

**ARIZONA WATER BANKING AUTHORITY**  
**Wednesday, September 15, 2010**

	Name (Please print)	Affiliation	Phone No.
1	Lawrence Marquez	Reclamation	623-773-6213
2	V.G. DAVOS	AMWA	
3	Michael Block	Metro Water	
4	D. Puerst	CAP	623-869-2807
5	Chuck Cahoy	Tempe	480 858 2382
6	DOUG KUPP	City of Phoenix	602 480-9900
7	Mark Myers	Montgomery + Assoc	520-881-4912
8	Clifford CAUTHEN	HIDD	602-568-2209
9	Colette Mave	City of Mesa	480-644-4364
10	Mitch Adams	Bureau of Rec	623-773-6274
11	Dee Korin	Tucson Water	520-837-2238
12	Kevin KUSA II	Governor's office	602 542 1308
13	Wally Wilson	TUCSON WATER	520 837-2239
14	SANDY FW	ADWR	
15	JEFF ENLERS	SRP	602 236 5504
16	Dennis Murphy	City of Phoenix	602 495-5467
17	Ann Marie Clischy	GRIC	520-562-5970
18	Tom Maher	SNWA	702-862-3702
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**ARIZONA WATER BANKING AUTHORITY**  
**Wednesday, September 15, 2010**

	Name (Please print)	Affiliation	Phone No.
1	Larry Dazew	CAP	623-869-2377
2	Chris Udall	ABC	480-558-5301
3	RONI WONG	BKW	520-682-2516
4	Bob Sektora	AZ State Parks	602-542-7157
5	Tom McCann	CAP	623-869-2343
6	Paul Drake	MSM/CAM/MSM	623-465-0445
7	Gregg Capps	Chandler	480-782-3585
8	GRANT BUMA	CRIT/WRD	928 669 1313
9	DON GROSS	ADWR-CRM	602-771-8411
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**Arizona Water Banking Authority**  
3550 N. Central Avenue, Phoenix, Arizona 85012  
Telephone 602-771-8487  
Fax 602-771-8685  
Web Page: [www.azwaterbank.gov](http://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, September 15, 2010 at 10:00 a.m. at the Arizona Department of Water Resources, 3550 North Central Avenue, Phoenix, Arizona 85012, Upper Verde Conference Room. The meeting is open to the general public.

Dated this 13<sup>th</sup> day of September, 2010

**FINAL AGENDA**

**Arizona Water Banking Authority Commission Meeting**

- I. Welcome/Opening Remarks
  - Discussion and potential approval of a Resolution in remembrance of the contributions of Gregg Houtz
- II. Approval of Minutes
  - June 16, 2010 meeting
- III. Water Banking Staff Activities
  - Deliveries
  - Water storage facility inventory
  - Update on AWBA legislative transfer
  - Water supply study activities
  - Meetings
  - CAWCD - agricultural pool discussions
  - Seven basin states update
  - Update on CAWCD v Brewer
- IV. Amended 2010 Plan of Operation
  - Discussion and potential amendment of 2010 Plan of Operation
- V. Overview and Discussion of Draft Metropolitan Domestic Water Improvement District Water Storage Agreement at Avra Valley Recharge Project
- VI. Draft 2011 Annual Plan of Operation
  - Discussion of Table 2
  - Water and facility rates
  - Partner meetings
  - Public meetings

- VII. Interstate Water Banking
  - Update
  - Overview of interstate accounting
  - Interstate fiscal year accounting report to JLBC
- VIII. Call to the Public
- IX. Consideration of Action to go into Executive Session of the Authority Commission pursuant to A.R.S. § 38-431.03.A.4 to consult with their attorneys and AWBA staff regarding the Authority's position on the Northeastern Arizona Water Rights Settlement Agreement negotiations as they relate to potential Indian firming obligations for the Navajo Nation and Hopi Tribe. The discussions and minutes of the executive session shall be kept confidential. [The executive session of the Authority Commission is not open to the public]\*
- X. Reconvene in Open Session
- XI. Consideration of Action Related to Items Discussed in Executive Session

**Future Meeting Date:**

Wednesday, December 8, 2010

\*The Executive Session is expected to last approximately one hour and will not be open to the public.

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

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

**ARIZONA WATER BANKING AUTHORITY  
Draft Minutes<sup>1</sup>**

**June 16, 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

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**Welcome/Opening Remarks**

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

Chairman Guenther noted an error on a previous agenda for the December AWBA Commission meeting. The correct date is Wednesday, December 8<sup>th</sup>.

**Approval of Minutes**

The Authority approved the minutes of the March 17, 2010 meeting.

**Staff Activities**

Ms. O'Connell reviewed water deliveries for 2010 noting they were moving along as scheduled. Deliveries in the Phoenix and Pinal Active Management Areas (AMAs) are picking up and Tucson AMA deliveries are ahead of schedule. She 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. Less than half of those credits remain to be recovered. Once recovered, the obligation to Metropolitan will be met.

Ms. O'Connell briefed the Commission on the *ad valorem* tax resolution for water storage that was adopted by CAWCD Board of Directors at their June 3<sup>rd</sup> meeting. The *ad valorem* tax will be levied on behalf of CAWCD at a rate of 4-cents per \$100 of assessed value on all taxable property within the 3-county service area. Funds collected will be deposited into a District Fund and used to defray annual operation, maintenance, and replacement costs, which includes offsetting the AWBA's water delivery charges for water storage. In previous years, the resolution was more specific in that it further described the use of funds for O&M and replacement costs associated with underground storage. The language in this year's resolution is less specific so that the funds could potentially be used for other purposes. Other expenditures would first be identified through a stakeholder process. Commission members directed staff to participate in that process since Indian firming had been discussed as a potential use for the funds.

Kim Mitchell informed the Commission that the AWBA certified the development of 27,504 acre-feet of ICUA for Metropolitan in 2009. This is the third year ICUA has been

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<sup>1</sup> 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.

certified. ICUA was created through the recovery of long-term storage credits from wells in the three Pinal AMA irrigation districts.

Ms. Mitchell also provided an update on water supply acquisition activities noting that the water supply report prepared by Tom Carr would be provided to Commission members the following week. She recommended a workshop early September before the next AWBA regular meeting scheduled for September 15<sup>th</sup>. The tentative date for the workshop is September 1<sup>st</sup>.

Gregg Houtz briefed the Commission on the AWBA's legislative amendment. Senate Bill 1356 passed in both the Senate and the House and was signed by the Governor on April 26<sup>th</sup>. The amendment clarifies the AWBA's ability to participate in excess water pools created by CAWCD for AWBA purposes.

Mr. Houtz provided an update on Indian settlements. Senate Bill 313, the White Mountain Apache Tribe (WMAT) Water Rights Quantification Act is awaiting passage in the Senate. The Bill may not be enacted this year. Negotiations on the Navajo Nation/Hopi Tribe settlement remain ongoing and are focused on the exhibits to the agreement. John Mawhinney inquired if that settlement was the last. Mr. Houtz responded that there were several other Indian tribes identified for future settlements, but the amount of water under consideration was significantly lower.

Mr. 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.

#### **Legislative Transfers from the Arizona Water Banking Fund**

Ms. Mitchell informed the Commission that HB 2001 had been signed by Governor Brewer on March 18, 2010. The Bill required the transfer of \$5 million from the interstate subaccount and \$198,200 from other subaccounts in the Arizona Water Banking Fund (AWB Fund) by April 15<sup>th</sup> for fiscal year (FY) 2010 and an additional \$455,800 in transfers from the AWB Fund for FY 2011 by July 15<sup>th</sup>. As directed by Commission members at the March meeting, \$198,200 was transferred from the Phoenix AMA subaccount. With regard to the \$5 million, staff informed the Government Accounting Office (GAO) that the Nevada Resource subaccount only had a balance of \$4,698,345.40; therefore the full \$5 million was not available for transfer. Staff had clarified to the GAO that the only disbursements from this subaccount since September 2007 had been for legislative transfers. In response, staff was informed that provisions under HB 2001 required that the \$5 million be made available and that the difference of \$301,654.60 would be transferred from the AWB Fund by June 30<sup>th</sup>.

Commission members had previously directed staff to provide information on alternatives for the remaining transfers. Section 1 of the paper provided included two alternatives for the FY 2011 transfers of \$455,800. Alternative 1A (staff recommendation) distributes the transfer proportionally among the Phoenix, Pinal and Tucson AMA withdrawal fee subaccounts, thus reducing the amount of water that could be purchased with these funds. Because there are sufficient funds available in the Maricopa and Pima County *ad valorem* tax accounts, water deliveries to the Phoenix and Tucson AMAs would not be affected. However because there are no additional

funds available in the Pinal County *ad valorem* tax account, water deliveries scheduled for the Pinal AMA under the 2010 Plan of Operation (Plan) would be reduced by 1,960 acre-feet. Alternative (1B) transfers the total amount from the Phoenix AMA subaccount. This alternative would not impact water deliveries scheduled under the 2010 Plan, but would place the full burden on the Phoenix AMA. Mr. Mawhinney inquired if Alternative 1A would affect efforts to meet the Tucson AMA M&I firming goal.

Ms. O'Connell responded that while deliveries to the Tucson AMA would not be impacted this year, it would reduce the amount of water that could be stored the following year. Commission members favored Alternative 1A, but were concerned about the impacts to the Pinal AMA. They discussed the possibility of delivering interstate water, if and when available, to compensate for the reduction in deliveries. Steve Olson (AMWUA) supported Alternative 1A, noting the burden should be shared among the AMAs. Joe Singleton (Pinal County Water Augmentation Authority) also agreed with Commission members, but pointed out that although the share is proportional it is not necessarily equitable because the Pinal AMA is the only AMA that would suffer a reduction in deliveries. He noted that the Pinal AMA would appreciate delivery of interstate water if it should become available later in the year. Tom Buschatzke commented he preferred keeping the Pinal AMA whole and suggested a third alternative where the Pinal AMA's share is absorbed by the Phoenix AMA. He and Mr. Mawhinney commented they would prefer to store interstate water in the Phoenix and Tucson AMAs. Larry Dozier (CAWCD) pointed out that the Pinal AMA could also be kept whole through storage by other entities.

Mr. Buschatzke made a motion that the AWBA fulfill its requirement to transfer \$455,800 by taking \$63,800 from the Tucson AMA withdrawal fee subaccount and the remainder of \$392,000 from the Phoenix AMA withdrawal fee subaccount. Maureen George provided the second to that motion. The motion carried.

Section 2 of the paper included three alternatives for the transfer of \$301,654.60, which is the balance remaining on the \$5 million transfer. Alternative 2A (staff recommendation) transfers the funds from the Nevada Resource subaccount, which were made available the end of April as a result of CAWCD's reconciliation of 2009 interstate water delivery costs. Alternative 2B would transfer the funds proportionally from the withdrawal fee subaccount for the three AMAs and Alternative 2C would transfer the total amount from the Phoenix AMA withdrawal fee subaccount. Mr. Buschatzke commented that because HB 2001 specifically identifies the transfer of \$5 million from the interstate subaccount, he did not believe Alternatives 2B and 2C would be allowable.

Lisa Atkins made a motion that staff request from CAWCD \$301,654.60 made available through the reconciliation of 2009 interstate deliveries and to deposit that amount in the NV Resource subaccount to meet the balance of the required legislative transfer for FY 2010 pursuant to HB 2001. Ms. George provided the second to that motion. The motion carried.

### **2009 Annual Report**

Ms. Mitchell provided a brief overview of the AWBA's activities for 2009, including progress made toward meeting goals and obligations. Approximately 3.3 million acre-feet of long-term storage credits have been accrued through 2009.

Ms. O'Connell reviewed the components of the Ten-Year Plan (Plan) for 2011-2020, which included projections for water availability, storage capacity, and funding resources. She noted that storage capacity should be sufficient given the amount of water available to the AWBA. However, because of an increase in water storage permits issued for CAWCD's underground storage facilities, the location of AWBA storage could be affected in the future. Mr. Buschatzke commented that the CAWCD Board had discussions at its last meeting on prioritizing storage capacity at its facilities, which it referred to sub-committee for further analysis. He suggested staff participate in that process.

Ms. O'Connell pointed out that the Plan assumed normal year deliveries although there is a 1-in-4 chance of shortage at the end of ten years. While the probability is low, there are shortages identified as early as 2012. This could affect on-river M&I water users and non-Indian agricultural water deliveries, thus triggering the need for recovery. She noted the next year's Plan will include additional evaluation of recovery and impacts of shortages.

Ms. O'Connell discussed the percent of goals that could be achieved under the Plan. She noted the Plan shows there may not be sufficient water available to the AWBA to meet the obligation to Nevada. Staff had been directed to pursue opportunities with CAWCD to acquire additional supplies for this purpose. In addition, funding continues to be a limitation in the Tucson AMA, which affects the ability to meet the firming goal. Lastly, absent other general fund appropriations, withdrawal fees are the principle source of funding for Indian firming. Chairman Guenther inquired if the Indian firming obligation could be met utilizing withdrawal fees. Ms. O'Connell responded that the estimated firming obligation could be met with future and existing credits accrued with withdrawal fees from the Phoenix and Pinal AMAs. However, it is possible the actual obligation could be higher than estimated. She clarified that credits accrued utilizing withdrawal fees can be used for other water management purposes. As more credits are needed for Indian firming, the amount available for other uses is reduced. Mr. Buschatzke commented that the water community has been addressing the potential impacts of climate change in their planning activities and suggested that M&I firming goals be amended to include the affects of climate change as well. He noted the firming goal could be identified as a range rather than a specific target.

Mr. Mawhinney made a motion to approve the 2009 Annual Report and Ten-Year Plan and to direct staff to submit the report to the Governor, Speaker of the House, and President of the Senate, pursuant to statute. Mr. Buschatzke provided the second to that motion. The motion carried.

#### **FY 2011 Administrative Budget**

Ms. Mitchell briefed Commission members on actual expenditures for FY 2010, which were less than estimated because expenditures for professional and outside services and travel were under budget. She noted that the proposed FY 2011 Administrative Budget is approximately \$537,000. Expenditures for personnel services are less than the previous fiscal year because they reflect a five percent cut in pay; resultant employee related expenditures are also less. The cost of services include the addition of a half-time accountant position. Ms. Mitchell clarified that administrative costs are



paid from the administration subaccount. While not a requirement, revenue for this subaccount has historically come from interest accrued on other subaccounts in the AWB Fund. In past years there were sufficient funds in those subaccounts to generate enough interest to support the administrative budget. However, based on the current balance and anticipated interest earnings, it will not be sufficient to meet budget expenditures for FY 2011. Therefore, \$120,131 will be transferred from within the AWB Fund to the administration subaccount to meet costs.

Lisa Atkins made a motion to adopt the FY 2011 Administrative Budget. Mr. Mawhinney provided the second to that motion. The motion carried.

### **Interstate Water Banking**

Ms. Mitchell commented that at the last meeting, Chairman Guenther had been authorized to sign the Recovery Agreement among AWBA, CAWCD, Southern Nevada Water Authority (SNWA), and Colorado River Commission of Nevada. The agreement has since been fully executed. She noted that staff has also had discussions with SNWA concerning adjustments to the interstate payment schedule. The parties have resolved issues and are in the process of obtaining a formal agreement.

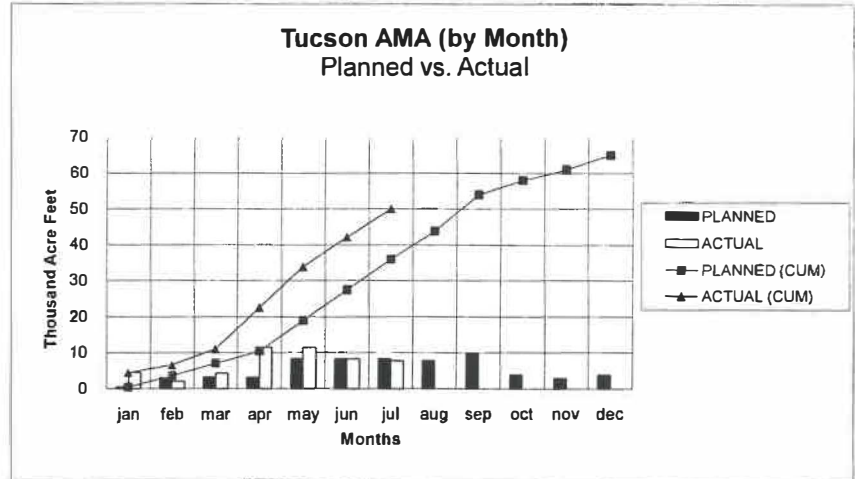
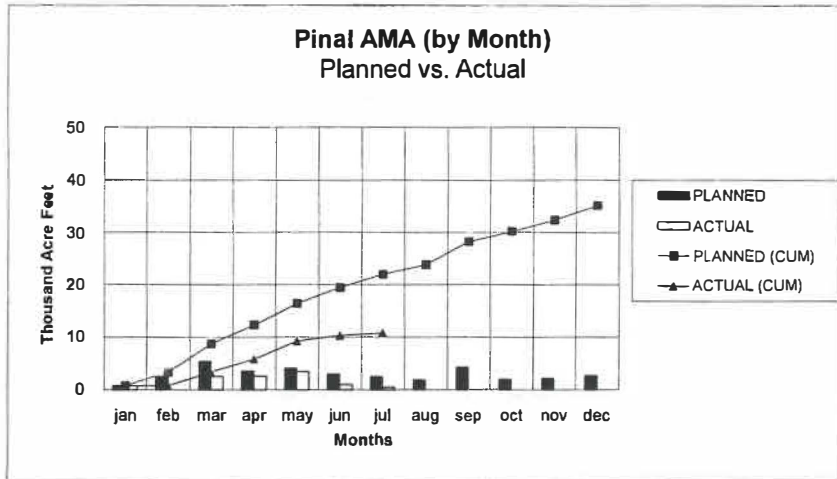
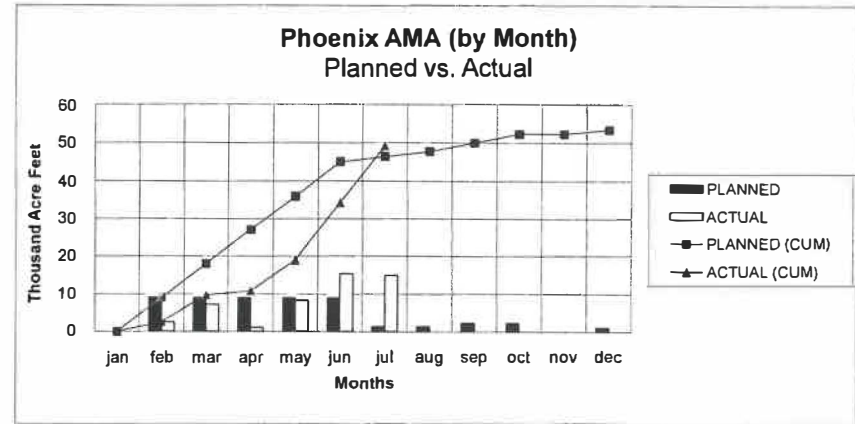
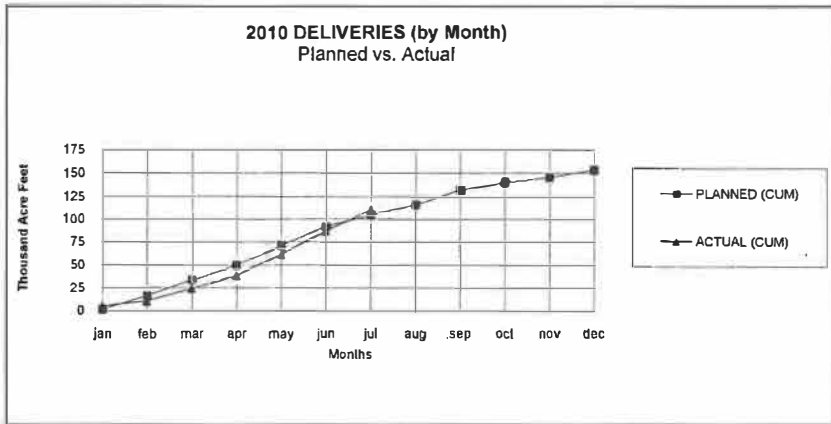
Ms. Mitchell reviewed the second quarter interstate accounting table for 2010. Through 2009, the AWBA has accrued 582,772 acre-feet of credits, which represents 47 percent of the obligation to Nevada. The 2010 Plan does not include storage on behalf of Nevada. The table also identifies legislative transfers from the Resource subaccount, including the estimated \$300,000 that will be transferred based on direction provided in the earlier discussions on the transfer of the \$5 million. These funds are from reconciliation monies that are currently held at CAWCD. Funds remaining in the Operating subaccount are also available from the reconciliation of both water deliveries and rate adjustments.

### **Call to the Public**

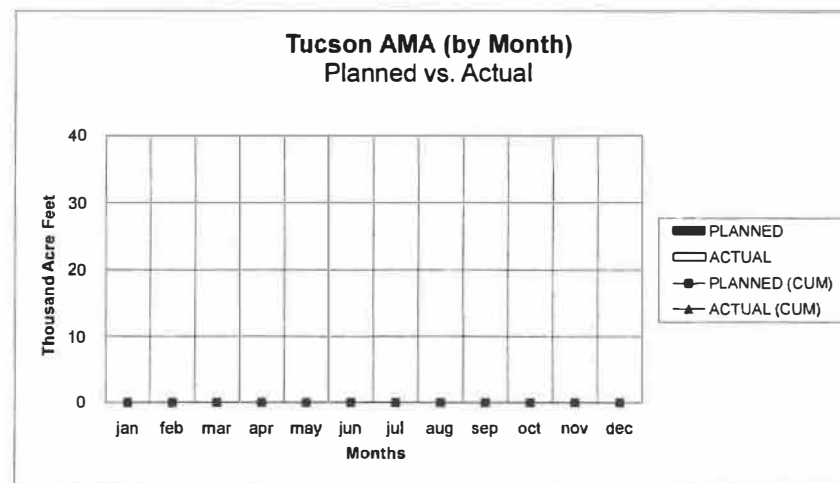
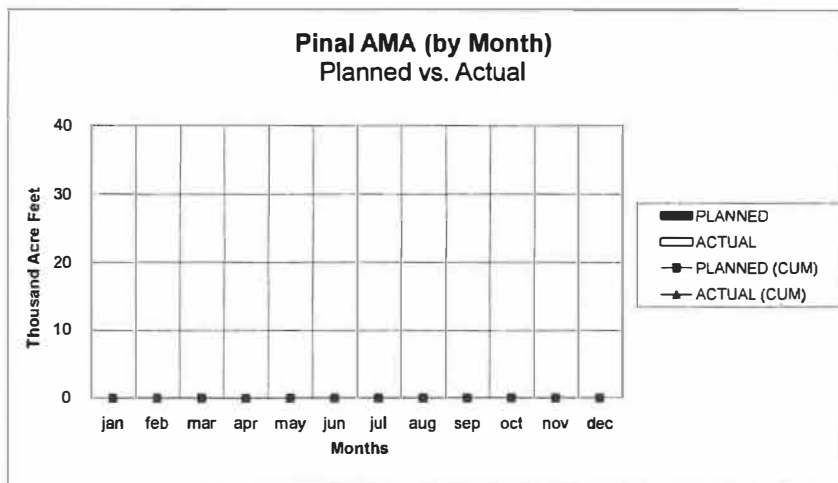
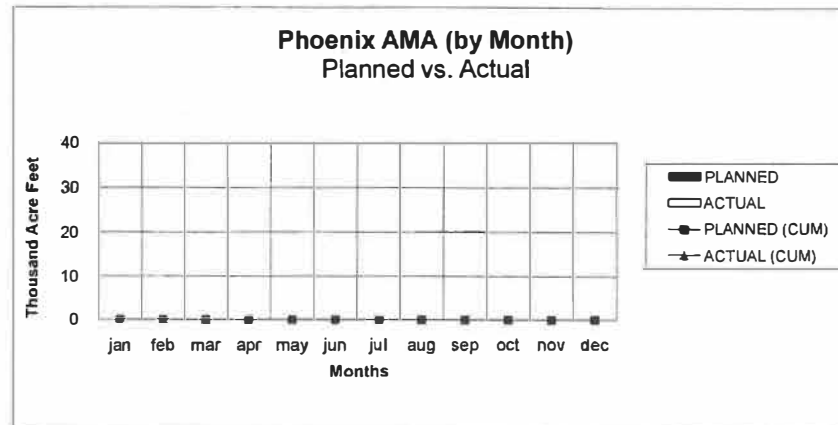
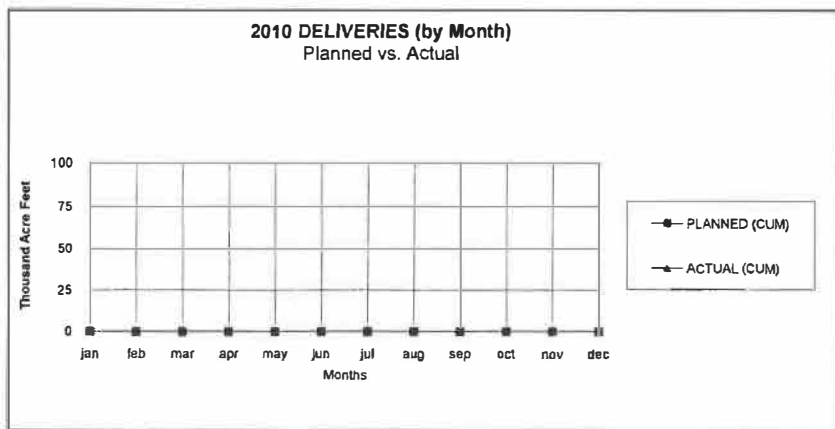
There were no additional comments.

The meeting adjourned at 12:20 p.m.

## 2010 Plan of Operation INTRASTATE



## 2010 Plan of Operation INTERSTATE



Actual deliveries updated 10-Sep-10  
 Plan of Operation 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	15,338	14,895	0	0	0	0	0	49,197
QCID	0	0	0	0	0	0	0	0	0	0	0	0	46,345
Subtotal	0	2,583	7,113	1,137	8,131	15,338	14,895	0	2,285	2,285	0	1,142	7,055
Total to date	0	2,583	9,696	10,833	18,964	34,302	49,197	49,197	49,197	49,197	49,197	49,197	49,197
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	15,338	14,895	0	0	0	0	0	49,197
Total to date	0	2,583	9,696	10,833	18,964	34,302	49,197	49,197	49,197	49,197	49,197	49,197	49,197
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	1,000	500	0	0	0	0	0	10,000
HIDD	0	0	0	500	364	0	0	0	0	0	0	0	864
Southside Bank	0	500	1,000	500	0	0	0	0	2,460	2,000	2,175	2,365	11,000
Subtotal	800	0	2,500	2,600	3,464	1,000	500	0	0	0	0	0	10,864
Total to date	800	800	3,300	5,900	9,364	10,364	10,864	10,864	10,864	10,864	10,864	10,864	10,864
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	1,000	500	0	0	0	0	0	10,864
Total to date	800	800	3,300	5,900	9,364	10,364	10,864	10,864	10,864	10,864	10,864	10,864	10,864
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:

10-Sep-10  
1-Jan-10

**Tucson AMA**

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
<b>Intrastate</b>													
AVRA VALLEY	607	428	565	438	500	471	419	0	0	0	0	0	3,428
CAVSARP	0	250	250	500	500	500	500	0	0	0	0	0	2,500
SAVSARP	0	0	0	0	0	0	0	0	5,000	0	0	0	5,000
LOWER SANTA CRUZ	3,957	1,709	3,854	2,920	2,733	3,777	1,484	0	0	0	0	0	22,424
CORTARO-MARANA	0	0	0	7,043	6,524	3,613	5,244	0	0	0	0	0	22,424
	0	0	0	0	5,000	5,000	5,000	5,000	5,000	4,000	3,000	4,000	36,000
	0	0	0	0	0	0	0	0	0	0	0	0	20,434
	0	2,500	2,500	2,500	2,500	2,500	2,500	2,500	0	0	0	0	17,500
	0	0	0	1,030	1,602	492	715	0	0	0	0	0	3,839
	500	500	675	325	500	500	500	500	0	0	0	0	4,000
Subtotal	4,564	2,137	4,419	11,431	11,359	8,353	7,862	0	0	0	0	0	50,125
Total to date	4,564	6,701	11,120	22,551	33,910	42,263	50,125	50,125	50,125	50,125	50,125	50,125	50,125
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
<b>Interstate</b>													
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
<b>Combined</b>													
Subtotal	4,564	2,137	4,419	11,431	11,359	8,353	7,862	0	0	0	0	0	50,125
Total to date	4,564	6,701	11,120	22,551	33,910	42,263	50,125	50,125	50,125	50,125	50,125	50,125	50,125
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
<b>TOTAL</b>													
Total to date	5,364	4,720	14,032	15,168	22,954	24,691	23,257	0	0	0	0	0	110,186
Projected total to date	5,364	10,084	24,116	39,284	62,238	86,929	110,186	110,186	110,186	110,186	110,186	110,186	110,186
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 9/9/10

**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	519	91	183	0	0	791	702
Jul	0	0	500	525	0	218	0	0	500	743
Aug	500	500	500	409	0	211	0	0	1,000	1,120
Sep	0	0	500	0	0	0	0	0	500	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
<b>Total</b>	<b>2,500</b>	<b>2,500</b>	<b>3,500</b>	<b>3,002</b>	<b>2,159</b>	<b>1,578</b>	<b>0</b>	<b>0</b>	<b>8,159</b>	<b>7,080</b>

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

<b>Total MWD credits for recovery ( 5% cut to aquifer + 4,909 af losses)</b>	<b>= 80,909 AF</b>
<b>Less 2007 total recovered credits:</b>	<b>= 16,804 AF</b>
<b>Less 2008 total recovered credits:</b>	<b>= 28,442 AF</b>
<b>Less 2009 total recovered credits:</b>	<b>= 27,504 AF</b>
<b>Less 2010 total recovered credits:</b>	<b>= <u>7,080 AF</u></b>
<b>Remaining credits to be recovered by CAP:</b>	<b>= 1,079 AF</b>

## **RECOVERY OF STORED CAP WATER FOR M&I SUBCONTRACTORS**

### **GUIDING PRINCIPLES**

*Draft: August 23, 2010*

### **CAGRD'S ROLE IN RECOVERY**

*To minimize impacts of a Colorado River shortage on CAP subcontractors, CAWCD will make deliveries to CAGRD through credit exchange to the maximum extent possible, thereby leaving as much "wet" water in the system as possible for direct delivery.*

### **MONITORING AND ADVANCE NOTICE OF POTENTIAL SHORTAGE**

*CAWCD will monitor the outlook of Colorado River water supplies on an ongoing basis, working in concert with the USBR and other water management entities. CAWCD will provide its M&I Subcontractors with as much advance notice as possible of a potential Colorado River shortage declaration and provide updates as conditions change.*

### **M&I DELIVERIES THROUGH 2026**

*CAWCD can meet all M&I Subcontract orders through 2026 during the interim shortage sharing guidelines\*, under all projected shortage scenarios with available CAP water and recovery of credits.*

\*The Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead

### **COLLABORATION IN PLANNING AND SCHEDULING CAP WATER IN A SHORTAGE YEAR**

*CAWCD will collaborate with the M&I Subcontractors in planning and scheduling orders during shortages on the Colorado River mainstream to optimize use of available Colorado River water and stored credits to fulfill all delivery requests to the greatest extent possible. CAWCD will consider the M&I Subcontractors' water operations in planning deliveries.*

## **GOALS FOR RECOVERY**

*CAWCD'S goal will be to minimize disruptions to its M&I Subcontractors' use of their CAP subcontract entitlement during Colorado River shortages. This will be accomplished through three methods of recovery: direct, indirect and credit exchange.*

### **RECOVERY THROUGH CREDIT EXCHANGE USING CREDITS STORED AT THAT SAME UNDERGROUND STORAGE FACILITY**

*CAWCD may meet a subcontractor's order for water delivery to an underground storage facility (USF) by transferring credits already stored at that facility unless the subcontractor agrees to accept credits accrued at a different facility. In addition, CAWCD will not require a credit exchange if the subcontractor needs wet water to be delivered to the USF for operational purposes.*

### **INDIRECT RECOVERY WITH WILLING PARTNERS ONLY**

*CAWCD will accomplish indirect recovery by identifying willing partners, entering into contractual arrangements, and providing only those credits that are acceptable to the partner.*

### **DEVELOPMENT OF FACILITIES FOR DIRECT RECOVERY**

*CAWCD will develop direct recovery facilities as necessary to achieve the goal of minimizing disruptions to its M&I Subcontractors' use of their CAP subcontract entitlement during Colorado River shortages*

### **PLANNING FOR FUTURE RECOVERY**

*CAWCD will work with AWBA and the M&I Subcontractors in planning future AWBA storage and in strategically relocating existing credits to optimize future recovery. In doing so, CAWCD will always recognize facility ownership and develop all agreements necessary to accomplish the relocation.*



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

AWBA-Recharge Sites		Permitted Capacity (AF)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>PHOENIX AMA :</b>															
USF	HIEROGLYPHIC MTN	35,000	0	0	0	0	0	0	0	0	0	0	2,500	2,500	5,000
	AGUA FRIA		0	0	0	0	0	0	0	0	0	0	0	0	0
	TONOPAH DESERT*	150,000	0	2,583	7,113	1,137	8,131	15,338	14,895	0	9,000	9,000	9,000	3,148	79,345
	TONOPAH Interstate		0	0	0	0	0	0	0	0	0	0	2,500	2,500	5,000
			<b>89,345</b>												
GSF	RWCD	105,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	NEW MAGMA	54,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	QUEEN CREEK	28,000	0	0	0	0	0	0	0	0	2,285	2,285	1,343	1,142	7,055
	TONOPAH ID	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0
			<b>7,055</b>												
<b>TOTAL INTRASTATE</b>			0	2,583	7,113	1,137	8,131	15,338	14,895	0	11,285	11,285	12,843	6,790	91,400
<b>TOTAL INTERSTATE</b>			0	0	0	0	0	0	0	0	0	2,500	2,500	5,000	
<b>AMA TOTAL</b>			0	2,583	7,113	1,137	8,131	15,338	14,895	0	11,285	11,285	15,343	9,290	<b>96,400</b>
<b>PINAL AMA :</b>															
GSF	CAIDD	110,000	0	0	0	0	0	0	0	11,400	0	0	0	0	11,400
	HOHOKAM	55,000	0	0	0	500	364	0	0	1,136	2,460	2,000	2,175	2,365	11,000
	MSIDD	120,000	800	0	2,500	2,100	3,100	1,000	500	2,000	2,000	1,400	1,000	400	16,800
			<b>39,200</b>												
<b>AMA TOTAL</b>			800	0	2,500	2,600	3,464	1,000	500	14,536	4,460	3,400	3,175	2,765	39,200
<b>TUCSON AMA:</b>															
USF	AVRA VALLEY	11,000	607	428	565	438	500	471	419	0	0	0	0	0	3,428
	AVRA VALLEY Interstate		0	0	0	0	0	0	0	349	0	0	500	151	1,000
	LOWER SANTA CRUZ	50,000	3,957	1,709	3,854	2,920	2,733	3,777	1,484	0	0	0	0	0	20,434
	LSC Interstate		0	0	0	0	0	0	0	211	3,000	1,500	1,289	2,000	8,000
	CAVSARP	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	CAVSARP Interstate		0	0	0	0	0	0	0	0	0	0	2,703	0	2,703
	SAVSARP	60,000	0	0	0	7,043	6,524	3,613	5,244	6,025	5,700	3,000	3,851	0	41,000
SAVSARP Interstate		0	0	0	0	0	0	0	0	0	0	0	2,297	2,297	
			<b>78,862</b>												
GSF	CORTARO-MARANA ID	20,000	0	0	0	1,030	1,602	492	715	161	0	0	0	0	4,000
	KAI FARMS (Red Rock)	11,231	0	0	0	0	0	0	0	0	0	0	0	0	0
			<b>4,000</b>												
<b>TOTAL INTRASTATE</b>			4,564	2,137	4,419	11,431	11,359	8,353	7,862	6,186	5,700	3,000	3,851	0	68,862
<b>TOTAL INTERSTATE</b>			0	0	0	0	0	0	0	560	3,000	1,500	4,492	4,448	14,000
<b>AMA TOTAL</b>			4,564	2,137	4,419	11,431	11,359	8,353	7,862	6,746	8,700	4,500	8,343	4,448	<b>82,862</b>
<b>TOTAL INTRASTATE</b>			5,364	4,720	14,032	15,168	22,954	24,691	23,257	20,722	21,445	17,685	19,869	9,555	<b>199,462</b>
<b>TOTAL INTERSTATE</b>			0	0	0	0	0	0	0	560	3,000	1,500	6,992	6,948	19,000
<b>TOTAL RECHARGE</b>			5,364	4,720	14,032	15,168	22,954	24,691	23,257	21,282	24,445	19,185	26,861	16,503	<b>218,462</b>
<b>DIRECT DELIVERY (Non-Storage):</b>															
Southside Replenishment Bank			0	0	0	0	0	0	0	0	1,000	0	0	0	1,000
Southside Replenishment Obligation			0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL DIRECT</b>			0	0	0	0	0	0	0	0	1,000	0	0	0	1,000
<b>TOTAL DELIVERIES</b>			5,364	4,720	14,032	15,168	22,954	24,691	23,257	21,282	25,445	19,185	26,861	16,503	<b>219,462</b>

\* Of the 33,000 acre-feet delivered to TDRP, 2,852 acre-feet were delivered in July.

**Table 4. Amended 2010 Water and Facility Rates**

CAWCD delivery rate to AWBA for water storage	\$133 per acre-foot
Interstate rate	\$187 per acre-foot <sup>1</sup>
Groundwater Savings Facility operator cost share rate <sup>2</sup>	
Intrastate	
Phoenix and Pinal AMAs	\$33 per acre-foot
Tucson AMA	\$15 per acre-foot
Interstate	\$26 per acre-foot
Underground Storage Facility rate paid by AWBA	
Agua Fria Recharge Project (CAWCD) <sup>3</sup>	\$8 per acre-foot
Hieroglyphic Mtns. (CAWCD) <sup>3</sup>	\$8 per acre-foot
Tonopah Desert Recharge Project (CAWCD) <sup>3</sup>	\$8 per acre-foot
West Maricopa Combine	\$26 per acre-foot
Avra Valley (CAWCD) <sup>4</sup>	\$15 per acre-foot
Lower Santa Cruz (CAWCD/Pima County) <sup>4</sup>	\$15 per acre-foot
Pima Mine Road (CAWCD) <sup>4</sup>	\$15 per acre-foot
Clearwater Facility (Tucson Water – CAVSARP/SAVSARP)	\$14.30 per acre-foot
CAWCD rate to AWBA for Southside Replenishment Bank deliveries	\$118 per acre-foot

<sup>1</sup> Rate provided by CAWCD, September 2010.

<sup>2</sup> This rate is paid directly to CAP by the GSF operators and is not available as revenue to the AWBA. The AWBA's rate for delivery of in lieu water is thus reduced to \$104/af for intrastate deliveries to the Phoenix and Pinal AMAs, \$122/af to the Tucson AMA, and \$161/af for interstate deliveries.

<sup>3</sup> Additional capital charge of \$15 per acre-foot for interstate storage.

<sup>4</sup> Additional capital charge of \$9 per acre-foot for interstate storage.

**Table 5. Funding for Amended 2010 Annual Plan of Operation**

	Funds Available (\$)		Funds Utilized (\$)		Credits (AF)
	AWBA	CAWCD	AWBA	CAWCD	
<b>Withdrawal Fees</b>					
Phoenix AMA	\$1,700,000	-	\$1,700,000	-	11,500
Pinal AMA <sup>1</sup>	\$1,575,000	-	\$1,575,000	-	13,400
Tucson AMA	\$450,000	-	\$450,000	-	2,840
<b>Four Cent Tax</b>					
Phoenix AMA	\$0	\$110,643,000	\$0	\$10,920,000	73,870
Pinal AMA	\$0	\$1,968,000	\$0	\$1,963,000	18,060
Tucson AMA <sup>2,3</sup>	\$0	\$12,750,000	\$0	\$9,160,000	57,740
<b>Other</b>					
<b>General</b>	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
<b>Gifts, Grants, Donations</b>					
Shortage Reparations (NV):	\$691,800		\$691,800		
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$500,000	-	4,600
Tucson AMA		-	\$191,800	-	1,190
<b>Interstate Banking- Nevada</b>					
Operating Subaccount	\$33,333,000 <sup>4</sup>		\$4,008,000 <sup>5</sup>		
Phoenix AMA			\$1,051,000		4,600
Pinal AMA			\$0		0
Tucson AMA			\$2,957,000		12,880
	<b>Total Funds Available</b>		<b>Total Funds Expended</b>		<b>Credits</b>
	\$163,110,800		\$30,467,800		200,680

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

<sup>2</sup> Includes CAWCD's capital charge recovery for costs of construction of state demonstration projects when facilities are used for interstate purposes and by entities that do not pay the 4¢ *ad valorem* tax. Revenue through 2009 is estimated to be \$1,719,467.

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

<sup>4</sup> Includes \$18,000 in AWBA Operating Subaccount and \$33,315,000 available from the Southern Nevada Water Authority if water becomes available for interstate storage.

<sup>5</sup> Available pursuant to CAWCD's 2009 reconciliation.

**DRAFT**

**Table 2**  
**Preliminary Water Delivery Schedule (Acre-Feet)**  
**Calendar Year 2011**

AWBA-Recharge Sites		Permitted Capacity (AF)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>PHOENIX AMA :</b>															
<b>USF</b>	West Maricopa Combine	25,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	HIEROGLYPHIC	35,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	AGUA FRIA	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	TONOPAH DESERT <sup>1</sup>	150,000	0	0	5,500	9,000	9,000	9,000	9,000	9,000	9,000	9,000	4,350	0	72,850
															72,850
<b>GSF</b>	RWCD	105,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	NEW MAGMA	54,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	QUEEN CREEK	28,000	0	0	0	0	0	0	0	1,343	2,285	2,285	0	1,142	7,055
	TONOPAH ID	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0
															7,055
<b>AMA TOTAL INTRASTATE</b>			0	0	5,500	9,000	9,000	9,000	9,000	10,343	11,285	11,285	4,350	1,142	79,905
<b>PINAL AMA :</b>															
<b>GSF</b>	CAIDD	110,000	0	0	0	1,500	1,500	1,500	1,500	1,500	0	0	0	0	7,500
	HOHOKAM	55,000	0	0	0	0	0	0	0	0	1,500	1,500	0	0	3,000
	MSIDD	120,000	508	636	1,589	1,335	1,335	636	318	318	572	0	0	254	7,500
															18,000
<b>AMA TOTAL INTRASTATE</b>			508	636	1,589	2,835	2,835	2,136	1,818	1,818	2,072	1,500	0	254	18,000
<b>TUCSON AMA:</b>															
<b>USF</b>	AVRA VALLEY	11,000	0	0	0	0	0	0	0	0	236	0	700	700	1,636
	PIMA MINE RD	30,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	LOWER SANTA CRUZ	50,000	0	0	0	2,000	2,000	2,000	2,000	2,000	2,000	1,800	0	0	13,800
	CAVSARP	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	SAVSARP	60,000	0	0	0	0	0	5,000	5,000	5,000	5,000	5,000	3,000	4,000	32,000
															47,436
<b>GSF</b>	CORTARO-MARANA ID	20,000	250	250	675	325	500	500	750	750	0	0	0	0	4,000
	KAI FARMS (Red Rock)	11,231		0	0	0	0	0	0	0	0	0	0	0	0
															4,000
<b>AMA TOTAL INTRASTATE</b>			250	250	675	2,325	2,500	7,500	7,750	7,750	7,236	6,800	3,700	4,700	51,436
<b>TOTAL INTRASTATE</b>			758	886	7,764	14,160	14,335	18,636	18,568	19,911	20,593	19,585	8,050	6,096	149,341
<b>TOTAL INTERSTATE</b>			0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL RECHARGE</b>			758	886	7,764	14,160	14,335	18,636	18,568	19,911	20,593	19,585	8,050	6,096	149,341
<b>DIRECT DELIVERY (Non-Storage):</b>															
	Southside Replenishment Bank		0	0	0	0	0	0	0	0	1,000	0	0	0	1,000
	Southside Replenishment Obligation		0	0	0	0	0	0	0	0	0	0	0	0	0
	<b>TOTAL DIRECT</b>		0	0	0	0	0	0	0	0	1,000	0	0	0	1,000
<b>TOTAL DELIVERIES</b>			758	886	7,764	14,160	14,335	18,636	18,568	19,911	21,593	19,585	8,050	6,096	150,341

<sup>1</sup> Deliveries for November and December have been reduced by 11,659 acre-feet as pay back for an Inadvertent Overrun of Colorado River water in 2009.

**Table 4. 2011 Water and Facility Rates**

CAWCD delivery rate to AWBA for water storage	\$137 per acre-foot
Interstate rate	\$167 per acre-foot
Groundwater Savings Facility operator cost share rate <sup>1</sup>	
Intrastate	
Phoenix and Pinal AMAs	\$33 per acre-foot
Tucson AMA	\$15 per acre-foot
Interstate	\$26 per acre-foot
Underground Storage Facility rate paid by AWBA	
Agua Fria Recharge Project <sup>2</sup>	\$8 per acre-foot
Hieroglyphic Mtn. Recharge Project <sup>2</sup>	\$8 per acre-foot
Tonopah Desert Recharge Project <sup>2</sup>	\$8 per acre-foot
West Maricopa Combine	\$25 per acre-foot
Avra Valley Recharge Project <sup>3</sup>	\$15 per acre-foot
Lower Santa Cruz Recharge Project <sup>3</sup>	\$15 per acre-foot
Pima Mine Road Recharge Project <sup>3</sup>	\$15 per acre-foot
Clearwater Facility (CAVSARP/SAVSARP)	\$14.73 per acre-foot
CAWCD rate to AWBA for Southside Replenishment Bank deliveries	\$122 per acre-foot

<sup>1</sup> This rate is paid directly to CAP by the GSF operators and is not available as revenue to the AWBA. The AWBA's rate for delivery of in lieu water is thus reduced to \$104/af for intrastate deliveries to the Phoenix and Pinal AMAs, \$122/af to the Tucson AMA, and \$141/af for interstate deliveries.

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

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

**Table 5. Funding for 2011 Annual Plan of Operation**

	Funds Available (\$)		Funds Utilized (\$)		Credits (AF)
	AWBA	CAWCD	AWBA	CAWCD	
<b>Withdrawal Fees</b>					
Phoenix AMA	\$1,600,000	-	\$1,600,000	-	10,410
Pinal AMA <sup>1</sup>	\$1,200,000	-	\$1,200,000	-	9,540
Tucson AMA <sup>2</sup>	\$435,000	-	\$435,000	-	1,780
<b>Four Cent Tax</b>					
Phoenix AMA	\$0	\$120,022,000	\$0	\$9,697,000	63,100
Pinal AMA	\$0	\$807,500	\$0	\$794,000	7,020
Tucson AMA <sup>3</sup>	\$0	\$7,534,000	\$0	\$7,383,000	44,690
<b>Other</b>					
<b>General</b>	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
<b>Gifts, Grants, Donations</b>					
Shortage Repairs (NV):	\$0				
Phoenix AMA		-	\$0		0
Pinal AMA		-	\$0		0
Tucson AMA		-	\$0		0
<b>Interstate Banking- Nevada</b>					
Operating <sup>4</sup>	\$33,333,000		\$0		0
	<b>Total Funds Available</b>		<b>Total Funds Expended</b>		<b>Credits</b>
	\$164,931,500		\$21,109,000		136,540

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

<sup>2</sup> Includes expenditure of \$141,360 for the assignment of an estimated 930 acre-feet of credits to the AWBA from the Tohono O'odham Nation pursuant to §45-841.01.

<sup>3</sup> Includes CAWCD's capital charge recovery for costs of construction of state demonstration projects when facilities are used for interstate purposes and by entities that do not pay the 4¢ ad valorem tax. Revenue through 2009 is estimated to be \$2,026,952.

<sup>4</sup> Includes \$18,000 in AWBA Operating Subaccount and \$33,315,000 available from the Southern Nevada Water Authority if water becomes available for interstate storage.



**Richard Holmes**  
**Deputy General Manager - Acting**  
**Engineering / Operations**

Richard Holmes is the deputy general manager of engineering and operations for the Southern Nevada Water Authority. He oversees several Water Authority departments including Engineering, Environmental Resources, Groundwater Resources, Surface Water Resources as well as the community's primary drinking-water treatment and transmission network, the Southern Nevada Water System.

Prior to joining the Water Authority, Holmes was vice-president of community development for Focus Property Group. He also served as assistant county manager for Clark County, Nev where he was responsible for planning and development services.

In addition to receiving Bachelor of Science degrees in both economics and civil engineering, Holmes also earned a master's degree in urban planning from the University of Arizona. He is a member of the American Institute of Certified Planners and also has served as president of the National Association of County Planning Directors and the National Association of County Administrators.

Holmes currently serves on a water utilities climate change risk assessment working group with the U.S. Environmental Protection Agency. He was previously chairman of the State Advisory Board on Water Resources Planning and Development and a former member of the Desert Research Institute's advisory committee on water resources research.

= External Link



# SOUTHERN NEVADA WATER AUTHORITY

1001 South Valley View Boulevard • Las Vegas, NV 89153  
(702) 258-3939 • snwa.com

August 19, 2010

Kim Mitchell  
Manager  
Arizona Water Banking Authority  
3550 N. Central Avenue  
Phoenix, AZ 85012

Dear Ms. Mitchell:

I would like to extend my thanks for your hospitality and for all the time and effort you and your staff put into the presentations and recharge site tour yesterday. The briefings were very helpful; I gained a great deal of insight into the roles, responsibilities, and operations of Arizona's Water Resources Department, the Water Banking Authority, and the Central Arizona Project.

As we continue to deal with the challenges of water resource management in the Colorado River Basin, I look forward to maintaining the cooperative working relationship that our agencies have worked so hard to develop.

Sincerely,

Richard B. Holmes  
Acting Deputy General Manager  
Engineering and Operations

RBH/df

cc: Kay Brothers

#### SNWA MEMBER AGENCIES

Big Bend Water District • Boulder City • Clark County Water Reclamation District • City of Henderson • City of Las Vegas • City of North Las Vegas • Las Vegas Valley Water District



## Long-term Storage Credits Accrued on Behalf of Nevada

	Year	Credits <sup>1</sup> Earned	Cumulative Credits	Percent of Goal Achieved  (1,250,000 AF)	Cost of Storage	Received from SNWA		Funds Available	
						Subaccounts		Subaccounts	
						Resource	Operating	Resource	Operating <sup>2</sup>
Actual	2002	61,098	61,098	5%	\$ 8,617,393	\$ 5,000,000		\$ -	
	2003	50,000	111,098	9%	\$ -	\$ 3,723,945		\$ 106,552 <sup>3</sup>	
	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 <sup>4</sup>	
	2006	175,569	412,634	33%	\$ 35,386,306	\$ -		\$ 37,640,089 <sup>5</sup>	
	2007	114,886	527,520	42%	\$ 21,853,906	\$ -		\$ 15,786,183	
	2008	0	527,520	42%	\$ -	\$ -		\$ 15,786,183	
	<b>subtotal</b>					<b>\$ 94,480,618</b>	<b>\$ 110,053,945</b>		
	2009	55,252	582,772	47%	\$ 10,781,853	\$ (8,564,916) <sup>6</sup>	\$12,685,000	\$ 5,518,096 <sup>7</sup>	\$ 4,104,396
Estimated	2010								
	1 <sup>st</sup> Quarter	0	582,772	47%	\$ -	\$ (684,700) <sup>8</sup>		\$ 4,833,396	\$ 4,110,765
	2 <sup>nd</sup> Quarter	0	582,772	47%	\$ -	\$ (4,531,741) <sup>9</sup>		\$ 301,655	\$ 4,112,525
	3 <sup>rd</sup> Quarter	3,275	586,047	47%	\$ 751,836	\$ (301,655) <sup>10</sup>		\$ -	\$ 3,362,425
	4 <sup>th</sup> Quarter	14,205	600,252	48%	\$ 3,255,774	\$ -	\$ -	\$ -	\$ 106,651
	<b>Total</b>				<b>\$ 109,270,081</b>		<b>\$12,685,000</b>	<b>\$ -</b>	<b>\$ 106,651</b>

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

<sup>2</sup> Includes interest accrued

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

<sup>4</sup> Includes expenditure of \$1,463,095 from monies collected in 2005 as part of the 2004 reconciliation.

<sup>5</sup> Includes expenditure of \$212,857 in interest on monies disbursed to CAWCD.

<sup>6</sup> 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.

<sup>7</sup> Includes expenditure of \$500,886 in interest that had accrued on monies previously disbursed to CAWCD.

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

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

<sup>10</sup> Funds available from 2009 CAWCD reconciliation on April 27, 2010

# ARIZONA WATER BANKING AUTHORITY

## INTERSTATE WATER BANKING REPORT Fiscal Year 2010



Submitted

October 1, 2010

## **Interstate Water Banking Report Requirement**

Section 2473 to Title 45, Chapter 14, Article 4 directs the Arizona Water Banking Authority (AWBA) to submit a report about interstate water banking to the Joint Legislative Budget Committee on or before October 1 of each year for the previous fiscal year. This report contains information for fiscal year 2010.

The report requires an accounting report of the AWBA's interstate water banking activities with the State of Nevada, including the Southern Nevada Water Authority (SNWA), and includes the following:

1. An accounting of all monies received through the Interstate Water Banking Agreement (Agreement) with the (SNWA).
2. An accounting of all disbursements made with interstate monies, including monies used to purchase or store water.
3. An accounting of any prepaid monies to the Central Arizona Water Conservation District (CAWCD).
4. An accounting of any monies received under the Agreement that are placed in an account with the State Treasurer.
5. Any contract that obligates the AWBA to pay or disburse monies to any other entity, including the CAWCD.

Section 2473 directs that the AWBA may only use the monies received pursuant to an interstate water banking agreement to pay the costs directly incurred in meeting the interstate water banking obligations.

## BACKGROUND

The “Law of the River” is comprised of federal and state statutes, interstate compacts, court decisions and decrees, contracts with the United States, an international treaty, operating criteria and administrative decisions concerning the Colorado River. Together, these have resulted in a division of the waters of the Colorado River among the various states and their water users. Over the past several years, the seven states that utilize the Colorado River (the Basin states) have had discussions over various issues and the majority of the issues have been resolved via negotiation instead of litigation. Currently, the issue facing the Basin states is drought and the potential impact to river operations and water supply. Because Arizona is the most junior user on the river, it is important for the state to take steps to protect the Colorado River water supply for Arizona water users.

The 2006 U.S. Supreme Court Consolidated Decree in *Arizona v. California*, confirmed the allocation of water to the three states of the Lower Colorado River basin. This allocation is 4.4 million acre-feet (maf) to California, 2.8 maf to Arizona and 300,000 acre-feet to Nevada.

### Agreement for Interstate Water Banking

On July 3, 2001, the Agreement for Interstate Water Banking (2001 Agreement) among the AWBA, the Southern Nevada Water Authority (SNWA) and the Colorado River Commission of Nevada (CRCN) was executed<sup>1</sup>. In the 2001 Agreement, the AWBA agreed to use its “best efforts” to store water in Arizona in an amount sufficient to develop an aggregate total of 1.25 million acre-feet of long-term storage credits. Those credits would then be recovered to develop Intentionally Created Unused Apportionment (ICUA) for Nevada as a temporary supply of water to allow Nevada time to develop other long-term water supplies. The 2001 Agreement contained specific provisions to insure that any water stored for Nevada was water that could not be utilized by water users in Arizona. Nevada would pay the full cost of water delivery and storage in addition to all costs associated with recovery of the long-term storage credits.

In 2004, Nevada began exploring alternative ways to meet their water supply needs and approached Arizona with a proposal to amend the 2001 Agreement in such a manner that Nevada’s water supply could be made more secure in the shorter term. The AWBA began negotiations regarding amendments to the original agreement with SNWA and CAWCD staff.

### Amended Agreement for Interstate Water Banking

The intent of the amendments was to assure Nevada access to the full 1.25 million acre-feet anticipated under the 2001 Agreement. For this access, Nevada would continue to bear the full cost of storing excess CAP water and later recovering that water. Nevada would also provide \$100 million to the State of Arizona to ensure that Arizona could acquire additional water resources if conditions warranted.

In summary, the amendments negotiated were as follows: (1) guaranteed Nevada a total of 1.25 million acre-feet of credits; (2) recognized that water other than Colorado River water may be the source of credits; (3) Nevada would pay the full cost of delivery, storage and recovery in addition

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<sup>1</sup> For purposes of this discussion, the SNWA and the CRCN will be collectively referred to as “Nevada”.

to the \$100 million to mitigate the risk of the guarantee; (4) identified a set schedule for recovery of long-term storage credits; and (5) a sufficient supply of credits would be recovered to allow Nevada to use up to 340,000 acre-feet during a declared shortage on the Colorado River. The Amended Agreement for Interstate Water Banking (Amended Agreement) was approved by the AWBA Commission on December 9, 2004 and executed on February 3, 2005.

The two most significant provisions of the Amended Agreement are that Arizona has now guaranteed Nevada that a sum total of 1.25 million acre-feet of credits will be developed on their behalf. In exchange for this guarantee, Nevada agreed to pay Arizona \$100 million above the actual cost of water delivery and storage. The initial \$100 million dollar payment was made in two installments in 2005, and deposited in a Resource Account of the AWBA Fund .

The AWBA began storing water pursuant to the Amended Agreement in 2005, under a provision recognizing that the AWBA may store water on behalf of SNWA prior to the commencement of scheduled payments, using a loan from the Resource Account. The Annual Report published by the AWBA in July of each year, for the previous calendar year, details the amount of interstate water stored and long-term storage credits accrued by the AWBA. The Amended Agreement provides a temporary water supply for Nevada allowing time for development of other non-Colorado River resources and it provides Arizona additional flexibility to achieve its long-term water management goals.

The loans from the Resource Account, have allowed the AWBA to take advantage of the available water supply and store water on Nevada's behalf. Credits accrued by Nevada through the end of calendar year 2009 totaled 582,772 acre-feet (AWBA Annual Report 2009, Table 4). In January, 2009, the AWBA held a special meeting in response to a request from SNWA for the opportunity to discuss potential changes to the Amended Agreement. The type of modifications discussed focused on creating flexibility in the interstate operations and included allowing changes to the schedule dates and period, dates of water recovery, and coordination schedules in forecasting water storage and recovery. The AWBA agreed that conditions had changed since the Amended Agreement was executed and agreed to toll the performance dates for a period of 90 days to allow time for both state parties to work on permanent modifications to the Amended Agreement.

### Second Amended Agreement for Interstate Water Banking

On April 1, 2009, the AWBA approved and executed the Second Amended Agreement for Interstate Water Banking (Second Amended Agreement; Interstate Agreement). While the Second Amended Agreement does provide flexibility in administering the contract, it did not change provisions requiring Nevada to pay the full cost of storage and recovery or Arizona's obligation to create 1.25 million acre-feet of long-term storage credits.

Pursuant to a letter agreement executed April 2, 2009 between the AWBA and SNWA that approved a modification to the payment schedule, the AWBA requested in August, 2009, a partial payment from Nevada to the Operating Account of \$2,685,000 to pay the cost of delivery and storage of interstate water.

At a Special AWBA meeting in November, 2009, the AWBA Annual Plan of Operation (Plan) for 2009 was amended in response to a letter dated November 4, 2009, from the Southern Nevada Water Authority notifying the AWBA of the release of Nevada's unused apportionment for storage in Arizona. The AWBA requested a partial payment from Nevada to the Operating Account of \$10,000,000 to pay the cost of delivery and storage of these new water supplies.

By the end of calendar year 2009, AWBA delivered for storage 59,024 acre-feet of interstate water on behalf of Nevada. The AWBA Annual Plan for 2010 approved in December, 2009 did not include storing water for Nevada because of limited water availability to the AWBA as a result of high water demand in Arizona. No interstate water was delivered in the first half of calendar year 2010.

Additional interstate water supplies may be available for storage by the AWBA toward the end of calendar year 2010. The AWBA will have an estimated, cumulative total of 600,442 acre-feet of credits stored on behalf of Nevada by the end of calendar year 2010. These credits amount to about 48% of the total 1.25 million acre-feet of water storage guaranteed to Nevada. Although this interstate report is based on fiscal year accounting, the AWBA operates on a calendar year. The AWBA approves a Plan of Operation for the entire year through the end of 2010; thus, the credits are estimated through the end of 2010.

### Benefits to Arizona

Our Interstate Agreement with Nevada provides an opportunity for the State of Arizona to secure numerous benefits for Arizona water users. Current projections indicate excess water within Arizona's 2.8 million acre-foot entitlement will be available for storage in the future. Without interstate banking, the AWBA does not have sufficient in-state funding to store the quantities of excess CAP water currently projected to be available. Interstate water banking is a mechanism that can maximize Arizona's utilization of its 2.8 million acre-foot entitlement.

The Interstate Agreement also provides additional financial resources that could be used to develop alternative water supplies. Additionally, water stored for interstate purposes provides revenues for the Arizona Water Protection Fund, which is the sole state funding source for riparian protection in Arizona. Furthermore, the water that Nevada may recover has and will help facilitate the full development of recovery arrangements for Arizona water users. Most importantly, the Interstate Agreement helps strengthen Arizona's interstate relationship with Nevada. A strong relationship is critical as the seven Basin states continue discussions regarding the drought and shortages on the Colorado River.

## INTERSTATE ACCOUNTING

Pursuant to the Second Amended Agreement, funds are to be received by the AWBA from the SNWA in two ways:

1. \$100 million will be used to guarantee that AWBA can meet the terms of the Interstate Agreement. This amount is intended to be the “insurance” payment to be used to develop alternative water resources to meet obligations to Nevada. Any alternative water supplies developed under the Second Interstate Agreement that are not needed to meet the Nevada obligation would be available for Arizona water users. This payment was made upon request in two installments in June, 2005 and October, 2005 and deposited into a “Resource Account”. If the \$100 million is not needed as “insurance” then it continues to be available to Arizona for whatever purpose deemed appropriate.
2. \$230 million was scheduled to be paid in 10 annual payments of \$23 million beginning in 2009 and deposited into an “Operating Account”. Money in the Operating Account will be used to pay CAWCD for the cost of water delivery and to pay facility operators for storage. The Second Amended Agreement now recognizes additional flexibility in operations. The AWBA and SNWA executed a letter agreement on June 15, 2010 approving a modification to the payment schedule for 2010 and 2011 given the availability of excess CAP water and economic conditions.

The total quantity of interstate storage is dynamic from year to year, but cannot exceed a quantity that would result in more than 200,000 acre-feet of long-term storage credits in any year pursuant to the Storage and Interstate Release Agreement (SIRA) among the Secretary of the Interior, the AWBA, the SNWA and CRCN. As stated above, \$100 million was received from Nevada in two installments in 2005 and deposited in a subaccount with the Arizona State Treasury. In fiscal year 2010, the AWBA received \$12,685,000 from SNWA for the delivery and storage of water pursuant to the Interstate Agreement.

On July 1, 2009, Governor Brewer signed into law SB 1188 and HB 2643<sup>1</sup> (“Trailer bill making revisions to SB 1188) that addressed budget reductions and transfers for FY 2009-10. The total legislative transfer from the Arizona Water Banking Fund was \$9.4 million. As a result of these bills, \$5.4 million of the total reduction was transferred from the Nevada Resource Account.

On December 23, 2009, Governor Brewer signed into law SB 1001<sup>2</sup> that addressed budget reductions and additional transfers for FY 2009-10 and transferred another \$684,700 from the Arizona Water Banking Fund. Following direction from Commission members, these monies were transferred from the Nevada Resource Account.

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<sup>1</sup> HB 2643 (Trailer bill making revisions to SB 1188) signed July 1, 2009 identified \$9.4 million to be transferred from the Arizona Water Banking Fund [(Sec. 110) \$4 million; (Sec. 56) \$5.4 million from interest earnings on the AWB Fund].

<sup>2</sup> SB 1001 signed December 23, 2009 identified \$684,700 to be transferred from the AWB Fund (Sec. 2).

On March 18, 2010, Governor Brewer signed into law HB 2001 that addressed budget reductions and further transfers for FYs 2009-10 and 2010-11. The total legislative transfer from the Arizona Water Banking Fund was \$5.65<sup>1</sup> million. As a result of HB 2001, \$5 million of the total reduction was transferred from the Nevada Resource Account (see Interstate Accounting FY 2010 table).

Approximately \$47.9 million has been legislatively transferred from the Arizona Water Banking Fund from inception through calendar year 2010 as presently identified. Of this, \$19,649,616 has been transferred from the Nevada Resource Account.

It is important to note that although this report is based on fiscal year accounting, the AWBA operates on a calendar year. A.R.S. § 45-2456 requires by January 1 of each year, the AWBA shall adopt a Plan of Operation for that calendar year. Along with adoption of the annual Plan of Operation, funds are committed for the purchase, delivery, and storage of water for that calendar year.

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<sup>1</sup> HB 2001 signed March 18, 2010 identified \$5,654,000 million to be transferred from the Arizona Water Banking Fund [(Sec.112) \$301,700; (Sec.113) \$198,200; (Sec. 113) \$154,100; (Sec. 113) \$5,000,000].



INTERSTATE ACCOUNTING - Fiscal Year 2010

Interstate Accounts	Beginning Balance FY 2010	\$ Received from NV <sup>1</sup>	Disbursements <sup>2</sup>	Prepayment Forwarded to CAWCD <sup>4</sup>	AZ State Treasury End of FY Balance <sup>5</sup>	\$ Committed for AWBA CY Plan of Operation <sup>6</sup>
Resource	\$10,715,149	- 0 -	\$11,084,700 <sup>3</sup>	- 0 -	\$5,078	- 0 -
Operating	- 0 -	\$12,685,000	\$12,673,000	- 0 -	\$18,000	- 0 -

<sup>1</sup>Initial payment of \$100 million deposited into a "Resource Account" in 2005. Ten subsequent payments of \$23 million were scheduled to begin annually in 2009 to be deposited into an "Operating Account" (see Interstate Accounting section for description of payment modification).

<sup>2</sup>Monies disbursed, including interest, from "Resource Account" at Arizona State Treasurer's Office as a consequence of SB 1188 and HB 2643 signed July 1, 2009, SB 1001 signed December 23, 2009, and HB 2001 signed March 18, 2010. Monies disbursed from "Operating Account" for purchase and storage of water.

<sup>3</sup>HB 2001, signed March 18, 2010 identified \$5M to be transferred from interstate fund; insufficient funds available (\$4,698,345.40) in interstate account to meet \$5M reduction. Pursuant to motion made at June 16, 2010 AWBA meeting, staff requested from CAWCD \$301,654.60 made available through the reconciliation of 2009 interstate deliveries and deposited same amount in the Nevada Resource Account to meet the balance of the required legislative transfer.

**Legislative transfers from NV Resource Account: FY 10 = \$11,084,700; Cumulative total to date = \$19,649,616.**

<sup>4</sup>Prepaid monies forwarded to CAWCD for delivery and storage of water on behalf of SNWA.

<sup>5</sup>End of fiscal year balance, including accrued interest, in subaccount at Arizona State Treasurer's Office. Balance remaining is portion of interest earned.

<sup>6</sup>Monies committed for purchase of deliveries and storage of interstate water for remainder of the calendar year. Monies in the Operating Account to be received from SNWA in FY 2011.