arizona water banking – interstate banking account fund \$5,000,000	[Fund transfers to be made by 4/15/10]

Below is the link to H.B. 2001

<http://www.azleg.gov/legtext/49leg/7s/bills/hb2001h.pdf>

**ALTERNATIVES FOR AWBA 2010 OPERATIONS RESULTING FROM
H.B. 2001 LEGISLATIVE TRANSFERS**

1) Transfer of \$455,800 FY 2011

H.B. 2001, Sections 112 and 113 required the transfer of \$301,700 and \$154,100, respectively, from the Arizona Water Banking Fund to occur by July 15, 2010.

Alternative 1A Transfers from all AMA withdrawal fee subaccounts

Description - Transfers balances from all three AMA withdrawal fee subaccounts on a proportional basis.

Water Banking Fund (withdrawal fees)	Pro Rata Share of Transfer based on Subaccount Balances	Transfer Amount	Reduction in Withdrawal Fee Deliveries (AF)	Reduction in Deliveries to 2010 Plan (AF)
Phoenix AMA*	43%	\$196,000	1,441	0
Pinal AMA	43%	\$196,000	1,960	1,960
Tucson AMA	14%	\$63,800	437	0

*Reduced revenues by previous transfer of \$198,200

Advantages:

- All three AMA subaccounts share transfers proportional to account balance

Disadvantages:

- Pinal County four cent tax completely expended under approved 2010 Plan of Operation; therefore, requires expenditure of shortage reparation funds to meet approved 2010 deliveries to the Pinal AMA
- Requires requesting shortage reparation funds from Nevada
- If shortage reparation funds are not requested, would require expenditure of Nevada Operating funds remaining from 2009 reconciliation if storage capacity is not available in other AMAs
- Storage for meeting the Tucson AMA firming goal is decreased

Alternative 1B Transfer from Phoenix withdrawal fee subaccount

Description – Transfers full amount from the Phoenix AMA withdrawal fee subaccount.

Water Banking Fund (withdrawal fees)	Transfer Amount	Reduction in Withdrawal Fee Deliveries (AF)
Phoenix AMA	\$455,800	3,351
Pinal AMA	0	0
Tucson AMA	0	0

Advantages:

- Water deliveries scheduled for the Phoenix AMA under the approved 2010 Plan of Operation will continue because there are funds available in the Maricopa County four cent tax account to offset costs.
- Pinal AMA deliveries approved under the 2010 Plan of Operation are met with available funds

Disadvantages:

- Phoenix AMA absorbs the entire fund transfer
- Reduces storage for water management purposes, which can be used for Indian firming

2) Transfer of \$5 Million FY 2010

H.B. 2001, Section 113(A) required the transfer of \$5 million from the interstate subaccount. A total of \$4,698,345.40 was transferred on April 16, 2010, which was the remaining fund balance in the Nevada Resource subaccount leaving a balance of \$301,654.60 that must be identified for transfer pursuant to Section 113(C).

Alternative 2A Transfer from Nevada Resource subaccount

Description – CAWCD notified AWBA on April 27, 2010 that following completion of interstate reconciliation interstate funds were still available. The required transfer could be met using NV Resource funds made available as a result of the CAWCD reconciliation.

Advantages:

- Transfer is from interstate account as identified in H.B. 2001
- Does not affect payment for water deliveries under approved 2010 Plan of Operation
- Leaves withdrawal fees available to purchase water for Arizona now when water is available

Disadvantages:

- Requires reimbursement of interstate funds from CAWCD

Alternative 2B Transfers from all AMA withdrawal fee subaccounts

Description - Transfers balances from all three AMA withdrawal fee subaccounts on a proportional basis.

Water Banking Fund (withdrawal fees)	Pro Rata Share of Transfer based on Subaccount Balances	Transfer Amount	Reduction in Withdrawal Fee Deliveries (AF)	Reduction in Deliveries to 2010 Plan (AF)
Phoenix AMA*	43%	\$129,712	954	0
Pinal AMA	43%	\$129,712	1,297	1,297
Tucson AMA	14%	\$42,230.60	289	0

*Reduced revenues by previous transfer of \$198,200

Advantages:

- Does not require reimbursement of interstate funds from CAWCD

Disadvantages:

- All three AMA subaccounts are reduced
- Pinal County four cent tax completely expended under approved 2010 Plan of Operation; therefore, requires additional expenditure of shortage reparation funds to meet approved 2010 deliveries to the Pinal AMA
- Requires requesting shortage reparation funds from Nevada
- If shortage reparation funds are not requested, would require expenditure of Nevada Operating funds remaining from 2009 reconciliation, if storage capacity is not available in other AMAs
- Storage for meeting the Tucson firming goal is decreased
- Reduces storage for water management purposes, which can be used for Indian firming
- Reduces revenues to the administration subaccount because the subaccounts that are used to support this subaccount will not generate significant interest

Alternative 2C Transfer from Phoenix withdrawal fee subaccount

Description – Transfers full amount from the Phoenix AMA withdrawal fee subaccount.

Water Banking Fund (withdrawal fees)	Transfer Amount	Reduction in Withdrawal Fee Deliveries (AF)
Phoenix AMA	\$301,654.60	2,218
Pinal AMA	0	0
Tucson AMA	0	0

Advantages:

- Does not require reimbursement of interstate funds from CAWCD
- Water deliveries scheduled for the Phoenix AMA under the approved 2010 Plan of Operation will continue because there are funds available in the Maricopa County four cent tax account to offset costs.

Disadvantages:

- Phoenix AMA absorbs the entire fund transfer
- Reduces storage for water management purposes, which can be used for Indian firming
- Reduces revenues to the administration subaccount

Attachment 2010-1

ARIZONA WATER BANKING AUTHORITY
(FY 2010 - July 2009 thru June 2010)

		<u>Actual</u>
FY 2010 ADMINISTRATIVE BUDGET	\$524,374	\$502,087
<hr/>		
Administration Account Balance		
Projected End-of-FY09	\$766,646	\$752,967
Projected End-of-FY10	\$242,272	\$336,242

ARIZONA WATER BANKING AUTHORITY

FY 2010 ADMINISTRATIVE BUDGET**\$524,374****\$502,087**

STAFFING

	Total FTE	Cost	Actual Cost
Department of Water Resources Cost of Services		\$403,574	\$402,681
Personnel Services	2.5	\$192,874	\$ 192,870
Water Bank Manager			
Water Bank Technical Administrator			
Attorney			
Employee Related Expenditures (at 34.1% of Personnel Services)		\$65,800	\$ 64,461
Indirect Cost (at 56% of Personnel Service & ERE)		\$144,900	\$ 145,350
Central Arizona Project Cost of Services		\$21,000	\$21,000
Personnel Services & ERE		\$21,000	\$21,000
Water System Engineer			
Customer Service Coordinator			
Hydrologist			
Administrative Support			
Subtotal Staffing		\$424,574	\$423,681

OTHER COSTS

Professional & Outside Services		\$90,000	\$75,800
Travel		\$6,300	\$1,232
Instate Travel		\$5,300	\$1,232
Out of State Travel		\$1,000	
Other Operating Expenses		\$3,250	\$1,374
Standard per employee	2.5	\$500	\$1,250
Miscellaneous		\$2,000	
Equipment		\$250	\$0
		\$250	
Subtotal Other Costs		\$99,800	\$78,406

Attachment 2011-1

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

FY 2011 ADMINISTRATIVE BUDGET **\$536,909**

Administration Account Balance

Projected End-of-FY10 **\$336,242**

Projected End-of-FY11 **\$0**

Based on existing revenues in the Administrative subaccount there is a projected deficit of \$120,130 at the end of FY 2011. The AWBA has statutory authority to use the AWB Fund to pay all expenses incurred in carrying out its duties and responsibilities.

Sufficient revenues will be available in the Fund to make required transfers to the Administrative subaccount in order to achieve FY 2011 balanced budget.

At the Dec/March AWBA meetings, staff will provide update of AWBA budget expenses.

ARIZONA WATER BANKING AUTHORITY

FY 2011 ADMINISTRATIVE BUDGET

\$536,909

STAFFING

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

OTHER COSTS

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

Attachment 2011-3

ARIZONA WATER BANKING AUTHORITY

TRAVEL

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

Attachment 2011-3 continued

OTHER OPERATING COSTS

		Cost
Miscellaneous		
	Supplies	\$500
	Training	\$0
	Other	\$600
	Permits	\$1,500
		<u>\$2,600</u>
Other Operating Cost		\$2,600

EQUIPMENT

	Units	Unit Cost	Cost
			\$750
			<u>\$750</u>
Subtotal			\$750
Total Equipment			\$750

Long-term Storage Credits Accrued on Behalf of Nevada

	Year	Credits ¹ Earned	Cumulative Credits	Percent of Goal Achieved (1,250,000 AF)	Cost of Storage	Received from SNWA ²		Funds Available	
						Subaccounts		Subaccounts	
						Resource	Operating	Resource	Operating
Actual	2002	61,098	61,098	5%	\$ 8,617,393	\$ 5,000,000		\$ -	
	2003	50,000	111,098	9%	\$ -	\$ 3,723,945		\$ 106,552 ²	
	2004	14,162	125,260	10%	\$ 2,899,647	\$ 1,330,000		\$ -	
	2005	111,805	237,065	19%	\$ 25,723,366	\$ 100,000,000		\$ 72,813,539 ³	
	2006	175,569	412,634	33%	\$ 35,386,306	\$ -		\$ 37,640,089 ⁴	
	2007	114,886	527,520	42%	\$ 21,853,906	\$ -		\$ 15,786,183	
	2008	0	527,520	42%	\$ -	\$ -		\$ 15,786,183	
	subtotal					\$ 94,480,618	\$ 110,053,945		
	2009	55,252	582,772	47%	\$ 10,781,853	\$ (8,564,916) ⁵	\$12,685,000	\$ 5,518,096 ⁶	\$ 4,107,660 ⁷
Estimated	2010								
	1 st Quarter	0	582,772	47%	\$ -	\$ (684,700) ⁸		\$ 4,833,396	\$ 4,114,029
	2 nd Quarter	0	582,772	47%	\$ -	\$ (4,531,741) ⁹		\$ 301,655	\$ 4,115,040
	3 rd Quarter	0	582,772	47%	\$ -	\$ (301,655) ¹⁰		\$ 0	\$ 4,115,040
	4 th Quarter	0	582,772	47%	\$ -	\$ -	\$ -	\$ 0	\$ 4,115,040
	Total				\$ 105,262,471		\$12,685,000	\$ 0	\$ 4,115,040

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

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

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

⁴ Includes expenditure of \$212,857 in interest on monies disbursed to CAWCD.

⁵ Pursuant to S.B.1001 (signed 1/09), \$12.7 million was transferred from the Arizona Water Banking Fund: \$8.57 million of the total reduction was transferred from the NV Resource Acct.

⁶ Includes expenditure of \$500,886 in interest that had accrued on monies previously disbursed to CAWCD.

⁷ Includes interest accrued

⁸ Funds transferred pursuant to an amendment to S.B. 1001 (signed 12/09)

⁹ Funds transferred pursuant to H.B. 2001 (signed 3/10)

¹⁰ Funds available from 2009 reconciliation made available to the Arizona Water Banking Fund from CAWCD on April 27, 2010

FINAL DRAFT

ARIZONA WATER BANKING AUTHORITY

ANNUAL REPORT
2009



Submitted

July 1, 2010

Arizona Water Banking Authority

Annual Report 2009

Honorable Janice K. Brewer
Governor of Arizona

Members

Herbert R. Guenther
Chairman

Maureen R. George
Vice-chairman

Tom Buschatzke
Secretary

John T. Mawhinney
Member

Gayle J. Burns/Lisa A. Atkins
Member

Ex officio

Senator Robert Burns
Senator Steve Pierce
Representative Kirk Adams

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The Arizona Water Banking Authority

Summary

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

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

- Firming (to secure) adequate water supply to municipal and industrial users in the Central Arizona Water Conservation District (CAWCD) service area and along the Colorado River in times of shortages;
- Meeting the management plan objectives of the Arizona Groundwater Code;
- Assisting in the settlement of Indian water rights claims; and
- Assisting Nevada and California through interstate water banking.

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

The money that funds the AWBA and, specifically, water storage for the benefit of Arizona (intrastate storage) comes from three sources. Restrictions on the ways these monies can be used depend on the source of the monies, which currently include:

- Fees for groundwater pumping currently collected within the Phoenix, Pinal and Tucson Active Management Areas (AMA). These monies can only be used to benefit the AMA in which the fees are collected.
- A four cent *ad valorem* property tax collected in the three county CAWCD service area. These monies can only be used to benefit the county in which the tax is levied.
- Shortage reparation funds are available upon demand from Nevada to be used to purchase and store water supplies to mitigate the impact of shortages on Arizona users.
- A general fund appropriation received at the discretion of the Legislature.

In addition to these sources of funding for intrastate storage, the AWBA also uses funds provided by Nevada pursuant to the Amended Agreement for Interstate Water Banking (Amended Agreement) to create credits for the benefit of Nevada.

In calendar year 2009, the Water Bank delivered for recharge a total of 165,042 acre-feet at a cost of \$17.9 million. Of that amount, 106,018 acre-feet were for intrastate storage at a cost of \$7.1 million and 59,024 acre-feet were for interstate storage at a cost of \$10.8 million.

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From the Water Bank's inception through calendar year 2009, the AWBA has accrued approximately 3,319,702 acre-feet of credits at a cost of \$240,931,649. Of this total volume, intrastate credits totaled 2,786,930 acre-feet at a cost of \$135,646,479 or \$48.70/acre-foot and interstate credits totaled 532,772 acre-feet at a cost of \$105,262,472 or \$197.60/acre-foot. In addition to the credits accrued by the AWBA, 50,000 acre-feet of credits previously accrued by CAWCD were transferred to the account creating a total of 582,772 acre-feet of credits available for Nevada.

Arizona Water Banking Authority Annual Report Requirement

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

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

Update

For the first ten years of its operations, AWBA was the major user of incentive recharge water; however, in the last two years, many Central Arizona Project (CAP) contractors, along with the AWBA requested the low-cost recharge water. Calendar year 2009, started similar to 2008, as another year of very limited water availability for the AWBA because of the continued interest in incentive recharge water.

The preliminary 2009 water orders submitted in October 2008 to the Central Arizona Water Conservation District (CAWCD) by its customers exceeded projected supply by 234,000 acre-feet. This was a result of both new customers and an increase in historic water orders. These increased water orders left no water available to the AWBA. In response to these competing demands, CAWCD recognized the need to develop a strategy for distributing Excess CAP water. AWBA staff coordinated with CAWCD in that process and in developing a comprehensive policy for the distribution of Excess CAP water beginning in 2010. In November 2008, the CAWCD Board adopted a policy for 2009 reserving two pools to ensure recovery goals and Indian firming goals could be accomplished. AWBA met the requirements to participate in those two pools. The policy also allowed for the distribution of the balance of water remaining (see Water Availability topic under **Activities and Projects**).

The initial AWBA Plan of Operation for 2009 (Plan) identified 118,500 acre-feet available for intrastate storage. Interstate storage on behalf of SNWA was not included due to the limited water volumes available to the Water Bank. Through the year, interstate water did become available for storage as a result of a number of factors: legislative transfers reducing funding available to the AWBA, water orders turned back by other CAWCD customers, and Nevada's unused apportionment made available to Arizona for storage (see Interstate Banking under **Activities and Projects**). The 2009 Plan was amended in April and again in November to account for these changes. By the end of 2009, water delivered by AWBA for storage totaled 165,042 acre-feet (106,018 acre-feet for intrastate storage and 59,024 acre-feet for interstate storage; additional discussion on deliveries near end of **Update** section).

In addition to quarterly meetings, the AWBA held four Special meetings that focused on the Interstate Water Banking Agreement, legislative transfers, Amended Plan of Operation, recovery planning/recovery agreement and acquisition of additional water supplies.

Four membership changes occurred to the AWBA Commission in 2009. With the beginning of the legislative session on January 12, 2009, statutorily appointed Senator Robert Burns, President of the Senate, and Representative Kirk Adams, Speaker of the House, began serving on the Commission as *ex officio* members. In March, 2009, Ms. Susan Bitter Smith, President of the CAWCD Board of Directors, designated Ms. Lisa Atkins as the AWBA Commission member replacing Ms. Gayle Burns. In April, 2009, Senator Burns designated Senator Steve Pierce to serve as the Senate *ex officio* member. Additionally, there was one change to AWBA support staff. Mr. Ken Slowinski was promoted to ADWR's Chief Legal Counsel following Patrick Schiffer's retirement in June, 2009.

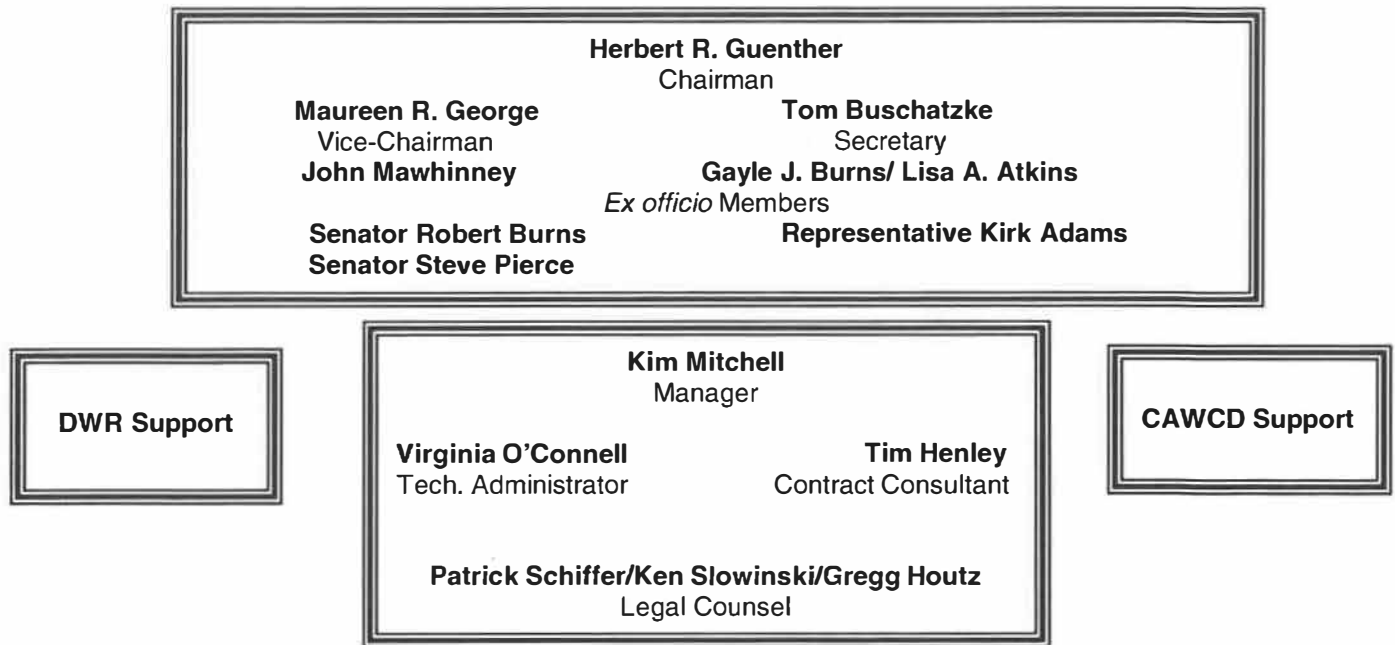


Figure 1. Arizona Water Banking Authority Organizational Chart for 2009

The Arizona Water Banking (AWB) Fund continued to be a favorite target of the legislature. In calendar year 2009, a series of legislative transfers totaling over \$18 million were made from the AWB Fund. Of this, approximately \$13.9 million was from the Nevada Resource subaccount.

The Agreement between the Secretary of the Interior and the State of Arizona for the Firming of Central Arizona Project Indian Water (Secretarial Agreement) was executed in 2007. The AWBA continued to work toward meeting some of the obligations outlined in the Secretarial Agreement in 2009. The AWBA continued further development of credits and subsequently completed the \$3 million contribution to the Federal government in 2009 for the Southern Arizona Water Rights Settlement Act. The White Mountain Apache Tribe Water Rights Quantification Act was introduced in Congress. Negotiations continued throughout 2009 with the Hopi Tribe and Navajo Nation concerning their Indian water right claims.

In 2009, the AWBA executed an intergovernmental agreement (IGA) with the Gila River Indian Community (GRIC) for the purpose of establishing the Southside Replenishment Bank (SSR Bank) required under the Gila River Indian Community Settlement Act. The AWBA must deliver at least 1,000 acre-feet per year, up to 15,000 acre-feet, to establish the SSR Bank; the initial 1,000 acre-feet of direct delivery to the GRIC was made in 2009.

The AWBA continued to work with Mohave County Water Authority (MCWA) on amending the Agreement to Firm Future Supplies to recognize newly acquired municipal water supplies by MCWA and to outline a process for allowing other on-river M&I users the opportunity to participate in on-river firming.

CAWCD filed a petition for special action with the Arizona Supreme Court. The petition claimed that the legislative transfer of funds from the Nevada Resource subaccount was unconstitutional. After the petition for review was denied by the Supreme Court without comment, the CAWCD Board authorized its attorney to refile the lawsuit in Superior Court. The lawsuit was filed on February 3, 2010, and is pending.

Recognizing the AWBA's new obligations under the Arizona Water Settlements Act and the increase in demand for Excess CAP water by other CAP customers, the AWBA Commission decided to pursue legislative solutions to confirm the AWBA authority to fulfill the significant number of responsibilities of the Water Bank. Senator Steve Pierce, *ex officio* Commission member, sponsored a legislative amendment that would clarify how the AWBA could participate in any pools created by CAWCD. The amendment was submitted for consideration in January, 2010 and was signed into law by Governor Brewer on April 26, 2010.

In 2009, the AWBA delivered for recharge a total of 106,018 acre-feet of water for intrastate purposes and a total of 59,024 acre-feet were delivered for storage on behalf of the Southern Nevada Water Authority. Of the interstate water, 51,387 acre-feet was released to Arizona as Nevada's unused apportionment pursuant to II(B)(6) accounting, over and above Arizona's 2.8 million acre-feet allocation. The interstate credits accrued through 2009 are estimated at 582,772 acre-feet and fulfills about 47 % of Arizona's obligation to Nevada under the Second Amended Agreement for Interstate Banking (Amended Agreement). The quantity of water received by each facility is described in Appendix A and totaled 62,691 acre-feet of water in the Phoenix AMA, 66,594 acre-feet of water in the Pinal AMA, and 35,757 acre-feet in the Tucson AMA.

In addition to the 2009 deliveries, 27,504 acre-feet of Intentionally Created Unused Apportionment (ICUA) was created and made available to California. This ICUA was created pursuant to the *Amended Letter Agreement for the Creation of Intentionally Created Unused Apportionment with Credits Created Under the 1992 Demonstration Agreement between CAWCD and MWD, December 11, 2007*. For the second time, ICUA was certified in 2009. In June, 2009, the AWBA certified the creation of 28,442 acre-feet of ICUA in 2008.

Based on the Decree accounting data, total consumptive use of Colorado River water by Arizona for 2009 was 2.83 million acre-feet (maf). From Arizona's basic apportionment of 2.8 maf, the total consumptive use is calculated by making addition/subtraction adjustments such as system conservation, Nevada's unused apportionment, and creation of ICUA. Arizona ended the 2009 calendar year with an overrun of about 11,700 acre-feet. Distribution of the 2.83 maf was approximately 1.17 maf for direct uses along the Colorado River and CAP diversions of approximately 1.66 maf (U.S. Bureau of Reclamation, Lower Colorado River Operations, Colorado River Accounting and Water Use Report – 2009, dated May 2010). In 2009, storage by the AWBA assisted Arizona in using its entitlement to Colorado River water.

For more information about the Water Bank, consult the AWBA website at www.azwaterbank.gov or contact Kim Mitchell (krmitchell@azwater.gov), Virginia O'Connell (voconnell@azwater.gov), or Tim Henley (tjhenley@azwater.gov), or by phone at 602-771-8500.

Activities and Projects - 2009

Indian Firming Program

Secretarial Agreement

On December 14, 2007, the legislation that passed in 2004 approving the Arizona Water Settlements Act (Settlements Act) P.L. 108-451, became enforceable, thus settling longtime claims to water by the Gila River Indian Community (Community; GRIC) and the Tohono O'odham Nation. A key provision affecting the Water Bank within the Settlements Act is the provision authorizing the Secretary of the Interior (Secretary) and the State of Arizona (State) to develop a Firming Program to ensure that 60,648 acre-feet of Non-Indian agricultural (NIA) priority CAP water reallocated to Indian tribes shall be delivered during water shortages at the municipal and industrial (M&I) priority.

The Agreement between the Secretary of Interior and the State of Arizona for the Firming of Central Arizona Project Indian Water (Secretarial Agreement) executed in 2007, identifies the obligations that must be met and develops the method for meeting the obligations between the State and Federal governments. The Settlements Act and Secretarial Agreement recognize three categories where the State has firming responsibilities. The first two obligations pertain to improving the priority of water for the GRIC and other Arizona tribes; the third obligation pertains to providing assistance to the Secretary in carrying out obligations of the Southern Arizona Water Rights Settlement Act (SAWRSA).

In 2008, \$12.4 million of money appropriated for Indian firming was swept by the legislature out of the Arizona Water Banking (AWB) Fund. Until there is an appropriation specifically for Indian firming, the AWBA will work toward its obligation to firm using withdrawal fees collected in the Phoenix and Pinal Active Management Areas to develop credits through storage of water at Groundwater Savings Facilities (GSFs).

The State committed to provide support to the Federal government for the Tohono O'odham Nation, as part of the SAWRSA, by contributing \$3 million in either cash or in-kind goods and services. Through 2009, the AWBA expended \$3 million (\$2,968,660 for water deliveries and storage; \$31,340 for cost of services) for Indian firming to develop 34,101 acre-feet of credits in the Tucson area. The Secretarial Agreement requires the State to meet this obligation within four years, beginning January 1 after the enforceability date; thus the AWBA met this obligation two years in advance of the mandated schedule. These credits will later be assigned to the Secretary to satisfy the State's obligation to assist the U.S. in meeting its obligation to firm Tohono O'odham water.

Other Indian Water Rights Settlements

In September, 2008, Federal legislation was introduced to authorize the White Mountain Apache Tribe (WMAT) water rights settlement and to allow the Secretary to enter into an agreement. In January, 2009, Senator Kyl and Representative Anne Kirkpatrick reintroduced the WMAT bill, the WMAT Water Rights Quantification Act of 2009 (Quantification Act) as S.313. By the end of the year,

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both S. 313 had been reported out of Committee, and H.R. 1065 had been passed by the House. Senate acceptance of H.R. 1065 will finalize enactment. Under the Quantification Act, the State of Arizona and the Federal government will equally share a 7,500 acre-foot per year firming obligation. The AWBA will therefore, as agent for the State, be responsible for firming 3,750 acre-feet of non-Indian agricultural (NIA) CAP water for a 100-year period. The outside enforceability date has been pushed back to 2020 for financial scoring purposes. All of the water under the WMAT Settlement requiring firming will be leased by the Phoenix valley cities for 100 years after the enforceability date.

Negotiations on the Northeastern Arizona Indian Water Rights Settlement Agreement (Navajo Nation/Hopi Tribe) continued throughout 2009. The AWBA continued to follow these discussions since the AWBA could be involved in firming responsibilities for these settlements, if the tribes receive water from the future settlement pool. The U.S. and the State share responsibility for the firming of 17,448 acre-feet, which is dedicated for future Indian settlements. This responsibility is divided equally (8,724 acre-feet each) between the Secretary and the State.

Southside Replenishment Bank

In addition to the firming requirements of the Settlements Act, the AWBA, acting as agent for the State, is required to replenish any use of groundwater that exceeds the amounts established for designated Protection Zones. The AWBA was required to enter into an inter-governmental agreement (IGA) with GRIC for direct delivery of water for the purpose of establishing the Southside Replenishment Bank (SSR Bank). The SSR Bank will be used to fulfill the obligations created under the Settlements Act for protection of the Reservation from off-reservation groundwater pumping. The AWBA will create the SSR Bank by delivering a minimum of 1,000 acre-feet of water per year to the GRIC up to a maximum of 15,000 acre-feet. In 2009, the AWBA entered into an IGA with the GRIC that describes the procedure both parties will follow for delivering water to the Community for the purpose of this obligation. Following execution of the IGA, the AWBA made its first deliveries of 1,000 acre-feet to the Community establishing the SSR Bank.

Shortage Sharing

Arizona Shortage-Sharing

The Director's Shortage-Sharing Workgroup (Workgroup) established in 2005 met regularly to come up with recommendations to present to the Secretary of the Interior for implementing future shortages in the lower basin and between CAWCD and equivalent 4th priority Colorado River water users.

As part of the recommendation of the Workgroup, a provision was included that recommended the AWBA continue to provide the opportunity for on-river fourth priority M&I users to enter into contracts with the AWBA for firming. Staff began working on an efficient approach by which these users could be given opportunities to firm their entitlements. Resolution 2010-1 was approved in March, 2010 that outlines a process for allowing other on-river M&I users that are not included within MCWA's agreement with the AWBA the opportunity to participate in on-river firming.

Agreement to Firm Future Supplies

The AWBA is required by statute to reserve a reasonable number of credits accrued with General Fund appropriations for entities outside the CAWCD service area. In 2005, the AWBA entered into an Agreement to Firm Future Supplies (Agreement to Firm) with MCWA. In the Agreement to Firm, the AWBA agreed to reserve approximately 230,000 acre-feet of credits for MCWA's use. The MCWA agreed to make a \$20 per acre-foot pre-payment of the replacement cost for those credits.

Once those credits were identified for use by an entity outside of the three-county service area, CAWCD was required to charge the AWBA a fee in lieu of taxes. CAWCD has set the in lieu tax rate at \$20 per acre-foot for AWBA. The AWBA use monies collected from MCWA to make these payments.

The MCWA had recently acquired new Colorado River entitlements and approached the AWBA to discuss inclusion of these new supplies in the Agreement to Firm. In 2009, the AWBA continued to discuss with MCWA amending the Agreement to Firm to include these new supplies and to address timing of payback of credits. The Amended Agreement to Firm Future Supplies was executed by the AWBA in March, 2010 and will be addressed in more detail in next year's annual report.

Water Availability and AWBA Legislation

Distribution of Excess CAP Water

For the last three years, CAWCD has experienced increased requests to purchase Excess CAP water for underground storage. Excess CAP water is water that in any year is remaining after CAWCD meets the demand of its contractors and subcontractors. Excess CAP water orders for 2008 received by CAWCD in October, 2007 exceeded the available supply by 100,000 acre-feet. Again, in October, 2008, orders for 2009 exceeded supply by more than 225,000 acre-feet, and in October, 2009, orders for 2010 exceeded supply by 57,000 acre-feet.

To balance these competing demands, the CAWCD Board recognized the need to develop a strategy for distributing Excess CAP water. The Board directed their staff in the Fall of 2008 to develop temporary procedures for distribution of water in 2009 and to develop a more comprehensive policy for future distribution of Excess CAP water in 2010 and beyond. In 2009, the Board also adopted a rate-setting strategy to phase out the price subsidy for incentive recharge in 2010.

Distribution of Excess CAP Water - 2009

AWBA staff participated with CAWCD staff in meetings held during the Fall of 2008 to focus on developing procedures quickly for distribution of water in 2009. Subsequently, the CAWCD Board adopted a 2009 policy that reserved two new pools within the Excess Pool and methodology for distribution of any remaining Excess Pool balance.

An 81,900 acre-foot pool was created for use at GSFs. This pool provided agricultural- pricing incentives for irrigation districts that participated in the CAP recovery programs or assisted in meeting AWBA/CAGRDR storage goals. These pricing incentives helped ensure that CAWCD could meet recovery expectations of Metropolitan Water District of Southern California. The AWBA with its GSF

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facility partners were the main participants in this pool. Another pool of 45,000 acre-feet was created for use by the AWBA to be used to assist Arizona in meeting its Indian firming obligations. The remaining water was distributed based on maximum incentive recharge orders from the last three years, a de minimus of 2,500 acre-feet, and distribution in proportion to the amount order had been reduced.

Distribution of Excess CAP Water - 2010-2014

In late 2008 and the Spring of 2009, AWBA staff participated in stakeholder workshops held by CAWCD staff to develop a long-term policy for 2010 and beyond. These "Access to Excess" workshops helped to identify areas of agreement in the allocation of excess supplies. Consensus emerged around a multiple-pool approach that recognized major categories of uses. Throughout this process there was broad public support for ensuring the AWBA continued to make progress toward its obligations and goals. In June, 2009, the CAWCD Board adopted a five-year policy for distribution of Excess CAP water for 2010 through 2014.

From the total available supply of Excess CAP water, the Agricultural Settlement Pool¹ of 400,000 acre-feet is filled first and is not subject to provisions of the Access to Excess policy. Four separate pools are created under this policy. The AWBA, Central Arizona Groundwater Replenishment District (CAGRDR) Replenishment Reserve, and the U.S. Bureau of Reclamation share a pool of 175,000 acre-feet. The second pool is for CAGRDR's annual replenishment and is capped at 35,000 acre-feet. The remaining volume of 190,000 acre-feet is split evenly between a Municipal pool and an Industrial & Other pool. Water unused within the AWBA, CAGRDR and Federal pool adds equally to the Municipal and Industrial pools. Any additional water available in the Municipal pool is added to the Industrial pool and vice versa. Additional details of the pool allocation can be obtained from the CAP website www.cap-az.com.

Proposed AWBA Legislation

The recent increase in demand for excess CAP water has limited the excess CAP water available for storage by the AWBA. At the time the settlement legislation was enacted identifying the AWBA as the agent for the State, it appeared there would be an abundance of excess CAP incentive water available for storage by the Water Bank. This increase in water demand has been of great concern to the AWBA and its partners given the new obligations it has acquired. In tandem with the development of CAWCD's Access to Excess policy in the Fall of 2008, the AWBA sought a legislative amendment that clarifies the AWBA's ability to obtain and store any excess CAP water that is made available in pools established by CAWCD. The AWBA worked with potential sponsors to develop such an amendment.

The first draft enumerated five purposes for which the AWBA could participate in pools identified by CAWCD. Overall, the proposed legislation was well-received and supported by the various entities

¹ CAP non-Indian agricultural users relinquished their long-term entitlements to Non-Indian Agriculture priority water for reallocation to Indian and M&I users in accordance with the Arizona Water Settlements Act of 2004. In return, CAWCD agreed to make available to these users through 2030 a special category of excess water referred to as the Ag Settlement Pool. This pool has the highest priority of all excess water. The Ag Settlement Pool is initially sized at 400,000 AF/YR, declining to 300,000 AF/YR in 2017, and to 225,000 AF/YR in 2024.

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that provided feedback. General comments received from these initial meetings and public review included:

- Clarifying changes to specify replenishment related to Gila River Indian Community.
- Specify interstate banking is for newly acquired water using interstate monies.
- Limiting the volume of excess water set aside for AWBA.
- Ensuring the legislation does not affect priority of the agricultural pool.
- Ensuring the legislation does not allow storage of water for interstate banking that would otherwise have been used in Arizona.

Following receipt of public comment and further analysis by the AWBA, the Commission at the AWBA meeting in December, 2008, approved potential legislative language. The language clarifies how the Water Bank would participate in two specific pools that could be created by CAWCD. The first pool would be for the various intrastate purposes allowed under the Water Bank's statute, including meeting Indian firming obligations, replenishing water under the Gila River Indian Water Settlement program, and storing water for municipal and industrial purposes in times of shortage. The second pool would be for the purpose of meeting interstate contractual obligations and is specific to the storage of new CAP water acquired from the Colorado River with AWBA interstate funds.

Early in 2009, at the request of the Governor, state agencies were asked to withdraw any request for legislation not directly related to addressing budget deficits. In the Fall of 2009, Senator Steve Pierce, *ex officio* AWBA Commission member, agreed to sponsor the previously proposed legislative changes to the AWBA authorizing legislation. Senator Pierce serves as the Senate Majority Whip and as Vice Chairman for the Natural Resources, Infrastructure and Public Debt Committee. The amendment was submitted for consideration in January, 2010 and was signed into law as Chapter 168 by Governor Brewer on April 26, 2010, effective immediately pursuant to its emergency clause.

Interstate Banking

Amended Agreement for Interstate Water Banking

In January, 2009, Southern Nevada Water Authority (SNWA) requested an opportunity to discuss potential changes to the Amended Agreement for Interstate Water Banking (Agreement) to address conditions that had changed since the Agreement was executed and to create flexibility in its implementation. At a Special AWBA meeting, January 7, 2009, Commission members agreed to toll the performance dates of the Agreement for 90 days to allow time for all parties to consider permanent modifications to the Agreement. SNWA had asked for flexibility in making the 2009 payment for fiscal reasons and because the AWBA had not included interstate deliveries in its 2009 Plan of Operation. In addition to payment flexibility, other modifications that were discussed included the addition of recovery definitions, the revision of the recovery schedule, the addition of the credit exchange method for creating Intentionally Created Unused Apportionment (ICUA), and modifying coordination dates with Nevada and CAWCD in forecasting water storage and recovery.

The Second Amended Agreement for Interstate Water Banking (Amended Agreement) that addressed these modifications was approved at the April 1, 2009 AWBA meeting. There was in-depth discussion on the need to further define the duties of the Authorized Representative and to set forth the changes that could be made with certain limits or guidelines. The AWBA Commission requested staff draft a Resolution that sets forth the limits of the Authorized Representative's authority.

Also in April, following the approval of an amended 2009 Plan of Operation (see discussion below), a letter agreement dated April 2, 2009 was signed between the AWBA and SNWA that addressed the SNWA's request for payment flexibility by allowing a modification to the payment schedule for 2009. At the quarterly AWBA meeting, September, 16, 2009, the AWBA Commission approved Resolution 2009-1 establishing the responsibilities and limitations of the AWBA's Authorized Representative.

Amended 2009 Plan of Operation

The 2009 Plan of Operation did not include storage of interstate water on behalf of SNWA due to limited water availability. Yet, there were two occurrences during the calendar year that made interstate water available for storage. First, legislative transfers reduced the amount of withdrawal fees available for delivery and storage of water to the Pinal AMA. In order to maintain planned water deliveries to Pinal GSF operators, it was necessary to reclassify 25,000 acre-feet as interstate water. The 2009 Plan of Operation was amended April 1, 2009 to reflect this change and to include additional intrastate water that became available in Tucson. Secondly, SNWA notified the Secretary of Interior and the AWBA of Nevada's unused apportionment that would be made available for storage by AWBA. In November, 2009, the Plan of Operation was again amended to include these additional interstate supplies. By the end of calendar year 2009, the AWBA was able to store on behalf of Nevada 59,024 acre-feet. Of this, 51,387 acre-feet of water was sent to AZ from Nevada's unused apportionment.

The AWBA sub-account for Nevada had a balance of 582,772 acre-feet of LTSCs at the end of 2009. Of that balance, 50,000 acre-feet of credits were transferred from CAWCD for storage done in the early 1990's under the demonstration project. Annual interstate storage for 2002 through 2009 is displayed in Table 6b.

Development of and Requests for Creation of Intentionally Created Unused Apportionment

For the third year, ICUA was developed in 2009. In December, 2008 the AWBA provided notice to the Bureau of Reclamation (USBR) of 30,000 acre-feet of ICUA to be created in 2009 through the development of LTSC on behalf of Metropolitan Water District of Southern California (Metropolitan). In November, 2009, the AWBA received an amended schedule from CAWCD that identified an estimated 27,500 acre-feet of recovery for 2009. By year's end, an estimated 27,504 acre-feet of ICUA was developed in 2009 as LTSCs recovered from wells used within three irrigation districts in Pinal County, Arizona. Below is a summary of ICUA developed for the benefit of Metropolitan through 2009.

Development of ICUA for the Benefit of MWD

Year	Long-term Storage Credits		ICUA Developed	Credits Remaining
	Recovered	Exchanged		
				80,909
2007	10,921	5,883	16,804	64,105
2008	27,442	1,000	28,442	35,663
2009	27,504	-	27,504	8,159
Total	65,867	6,883	72,750	

In addition to the development of ICUA, Metropolitan requested from CAWCD development of the remaining balance of ICUA in 2010 (letter dated November 19, 2009). This request for ICUA was included in the AWBA's 2010 Plan of Operation.

Certification of Intentionally Created Unused Apportionment

For the second time, ICUA was certified in 2009. AWBA is required to certify the creation of ICUA to the Secretary, Metropolitan, and CAWCD in the year following development of the ICUA. In a letter dated June 17, 2009, the AWBA certified the creation of 28,442 acre-feet of ICUA in 2008, following the review of annual reports and verification by ADWR of the recovery and exchange of LTSCs in 2008.

Recovery

CAWCD staff continued their planning efforts for the recovery of credits accrued by the AWBA. For the third year, the CAWCD continued recovering credits previously stored in Pinal County for the benefit of Metropolitan. Recovery in 2009 occurred from three irrigation districts; 11,004 acre-feet were recovered from Central Arizona Irrigation and Drainage District (CAIDD), 15,000 acre-feet were recovered from Maricopa-Stanfield Irrigation & Drainage District (MSIDD), and 1,500 acre-feet were recovered from the Hohokam Irrigation and Drainage District.

Recent planning by CAWCD includes an evaluation of recovery needs based on future demand projections and worst-case scenario shortages, methods for recovering long-term storage credits, and recovery opportunities within the Phoenix, Pinal and Tucson Active Management Areas. Various delivery arrangements through the service area have also been evaluated. An update on these planning efforts was presented to the AWBA Commission at a Special Meeting on November 23, 2009. Additional recovery planning information can be found on the CAWCD website www.cap-az.com.

Purchase of Long-Term Storage Credits from Tohono O'odham Nation

The AWBA purchased 234 acre-feet of LTSCs in 2009 from the Tohono O'odham Nation pursuant to A.R.S. § 45-841.01. It is important to note that this is the AWBA's only authorization to purchase credits.

The Tohono O'odham Nation is statutorily required to offer to sell to the AWBA ten percent of any credits accrued from water delivered to the Mission Mine Complex. The credits must be offered at a price per acre-foot that is equal to the AWBA's delivery and storage costs at the time of sale. Credits purchased by the AWBA cannot be recovered within five miles of the exterior boundary of the reservation.

Differential Pricing for Groundwater Savings Facilities (GSFs) in Tucson AMA

Over the last few years there has been increased concern over the slow progress in AWBA water storage in the Tucson Active Management Area (AMA). The slow progress has been a result of limitations for both funding and, at times, storage capacity at Underground Storage Facilities (USFs). Based on LTSCs accrued through 2009 (using *ad valorem* tax revenues) only 31% of the Municipal and Industrial (M&I) firming goal has been met in the Tucson AMA. Comparatively, 73 % of the M&I firming goal has been met in the Phoenix AMA and 64% has been met in the Pinal AMA.

The AWBA began to evaluate the potential for GSF opportunities in the Tucson AMA through the use of differential pricing of the cost share paid by operators. Historically, the AWBA decided against setting different rates between AMAs. The AWBA's cost share reflects operating costs primarily for the Phoenix and Pinal AMAs (\$32/acre-foot in 2009). Groundwater pumping costs in Tucson have been much lower than the cost share which has resulted in little to no interest in GSF partnerships with the AWBA.

Staff compared the effect of potential storage capacity availability at different cost shares on the firming goal impacts in the Tucson AMA. The different scenarios showed an increase in the firming goal of between two and four percent. Public comments received showed general support of a different cost share in Tucson. The Tucson Groundwater Users Advisory Council (GUAC) was supportive, and the Pinal AMA irrigation districts were accepting of this concept as long as Tucson funding was available and the Pinal districts were not affected. The 2010 AWBA Plan of Operation adopted in December, 2009, included a lower GSF cost share of \$15/acre-foot for the Tucson AMA.

Agreement and Facility Permit Activity

The AWBA executed two new agreements for water storage in 2009. The water storage agreement for the Central Avra Valley Storage and Recovery Project/Southern Avra Valley Storage and Recovery Project (CAVSARP/SAVSARP) was executed April 1, 2009 and for Cortaro-Marana Irrigation District (CMID) was executed on December 16, 2009.

The AWBA submitted one new application for water storage permit in 2009. The new permit was for CMID, issued on January 4, 2010 for a maximum storage volume of 20,000 acre-feet.

At the September AWBA meeting, the Commission approved the new intergovernmental agreement (IGA) between the Gila River Indian Community (GRIC) and the AWBA for direct delivery of water for the purpose of establishing the Southside Replenishment Bank (SSR Bank). The SSR Bank will fulfill the obligations created under the Settlements Act for protection of the Reservation from off-reservation groundwater pumping.

2010 Annual Plan of Operation

Pursuant to the 2010 Plan approved in December, 2009, projected deliveries for the AWBA are 153,600 acre-feet. Of this quantity, 110,345 acre-feet are projected to be recharged at USFs and 45,255 acre-feet at GSFs; 1,000 acre-feet are scheduled for direct delivery to the Gila River Indian Community to establish the Southside Replenishment Bank. No interstate storage is planned for 2010. The 2010 Plan of Operation is available on the AWBA website.

Website

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

Legislative Transfers from the Arizona Water Banking Fund

The AWBA continued to suffer severe impacts from continued legislative transfers in calendar year 2009 with a series of transfers totaling over \$18 million. Of this, approximately \$13.9 million was from the Nevada Resource subaccount. Legislative transfers from the AWBA's inception through calendar year 2010 as presently identified total approximately \$48.5 million. Of this, approximately \$19.4 million was transferred from the Nevada Resource subaccount. The specific legislative transfers for 2009 and 2010 are provided below.

Throughout this process, AWBA staff continued to produce extensive spreadsheets and alternative scenarios for Commission members to evaluate operational aspects of the Water Bank during these legislative transfers. Changes in revenue, spending assumptions and sources of transfers were assessed to determine the associated impacts to various subaccounts and water deliveries.

At a Special AWBA Meeting, held April 28, 2009, the AWBA Commission directed staff to draft a position statement in letter format to the Governor and members of the Legislature that identified impacts of transfers to the AWBA and that supported lessening fiscal impacts to the Arizona Department of Water Resources without affecting the AWBA. The position statement letter was hand-delivered to Governor Brewer and legislative members.

Again on November 12, 2009, the AWBA held a Special Meeting in response to ADWR's budget reduction submittal to the Governor's Office of Strategic Planning and Budget. The proposed plan included a reduction to the Arizona Water Banking (AWB) Fund of approximately \$785,000 to meet the target reduction for non-appropriated funds. Following direction from the Commission, another letter was hand-delivered to Governor Brewer and legislative members that addressed AWBA's relationship to ADWR, the impacts of further budget cuts on the AWBA's ability to meet its obligations, and that AWBA are included in further discussions regarding the AWB Fund.

CALENDAR YEAR 2009 TRANSFERS (~ \$18.1 MILLION):

SB 1001 signed February 1, 2009 specifically identified \$12.6 million to be transferred from the AWB Fund [Sec. 4(A)(47) \$9,196,600; Sec. 5(A)(36) \$387,300; Sec. 14 \$3,000,000]. An additional transfer of \$130,700 was identified by JLBC in March, 2009 pursuant to SB 1001 [Sec. 7]. Total legislative transfer from the AWB Fund pursuant to SB 1001 was \$12,714,600 (Phx AMA - \$2,006,322; Pinal AMA - \$1,993,362; and Tucson AMA - \$150,000).

SB 1188 and HB 2643 ("Trailer bill" making revisions to SB 1188) signed July 1, 2009 transferred an additional \$5.4 million from the Nevada Resource subaccount [Sec. 56 \$5,400,000 from interest earnings on the AWB Fund].

CALENDAR YEAR 2010 TRANSFERS - PRESENTLY IDENTIFIED (~\$6.3 MILLION):

SB 1001 signed December 23, 2009 identified \$684,700 to be transferred from the AWB Fund in 2010 (Transfer deadline 1/15/10).

HB 2001 signed March 18, 2010 identified further transfers of \$5,654,000 from the AWB Fund for FYs 2009-10 and 2010-11 [Sec. 112 \$301,700; Sec. 113 \$198,200, \$154,100, and \$5,000,000]. Transfers identify deadlines of 4/15/10 and 7/15/10. These transfers will be discussed in detail in the 2010 Annual Report.

Monies Expended from the Banking Fund

Arizona Revised Statutes §45-2425 mandates the various sources of monies for the Arizona Water Banking (AWB) Fund that is administered by the AWBA per the statute. In 2009, the AWBA obtained its funding from the following sources:

1. Fees for groundwater pumping are collected within the Phoenix, Pinal and Tucson AMAs. Fees for water banking purposes are charged at \$2.50 per acre-foot. Legislative changes allow for groundwater withdrawal fees to be collected and available to the AWBA beyond 2016 (A.R.S. §45-611(c)(3)). Long-term storage credits accrued with these monies must be used to benefit the AMA in which they were collected.
2. No *ad valorem* tax revenues were deposited into the AWB Fund in 2009. In June of 2008, the CAWCD board again resolved that all taxes to be levied for the following tax year would be retained by the CAWCD. All *ad valorem* monies previously held in the AWB Fund have now been expended. Money from this source must be used to benefit the county in which it was collected.
3. No General Fund Appropriation was deposited in the AWB Fund in 2009.
4. Mohave County Water Authority (MCWA) agreed to prepay the AWBA to set aside 230,280 acre-feet of credits that were transferred to a sub-account in MCWA's name pursuant to the Agreement to Firm. Since those credits were reserved for use by an entity outside the three-county service area, CAWCD is required to charge the AWBA a fee in lieu of taxes. Monies collected from MCWA are used to offset these CAWCD fees which are charged at the same rate and on the same quarterly schedule as MCWA's prepayments to the AWBA.
5. Pursuant to the Second Amended Agreement for Interstate Water Banking, the Southern Nevada Water Authority (SNWA) deposited \$12,685,000 in the AWB Fund for the purchase, delivery and storage of Excess CAP water on behalf of Nevada. Following receipt of interstate invoices, the AWBA transferred funds to CAWCD to pay for the Excess CAP water.

Table 1 shows the money the AWBA collected and the money that was expended for delivery and storage of water in 2009 by source of funds. Table 2 shows the total money received, expended and remaining through December 2009 by source of funds. Except for the monies remaining in the Nevada Resource Subaccount, which were swept from the AWB Fund in April 2010, any remaining money is available to be expended in subsequent years including any interest accrued.

Table 1. Monies Collected and Expended in 2009 by Source of Funds

Source of Funds	Money Collected	Money Expended
General Funds	\$0	\$0
In-Lieu Fund – MCWA Prepayments	\$921,120	\$921,120
State Indian Firming¹	\$38,706	\$304,817
Interstate Water Banking - Nevada		
Nevada Resource ¹	\$196,437	\$2,468,041
Operating	\$12,685,456	\$8,313,813
Subtotal for Interstate	\$12,881,893	\$10,781,853
Shortage Reparations - NV	\$0	\$0
4¢ Ad valorem Tax²		
Maricopa County	\$0	\$2,322,756
Pinal County	\$0	\$1,838,000
Pima County	\$0	\$1,656,121
Subtotal for Ad valorem	\$0	\$5,816,877
Groundwater Withdrawal Fees		
Phoenix AMA	\$1,673,776	\$46,200
Pinal AMA	\$1,587,385	\$270,000
Tucson AMA	\$456,892	\$670,394
Subtotal for Withdrawal Fees	\$3,718,053	\$986,594
TOTAL	\$17,363,336	\$18,811,262

¹ Amount shown is interest earnings.

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

Table 2. Monies Collected and Expended through December 2009 and Monies Remaining Available

Source of Funds	Money Collected	Money Expended	Money Available ¹
General Funds	\$11,100,865	\$11,100,865	\$0
In-Lieu Fund - MCWA Pre-payments	\$3,684,480	\$3,684,480	\$0
State Indian Firming²	\$2,338,171	\$2,338,171	\$0
Interstate Water Banking-NV			
Pre-Amended Agreement	\$10,053,945	\$10,053,945	\$0
Nevada Resource ²	\$91,560,964	\$86,894,714	\$4,666,250 ³
Operating	\$12,685,456	\$8,313,812	\$4,371,644
Subtotal for Interstate	\$114,300,365	\$105,262,472	\$9,037,894
Shortage Reparations - NV	\$2,307,925	\$2,307,925	\$0
4¢ Ad valorem Tax⁴			
Maricopa County	\$159,635,389	\$61,090,557	\$98,544,832
Pinal County	\$6,892,854	\$5,613,865	\$1,278,989
Pima County	\$31,833,644	\$21,083,385	\$10,750,260
Subtotal for Ad valorem	\$198,361,887	\$87,787,806	\$110,574,080
Groundwater Withdrawal Fees			
Phoenix AMA ²	\$14,760,483	\$14,759,876	\$607
Pinal AMA ²	\$12,231,463	\$12,069,167	\$162,296
Tucson AMA ²	\$6,801,237	\$6,793,004	\$8,233
Subtotal for Withdrawal Fees	\$33,793,183	\$33,622,047	\$171,136
TOTAL	\$365,886,876	\$246,103,766	\$119,783,110

¹ Money remaining in AWB Fund or collected by CAWCD; includes monies committed for the 2010 Plan of Operation.

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

³ Legislative transfer in CY 2010 depletes NV Resource subaccount entirely; Balance = \$0.

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

Long-term Storage Credits

The AWBA has established long-term storage credit (LTSC) accounts with ADWR. The Phoenix AMA account number is 70-441150, the Pinal AMA account number is 70-431135, and the Tucson AMA account number is 70-411150. After receiving the AWBA's annual reports for its water storage and water transfer permits and the annual reports for the recharge facilities, ADWR calculates and issues LTSCs to the appropriate accounts. The AWBA receives credit for 95% of the recoverable quantity of stored water. The 5% that is not credited is termed the cut to the aquifer and provides additional groundwater replenishment benefits. This cut to the aquifer is mandated by statute and applies to most storage of water for long-term credit. The recoverable amount of stored water is determined by subtracting facility losses from the quantity of water delivered to the facility. After credits are issued to the account, AWBA staff allocate the credits to the appropriate sub-accounts based on source of funding. The number and distribution of LTSCs for 2009 are listed in Table 3. The cumulative totals of LTSCs accrued by the AWBA through December 2009 are listed in Table 4.

Table 3. Number and Location of Long-term Storage Credits Accrued in 2009

Location and Funding Source	Long-term Storage Credits Accrued (AF)
Phoenix AMA	
4¢ <i>Ad valorem</i> Tax	36,087
Groundwater Withdrawal Fee	878
General Fund	0
Indian Firming	0
Shortage Reparations	0
Interstate - Nevada	22,467
AMA Total	59,432
Pinal AMA	
4¢ <i>Ad valorem</i> Tax	32,398
Groundwater Withdrawal Fee	2,755
General Fund	0
Indian Firming	0
Shortage Reparations	0
Interstate - Nevada	24,607
AMA Total	59,759
Tucson AMA	
4¢ <i>Ad valorem</i> Tax	16,910
Groundwater Withdrawal Fee	6,023
General Fund	0
Indian Firming	2,725
Shortage Reparations	0
Interstate - Nevada	8,178
AMA Total	33,836
Totals by Funding Source	
4¢ <i>Ad valorem</i> Tax	85,394
Groundwater Withdrawal Fee	9,656
General Fund	0
Indian Firming	2,725
Shortage Reparations	0
Interstate - Nevada	55,252
TOTAL	153,027

Table 4. Cumulative Total and Location of Long-term Storage Credits Accrued through December 2009

Location and Funding Source	Long-term Storage Credits Accrued (AF)
Phoenix AMA	
4¢ <i>Ad valorem</i> Tax	1,142,827
Groundwater Withdrawal Fee	262,241
General Fund	42,316
Indian Firming	0
Shortage Reparations	20,642
Interstate Water Banking - Nevada	46,287
AMA Total	1,514,313
Pinal AMA	
4¢ <i>Ad valorem</i> Tax	153,257
Groundwater Withdrawal Fee	362,126
General Fund	306,968
Indian Firming	0
Shortage Reparations	55,786
Interstate Water Banking - Nevada	439,851
AMA Total	1,317,988
Tucson AMA	
4¢ <i>Ad valorem</i> Tax	266,817
Groundwater Withdrawal Fee ¹	91,157
General Fund	54,546
Indian Firming	28,481
Shortage Reparations	0
Interstate Water Banking - Nevada	96,634
AMA Total	537,635
Totals by Source of Funds	
4¢ <i>Ad valorem</i> Tax	1,562,902
Groundwater Withdrawal Fee	715,524
General Fund ²	403,830
Indian Firming	28,481
Shortage Reparations	76,427
Interstate Water Banking - Nevada	582,772
TOTAL	3,369,936

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

² By resolution passed in 2002, the AWBA established on-river firming as the highest priority of use for credits accrued through expenditure of general fund appropriations. Pursuant to the AWBA Agreement to Firm with the Mohave County Water Authority (MCWA) dated February 4, 2005, a total of 230,280 acre-feet of credits were transferred to the AWBA long-term storage subaccount for the MCWA in 2005. By resolution passed in 2008, the AWBA established a replacement account for 4th priority Colorado River M&I users.

Since inception, the AWBA has focused its efforts on developing LTSCs for firming purposes and the AWBA has identified 2,700,000 acre-feet of LTSCs as reasonable to firm the CAP M&I subcontracts over the next 100 years. This volume would be divided as 58% to Maricopa County, 32% to Pima County and 9% to Pinal County based on a pro-rata distribution to the three counties on the basis of CAP M&I subcontracts. The AWBA has also identified 420,000 acre-feet of LTSCs as reasonable to firm the on-river communities over the next 100 years. In 2002, the AWBA adopted a resolution that identified on-river firming as the highest priority of use for the general fund credits and established

priorities for other uses (Indian settlements, etc.). Consequently, all or part of the general fund credits could be utilized to firm on-river M&I users. It should be noted that the AWBA collects reimbursement for the replacement cost of credits used for on-river firming. In 2008, the AWBA executed Resolution 2008-1 that establishes a LTSC replacement account for 4th priority Colorado River M&I users. As credits are used and replaced, these replacement credits will be placed in a separate replacement subaccount and be earmarked for the entity that reimburses the Water Bank for the replacement of those credits. Table 5 illustrates the progress made by the AWBA towards meeting its established goals.

Table 5 also identifies the estimated remaining costs for meeting the AWBA's goals and obligations. These estimates are developed based on the assumptions contained in the AWBA's ten-year plan for 2011-2020 and are subject to potential shortages discussed under recovery in the Ten-Year Plan. For obligations that are not met in the ten-year plan, 2021 estimated costs were assumed when calculating the amount remaining to meet the goals. As illustrated in Table 8 of the ten-year plan, most of the goals will be met during the next ten years. Those not met include the Tucson AMA and on-river M&I firming goals, and the Nevada contract obligation. Approximately 74% of the Tucson AMA firming goal will have been met by 2020. Since all of the *ad valorem* tax monies will have been expended by 2016, the AWBA will need to rely on withdrawal fees to meet the remainder of this firming goal. Because revenue from withdrawal fees is limited in the Tucson AMA (less than \$500k/yr), the firming goal would not be met until well beyond 2025. Therefore, estimated rates for 2021 were used to calculate the total remaining costs for the Tucson AMA firming goal. Expenditures under the ten-year plan are estimated at \$28 million, utilizing *ad valorem* tax monies (\$23 million) and withdrawal fees (\$5 million), and the remaining costs are estimated at \$37 million for a total cost of \$65 million. Likewise, because it is not known if or when the AWBA will receive general fund appropriations in the future, the same method was applied to calculate the remaining on-river firming costs. It was also assumed that storage for on-river firming purposes would be at GSFs. However, because funding is not the limiting factor for meeting the Nevada contract obligation, a different assumption was used. Interstate storage costs for the ten-year plan are estimated at \$17 million. It was assumed that at least 60,000 acre-feet could be stored annually at the Pinal GSFs beyond 2020 until the contract obligation is met. Using this assumption, the remaining costs after 2020 are estimated at \$89 million with the obligation being met by 2030. Lastly, the remaining costs for meeting the Indian firming goals were estimated by assuming that because the M&I firming goals could be met using *ad valorem* taxes and only a portion of existing withdrawal fee credits from the Pinal AMA, all withdrawal fee credits accrued in the Phoenix and Pinal AMAs in the next ten years would be applied toward meeting these goals. Existing withdrawal fee credits in the Pinal AMA and credits accrued from storage at the Gila River Indian Irrigation and Drainage District (GRIIDD) GSF, could be used to meet the remaining GRIC firming goal. Existing withdrawal fee credits from the Phoenix AMA could be used to meet the firming goal for future Indian settlements. Because funding has already been expended for these credits, they were not included in the calculation for remaining costs.

Table 5. Identified Uses of Long-term Storage Credits Accrued through December 2009 and Percentage of AWBA Goals Achieved

Location and Objective	Funding Source	Goal	Obligation	Non-Credit Goal/Oblig. Achieved	Credits Accrued (AF)	Percent Goal/Oblig. Achieved	Estimated ¹ Remaining Costs (\$ Million)
Phoenix AMA M&I Firming Groundwater Mgmt ²	<i>Ad valorem</i> tax Withdrawal Fees	1,566,000 AF			1,142,827 262,241	73% 90%	\$62
Pinal AMA M&I Firming Groundwater Mgmt ²	<i>Ad valorem</i> tax Withdrawal Fees	243,000 AF			153,257 362,126	63% 212%	\$5
Tucson AMA M&I Firming Groundwater Mgmt ²	<i>Ad valorem</i> tax Withdrawal Fees	864,000 AF			266,817 85,536	31% 41%	\$23 \$42
On-River M&I Firming³	General Fund	420,000 AF			403,830	96% ³	\$1.9
Indian Settlements: GRIC Firming Phoenix AMA Pinal AMA	Withdrawal Fees	350,000 AF ⁴	up to 15,000 AF/YR		0	0%	\$11
Future Settlements	Withdrawal Fees	200,000 AF ⁴	up to 8,724 AF/YR		0	N/A	\$19
Federal Assistance SAWRSA	Appropriation Withdrawal Fees Cost of Services ⁵		\$3,000,000	\$3,000,000 \$2,338,171 \$630,490 \$31,339	34,101 28,480 5,621 n/a	100%	-
Southside Repl. Bank	Withdrawal Fees		15,000 AF Direct Delivery		1,000	7%	\$2
Interstate Water Banking - NV	Contract with Nevada		1,250,000 AF ⁶		582,772	47%	\$106
Shortage Repairs- Nevada	Gifts, Grants, Donations	\$8,000,000		\$2,307,925	76,427	29%	\$5.7

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

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

³ By resolution passed in 2002, the AWBA established on-river firming as the highest priority of use for credits accrued through expenditure of general fund appropriations. Pursuant to the AWBA Agreement to Firm with the Mohave County Water Authority (MCWA) dated February 4, 2005, a total of 230,280 acre-feet of credits were transferred to the AWBA long-term storage subaccount for the MCWA in 2005.

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

⁵ Expenditures include \$14,883 and \$16,456 deducted for payment of cost of services for FY 08 and FY 09, respectively.

⁶ Pursuant to the Second Amended Agreement for Interstate Water Banking, the AWBA has committed to have this number of long-term storage credits within the Nevada subaccount.

The average annual cost for the AWBA to obtain one acre-foot of LTSC for intrastate and interstate storage is presented in Tables 6a and 6b, respectively. Table 6a illustrates that the unit cost per LTSC for intrastate storage fluctuate yearly. The unit cost per LTSC generally trended up since inception of the AWBA to 2006, decreased in 2007 and 2008, and then increased again in 2009. Increases are typically a function of three primary factors: annual increases in the cost per acre-foot of water delivered, annual increases in the cost of storage facilities and the mix of storage between USFs and GSFs. Decreases are typically a function of annual decreases in the cost per acre-foot of water delivered and the mix of storage between USFs and GSFs. Similarly, Table 6b illustrates that the unit cost per LTSC for interstate storage increased each year between 2002 and 2005, decreased in 2006 and 2007, and increased slightly in 2009 from 2007. No interstate storage occurred in 2008. Although the unit cost of developing interstate LTSCs is also influenced by the same factors as intrastate storage, interstate storage is additionally affected by the fluctuating cost of energy.

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

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

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

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

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

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

¹ Long-term Storage Credits transferred from CAWCD.

Long-term Storage Credits Distributed or Extinguished by the Authority

The long-term storage credits (LTSCs) developed by the AWBA to date have been identified for five purposes: firming CAP municipal and industrial (M&I) entitlements; firming the post-1968 M&I entitlements for entities outside the CAP service area; firming for the Federal obligation under the Settlements Act; fulfilling the water management objectives set forth in Chapter 2 of Title 45 (Arizona Revised Statutes); and for interstate water banking purposes pursuant to agreements with Nevada. Credits created by the AWBA for firming purposes may be distributed or extinguished when the Colorado River system is deemed to be in a shortage or if there is an operational disruption of the CAP. There were no shortages or unplanned CAP operational problems, therefore, no credits were distributed or extinguished for these purposes in 2009. While credits have been developed using withdrawal fees, which are credits that can be used for water management purposes, no credits were distributed or extinguished in 2009.

Under the 1999 amendments to the AWBA legislation, the AWBA is authorized to develop credits with monies collected pursuant to water banking services agreements. In 2009, no credits were developed or distributed under such agreements.

There was recovery of LTSCs previously stored by CAWCD on behalf of Metropolitan in 2009. These credits were recovered by CAWCD and extinguished from their long-term storage account.

Ten-Year Plan

Introduction

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

The ten-year plan analyzes activity for the period 2011-2020 (Table 7) and was derived using the information found in Appendices B through J. AWBA accounting for previous years can be found in the 2008 Annual Report and 2010 Plan of Operation. AWBA staff developed the ten-year plan based on the following guiding principles:

1. Legislative transfers from the Arizona Water Banking Fund no longer occur.
2. The intent of the plan is to evaluate if the AWBA can engage in water banking activities beyond the scope of the currently established AWBA role and to what extent.
3. The plan covers a ten-year time period beginning with the next calendar year. For example, this ten-year plan covers the time period 2011-2020.
4. The plan is updated annually based on current priorities of the AWBA.
5. The plan is an important tool to be utilized in development of the next year's annual Plan of Operation.

Ten-Year Plan Components

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

1. Storage Partners and Storage Capacity

The AWBA currently has 11 water storage permits for GSFs with a total permitted storage capacity of 627,547 acre-feet per year. Because most of the GSF operators in the Phoenix AMA have not partnered with the AWBA in the past several years, storage at these facilities has not been included in this ten-year plan. However, even though storage has also been limited at Tucson AMA GSFs, storage is anticipated during the next 10 years because of the different cost share adopted for the Tucson AMA in 2009. Therefore GSF storage has been included in this ten-year plan for the Tucson AMA.

Most of the GSF permits will expire within this ten-year plan. In most instances, the AWBA's water storage permits and agreements will also expire. Although the AWBA has not stored

water at many of these GSFs in the past few years, it will still pursue renewals of its permits and agreements with those GSF operators who are interested in potential future partnerships with the AWBA. By renewing these permits it could potentially provide additional storage capacity when needed.

The AWBA currently has 11 water storage permits for USFs with a total permitted storage capacity of 711,000 acre-feet per year. Storage capacity available to the AWBA, primarily at CAWCD operated facilities, has decreased over the last few years because of storage by other participants. Storage capacity could continue to decline as additional entities contract with CAWCD and are issued water storage permits by ADWR. Storage by these entities however, would still be limited by the availability of water. Sufficient storage capacity is anticipated in this ten-year plan given the amount of water available to the AWBA under CAWCD's policy for distributing Excess CAP water. However, it is possible the location of AWBA storage could be affected in the future. In addition, several of these USF permits will expire toward the latter part of the next ten years. Any difficulty in obtaining new permits could also impact the capacity available to the AWBA. However, impacts of this nature cannot be predicted and were discounted in the analysis of this ten-year plan.

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

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

Table 7. Ten-year plan

ARIZONA WATER BANKING AUTHORITY – Ten-Year Plan 2011 – 2020 (Acre-feet)																
YEAR	(a)	(b)		(c)		(d)		(e)		(f)		Interstate Banking				
	CAP Water Avail for AWBA	CAP M&I Firming (4c tax)		Water Management (Withdrawal Fees)		Appropriation from General Fund		Shortage Repairs (\$8 Million)		Indian Settlement		Water Avail.	AWBA Capacity Avail.	Credits	ICUA	Remaining Credits
		Del.	Credits	Del.	Credits	Del.	Credits	Del.	Credits	Del.	Credits					
Pre-Plan ^(h)	n/a	1,676,322		559,055		403,830		82,219		212,696				582,772		
2011	144,316	115,912	107,798	4,770	3,507	0	0	0	0	23,634	21,979	0	115,684	0	0	582,772
2012	142,625	93,939	87,363	9,770	3,507	0	0	21,592	20,080	17,324	16,111	0	119,353	0	0	562,772
2013	139,421	90,289	83,969	9,651	3,395	0	0	16,328	15,185	17,013	15,822	0	133,641	0	0	532,772
2014	135,650	100,962	93,895	3,710	3,450	0	0	0	0	25,305	23,533	0	182,524	0	0	492,772
2015	131,839	103,545	96,297	3,622	3,369	0	0	0	0	24,672	22,945	0	187,161	0	0	492,772
2016	128,067	99,377	92,421	3,651	3,395	0	0	0	0	25,039	23,286	0	191,333	0	0	492,772
2017	126,688	79,958	74,361	3,610	3,358	0	0	0	0	25,236	23,469	17,884	212,696	16,632	0	509,405
2018	126,472	76,864	71,484	3,570	3,321	0	0	0	0	25,014	23,263	21,024	215,052	19,552	20,000	508,957
2019	122,778	76,702	71,333	3,531	3,284	0	0	0	0	25,021	23,339	17,524	215,246	16,298	30,000	525,254
2020	120,322	76,753	71,498	3,492	3,248	0	0	0	0	25,029	23,422	15,048	215,226	13,995	40,000	539,249
TOTAL		2,526,741		592,889		403,830		117,484		429,865				649,249		

FOOTNOTES:

- (a) Assumes AWBA Pool of 175KAF less CAGR projected replenishment reserve uses. See Appendix B.
- (b) See Appendix D.
- (c) See Appendix E. Includes direct delivery of 1,000 AF of water in 2011 and 6,000 AF of water in 2012 and 2013 to meet the remaining Southside Replenishment obligation of 13,000 AF.
- (d) See Appendix F.
- (e) See Appendix G.
- (f) See Appendix H. A.R.S. §45-2491(B)(2) allows for the use of withdrawal fees after legislative appropriations for Indian firming have been expended. Withdrawal fee credits accrued in the Phoenix and Pinal AMAs could be utilized to meet this obligation. The Pre-Plan amount includes credits accrued from storage at the GRIIDD GSF and withdrawal fee credits accrued in the Phoenix and Pinal AMAs since 2008. The State Indian settlement firming obligation is estimated at 550,000 AF. In addition, 34,102 AF of credits have been accrued to meet the State's obligation under Section 306 of the AZ Water Settlement's Act (\$3 million for Federal assistance).
- (g) Available AWBA CAP supplies minus intrastate deliveries.
- (h) See Appendix I.
- (i) Cumulative totals for 1997-2010; 2009 are actual credits and 2010 are estimated based on projected deliveries.
- (j) Pursuant to the Recovery Agreement among the AWBA, CAWCD, SNWA, and CRCN executed June 9, 2010, recovery is anticipated to begin on or after 2018. The Plan assumes maximum allowable recovery.
- (k) Credits remaining available in Nevada sub-account after recovery.

Table 8. AWBA Percentage of Goals Achieved through 2020

Location and Objective	Funding Source	Goal	Obligation	Non-Credit Goal/Oblig. Achieved	Credits ¹ Accrued (AF)	Percent Goal/Oblig. Achieved
Phoenix AMA M&I Firming ² Groundwater Mgmt ³	<i>Ad valorem</i> tax Withdrawal Fees	1,566,000 AF			1,789,152 113,043	114%
Pinal AMA M&I Firming ² Groundwater Mgmt ³	<i>Ad valorem</i> tax Withdrawal Fees	243,000 AF			220,622 203,570	91% 175%
Tucson AMA M&I Firming Groundwater Mgmt ³	<i>Ad valorem</i> tax Withdrawal Fees	864,000 AF			516,969 121,982	60% 74%
On-River M&I Firming⁴	General Fund	420,000 AF			403,830	96%
Indian Settlements⁵ GRIC Firming Phoenix AMA Pinal AMA	Withdrawal Fees	350,000 AF ⁶	up to 15,000 AF/YR		350,000 88,313 261,687	100%
Future Settlements	Withdrawal Fees	200,000 AF ⁶	up to 8,724 AF/YR		200,000	N/A
Federal Assistance SAWRSA	Appropriation Withdrawal Fees		\$3,000,000	\$3,000,000	34,126	100%
Southside Repl. Bank	Withdrawal Fees		15,000 AF Direct Delivery	15,000 AF	0	100%
Interstate Water Banking - NV	Contract with Nevada		1,250,000 AF		649,249	52%
Shortage Repairs- Nevada	Gifts, Grants, Donations	\$8,000,000		\$8,000,000	117,484	100%

¹ 1997-2010; actual credits through 2009 and estimated credits for 2010 based on projected deliveries.

² The M&I firming goal for the Phoenix AMA is met in 2017. Firming goals may be exceeded if monies, water, and capacity are available.

³ Pursuant to House Bill 2835, firming M&I supplies is a water management objective for the use of credits developed by groundwater withdrawal fees. Utilizing withdrawal fee credits, 74% of the Tucson AMA firming goal will be met by 2020. Existing withdrawal fee credits can be used to meet the Pinal AMA firming goal.

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

⁵ A.R.S. §45-2491(B)(2) allows for the use of withdrawal fees after legislative appropriations for Indian firming have been expended. By utilizing credits accrued from storage at the GRIIDD and credits accrued from withdrawal fees in the Pinal and Phoenix AMAs in this ten-year plan, about 56% of the GRIC and 64% of the future settlement firming goals are estimated to be met in 2020. Existing withdrawal fee credits from the Pinal and Phoenix AMAs were used to meet the remainder of the firming goals for the GRIC and future settlements, respectively.

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

2. Recovery

This ten-year plan includes a recovery component for interstate purposes pursuant to the Second Amended Agreement for Interstate Water Banking (Amended Agreement). The Amended Agreement authorized Nevada to request development of Intentionally Created Unused Apportionment (ICUA), if needed, as follows: in the initial year, an amount not exceeding 20,000 acre-feet; the second year, an amount not exceeding 30,000 acre-feet; and in subsequent years, an amount not exceeding 40,000 acre-feet.

The water supply for this ten-year plan includes only normal year deliveries and does not include any shortage year deliveries. ADWR and CAWCD staff work cooperatively on long-range shortage projections. ADWR's model analysis, which is based on the Bureau's Colorado River System Simulation (CRSS) model using Arizona's assumptions regarding Upper Basin depletions, indicates that by the end of the ten years there is approximately a one-in-four chance that shortages are possible. That probability occurs near the end of the period and is low enough that a shortages delivery scenario does not need to be included in this ten-year plan. If shortages do occur however, they would most likely reduce the CAP supply available for storage. Under CAWCD's policy for distributing Excess water (Appendix J), shortages would first be applied to the M&I pool. Absent this policy, the AWBA has the lowest priority for CAP water so any reduction in CAP supplies would impact the AWBA first. A shortage could also cause the recovery of credits to meet firming obligations. It is not likely that credits would have to be recovered to firm CAP M&I supplies because there should be enough lower priority CAP water to absorb any shortage to CAP during the next ten years. On-river M&I deliveries and NIA water being delivered pursuant to Indian settlements could be at risk but not until late in the ten-year period. If reductions to the on-river M&I users occur those reductions could trigger the need to firm M&I on-river supplies. In addition to the recovery required for the on-river users, the AWBA might be required to recover credits to meet its obligation for Indian firming. However absent shortages, the only recovery planned for this ten-year plan is for interstate purposes. Even though recovery for shortages is not anticipated for this ten-year plan, any additional recovery provisions should be put in place due to the lead time needed. Next year's plan will include additional evaluation of recovery and analysis of impacts of shortage on Excess CAP water supply.

3. Water management objectives

The early activities of the AWBA were focused on achieving the goal of full utilization of Arizona's Colorado River allocation. With the exception of 2005, Arizona has been meeting this goal since 2002. Another primary objective of the AWBA is meeting the M&I firming goals. By the end of 2010 the AWBA anticipates having stored over 1.68 million acre-feet (MAF) of credits for that purpose. The ten-year plan again shows that meeting the goal set for firming Tucson AMA supplies is problematic.

4. Funding

AWBA General Fund Appropriation

The AWBA has not received a general fund appropriation that was not subject to restrictions since 2001. Consequently, the AWBA does not anticipate receiving general fund appropriations and did not include expenditure of these funds in this ten-year plan.

Groundwater Withdrawal Fees

In 2006, the statutes concerning the collection and utilization of credits accrued through the expenditure of groundwater withdrawal fees by the AWBA had been amended subject to the enforceability of the Arizona Water Settlements Act (Settlements Act) P.L. 108-451, which became effective December 14, 2007. Under A.R.S. §45-2457(B)(6), in addition to meeting the water management objectives of the AMAs in which the fees were collected, the AWBA may also utilize withdrawal fees to meet the M&I demands of CAP subcontractors and to implement the settlement of water rights claims by Indian communities in Arizona. A.R.S. §45-2491(B)(2) further clarifies that groundwater withdrawal fees however, may only be used to accomplish Indian firming goals after the expenditure of any legislative appropriations. Furthermore, A.R.S. §45-611(C)(3) was amended to allow the AWBA to collect groundwater withdrawal fees beyond 2016 and to allow fees collected in the Pinal AMA to be utilized for meeting the AWBA Southside Replenishment obligation. This ten-year plan utilizes withdrawal fees beyond 2016 for the accrual of credits and for the purchase of CAP water for the purpose of establishing the Southside Replenishment Bank.

Ad valorem Tax

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

Appropriations for Indian Firming

This ten-year plan does not include any general fund appropriations for Indian firming and therefore relies on the expenditure of withdrawal fees for meeting Indian firming obligations.

Funding for Interstate Banking

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

Gifts, Grants, or Donations

Pursuant to the Arizona-Nevada Shortage-Sharing Agreement discussed under the **Activities and Projects** section, Nevada will provide to the AWBA \$8 million in order to assist Arizona in offsetting impacts that may occur during the Interim Period; the period beginning on the date the Secretary of the Interior issued the Record of Decision (ROD), December 2007, and ending on December 31, 2025. The AWBA began utilizing a portion of these funds in 2008 for the purchase and storage of CAP water and will expend the remainder of these funds under this ten-year plan.

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

Because of the demand for Excess CAP water CAWCD adopted a policy in June, 2009 that established four separate pools, in addition to the NIA pool, which was established by previous policy, thereby accounting for all Excess CAP water (see Appendix J). The NIA pool is a pool of 400,000 acre-feet which declines to 300,000 acre-feet in 2017 and remains there for the remainder of the ten-year plan. While the new policy is limited to the next five years, this ten-year plan assumes the policy will continue for the entire ten-year period. The AWBA's water availability was determined by subtracting the CAGR's projected storage amounts for replenishment reserve purposes from the shared pool of 175,000 acre-feet identified in the policy. This ten-year plan also incorporates CAWCD's 2011/2012 rate schedule, adopted in June of 2010, which no longer includes incentive recharge water.

6. Participation in Indian settlements

One objective of the AWBA is assisting with the settlement of water rights claims by Indian communities within Arizona. The State of Arizona has a 100-year firming obligation under the Settlements Act. In addition, pursuant to HB 2728 executed on April 18, 2005, the AWBA has statutorily mandated responsibilities for the Southside Replenishment obligation.

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

This ten-year plan also includes a component for meeting the Southside Replenishment obligation of establishing the Southside Replenishment Bank totaling 15,000 acre-feet. The AWBA will have delivered 2,000 acre-feet for this purpose by the end of 2010 and has identified the remaining deliveries in the first three years of the ten-year plan. Withdrawal fees collected in the Pinal AMA are used to meet this obligation.

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

The AWBA completed a revised inventory of existing storage facilities in the state as required by A.R.S. §45-2452, which was approved by the Authority on March 22, 2006. The revised inventory was utilized to develop this ten-year plan.

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

8. Interstate banking

The ten-year plan includes an interstate water banking component for Nevada and indicates that only 52%, or 649,249 acre-feet of credits of the 1,250,000 acre-feet of credits needed to meet the Nevada obligation, could be created by 2020.

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

Given that little to no water is available for interstate banking, the AWBA Commission has directed staff to pursue opportunities with CAWCD to increase CAP supplies through the acquisition of additional water supplies. Some of the supplies being assessed include Colorado River water, mainstream tribal leases, and excess recharge credits and may require AWBA to pursue new legislation. Any additional supplies that become available would be addressed as part of the AWBA's Annual Plan of Operation and succeeding ten-year plans.

Conclusion

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

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

Appendices

APPENDIX A
Colorado River Water Deliveries for Water Banking Purposes
for Calendar Year 2009 by Partner and Active Management Area

	Partner	Quantity of Water (Acre-Feet)	
		Intrastate	Interstate
PHOENIX AMA	Tonopah Desert Recharge Project	0	23,781
	Queen Creek Irrigation District	3,622	0
	Gila River Indian Irrigation & Drainage District	35,288	0
	<i>Intrastate/Interstate AMA Subtotal</i>	38,910	23,781
	<i>Phoenix AMA Subtotal</i>	62,691	
	PINAL AMA	Central Arizona Irrigation and Drainage District	20,000
Maricopa-Stanfield Irrigation and Drainage District		20,000	20,931
<i>Intrastate/Interstate AMA Subtotal</i>		40,000	26,594
<i>Pinal AMA Subtotal</i>		66,594	
TUCSON AMA	Avra Valley Recharge Project	3,001	570
	Lower Santa Cruz Recharge Project	6,074	4,010
	Pima Mine Road Recharge Project	16	4,069
	CAVSARP	11,599	0
	SAVSARP	4,525	0
	Kai Farms-Red Rock	1,893	0
	<i>Intrastate/Interstate AMA Subtotal</i>	27,108	8,649
	<i>Tucson AMA Subtotal</i>	35,757	
TOTAL INTRASTATE & INTERSTATE DELIVERIES		106,018	59,024
TOTAL DELIVERIES		165,042	

APPENDIX B
CAP DELIVERY SCHEDULE
(Acre-feet)

Year	CAP Demands				Average Year Supply ⁴	Available for AWBA ⁵
	M&I ¹	Indian ²	Ag ³	Total		
2011	853,376	127,308	400,000	1,380,684	1,525,000	144,316
2012	845,359	137,016	400,000	1,382,375	1,525,000	142,625
2013	838,855	146,724	400,000	1,385,579	1,525,000	139,421
2014	832,918	156,432	400,000	1,389,350	1,525,000	135,650
2015	827,159	166,002	400,000	1,393,161	1,525,000	131,839
2016	821,361	175,572	400,000	1,396,933	1,525,000	128,067
2017	913,169	185,143	300,000	1,398,312	1,525,000	126,688
2018	903,153	195,375	300,000	1,398,528	1,525,000	126,472
2019	897,079	205,143	300,000	1,402,222	1,525,000	122,778
2020	889,277	215,400	300,000	1,404,678	1,525,000	120,322

- (1) Includes M&I, CAGR, CAGR replenishment reserve, and Indian M&I lease.
(2) From CAWCD demand forecast.
(3) Based on current agricultural pool policy, includes 32,537 AF for Harquahala Valley ID.
(4) Based on average year delivery of 1,600,000 AF/YR per year minus losses.
(5) Assumes AWBA Pool of 175KAF less CAGR projected replenishment reserve uses.

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

AMA and Facility Type ¹	Facility Permit Expiration	Facility Permitted Capacity (AF)	Capacity Available to AWBA ² (AF)	Year Water Last Stored	Volume of Water Last Stored (AF)
PHOENIX – GSF³					
Queen Creek ID	12/2010	28,000	7,000	2009	3,622
PHOENIX – USF					
Agua Fria Recharge Project	05/2019	100,000	5,000	2008	2,313
Hieroglyphic Mtns.	12/2021	35,000	5,000	2008	1,264
Tonopah Desert RP	09/2025	150,000	100,000	2009	23,781
West Maricopa Combine - USF	05/2021	25,000	5,000	⁴	0
PINAL – GSF					
Central Arizona IDD	12/2017	110,000	60,000	2009	25,663
Hohokam IDD	10/2012	55,000	20,000	2008	18,525
Maricopa-Stanfield IDD	12/2009	120,000	60,000	2009	40,931
TUCSON – GSF					
Cortaro-Marana ID	11/2013	20,000	5,000	⁴	0
Kai-Farms – Red Rock	11/2016	11,231	2,000	2009	1,893
TUCSON – USF					
Avra Valley	03/2018	11,000	5,000	2009	3,571
CAVSARP	12/2028	100,000	22,000	2009	11,599
Lower Santa Cruz	02/2019	50,000	25,000	2009	20,866
Pima Mine Road	09/2020	30,000	5,000	2009	4,085
SAVSARP	01/2028	60,000	10,000	2009	4,525
Other Facilities Currently or Anticipated to be Available to the AWBA					
Superstition Mtn.-USF	01/2028	56,500 ⁵	10,000	⁶	n/a

Footnotes:

- (1) As additional facilities are developed, they will be included in future plans.
- (2) This does not reflect the actual “permitted” volume for these facilities; instead for the purposes of this plan, staff relied on average historical storage volumes and potential for future storage.
- (3) The AWBA holds water storage permits at Salt River Project (100 KAF), Roosevelt Water Conservation District (100 KAF), New Magma ID (54 KAF), Tonopah ID (15 KAF), and BKW Farms (16 KAF) GSFs. These were not considered significant uses in this ten-year outlook.
- (4) No deliveries to date.
- (5) Phase one of the facility is permitted for 25KAF/YR.
- (6) Water Storage Permit application to be submitted to ADWR upon construction of the facility.

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

	Year	Groundwater Savings			Underground Storage		
		Capacity Available ⁴	Capacity Used	Credits Earned	Capacity Available ⁴	Capacity Used	Credits Earned
PHOENIX AMA²	Pre-plan ³			529,477			650,981
	2011	1,210	1,022	950	50,173	48,603	45,201
	2012	1,768	775	721	49,661	39,381	36,625
	2013	945	945	879	57,106	56,684	52,716
	2014	1,050	1,050	976	66,860	66,860	62,180
	2015	1,233	841	782	73,722	68,337	63,553
	2016	1,612	774	720	73,303	61,784	57,459
	2017	900	900	837	76,398	76,398	71,050
	2018	750	750	697	75,851	75,851	70,542
	2019	750	750	697	75,926	75,926	70,611
	2020	750	750	699	76,000	76,000	70,797
	Total			537,435			1,251,715
PINAL AMA²	Pre-plan ³			171,317			
	2011	113,484	9,137	8,497	-	-	-
	2012	105,122	8,040	7,477	-	-	-
	2013	107,195	7,915	7,361	-	-	-
	2014	128,785	8,749	8,137	-	-	-
	2015	128,873	9,236	8,589	-	-	-
	2016	128,546	9,939	9,244	-	-	-
	2017	128,466	0	0	-	-	-
	2018	128,385	0	0	-	-	-
	2019	128,303	0	0	-	-	-
	2020	128,221	0	0	-	-	-
	Total			220,622			
TUCSON AMA²	Pre-plan ³			9,221			315,323
	2011	3,230	0	0	63,500	57,150	53,150
	2012	3,230	0	0	53,512	45,743	42,541
	2013	3,349	0	0	55,334	24,745	23,013
	2014	3,290	0	0	63,500	24,302	22,601
	2015	3,378	0	0	63,500	25,131	23,371
	2016	3,349	0	0	63,900	26,880	24,998
	2017	3,390	0	0	63,500	2,660	2,474
	2018	3,430	0	0	63,500	263	245
	2019	3,469	0	0	63,500	26	24
	2020	3,508	0	0	63,500	3	2
	Total			9,221			507,742

Footnotes:

- (1) Development of M&I firming credits followed utilization of other funds in the Arizona Water Banking Fund.
- (2) M&I firming targets are Phoenix AMA - 1.566 MAF, Pinal AMA - 243 KAF, and Tucson AMA - 864 KAF.
- (3) Cumulative totals for 1997-2010; 2010 credits estimated based on projected deliveries.
- (4) The capacity available is based on the capacity remaining at the USFs and GSFs after all higher priority demands have been met.

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

	Year	Groundwater Savings			Underground Storage		
		Capacity Available ³	Capacity Used	Credits Earned	Capacity Available ³	Capacity Used	Credits Earned
PHOENIX AMA	Pre-plan ²			145,672			128,068
	2011	7,000	5,790	5,385	58,500	8,327	7,744
	2012	7,000	5,106	4,748	58,500	8,839	8,221
	2013	7,000	5,950	5,534	65,000	7,894	7,342
	2014	7,000	5,950	5,534	75,000	8,140	7,570
	2015	6,000	4,767	4,433	82,500	8,778	8,163
	2016	6,000	4,388	4,081	82,500	9,197	8,553
	2017	6,000	5,100	4,743	85,000	8,602	8,000
	2018	5,000	4,250	3,952	85,000	9,149	8,508
	2019	5,000	4,250	3,952	85,000	9,074	8,508
	2020	5,000	4,250	3,959	85,000	9,000	8,508
	Total			192,721			208,635
PINAL AMA	Pre-plan ²			375,527			0
	2011	124,000	10,516	8,850	-	-	-
	2012	114,500	9,378	3,142	-	-	-
	2013	116,364	9,169	2,947	-	-	-
	2014	140,000	11,215	10,430	-	-	-
	2015	140,000	11,127	10,348	-	-	-
	2016	140,000	11,454	10,652	-	-	-
	2017	140,000	11,534	10,726	-	-	-
	2018	140,000	11,615	10,802	-	-	-
	2019	140,000	11,697	10,878	-	-	-
	2020	140,000	11,779	10,955	-	-	-
	Total			465,257			0
TUCSON AMA	Pre-plan ²			4,892			89,111
	2011	7,000	3,770	3,507	63,500	0	0
	2012	7,000	3,770	3,507	53,512	0	0
	2013	7,000	3,651	3,395	55,334	0	0
	2014	7,000	3,710	3,450	63,500	0	0
	2015	7,000	3,622	3,369	63,500	0	0
	2016	7,000	3,651	3,395	63,900	0	0
	2017	7,000	3,610	3,358	63,500	0	0
	2018	7,000	3,570	3,321	63,500	0	0
	2019	7,000	3,531	3,284	63,500	0	0
	2020	7,000	3,492	3,248	63,500	0	0
	Total			38,726			89,111

- (1) Expenditure of withdrawal fees was given the highest priority.
(2) Cumulative totals for 1997-2010; 2010 credits estimated based on projected deliveries.
(3) The capacity available is based on the capacity remaining at the USFs and GSFs after all higher priority demands have been met.

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

	Year	Groundwater Savings			Underground Storage		
		Capacity Available	Capacity Used	Credits Earned	Capacity Available	Capacity Used	Credits Earned
PHOENIX AMA	Pre-plan ³			16,275			26,041
	2011	1,210	0	0	50,173	0	0
	2012	1,894	0	0	49,661	0	0
	2013	1,050	0	0	57,106	0	0
	2014	1,050	0	0	66,860	0	0
	2015	1,233	0	0	73,722	0	0
	2016	1,612	0	0	73,303	0	0
	2017	900	0	0	76,398	0	0
	2018	750	0	0	75,851	0	0
	2019	750	0	0	75,926	0	0
	2020	750	0	0	76,000	0	0
	Total				16,275		
PINAL AMA	Pre-plan ³			306,968			
	2011	124,000	0	0	-	-	-
	2012	124,000	0	0	-	-	-
	2013	124,000	0	0	-	-	-
	2014	140,000	0	0	-	-	-
	2015	140,000	0	0	-	-	-
	2016	140,000	0	0	-	-	-
	2017	140,000	0	0	-	-	-
	2018	140,000	0	0	-	-	-
	2019	140,000	0	0	-	-	-
	2020	140,000	0	0	-	-	-
	Total				306,968		
TUCSON AMA	Pre-plan ³			2,846			51,700
	2011	7,000	0	0	60,250	0	0
	2012	7,000	0	0	63,500	0	0
	2013	7,000	0	0	63,500	0	0
	2014	7,000	0	0	63,500	0	0
	2015	7,000	0	0	63,500	0	0
	2016	7,000	0	0	63,500	0	0
	2017	7,000	0	0	63,900	0	0
	2018	7,000	0	0	63,500	0	0
	2019	7,000	0	0	63,500	0	0
	2020	7,000	0	0	63,500	0	0
	Total				2,846		

Footnotes:

- (1) The ten-year plan does not include a component for General Fund appropriations.
- (2) The on-river M&I firming target is 420,000 AF.
- (3) Cumulative totals for 1997-2010.

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

	Year	Groundwater Savings			Underground Storage		
		Capacity Available ²	Capacity Used	Credits Earned	Capacity Available	Capacity Used	Credits Earned
PHOENIX AMA	Pre-plan ³			4,590			16,051
	2011	1,210	0	0	50,173	0	0
	2012	1,894	126	117	49,661	1,978	1,839
	2013	1,050	105	97	57,106	421	392
	2014	1,050	0	0	66,860	0	0
	2015	1,233	0	0	73,722	0	0
	2016	1,612	0	0	73,303	0	0
	2017	900	0	0	76,398	0	0
	2018	750	0	0	75,851	0	0
	2019	750	0	0	75,926	0	0
	2020	750	0	0	76,000	0	0
	Total				4,804		
PINAL AMA	Pre-plan ³			60,386			
	2011	124,000	0	0	-	-	-
	2012	124,000	9,500	8,835	-	-	-
	2013	124,000	7,636	7,101	-	-	-
	2014	140,000	0	0	-	-	-
	2015	140,000	0	0	-	-	-
	2016	140,000	0	0	-	-	-
	2017	140,000	0	0	-	-	-
	2018	140,000	0	0	-	-	-
	2019	140,000	0	0	-	-	-
	2020	140,000	0	0	-	-	-
	Total				76,322		
TUCSON AMA	Pre-plan ³			0			1,192
	2011	7,000	0	0	63,500	0	0
	2012	7,000	0	0	63,500	9,988	9,289
	2013	7,000	0	0	63,500	8,166	7,594
	2014	7,000	0	0	63,500	0	0
	2015	7,000	0	0	63,500	0	0
	2016	7,000	0	0	63,900	0	0
	2017	7,000	0	0	63,500	0	0
	2018	7,000	0	0	63,500	0	0
	2019	7,000	0	0	63,500	0	0
	2020	7,000	0	0	63,500	0	0
	Total				0		

Footnotes:

- (1) \$8 million received from Nevada pursuant to the Arizona-Nevada Shortage-Sharing Agreement to assist Arizona in offsetting the impacts of shortages during the Interim Period.
- (2) The capacity available is based on the capacity remaining at the USFs and GSFs after all higher priority demands have been met.
- (3) Cumulative totals for 1997-2010.

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

PHOENIX AMA	Year	Groundwater Savings			Underground Storage		
		Capacity Available	Capacity Used	Credits Earned	Capacity Available	Capacity Used	Credits Earned
	Pre-plan			0			0
2011	1,210	0	0	50,173	0	0	
2012	1,894	0	0	49,661	0	0	
2013	1,050	0	0	57,106	0	0	
2014	1,050	0	0	66,860	0	0	
2015	1,233	0	0	73,722	0	0	
2016	1,612	0	0	73,303	0	0	
2017	900	0	0	76,398	0	0	
2018	750	0	0	75,851	0	0	
2019	750	0	0	75,926	0	0	
2020	750	0	0	76,000	0	0	
Total			0			0	

PINAL AMA	Year	Groundwater Savings			Underground Storage		
		Capacity Available	Capacity Used	Credits Earned	Capacity Available	Capacity Used	Credits Earned
	Pre-plan			0			
2011	124,000	0	0	-	-	-	
2012	124,000	0	0	-	-	-	
2013	124,000	0	0	-	-	-	
2014	140,000	0	0	-	-	-	
2015	140,000	0	0	-	-	-	
2016	140,000	0	0	-	-	-	
2017	140,000	0	0	-	-	-	
2018	140,000	0	0	-	-	-	
2019	140,000	0	0	-	-	-	
2020	140,000	0	0	-	-	-	
Total			0				

TUCSON AMA	Year	Groundwater Savings			Underground Storage		
		Capacity Available	Capacity Used	Credits Earned	Capacity Available	Capacity Used	Credits ² Earned
	Pre-plan			0			28,481
2011	7,000	0	0	63,500	0	0	
2012	7,000	0	0	63,500	0	0	
2013	7,000	0	0	63,500	0	0	
2014	7,000	0	0	63,500	0	0	
2015	7,000	0	0	63,500	0	0	
2016	7,000	0	0	63,900	0	0	
2017	7,000	0	0	63,500	0	0	
2018	7,000	0	0	63,500	0	0	
2019	7,000	0	0	63,500	0	0	
2020	7,000	0	0	63,500	0	0	
Total			0			28,481	

Footnotes:

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

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

Year	Available CAP Supplies²	Available AWBA Capacity³	Remaining Supply⁴	Interstate Credits⁵
Pre-plan ⁶				582,772
2011	0	115,684	0	0
2012	0	119,353	0	0
2013	0	133,641	0	0
2014	0	162,524	0	0
2015	0	167,161	0	0
2016	0	171,333	0	0
2017	17,884	192,696	0	16,632
2018	21,024	195,052	0	19,552
2019	17,524	195,246	0	16,298
2020	15,048	195,226	0	13,995
Total				649,249

Footnotes:

- (1) The AWBA has an obligation to have 1,250,000 acre-feet of credits for the SNWA.
- (2) Water available for Interstate Banking is calculated by subtracting the water delivered and stored by the AWBA for intrastate water banking from the total water supply available for the AWBA (see Appendix B).
- (3) Reflects the unused capacity available to the AWBA at USFs and GSFs in the Phoenix, Pinal, and Tucson AMAs. Additional capacity may be available at individual facilities based on the utilization by individual water storage permit holders.
- (4) Remaining supplies after subtracting the water delivered and stored by the AWBA for intrastate water banking and water delivered for interstate water banking.
- (5) Based on the Available Supplies or the Available AWBA Capacity, whichever is less, available funding and an annual limitation of 200,000 AF/YR.
- (6) Cumulative totals for 2002-2010; 2010 credits estimated based on projected deliveries.

APPENDIX J

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

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

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

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

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

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

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