

ARIZONA WATER BANKING AUTHORITY
Tuesday, October 4, 2011

	Name (Please print)	Affiliation	Phone No.
	Sidney Smith	CHUD	520-182-3233
2	MARK HOLMES	MESA	480-644-2752
3	Walter Moore	Mesa	480-1044-4364
4	DEB FUEKST	CAWCD	623- 478-2465 ⁸⁶⁹⁻²⁸⁰⁷
5	MELISSA PARHAM	CBSUS	602-393-1700
6	ANDREW CRADDOCK	ADWR	602-771-8615
7	Tony DeMarco	Senate	602-926-3171
8	DOUG KUPCH	City of Phoenix	602-495-5853
9	Du Korich	Thurson Water	520-837-2238
10	Gregg Capps	Chandler	480-782-3585
11	Jeff Ehlers	SRP	602 236-5504
12	Cassie Martin	Surprise	623-222-7135
13	Juliet McHenry	Montgomery	820 520-881-4112
14	Steph Rea	Gheesbale	623 930 4112
15	Gary Gin	Phoenix	602-495-8654
16	PAUL ORME	CADW/MSD/num	(623) 465-0445
17	Robin St.rott	Avondale	(623) 333-4449
18	Bridget Schnatz-Mann	CAP	623-869-2150
19	JASON BARAN	AVANHA	602 248 8982
20	Mike Malcom	Greenstone	602 464 9668
21			
22			
23			
24			

	Name (Please print)	Affiliation	Phone No.
25	John Budenchuk	BoR	
26	Tom McCann	CAP	
27	Brian Hennink	CAP	
28	Joe Singleton	PCWAA	
29	CLIFF NEAL	CAP	623-869-2672
30	Michael Block	Metro	
31	Diane Kusel	ADWR	602 771 8532
32	Christine Nunez	City of Surprise	623 722 7035
33	GRANT BUMA	CRIT	928 669 1313
34	V.C. DANOS	MUNA	
35	Karen Nally	Law Office of K. Nally	
36	Michael Curtis	CMID Hottokam	602 393 1700
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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 Tuesday, October 4, 2011 at 10:00 a.m. at the Arizona Department of Water Resources, 3550 North Central Avenue, Phoenix, Arizona 85012, Upper Verde Conference Room. The meeting is open to the general public.

Dated this 3rd day of October, 2011

FINAL AGENDA

Arizona Water Banking Authority Commission Meeting

Members of the commission will attend either in person or by teleconference.

- I. Welcome/Opening Remarks
 - Staffing update
- II. AWBA Commission Members
 - Introduction of new Commission member
 - Election of Commission Officer
- III. Approval of Minutes
 - June 15, 2011 meeting
 - August 25, 2011 special meeting
- IV. Water Banking Staff Activities
 - Deliveries
 - Water Storage Permits
 - Transfer of long-term storage credits
 - Interstate fiscal year accounting report to JLBC
 - Update on CAWCD v. Brewer
- V. Master Water Storage Agreement
 - Potential approval of Amendment No. 2 to Master Water Storage Agreement
- VI. Draft 2012 Annual Plan of Operation
 - Partner meetings
 - Discussion of Table 2
 - Water and facility rates
 - Public meetings

- VII. Groundwater Savings Facility Agreements
 - Discussion of Groundwater Savings Facility agreements
 - Potential approval of Groundwater Savings Facility agreements

- VIII. Update on Distribution of AWBA Long-term Storage Credits during Shortages
 - Draft concepts for an Intergovernmental Agreement among CAWCD, ADWR, and AWBA
 - AWBA supply and demand study

- IX. Call to the Public

Future Meeting Date:

Wednesday, December 7, 2011

To reduce reproduction costs and eliminate waste, the AWBA no longer provides copies of materials for attendees of public meetings. This Meeting Agenda and handouts will be available on our website for your use and reference: <http://www.azwaterbank.gov/>. Should you be unable to reproduce these materials for any reason, please e-mail me and a complete set of meeting materials will be prepared and provided to you upon check-in prior to the meeting.

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.

I. Welcome/Opening Remarks

NOTES:

Gerry Wildeman has been offered and accepted a position with ADWR as Manager of the Statewide Regional Planning group and Tribal Liaison for the Department. Her leaving will initially impact Bank activities; however we expect to fill her position as soon as possible.

II. AWBA Commission Members

NOTES:

Governor Brewer has appointed Marshall P. Brown (replacing Thomas Buschatzke) to the Arizona Water Banking Authority. Mr. Brown is the Commission member who represents an entity that holds a Central Arizona Project M&I subcontract

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NOTES: Call on **Virginia O'Connell** to discuss the terms of the commission officer.

ACTION: Election of Secretary.

Sandy Fabritz-Whitney will open the floor for nomination of Secretary.

Commission members will make the motions for nomination.

Motion: I move to nominate _____ for Secretary of the AWBA.



Marshall Brown has been the Executive Director for the City of Scottsdale's Water Resources Department since November 2007. His primary areas of responsibility include Scottsdale's water and wastewater policies, water and wastewater treatment, water distribution, wastewater collection, water conservation, water reclamation and reuse, recharge, recovery, planning and engineering. Mr. Brown first joined the City of Scottsdale in 2000 as a Hydrogeologist – while acting in that role, he created Scottsdale's Aquifer Storage and Recovery (direct injection) program. In addition to the time Mr. Brown has spent focusing on water resources for the City of Scottsdale, he gained additional experience working in the Arizona mining industry, as a consultant (primarily focused on groundwater remediation and modeling), and as a Geohydrologist for Salt River Project.

Currently, Mr. Brown oversees one of the most progressive water reuse programs in the state of Arizona. In addition to practicing conventional reuse (for turf irrigation), Scottsdale treats a portion of its reclaimed water with MicroFiltration/Reverse Osmosis and augments the regional aquifer with the high quality product water.

Mr. Brown holds a Master's degree in Geophysical Engineering from the University of Arizona, a Bachelor's degree in Engineering Geology from Brigham Young University and is a registered professional engineer in Arizona. He lives in the east valley with his wife and seven children.

III Approval of Minutes of Meeting

NOTES:

Move approval of June 15th AWBA meeting minutes.

ACTION:

Approve minutes with any needed corrections.

NOTES:

Move approval of August 25th AWBA special meeting minutes.

ACTION:

Approve minutes with any needed corrections.

**ARIZONA WATER BANKING AUTHORITY
Draft Minutes**

**June 15, 2011
Arizona Department of Water Resources**



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

EX OFFICIO MEMBERS
Senator Steve Pierce
Representative Andy Tobin

Welcome/Opening Remarks

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

Approval of Minutes of March 30, 2011 Meeting

The Authority approved the minutes of the March 30, 2011 AWBA meeting.

Water Banking Staff Activities

Gerry Wildeman noted that water deliveries through April 2011 were ahead of projections with actual deliveries greater than projected in the Phoenix and Tucson AMAs and less than projected in the Pinal AMA. Tucson Water recently notified AWBA staff that they were experiencing a decrease in infiltration rates at the SAVSARP facility, which could lead to difficulties in storing the AWBA's water that is scheduled for delivery later in the year. Maintenance has been scheduled on the basins to improve infiltration rates. This issue was discussed with CAP staff and it was determined that there is adequate storage at other facilities in the Tucson AMA to make up for any storage that might be lost at CAVSARP/SAVSARP.

Ms. Wildeman informed the Authority that staff had completed the certification of Intentionally Created Unused Apportionment (ICUA) required under the agreement between CAWCD and Metropolitan Water District of Southern California with respect to long-term storage credits that were accrued during the early 1990's. The recovery of the remaining 8,159 acre-feet of credits by CAWCD, which allowed the development of ICUA, was verified by ADWR and then certified by the AWBA to the Bureau of Reclamation by letter.

Ms. Wildeman provided a brief history of the existing groundwater savings facility (GSF) agreements and noted that there were currently nine that were expiring on December 31, 2011; they were executed in 2002. Authority members had been given copies of the language included in the two versions of the existing agreements. The versions differ based on whether the signatory to the agreement owns the wells within the boundaries of the GSF or does not own the wells within the GSF. The tentative time frame for re-executing the agreements was discussed. Ms. Wildeman noted that AWBA staff reviewed the agreements and believe that the process could be as simple as extending the term of the agreement by letter, which is permitted under the existing agreement. Changes that would have to be made include date change, addition of Americans with Disability Act language, and one suggested definition change. John Mawhinney asked a question about the language in the agreements regarding recovery. Tim Henley provided an overview of how recovery is detailed within the agreements and noted that the actions associated with recovery were addressed but there was no language that addresses efficiency of recovery. Mr. Mawhinney referred to the Avra

Valley Recharge Project agreement and AWBA staff stated that they would review that language and see how it matched with the language in the existing GSF agreements. Maureen George stated that she would provide her comments directly to AWBA staff.

Virginia O'Connell briefed the Authority on the ad valorem tax resolution for water storage that was adopted by the CAWCD Board of Directors at their June meeting. The tax will be levied on behalf of CAWCD at a rate of 4¢ per \$100 of assessed value on all taxable property in the tri-county CAP service area. Funds collected will be deposited into a District Fund and used to defray annual operation, maintenance, and replacements costs, which includes offsetting the AWBA's water delivery charges for water storage.

Ms. O'Connell also briefed the Authority on recent and upcoming legislative transfers. She noted that \$10,300 had been transferred from the Administration subaccount in March to account for reductions in employee expenses and related benefit costs. An additional \$1,200 was transferred for this purpose in early June. Ms. O'Connell also discussed how the \$315,800 due for Fiscal Year 2012 would be transferred in pro rata shares from the AWB Fund's withdrawal fee subaccounts.

Nicole Klobas provided an update on the status of CAWCD v. Brewer. A hearing was held on June 10 and Judge Kreamer issued his decision that the legislative sweep of Nevada's money from the AWB Fund was unconstitutional. However, he did note that the claims statutes did apply. This means that the swept funds will not be returned to the AWBA because the original claim was not considered timely filed. It is anticipated that the written decision will be issued by July 1 and will state that the taking was illegal and that the legislature can no longer sweep Nevada money from the AWB Fund. Mr. Mawhinney questioned what impacts the ruling might have in the future. Ms. Klobas stated that the ruling would state that money obtained from Nevada pursuant to interstate water banking agreements was not appropriated money, therefore, it could not be re-appropriated by the legislature. It would not apply to monies that were appropriated by the legislature. Mr. Mawhinney noted that the 4¢ tax money is also not appropriated money so should not be subject to a sweep. Ms. Klobas stated that Judge Kreamer's decision would likely be very specific and only apply to the Nevada money. Tim Henley identified a situation that could arise that warranted further thought. If the legislature mandates a sweep of \$3 million from the AWB Fund and there is not \$3 million in withdrawal fees, would the money have to be taken from the Nevada money if there are no other funds available? Mr. Henley noted that he would look into this issue further.

Ms. Klobas also provided an update on the on-going Indian settlements. She noted that the White Mountain Apache Tribe (WMAT) parties have met and are working on the activities that need to be completed to meet the enforceability date (on or before May 1, 2021). The parties are re-drafting the settlement agreement to conform with the federal legislation and hope to have it completed and signed by July. The intent is to submit all of the components of the WMAT settlement to the Adjudication Court in September.

Ms. Klobas also provided an update on the Navajo/Hopi settlement. Negotiations had reached an impasse, however, on June 3, attorneys for the parties agreed to recommend approval of the proposed settlement to their clients. The proposed settlement and legislative changes were forwarded to Senator Kyl. On June 9, Senator Kyl sent a letter to Director Sandra Fabritz-Whitney in which he stated that he and Dept. of Interior must analyze the proposed settlement and that it may require changes. Ms. Klobas noted that the next steps would be that the attorneys would seek final approval from their clients; however it may not be possible to get all parties to agree. She emphasized that the current version of the Navajo/Hopi settlement does not have a new firming obligation for the AWBA.

2010 Annual Report

Ms. O'Connell provided an overview of the AWBA's activities for 2010, including progress made toward meeting goals and obligations. Approximately 3,560,000 acre-feet of long-term storage credits have been accrued through 2010.

Ms. O'Connell reviewed the components of the Ten-Year Plan (Plan) for 2012-2021, which included projections for water availability, storage capacity, and funding resources. Some highlights she noted are as follows:

1. The Plan does not include expenditure of Shortage Reparation funds because the Authority has not approved a plan for how those funds will be expended.
2. The Plan includes development of ICUA for Nevada in 2019.
3. The Plan does not include distribution of credits for M&I shortages.
4. The Plan assumes no more legislative transfers from the AWB Fund.

Ms. George stated that she believed the Authority had directed AWBA staff to spend the Shortage Reparation funds as soon as possible. Ms. O'Connell replied that they were not spent within the Plan because staff had not yet been given specific direction regarding how the funds should be utilized. She noted that expenditure of these funds could still be identified in the AWBA's Annual Plan of Operations. Ms. George reiterated that she would like the funds to be utilized as soon as possible. Mr. Mawhinney requested that staff prepare, outside of the Plan and Annual Report, a chart that looks back over the last five years and compares projected with actual water storage activities.

Mr. Mawhinney made a motion to approve the 2010 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. Ms. George provided the second to that motion and the motion carried.

FY 2012 Administrative Budget

Mr. Henley briefed the Authority on actual expenditures for FY 2011 and noted that they were greater than the approved budget for a number of reasons: (1) retirement of AWBA Manager and payment of lump-sum for remaining leave; (2) death of Gregg Houtz and payment of lump-sum for remaining leave; (3) four permit applications at new fee schedule was \$8,000 (although some of that will be returned); and (4) money paid for consulting expenses. He also noted that in previous years, there has been a projected end of fiscal year balance, but that information will not be presented into the

future. The AWBA is still continuing to utilize interest money from the various AWB Funds to pay for administrative costs. However, the money currently in the AWB Fund is very low due to continued legislative sweeps. CAWCD maintains an account for the 4-cent taxes collected. The interest generated on money from that account will be the money used to fund the AWBA's administrative budget. In future years, money needed to meet the approved administrative budget will be requested from CAWCD in four quarterly disbursements.

Mr. Henley reviewed the FY 2012 budget noting that the total budget was just over \$605,000. He noted that two component parts of the ADWR Cost of Service had increased. Employee Related Expenses increased to 40% and Indirect Costs increased to 56.1% of Personnel Services. He also noted that there was an additional \$10,000 included in Professional and Outside Services and \$4,000 included for permit fees.

Mr. Mawhinney stated that he had concerns about the current process utilized when contracts are executed for outside services. He asked that Ms. Fabritz-Whitney coordinate with the Authority members before any future contracts are executed.

Mr. Mawhinney made a motion to adopt the FY 2012 Administrative Budget. Ms. Atkins provided the second to that motion. The motion carried.

Discussion on the Distribution of AWBA Long-Term Storage Credits During Shortages

Ms. O'Connell summarized the discussion that had taken place on this subject during the last AWBA meeting and reminded the Authority that staff had been directed to hold a public meeting to elicit further discussion. She informed the Authority that the meeting had been held on May 17, 2011 and that a memorandum summarizing the meeting had been prepared. Ms. O'Connell reviewed the memorandum and noted the following:

1. Issues associated with distribution of credits during shortage are both procedural and policy in nature.
2. There is a need to gain clarity on what the phrase "to the extent necessary" means. Does this include water delivered for accruing long-term storage credits? Ms. O'Connell noted that the City of Scottsdale had discussed this issue at the meeting and also provided written comments to the AWBA.
3. Is equity a consideration when policies are being developed?
4. Perception of other states, particularly in the Lower Basin, will be important and should be considered when developing potential policies.
5. Discussion will first focus on 4¢ tax and then on withdrawal fees.
6. Do priorities regarding use of credits need to be established?
7. How far will the credits go? The AWBA is currently working with ADWR staff to answer this question.
8. Meeting participants indicated that they thought staff from AWBA, ADWR and CAWCD needed to have internal discussion and that some basic decisions need to be made about certain things before there were additional meetings.

Ms. O'Connell informed the Authority that staff from AWBA, ADWR and CAWCD have had one internal meeting.

Ms. George questioned the status of the supply and demand analysis and the modeling. Mr. Henley responded that modeling results are not yet completed and provided some information regarding the delay. Specifically, he noted that ADWR utilizes the model run by the Bureau of Reclamation. The Bureau is currently updating the model and these updates are causing ADWR staff some issues. Nonetheless, Mr. Henley stated that he should have results in approximately two weeks. He then needs to develop a spreadsheet that takes the model data and gives the output needed by the AWBA. Ms. George and Ms. Atkins both stated that they wanted to insure that staff will keep the Authority members informed of the actions and activities taking place with respect to distribution of credits and asked for updates every two weeks.

Call to the Public

Ms. Fabritz-Whitney informed the Authority and the public that ADWR will hold a Municipal Assessment Fee Stakeholder meeting on July 12, 2011. She also announced that Tom Buschatzke has been hired by ADWR as an assistant director responsible for water planning.

There was no additional public comment.

The meeting adjourned at 11:25 p.m.

**ARIZONA WATER BANKING AUTHORITY
Draft Minutes**

**August 25, 2011
Arizona Department of Water Resources**



AUTHORITY MEMBERS
Sandra Fabritz-Whitney, Chairman
Maureen R. George, Vice-Chairman
John Mawhinney
Lisa A. Atkins
Marshall P. Brown

EX OFFICIO MEMBERS
Senator Steve Pierce
Representative Andy Tobin

Welcome/Opening Remarks

Chairman Sandra Fabritz-Whitney welcomed the attendees. She welcomed new Commission member Marshall Brown and noted that he would not be a voting member at this meeting. John Mawhinney, Lisa Atkins and Maureen George attended the meeting telephonically. All members of the Authority were present except for *ex-officio* members, Senator Steve Pierce and Representative Andy Tobin.

Amended 2011 Plan of Operation

Virginia O'Connell briefed the Authority on the situation that resulted in the need for amendment of the 2011 Plan of Operation (Plan). Due to a series of unforeseen events, certain irrigation districts were in a situation where they would not have water available to irrigate cotton crops in the ground beginning in September. The AWBA received a request for water from the irrigation districts. A copy of the request was included in the public handouts.

Ms. O'Connell noted that this is not the first time that the AWBA has shifted deliveries. It has been done in the past for Indian firming purposes and to assist an M&I subcontractor in the Tucson AMA that needed to relinquish some of its full cost CAP M&I subcontract water. By shifting deliveries and monies expended, the water was ultimately stored for interstate water banking purposes in the Pinal AMA, while a like amount of water was stored for Arizona uses in the Tucson AMA. She noted that the current situation is unique in that it is the first time the AWBA will store water and accrue long-term storage credits (credits) at no cost to the AWBA. Additionally, because these credits are not being accrued using AWBA funds, they will not have the statutory limitations associated with them that other credits have.

Ms. O'Connell reviewed the memorandum that describes the proposed amendments to the Plan. A copy of the memorandum was included in the public handouts. She also reviewed the tables in the Plan that would have changed if the amendments were approved.

The proposed changes were as follows:

- I. Redirect up to 5,000 acre-feet from the Tonopah Desert Recharge Project to the New Magma Irrigation and Drainage District (NMIDD) Groundwater Savings Facility (GSF). NMIDD pays \$33 per acre-foot.
- II. Redirect up to 15,000 acre-feet planned for storage in the Tucson AMA to the Central Arizona Irrigation and Drainage District (CAIDD) GSF in the Pinal AMA. Because the AWBA has no remaining funds in the Pinal AMA, CAIDD pays \$137 per acre-foot.

Mr. Mawhinney questioned whether the money associated with the deferred storage in the Tucson AMA would be available for taking by the legislature. Ms. O'Connell replied that the funds are 4¢ *ad valorem* tax revenues and are not subject to sweep because they are retained at CAWCD.

Ms. Atkins questioned whether staff had considered all of the potential costs that could be associated with accruing credits in the Pinal AMA that could potentially be used in the Tucson AMA. Tim Henley replied that while the intent was that the 15,000 acre-feet of no-cost credits be identified for the Tucson AMA because AWBA will not meet the Tucson firming goal, they could be used elsewhere if recovery costs for that purpose were prohibitive. Another option would be that they could be recovered in small quantities at a small incremental cost, rather than recovered all at once.

Mike Block commented that Tucson water users are concerned that CAWCD has still not adopted a recovery plan or recovery policies. He noted that having a recovery plan would remove some of the uncertainty faced by the water providers. Brian Henning noted that the credit development and recovery plan process is moving forward. Rich Seigal questioned whether the water was offered to other customers and the response was that it was not because it was not remarketed water but water within the AWBA pool that had been scheduled for 2011.

Mr. Mawhinney stated that the AWBA should provide assistance when possible, but that this is not one of the statutory activities of the AWBA. He also noted that he wanted it recognized that this should be viewed as an emergency response only.

Mr. Brown questioned whether the irrigation districts had pursued all other options. Paul Orme, speaking on behalf of the districts, noted that they had pursued all other options including attempting to obtain water from the Gila River Indian Community and from Roosevelt Water Conservation District (RWCD). Water from RWCD was too expensive for the districts to consider at \$214 per acre-foot. Mr. Orme noted that even at the \$137 per acre-foot, the districts were accruing a \$2.5 million debt. Tucson had no additional CAP water available and although they were placed on CAWCD's re-market list, any water that came available through that process would be too late in the year to save the crops. Mr. Orme noted that the AWBA was their last alternative.

Mr. Mawhinney made a motion to adopt the amendments to the 2011 Plan of Operation with the understanding that this is a one-time event only and should not set a precedent for future actions by the Authority. Ms. Atkins provided the second to the motion and the motion carried by unanimous vote.

Call to the Public

There was no additional public comment.

The meeting adjourned at 1:35 p.m.

IV. Water Bank Staff Activities

NOTES: (No action required, agenda item for discussion only)

Call on **Gerry Wildeman** to provide an update on:

- Deliveries
- Water storage permits

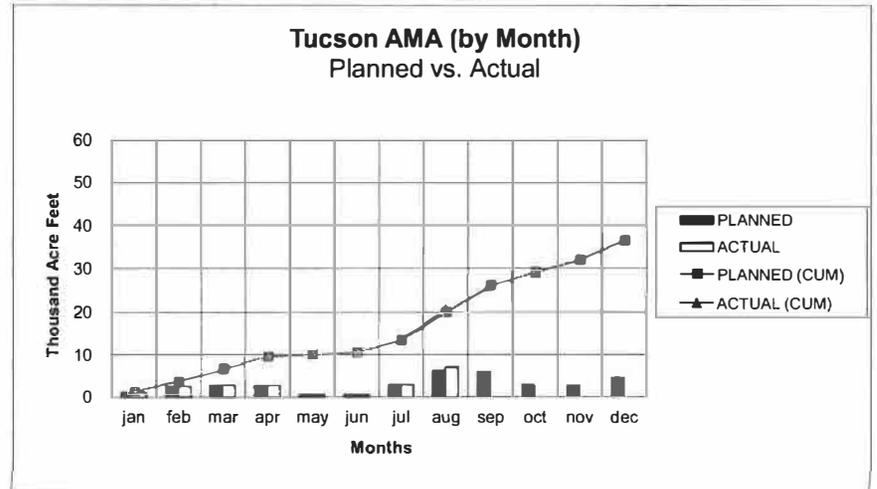
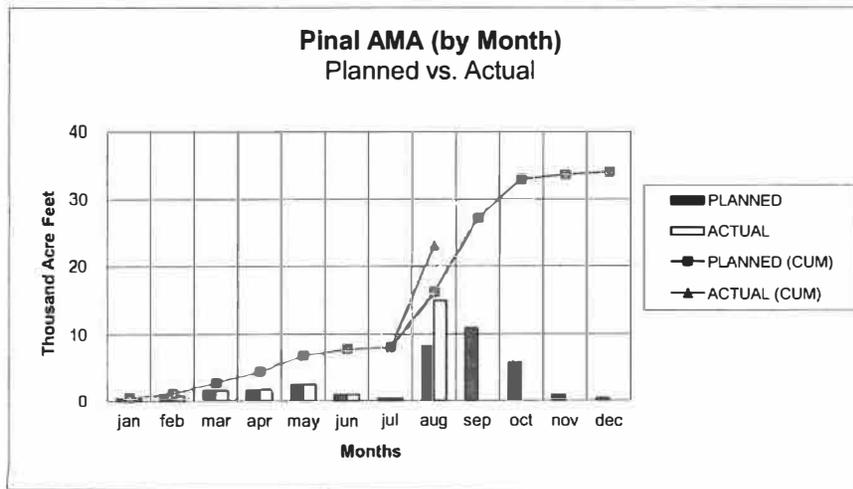
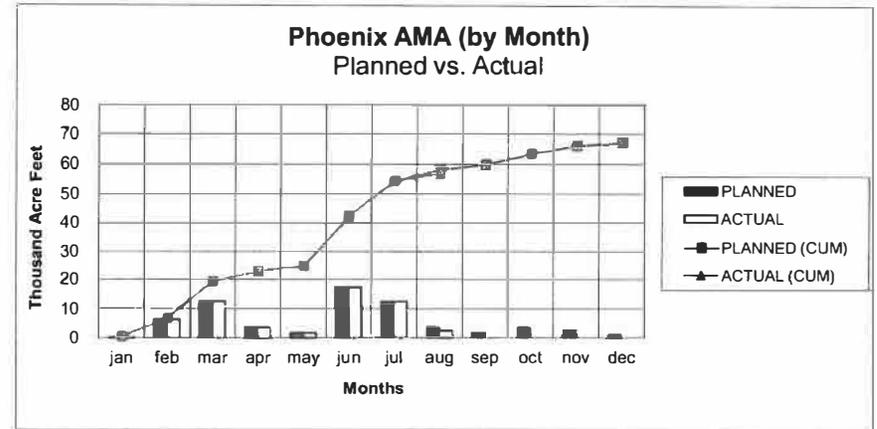
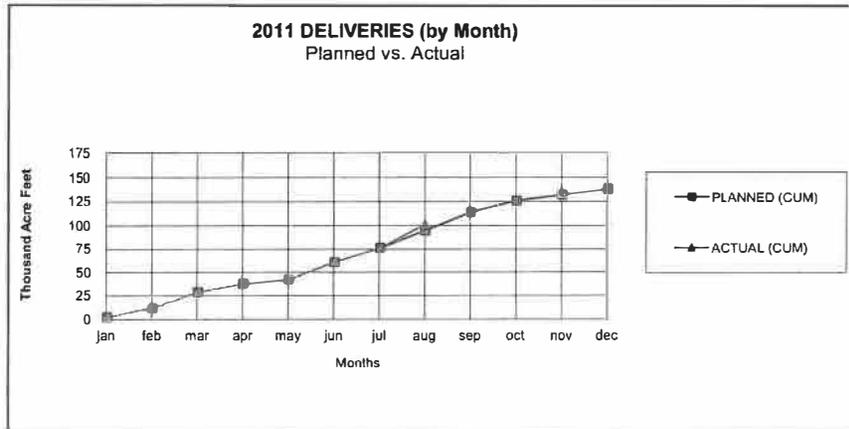
Call on **Virginia O'Connell** to update the Authority members on staff activities, as follows:

- Transfer of long-term storage credits to MCWA subaccount
- Interstate fiscal year accounting report to JLBC

Call on **Nicole Klobas** to provide an update on litigation by CAWCD regarding funds of the AWBA

2011 Amended Plan of Operation

INTRASTATE



Actual deliveries updated
Amended Plan of Operation

27-Sep-11
25-Aug-11

Phoenix AMA

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
TONOPAH DESERT	171	6,262	12,622	3,753	1,706	14,354	12,465	2,497	0	0	0	0	53,830
	171	6,262	12,622	3,753	1,706	14,354	12,465	3,617	0	0	0	0	54,950
NMIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	1,000	2,500	1,500	0	5,000
QCID	0	0	0	0	0	2,945	0	0	0	0	0	0	2,945
	0	0	0	0	0	2,945	0	0	683	1,142	1,143	1,142	7,055
Subtotal	171	6,262	12,622	3,753	1,706	17,299	12,465	2,497	0	0	0	0	56,775
Total to date	171	6,433	19,055	22,808	24,514	41,813	54,278	56,775	56,775	56,775	56,775	56,775	56,775
Projected total to date	171	6,433	19,055	22,808	24,514	41,813	54,278	57,895	59,578	63,220	65,863	67,005	67,005

Pinal AMA

CAIDD	0	0	0	0	0	0	0	14,713	0	0	0	0	14,713
	0	0	0	0	0	0	0	7,500	10,000	5,000	0	0	22,500
MSIDD	380	720	1,550	1,650	1,450	930	310	310	0	0	0	0	7,300
	380	720	1,550	1,650	1,450	930	318	200	200	0	0	102	7,500
HIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	500	750	750	750	250	3,000
Southside Bank	0	0	0	0	1,000	0	0	0	0	0	0	0	1,000
	0	0	0	0	1,000	0	0	0	0	0	0	0	1,000
Subtotal	380	720	1,550	1,650	2,450	930	310	15,023	0	0	0	0	23,013
Total to date	380	1,100	2,650	4,300	6,750	7,680	7,990	23,013	23,013	23,013	23,013	23,013	23,013
Projected total to date	380	1,100	2,650	4,300	6,750	7,680	7,998	16,198	27,148	32,898	33,648	34,000	34,000

Tucson AMA

AVRA VALLEY	0	0	0	0	0	0	0	268	0	0	0	0	268
	0	0	0	0	0	0	0	0	236	0	700	700	1,636
CAVSARP	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
SAVSARP	0	0	0	0	0	0	3,000	4,000	0	0	0	0	7,000
	0	0	0	0	0	0	3,000	4,000	5,000	3,000	2,000	4,000	21,000
LOWER SANTA CRUZ	1,146	2,526	2,893	2,811	0	0	0	2,116	0	0	0	0	11,492
	1,146	2,526	2,893	2,811	0	0	0	2,000	425	0	0	0	11,801
CMID	0	0	0	0	0	0	0	841	0	0	0	0	841
	0	0	0	0	0	0	0	500	500	0	0	0	1,000
KAI FARMS - Red Rock	0	0	0	0	500	500	0	0	0	0	0	0	1,000
	0	0	0	0	500	500	0	0	0	0	0	0	1,000
Subtotal	1,146	2,526	2,893	2,811	500	500	3,000	7,225	0	0	0	0	20,601
Total to date	1,146	3,672	6,565	9,376	9,876	10,376	13,376	20,601	20,601	20,601	20,601	20,601	20,601
Projected total to date	1,146	3,672	6,565	9,376	9,876	10,376	13,376	19,876	26,037	29,037	31,737	36,437	36,437

TOTAL	1,697	9,508	17,065	8,214	4,656	18,729	15,775	24,745	0	0	0	0	100,389
Total to date	1,697	11,205	28,270	36,484	41,140	59,869	75,644	100,389	100,389	100,389	100,389	100,389	100,389
Projected total to date	1,697	11,205	28,270	36,484	41,140	59,869	75,652	93,969	112,763	125,155	131,248	137,442	137,442



ARIZONA DEPARTMENT OF WATER RESOURCES

WATER STORAGE PERMIT

FIRST AMENDED

PERMIT NO. 73-531381.0101

STATE OF ARIZONA)ss.
)
 COUNTY OF MARICOPA)

This is to certify that I have examined Application No. 73-531381.0101 for a Water Storage Permit to store water in a storage facility, and I have determined that the application meets the requirements of Arizona Revised Statutes Title 45, Chapter 3.1, Article 3 for a Water Storage Permit. The Department hereby grants authority to the Arizona Water Banking Authority to store water, subject to the following limitations and conditions:

Permit Limitations

Permittee:

**Arizona Water Banking Authority
 3550 North Central Avenue, 2nd floor
 Phoenix, Arizona 85012**

Storage Facility Name: Maricopa-Stanfield Irrigation & Drainage District
Groundwater Savings Facility

Storage Facility Permit Number: No. 72-531381

Active Management Area: Pinal AMA

Sub-basin: Eloy Sub-basin

Water To Be Stored: Central Arizona Project (CAP) water

Legal Basis for Acquiring
Water To Be Stored: Contract with Central Arizona Water Conservation
District, EX-146-05, dated July 14, 2005, including
any renewals thereof, and any other contracts under
which Permittee acquires the right to receive CAP
water.

Maximum Permitted Storage: 120,000 acre feet per annum

Effective Date: June 7, 2011

Expiration Date: Expiration of Maricopa-Stanfield Irrigation &
Drainage District Groundwater Savings Facility
Permit No. 72-531381.

Permit Conditions

1. The quantity of water stored shall be reported to the Recharge Coordinator, Water Management Division, Arizona Department of Water Resources, 3550 North Central Ave., Phoenix, Arizona, 85012 in the form of annual data reports. The annual report shall be submitted no later than March 31 following the end of each completed annual reporting period. The first annual reporting period shall be from the effective date of this permit through December 31, 2011. Subsequent annual reporting periods shall be January 1 through December 31.
2. The Permittee shall continue to meet the requirements of A.R.S. § 45-831.01 during water storage.



ARIZONA DEPARTMENT OF WATER RESOURCES
WATER STORAGE PERMIT

PERMIT NO. 73-531382.0101

STATE OF ARIZONA)ss.
)
COUNTY OF MARICOPA)

This is to certify that I have examined Application No. 73-531382.0101 for a Water Storage Permit to store water in a storage facility, and I have determined that the application meets the requirements of Arizona Revised Statutes Title 45, Chapter 3.1, Article 3 for a Water Storage Permit. The Department hereby grants authority to the Arizona Water Banking Authority to store water, subject to the following limitations and conditions:

Permit Limitations

Permittee:

Arizona Water Banking Authority
3550 North Central Avenue, 2nd floor
Phoenix, Arizona 85012

Storage Facility Name: Central Arizona Irrigation & Drainage District
Groundwater Savings Facility

Storage Facility Permit Number: No. 72-531382

Active Management Area: Pinal AMA

Sub-basin: Eloy Sub-basin

Water To Be Stored: Central Arizona Project (CAP) water

Legal Basis for Acquiring
Water To Be Stored: Contract with Central Arizona Water Conservation
District, EX-146-05, dated July 14, 2005, including
any renewals thereof, and any other contracts under
which Permittee acquires the right to receive CAP
water.

Maximum Permitted Storage: 110,000 acre feet per annum

Effective Date: June 7, 2011

Expiration Date: Expiration of Central Arizona Irrigation & Drainage
District Groundwater Savings Facility Permit No.
72-531382.

Permit Conditions

1. The quantity of water stored shall be reported to the Recharge Coordinator, Water Management Division, Arizona Department of Water Resources, 3550 North Central Ave., Phoenix, Arizona, 85012 in the form of annual data reports. The annual report shall be submitted no later than March 31 following the end of each completed annual reporting period. The first annual reporting period shall be from the effective date of this permit through December 31, 2011. Subsequent annual reporting periods shall be January 1 through December 31.
2. The Permittee shall continue to meet the requirements of A.R.S. § 45-831.01 during water storage.

Storage Facility Name: Superstition Mountain Recharge Facility

Storage Facility Permit Number: No. 71-207702

Active Management Area: Phoenix AMA

Sub-basin: East Salt River Valley Sub-basin

Water To Be Stored: Central Arizona Project (CAP) water

Legal Basis for Acquiring Water To Be Stored: Contract No. EX-146-05 with Central Arizona Water Conservation District dated July 14, 2005, including any renewals thereof, and any other contracts under which Permittee acquires the right to receive CAP water.

Maximum Permitted Storage: 56,500 acre feet per annum

Effective Date: May 26, 2011

Expiration Date: Expiration of Underground Storage Facility Permit No. 71-207702

Permit Conditions

1. The quantity of water stored shall be reported to the Recharge Coordinator, Water Management Division, Arizona Department of Water Resources, 3550 North Central Ave., Phoenix, Arizona, 85012 in the form of annual data reports. The annual report shall be submitted no later than March 31 following the end of each completed annual reporting period. The first annual reporting period shall be from the effective date of this permit through December 31, 2011. Subsequent annual reporting periods shall be January 1 through December 31.
2. The Permittee shall continue to meet the requirements of A.R.S. § 45-831.01 during water storage.
3. Recovery of stored water is prohibited unless a recovery well permit is obtained pursuant to A.R.S. § 45-834.01, and such stored water shall be recovered only in the same active management area in which it is stored.

Storage Facility Name: Queen Creek Irrigation District

Storage Facility Permit Number: No. 72-534550

Active Management Area: Phoenix AMA

Sub-basin: East Salt River Valley Sub-basin

Water To Be Stored: Central Arizona Project (CAP) water

Legal Basis for Acquiring Water To Be Stored: Contract No. EX-146-05 with Central Arizona Water Conservation District dated July 14, 2005, including any renewals thereof, and any other contracts under which Permittee acquires the right to receive CAP water.

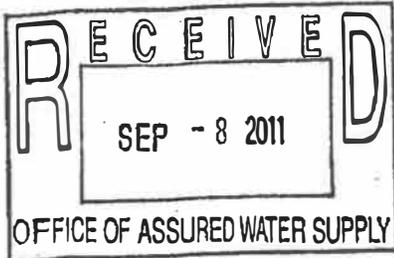
Maximum Permitted Storage: 20,000 acre feet per annum

Effective Date: July 8, 2011

Expiration Date: Expiration of Groundwater Savings Facility Permit No. 72-534550

Permit Conditions

1. The quantity of water stored shall be reported to the Water Management Division of the Arizona Department of Water Resources, 3550 North Central Ave., Phoenix, Arizona, 85012 in the form of annual data reports. The annual report shall be submitted no later than March 31 following the end of each completed annual reporting period. The first annual reporting period shall be from the effective date of this permit through December 31, 2011. Subsequent annual reporting periods shall be January 1 through December 31.
2. The Permittee shall continue to meet the requirements of A.R.S. § 45-831.01 during water storage.
3. Recovery of stored water is prohibited unless a recovery well permit is obtained pursuant to A.R.S. § 45-834.01, and such stored water shall be recovered only in the same active management area in which it is stored.



ARIZONA DEPARTMENT OF WATER RESOURCES
Water Management Division
3550 North Central Ave, Phoenix, Arizona 85012
Telephone (602) 771-8500
Fax (602) 771-8689

LONG-TERM STORAGE CREDIT
TRANSFER FORM A.R.S. § 45-854.01

For Official Use Only
DATE RECEIVED: _____

The fee for a Long-Term Storage Credit Transfer is \$250.00. Payment may be made by cash, check, or credit card (if you wish to pay by credit card, please contact the Recharge Program at 602-771-8599). Checks should be made payable to the Arizona Department of Water Resources. Failure to enclose the fee will cause the form to be returned. Fees for a Long-Term Credit Transfer are authorized by A.A.C. R12-15-103.

[FOR SELLER]

Arizona Water Banking Authority
Name of Seller

Virginia O'Connell 602-771-8491
Contact Person/Telephone Number

3550 N. Central Ave.
Mailing Address

Phoenix, AZ 85012
City/State/Zip

70-431135.0000
Long-Term Storage Account No.

72-531381 (LMSIDD)
Facility Permit Number (where source water was stored)

73-531381.1000
Water Storage Permit Number (authority to store source water)

Number of long-term storage credits (in acre-feet) transferred by type(s) of water and year credits were earned.

Type: CAP acre-feet 25,894 year earned

Type: _____ acre-feet _____ year earned

[FOR BUYER]

Arizona Water Banking Authority
Name of Buyer

Virginia O'Connell 602-771-8491
Contact Person/Telephone Number

3550 N. Central Ave.
Mailing Address

Phoenix, AZ 85012
City/State/Zip

70-431135.0003
Long-Term Storage Account No. (if any)

If the transfer includes long-term storage credits earned from the storage of Central Arizona Project (CAP) water in an Active Management Area (AMA), please state:

- The date of Buyer's formation (if Buyer is a legal entity): N/A
- The amount of groundwater withdrawn by Buyer in the AMA during the calendar year that the credits were earned: N/A
 - The groundwater right number(s) the Buyer withdrew the groundwater pursuant to: N/A

Pursuant to A.R.S. § 45-854.01(C), the director of the Arizona Department of Water Resources may reject and invalidate any assignment of long-term storage credits in which the stored water would not have met the requirements for long-term storage credits as prescribed by A.R.S. § 45-852.01 if the assignee had stored the water.

The undersigned hereby certify, under penalty of perjury, that the information contained in this report is, to the best of their knowledge and belief, correct and complete and that they are authorized to sign on behalf of the party for whom their signature appears.

Virginia O'Connell 9-8-11
Authorized Signature for Seller DATE

Virginia O'Connell 9-8-11
Authorized Signature for Buyer DATE

AWBA Manager
Title

AWBA Manager
Title

Arizona Water Banking Authority

3550 N. Central Avenue, Phoenix, Arizona 85012
Telephone 602-771-8487
Fax 602-771-8686



AUTHORITY MEMBERS

Herbert R. Guenther, Chairman
Maureen R. George, Vice Chairman
Lisa A. Atkins
Marshall P. Brown
John Mawhinney

EX OFFICIO MEMBERS

Honorable Steve Pierce
Honorable Andy Tobin

October 3, 2011

Mr. Richard Stavneak
Director
Joint Legislative Budget Committee
1718 West Adams Street
Phoenix, Arizona 85007

Dear Mr. Stavneak:

Enclosed is the Interstate Water Banking Report of the Arizona Water Banking Authority (AWBA) for Fiscal Year 2011. We're providing the report pursuant to §45-2473 which directs the AWBA to submit a report for interstate water banking to the Joint Legislative Budget Committee on or before October 1 of each year for the previous fiscal year.

The Interstate Water Banking Report details monies received through the Interstate Water Banking Agreement with the Southern Nevada Water Authority and placed in an account with the Arizona State Treasurer. It also includes monies disbursed to purchase and store water, and monies prepaid to the Central Arizona Water Conservation District.

Thank you very much. If you have any questions, please don't hesitate to contact me at (602) 771-8491.

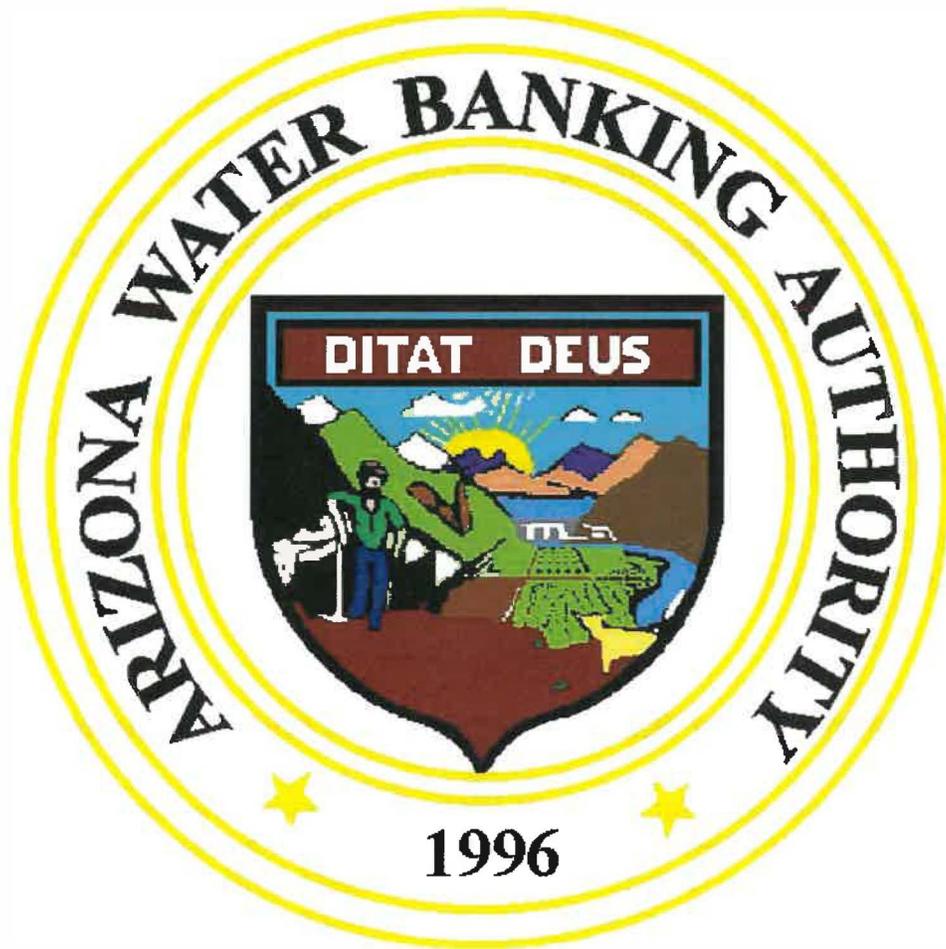
Sincerely,

Virginia O'Connell
Manager

CC: The Honorable Janice K. Brewer, Governor, State of Arizona
The Honorable Russell Pearce, President of the Arizona State Senate
The Honorable Andy Tobin, Speaker of the Arizona House of Representatives
Arizona Water Banking Authority Members
The Honorable Steve Pierce, Arizona State Senate, AWBA *ex officio* Member
Mr. David Modeer, General Manager, Central Arizona Water Conservation District
Mr. Richard Holmes, Deputy General Manager, Engineering/Operations, Southern Nevada Water Authority

ARIZONA WATER BANKING AUTHORITY

INTERSTATE WATER BANKING REPORT
Fiscal Year 2011



Submitted

October 3, 2011

Interstate Water Banking Report Requirement

Arizona Revised Statutes §45-2473 mandates that the Arizona Water Banking Authority (AWBA) provide an interstate water banking accounting report to the Joint Legislative Budget Committee (JLBC) on or before October 1 of each year for the previous fiscal year if the AWBA was owed or received money pursuant to an interstate water banking agreement with the state of Nevada. Arizona Revised Statutes §45-2473 also mandates that the AWBA shall not spend, encumber, lend or in any other way use the monies received pursuant to the interstate water banking agreement except to pay the costs directly incurred in meeting the AWBA's obligations under the agreement. This statutory provision was enacted in 2009.

Pursuant to statute, the accounting report shall include the following:

1. An accounting of all monies received through the interstate water banking agreement.
2. An accounting of all disbursements made with monies received through the interstate water banking agreement, including monies use to purchase or store water or otherwise fulfill contractual obligations with the state of Nevada under that agreement.
3. An accounting of any prepaid monies to the Central Arizona Water Conservation District (CAWCD).
4. An accounting of any monies received under the interstate water banking agreement that are placed in an account with the state treasurer.
5. Any contract that obligates the AWBA to pay or disburse these monies to any other entity, including the CAWCD.

Interstate Water Banking Agreement and its Amendments

On July 3, 2001, the Agreement for Interstate Water Banking among the AWBA, the Southern Nevada Water Authority (SNWA) and the Colorado River Commission of Nevada (CRCN) (Interstate Agreement) was executed¹. Under this Interstate 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. Any water stored for Nevada was water that could not be utilized by water users in Arizona. Nevada would pay the full water delivery and storage costs in addition to all costs associated with recovery of the long-term storage credits. This Interstate Agreement (as amended) is the agreement that makes the AWBA subject to the provisions of A.R.S. §45-2473.

In 2004, Nevada began exploring alternative ways to meet their water supply needs and approached Arizona with a proposal to amend the Interstate Agreement in such a manner that

¹ For purposes of this discussion, the SNWA and the CRCN will be collectively referred to as "Nevada".

Nevada's water supply could be made more secure in the shorter term. The intent of the amendments was to assure Nevada access to the full 1.25 million acre-feet anticipated under the Interstate Agreement. Nevada would continue to bear the full cost of storing and recovering CAP water. To insure the 1.25 million acre-feet of credits could be provided at no cost to Arizona, Nevada would also provide \$100 million to the AWBA to ensure that Arizona could acquire additional water resources if conditions warranted.

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. It included the following changes: (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 water stored to obtain long-term storage credits; (3) Nevada would pay the full cost of delivery, storage and recovery in addition 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) provided that 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.

On April 1, 2009, the AWBA approved and executed the Second Amended Agreement for Interstate Water Banking (Second Amended Agreement). Recognizing economic conditions, the Second Amended Agreement provides for increased flexibility in administering the contract, but there were no changes to the 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. The flexibility in the new agreement has allowed the parties to change the annual payment schedule to accommodate changing water supply conditions.

The Second Amended Agreement was modified by letter agreement dated December 8, 2010. This modification allowed the AWBA to forego both storage and the development of ICUA for Nevada through calendar year 2014. Acknowledging there would be no storage, the payment schedule was also modified to extend the payment date provision by six years. Nevada's obligation to make 10 payments of \$23 million, less the funds previously received, resumes in 2015 and ends in 2024.

Interstate Accounting

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

1. A payment of \$100 million to guarantee that AWBA can meet the obligation to develop 1.25 million acre-feet of long-term storage credits. This money is intended 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 to insure the AWBA can meet its contractual obligation, then it continues to be available to Arizona for whatever purpose deemed appropriate.

To date, \$19,649,616 has been legislatively transferred from the Nevada Resource Account. The \$19.65 million equates to approximately 200,000 acre-feet of water not stored by the AWBA that could assist it in meeting the State's obligation for Indian firming, interstate banking, and providing supplies to meet Arizona water users' demands during times of shortage.

2. A sum of \$230 million was scheduled to be paid in 10 annual payments of \$23 million beginning in 2009; 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. As previously discussed, the AWBA and SNWA executed a letter agreement on December 8, 2010 that modifies the payment schedule with a start date of 2015 and an end date of 2024.

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 that by January 1 of each year, the AWBA adopt a Plan of Operation for that calendar year. Along with adoption of the annual Plan of Operation (Plan), funds are committed for the purchase, delivery, and storage of water for that calendar year.

The AWBA Plan for 2010 approved in December, 2009 did not include storing water for Nevada because of limited water availability to the AWBA. However, additional water supplies became available later in the year. The 2010 Plan was consequently amended on September 15, 2010 to include 19,000 acre-feet of storage on behalf of Nevada. The water delivery and storage costs totaled \$3.83 million and were paid from the \$12.67 million in operating funds identified in last year's fiscal year report as monies disbursed to CAWCD. The funds were made available subsequent to last year's report from the reconciliation of 2009 water delivery and storage costs. No interstate water was delivered in the first half of calendar year 2011.

The AWBA has accrued a total of 600,651 acre-feet of credits on behalf of Nevada through calendar year 2010. These credits amount to about 48% of the total 1.25 million acre-feet of water storage guaranteed to Nevada.

INTERSTATE ACCOUNTING - Fiscal Year 2010-2011					
Interstate Accounts	Beginning Balance (\$)	Received from Nevada ² (\$)	Disbursements (\$)	Prepayment Forwarded to CAWCD ³ (\$)	AZ State Treasury End of FY Balance ⁴ (\$)
Resource	5,078 ¹	0	0	0	5,114
Operating	18,000	0	0	0	18,127

¹ Interest accrued prior to, but deposited after Legislative transfer in FY 2009, which had left a zero balance.

² Initial payment of \$100 million deposited into a "Resource Account" in 2005. Ten subsequent payments of \$23 million (minus \$12.685 million received in 2009) are now scheduled to begin annually in 2015 to be deposited into an "Operating Account" (see Interstate Accounting section for description of payment modification).

³ Prepaid monies forwarded to CAWCD for delivery and storage of water on behalf of SNWA.

⁴ End of fiscal year balance, including accrued interest, in subaccount at Arizona State Treasurer's Office.

V. Master Water Storage Agreement

NOTES: (Action Required)

Call of Virginia O'Connell to discuss the Master Water Storage Agreement and proposed amendments

ACTION:

Move approval for Chairman to sign Amendment No 2. to the Master Water Storage Agreement between CAWCD and the AWBA.

**AMENDMENT NO. 2 TO
MASTER WATER STORAGE AGREEMENT**

This Agreement is made as of the _____ day of _____, 2011,
between the CENTRAL ARIZONA WATER CONSERVATION DISTRICT
("CAWCD"), and the ARIZONA WATER BANKING AUTHORITY ("AWBA").

RECITALS

A. CAWCD and AWBA have entered into a "Master Water Storage Agreement", dated July 1, 2002, (the "Agreement") providing for the storage of AWBA's excess CAP water at certain underground storage facilities operated by CAWCD.

B. The underground storage facilities covered by the Agreement are listed in Exhibit A, which is attached to the Agreement.

C. Section 1.c of the Agreement provides in part, "Exhibit A is incorporated by this reference and may, from time to time, be updated by the Parties."

D. In 2006, CAWCD and the AWBA executed Amendment No. 1 to the Master Water Storage Agreement to add the Tonopah Desert Recharge Project to Exhibit A.

E. Since the execution of the Amendment No. 1 to the Master Water Storage Agreement, CAWCD has developed a new underground storage facility, the Superstition Mountains Recharge Project ("SMRP").

F. The AWBA desires to store water at the SMRP. CAWCD and the AWBA desire to amend Exhibit A of the Agreement to add the SMRP to the list of underground storage facilities.

AGREEMENT

1. Amendment of Exhibit A. Exhibit A of the Agreement is hereby amended to read as follows:

"EXHIBIT A

Agua Fria Recharge Project

(Managed)	Facility Permit No. 71-569775
(Constructed)	Facility Permit No. 71-569776
Hieroglyphic Mountains	Facility Permit No. 71-584466
Lower Santa Cruz	
Replenishment Project	Facility Permit No. 71-561366
Pima Mine Road Recharge Project	Facility Permit No. 71-577501
Superstition Mountains Recharge Project	Facility Permit No. 71-207702
Tonopah Desert Recharge Project	Facility Permit No. 71-593305"

2. Except as amended, all terms, conditions, and provisions of the Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 2 to the Master Water Storage Agreement effective the day and year first written above.

Attest:

CENTRAL ARIZONA WATER
CONSERVATION DISTRICT

Doreen R. Perry
Secretary

By: *Pamela J. Pickard*
Pam Pickard, President

Attest:

ARIZONA WATER BANKING
AUTHORITY

Secretary

By: _____
Sandy Fabritz-Whitney, Chairman

VI. Draft 2012 Annual Plan of Operation

NOTES: Direction for staff to schedule and hold public meetings on the Draft 2012 Plan of Operation

Call on **Virginia O'Connell** to discuss the draft 2012 Plan of Operation:

- Overview of recent meetings with partners
- Draft Table 2
- Water/facility rates and funding
- Future public meetings to discuss the draft Plan

**Table 2
Preliminary Water Delivery Schedule (Acre-Feet)
Calendar Year 2012**

AWBA-Recharge Sites		Permitted Capacity (AF)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	
PHOENIX AMA :																
USF	HIEROGLYPHIC MTN	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	150,000	0	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	5,990	1,445	79,435	
	SUPERSTITION MTNS	35,000	0	0	0	0	0	0	0	0	0	5,000	3,000	0	8,000	
																87,435
GSF	NEW MAGMA	54,000	0	0	0	0	0	0	0	0	0	0	0	0	0	
	QUEEN CREEK	20,000	0	0	0	0	0	0	0	1,343	2,285	1,142	1,143	1,142	7,055	
	TONOPAH ID	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0	
																7,055
AMA TOTAL INTRASTATE			0	8,000	8,000	8,000	8,000	8,000	8,000	9,343	10,285	14,142	10,133	2,587	94,490	
PINAL AMA :																
GSF	CAIDD	110,000	0	0	0	0	500	1,500	1,500	4,170	1,000	0	0	0	8,670	
	HOHOKAM	55,000	734	0	0	0	0	0	0	0	734	734	734	734	3,670	
	MSIDD	120,000	508	636	1,589	1,335	1,335	636	318	318	572	500	670	254	8,670	
																21,010
AMA TOTAL INTRASTATE			1,242	636	1,589	1,335	1,835	2,136	1,818	4,488	2,306	1,234	1,404	988	21,010	
TUCSON AMA:																
USF	AVRA VALLEY	11,000	0	0	0	0	0	0	0	0	0	260	670	670	1,600	
	LOWER SANTA CRUZ	50,000	0	0	1,300	1,000	2,000	2,000	2,000	2,000	2,000	1,000		400	13,700	
	CAVSARP	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0	
	SAVSARP	60,000	2,000	2,000	2,000	2,000	2,000	0	0	0	0	1,000	2,000	2,000	15,000	
																30,300
GSF	CORTARO-MARANA ID	20,000	0	0	0	500	500	500	500	0	0	0	0	0	2,000	
	KAI FARMS (Red Rock)	11,231	0	0	0	500	500	500	0	0	0	0	0	0	1,500	
	BKW Farms	14,316	0	0	100	100	0	0	0	0	0	0	0	0	200	
																3,700
AMA TOTAL INTRASTATE			2,000	2,000	3,400	4,100	5,000	3,000	2,500	2,000	2,000	2,260	2,670	3,070	34,000	
TOTAL INTRASTATE			3,242	10,636	12,989	13,435	14,835	13,136	12,318	15,831	14,591	17,636	14,207	6,645	149,500	
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL RECHARGE			3,242	10,636	12,989	13,435	14,835	13,136	12,318	15,831	14,591	17,636	14,207	6,645	149,500	
DIRECT DELIVERY (Non-Storage):																
Southside Replenishment Bank			1,000	0	0	0	0	0	0	0	0	0	0	0	1,000	
Southside Replenishment Obligation			0	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL DIRECT			1,000	0	0	0	0	0	0	0	0	0	0	0	1,000	
TOTAL DELIVERIES			4,242	10,636	12,989	13,435	14,835	13,136	12,318	15,831	14,591	17,636	14,207	6,645	150,500	

Table 4. 2012 Water and Facility Rates

CAWCD delivery rate to AWBA for water storage	\$137 per acre-foot
Interstate rate	\$163 per acre-foot
Groundwater Savings Facility operator cost share rate ¹	
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 ²	\$8 per acre-foot
Hieroglyphic Mtn. Recharge Project ²	\$8 per acre-foot
Superstition Mountain Recharge Project ²	\$8 per acre-foot
Tonopah Desert Recharge Project ²	\$8 per acre-foot
West Maricopa Combine	\$25 per acre-foot
Avra Valley Recharge Project	\$15 per acre-foot
Lower Santa Cruz Recharge Project ³	\$15 per acre-foot
Pima Mine Road Recharge Project ³	\$15 per acre-foot
Clearwater Facility (CAVSARP/SAVSARP)	\$15.17 per acre-foot
CAWCD rate to AWBA for Southside Replenishment Bank deliveries	\$122 per acre-foot

¹ 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 \$137/af for interstate deliveries.

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

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

Table 5. Funding for 2012 Annual Plan of Operation

	Funds Available (\$)		Funds Utilized (\$)		Credits (AF)
	AWBA	CAWCD	AWBA	CAWCD	
Withdrawal Fees					
Phoenix AMA	\$1,500,000	-	\$1,500,000	-	9,800
Pinal AMA ¹	\$1,200,000	-	\$1,200,000	-	9,540
Tucson AMA	\$400,000	-	\$400,000	-	2,480
Four Cent Tax					
Phoenix AMA	\$0	\$129,000,000	\$0	\$11,912,000	77,130
Pinal AMA	\$0	\$1,300,000	\$0	\$1,107,040	9,790
Tucson AMA ²	\$0	\$5,420,000	\$0	\$4,660,000	28,800
Other					
General	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
Gifts, Grants, Donations					
Shortage Reparatons (NV):	\$0				
Phoenix AMA		-	\$0		0
Pinal AMA		-	\$0		0
Tucson AMA		-	\$0		0
Interstate Banking- Nevada					
Operating ³		\$0		\$0	0
	Total Funds Available		Total Funds Expended		Credits
	\$138,820,000		\$20,779,040		137,540

¹ Includes expenditure for 1,000 acre-feet of direct deliveries to establish the Southside Replenishment Bank under the Gila River Indian Water Settlement Program.

² Includes revenue from CAWCD's capital charge for 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 2011 is estimated to be \$2,194,811.

³ Pursuant to a letter agreement between AWBA and SNWA executed December 9, 2010, storage of water on behalf of SNWA and annual payments to the Operating account have been suspended through 2014.

VII. Groundwater Savings Facility Agreements

NOTES: (Action required)

Call on **Gerry Wildeman** to provide an overview of the GSF Agreements.

ACTION:

Move approval for Groundwater Savings Facility Agreements as to form for distribution to the Groundwater Savings Facility operators.

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

1. The ARIZONA WATER BANKING AUTHORITY (“AWBA”) and _____ (“Facility Operator”) enter into this Agreement this ____ day of _____, 2011.

2.
 - 2.1 The purpose of this Agreement is to provide for the storage of Central Arizona Project water, which the AWBA is legally entitled to store, at the Groundwater Savings Facility operated by the Facility Operator.
 - 2.2 The Parties recognize that this Agreement is one of a series of agreements entered into by the AWBA to provide for the storage of Central Arizona Project water. These agreements include the Intergovernmental Agreement among the Arizona Department of Water Resources, Arizona Water Banking Authority, and Central Arizona Water Conservation District, dated January 28, 2009, and the Agreement between the Central Arizona Water Conservation District and the Arizona Water Banking Authority Providing for the Delivery of Excess Central Arizona Project Water, dated July 14, 2005. These agreements, in turn, are subject to certain agreements entered into by the Central Arizona Water Conservation District regarding the operation of the Central Arizona Project. These agreements include Contract No. 14-06-W-245, Amendment No. 1, dated December 1, 1988, between the United States and the Central Arizona Water Conservation District, and Stipulation Regarding a Stay of Litigation, Resolution of Issues During the Stay and for Ultimate Judgment upon the Satisfaction of Conditions, filed with the United States District Court on May 3, 2000, in Central Arizona Water Conservation District v. United States, No. CIV 95-625-TUC-WDB (EHC), No. CIV 95-1720-PHX-EHC (Consolidated Action). The Parties to this

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Agreement recognize and agree that this Agreement is subject to the agreements referenced in this Section 2.2 and that in the event of any inconsistency between this Agreement and agreements referenced, the provisions of the agreements referenced shall be controlling.

- 2.3 The Parties agree that the Central Arizona Water Conservation District shall have rights as a third party beneficiary to enforce certain provisions that are specified in this Agreement. Designated Recovery Agents, as described in Section 11.1 of this Agreement, shall have rights as a third party beneficiary as described in Section 11.11 of this Agreement.

3. In this Agreement, the following terms shall have the following meanings:
- 3.1 "ADWR" shall mean the Arizona Department of Water Resources.
 - 3.2 "Authority Water" shall mean water made available by CAWCD to the AWBA on an annual basis for underground storage pursuant to the terms of the Excess CAP Water Contract between the AWBA and CAWCD, which water would not otherwise have been used within Arizona.
 - 3.3 "CAP" shall mean the Central Arizona Project.
 - 3.4 "CAWCD" shall mean the Central Arizona Water Conservation District.
 - 3.5 "Party or Parties" shall mean either one, or in the plural, both of the parties to this Agreement.
 - 3.6 Definitions specified in A.R.S. § 45-802.01 are applicable to this Agreement. The first letters of terms so defined are capitalized.
4. This Agreement shall terminate on December 31, 2021 unless the parties agree in writing to extend the term or unless it is sooner terminated or cancelled in accordance with Section 13.
5. The delivery and use of water under this Agreement are conditioned on the following, and the Parties agree that:

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- 5.1 All uses of Authority Water shall be consistent with Arizona water law and with federal law applicable to the CAP.
- 5.2 Authority Water made available pursuant to this Agreement shall be used only at the Groundwater Savings Facility for which the Facility Operator has obtained and continues to maintain Groundwater Savings Facility Permit, No. 72-XXXXXX, or modifications or renewals of that permit. The Facility Operator shall be responsible for all expenses and administrative requirements, including filing annual reports with the ADWR, associated with maintaining the Groundwater Savings Facility permit. The Facility Operator's use of Authority Water at such Groundwater Savings Facility shall at all times comply with the plan of operation of the Groundwater Savings Facility Permit. If such Groundwater Savings Facility Permit is cancelled or expires for any reason the Facility Operator shall immediately notify the AWBA and deliveries of Authority Water to the Facility Operator may, at the option of the AWBA, be discontinued immediately. The Facility Operator shall notify the AWBA if it files an application with the ADWR to amend its Groundwater Savings Facility permit.
- 5.3 Authority Water made available to the Facility Operator pursuant to this Agreement shall be used within the Facility Operator's Groundwater Savings Facility for Water Storage purposes only.
- 5.4 The Facility Operator shall cause the pumping of groundwater within the Facility Operator's Groundwater Savings Facility to be reduced by one acre-foot for each one acre-foot of Authority Water received at the Facility.
- 5.5 The Facility Operator shall submit to the AWBA a monthly report of water use. The monthly report shall be in a form and submitted within a time which is acceptable to the AWBA and shall contain a report of water use

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by amount and type of water used.

- 5.6 The AWBA shall obtain a Water Storage Permit from the ADWR to store water at the Facility Operator's Groundwater Savings Facility. The AWBA shall be responsible for all expenses and administrative requirements, including filing annual reports with the ADWR, associated with maintaining the Water Storage Permit.
6.
 - 6.1 On or before September 1, the Facility Operator shall consult with the AWBA and provide a written projection of the Facility Operator's water use by type and amount for each month of the following year, which the AWBA may use to develop its annual plan of operation for the following year.
 - 6.2 On or before December 1, the AWBA shall return to the Facility Operator a final water delivery schedule based on the AWBA's annual plan of operation for the following year.
 - 6.3 The AWBA shall authorize the Facility Operator to order Authority Water for delivery to the Groundwater Savings Facility directly from CAWCD in accordance with CAWCD water ordering procedures and the AWBA's plan of operation.
 - 6.4 The amounts, times and rates of delivery of Authority Water to the Facility Operator during any year shall be in accordance with the current plan of operation of the Authority. Authority Water ordered by the Facility Operator shall not exceed the amounts provided for in the current plan of operation of the Authority, unless approved in writing by the Authority.
 - 6.5 Monthly water deliveries may be amended upon the Facility Operator's written request to CAWCD with copy to the AWBA. Proposed amendments shall be submitted by the Facility Operator to CAWCD with

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copy to the AWBA not less than fifteen (15) days before the desired change is to become effective, and shall be subject to review and modification by CAWCD and the AWBA.

- 6.6 The Facility Operator shall hold the AWBA and CAWCD, their officers, agents, and employees, harmless on account of damage or claim of damage of any nature whatsoever arising out of or connected with water delivery schedules furnished by or to the Facility Operator.

7. 7.1 The AWBA may reduce or discontinue deliveries of Authority Water to the Facility Operator under this Agreement in one or more of the following events:
 - 7.1.1 The Facility Operator fails to file the monthly report(s) required by Section 5.5.
 - 7.1.2 The Facility Operator violates the permit or plan of operation associated with the Groundwater Savings Facility or takes any action that threatens the AWBA's ability to accrue Long-Term Storage Credits for Authority Water delivered to the Groundwater Savings Facility.

- 7.2 The AWBA shall notify the Facility Operator of any determination to reduce or discontinue deliveries of Authority Water to the Facility Operator.

8. 8.1 On or before October 1 of each year, CAWCD and the AWBA shall notify the Facility Operator of the cost for each acre foot of Authority Water to be delivered under this Agreement for the following year ("Facility Operator's Contribution").

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- 8.2 The Facility Operator shall pay CAWCD directly for all water delivered under this Agreement. On or before the first day of each month, the Facility Operator shall pay CAWCD the amounts due as the Facility Operator's Contribution for Authority Water scheduled for delivery during that month.
- 8.3 The Facility Operator shall pay CAWCD in advance all amounts due as the Facility Operator's Contribution for Authority Water scheduled for delivery under this Agreement; however, CAWCD has agreed to reimburse the Facility Operator for any portion of the Facility Operator's Contribution which is attributable to Authority Water scheduled for delivery that is not subsequently delivered to the Facility Operator or to provide an equivalent credit against payment in the future of any fees owed CAWCD by the Facility Operator, should the Facility Operator so desire. CAWCD shall not be required to deliver water scheduled under this Agreement if the Facility Operator is in arrears in payment of any charges due CAWCD for a period of 60 days or more.
- 8.4 CAWCD shall be entitled, as a third party beneficiary to this Agreement, to collect from the Facility Operator any charges for water owed under this Section 8, along with interest, administrative and penalty charges on delinquent installments or payments, in accordance with the following:
- 8.4.1 The Facility Operator shall pay an interest charge for each day the payment is delinquent beyond the due date. When a payment becomes sixty (60) days delinquent, the Facility Operator shall pay an administrative charge to cover additional costs of billing and processing the delinquent payment. When a payment is delinquent ninety (90) days or more, the Facility Operator shall pay an

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additional penalty charge of six percent (6%) per year for each day the payment is delinquent beyond the due date. Further, the Facility Operator shall pay any fees incurred for debt collection services associated with a delinquent payment.

8.4.2 The interest charge rate shall be the greater of the rate prescribed quarterly in the Federal Register by the Department of the Treasury for application to overdue payments, or the interest rate of 0.5 percent (0.5%) per month prescribed by Section 6 of the Reclamation Project Act of 1939 (Public Law 76-260). The interest charge rate shall be determined as of the due date and remain fixed for the duration of the delinquent period.

8.4.3 When a partial payment on a delinquent account is received, the amount received shall be applied first to the penalty and administrative charges, second, to the accrued interest, and third to the overdue payment.

8.5 If the AWBA is not given Long-Term Storage Credits because the Facility Operator has violated the Groundwater Savings Facility permit or plan of operation, the Facility Operator shall pay to the AWBA any water service charges paid by the AWBA to CAWCD for the water delivered to the Groundwater Savings Facility which did not accrue Long-Term Storage Credits, or, at the request of the AWBA, facilitate and compensate for the transfer of Long-Term Storage Credits from a seller to the AWBA in an amount equal to the Long-Term Storage Credits not received, pursuant to state law. The payment or transfer shall be made within 90 days of the denial of Long-Term Storage Credits by the ADWR.

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9. 9.1 Nothing in this Agreement shall be construed as an allocation of water to the Facility Operator, nor shall this Agreement entitle the Facility Operator to any water other than as provided herein.
 - 9.2 Nothing in this Agreement shall be construed as requiring the AWBA to provide Authority Water to the Facility Operator in any year, and nothing in this Agreement shall be construed as requiring the Facility Operator to accept deliveries of Authority Water in any year. The Parties agree that in any year in which the AWBA desires to provide Authority Water to the Facility Operator and in which the Facility Operator agrees to accept deliveries of Authority Water, the terms and conditions of this Agreement shall apply.
10. Neither the AWBA nor CAWCD warrant the quality of any water furnished under this Agreement and are under no obligation to construct or furnish water treatment facilities to maintain or better the quality of any water. The Facility Operator waives its right to make a claim against the AWBA or CAWCD, on account of the quality of water or any changes in water quality caused by the commingling of water delivered under this Agreement with other water.
11. 11.1 The Parties agree that the AWBA may designate a third party agent to exercise the right to recover the AWBA's water stored under this Agreement. The "Designated Recovery Agent" shall be CAWCD, a political subdivision of the State of Arizona, and/or a municipal corporation formed under the laws of the State of Arizona. The AWBA shall, in accordance with Section 15 of this Agreement, notify the Facility Operator of the appointment of a Designated Recovery Agent pursuant to this

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Section 11.

- 11.2 The Facility Operator agrees to cooperate with the Designated Recovery Agent in facilitating the recovery of Long-Term Storage Credits stored by the AWBA at the Facility Operator's Groundwater Savings Facility.
- 11.3 The Facility Operator agrees not to register any objection with the ADWR to an application for a recovery well permit filed by the Designated Recovery Agent or other entities seeking to recover water stored by the AWBA so long as the water is to be recovered at the Groundwater Savings Facility at which it was stored.
- 11.4 Upon the distribution of Long-Term Storage Credits by the AWBA to a Designated Recovery Agent, the Designated Recovery Agent may, at the Designated Recovery Agent's sole expense, recover the Long-Term Storage Credits at the Groundwater Savings Facility upon written notification to the Facility Operator.
- 11.5 The Designated Recovery Agent shall not recover Long-Term Storage Credits within the Facility Operator's boundaries that were not accrued by the AWBA at the Facility Operator's Groundwater Savings Facility, unless the Facility Operator agrees in writing to allow the Designated Recovery Agent to recover other Long-Term Storage Credits.
- 11.6 To recover Long-Term Storage Credits pursuant to this Section 11, the Facility Operator shall allow the Designated Recovery Agent to recover the AWBA's Long-Term Storage Credits using the Facility Operator's wells. Such use shall be subject to the Facility Operator's operational control of the wells and shall be made only when, in the discretion of the Facility Operator, there is sufficient well capacity and water transportation facilities available to recover the Long-Term Storage Credits without

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disrupting delivery of irrigation water to the Facility Operator's customers; however, such discretion shall not be unreasonably exercised so as to defeat the intent of this Section 11. The Facility Operator shall provide to the AWBA within 1 year after execution of this Agreement a description of wells and well sites which the Designated Recovery Agent could utilize for recovery purposes, including the necessary authorization for Facility Operator's use of such wells and well sites.

- 11.7 If insufficient well capacity is available within the Facility Operator's boundaries to meet a recovery request, the Designated Recovery Agent may install, own, operate and maintain new wells and related facilities or, at the Designated Recovery Agent's request, the Facility Operator may, under a separate agreement, install, own, operate and maintain new wells and related facilities, provided that the Designated Recovery Agent pays the Facility Operator in advance all construction costs associated with such new wells and facilities. All of the fixed and variable operating costs of such facilities attributable to the recovery of Long-Term Storage Credits shall be the sole responsibility of the Designated Recovery Agent. Nothing herein requires the Facility Operator to construct facilities that, in their judgement, would interfere with the operation of existing wells within the Facility Operator's water delivery system. The Designated Recovery Agent shall reimburse the Facility Operator the cost of obtaining all permits required to drill new recovery wells identified by the Designated Recovery Agent for purposes of this Agreement.
- 11.8 The Designated Recovery Agent shall be responsible for obtaining and maintaining recovery well permits and shall pay all permit fees and other

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costs and expenses of any nature associated with recovery of Long-Term Storage Credits at the Groundwater Savings Facility.

11.9 The Designated Recovery Agent shall reimburse the Facility Operator for all reasonable costs incurred by the Facility Operator in the recovery of Long-Term Storage Credits in accordance with this Section 11. These costs may include, but are not limited to wheeling services, scheduling costs, incremental increased cost of power, and incremental increased cost of operation, maintenance, and replacement of wells and/or pumps within the Facility Operator's Groundwater Savings Facility. Prior to any recovery under this Section 11, the Designated Recovery Agent and the Facility Operator shall agree upon the costs for which the Designated Recovery Agent shall be responsible. The Designated Recovery Agent and the Facility Operator may agree that the Designated Recovery Agent will provide power to operate the wells to offset part of the agreed upon costs.

11.10 The Facility Operator does not warrant the quality of water produced from recovery wells and is under no obligation to construct or furnish water treatment facilities to maintain or improve the quality of such water. The Designated Recovery Agent waives its right to make a claim against the Facility Operator because of changes in water quality caused by underground storage or the mixing of recovered water with other water. Notwithstanding this Section 11.10, the Facility Operator agrees to comply with state and federal law.

11.11 It is the express intention of the Parties that the Designated Recovery Agent be a third party beneficiary of the obligations and duties of the provisions of this Section 11, and that the third party beneficiary shall be

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considered a "Party" only for the purposes of this Section 11, except that CAWCD shall also have rights as a third party beneficiary as described in other Sections of this Agreement. The rights of the third party beneficiary under this Section 11 shall vest immediately upon notification of the Facility Operator by the AWBA of the designation of a Designated Recovery Agent in accordance with this Section 11. The Parties agree that the terms of this Section 11 shall not, in any way, limit the rights or privileges of the AWBA under this Agreement.

11.12 The obligations set forth in this Section 11 shall survive the expiration or termination of this Agreement and remain in full force and effect until all Authority Water stored at the Facility Operator's Groundwater Savings Facility has been recovered.

12. 12.1 Authority Water furnished to the Facility Operator pursuant to this Agreement shall be delivered only to the Facility Operator at such point(s) that have previously been approved by CAWCD and only if CAWCD has satisfied itself that the pipelines, canals, distribution systems, or other conduits that will convey Authority Water after delivery will prevent excessive conveyance losses and are constructed, operated, and maintained in accordance with any condition of applicable laws, regulations or order and to the satisfaction of CAWCD.

12.2 In the event of damage to CAP facilities due to failure of the Facility Operator to operate in a good and workmanlike manner, the Facility Operator shall pay the CAWCD within thirty (30) days of Facility Operator's receipt of a statement for the costs of repairing any damage to Project facilities or Project rights-of-way caused by or arising out of the

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Facility Operator's activities under this Agreement.

- 12.3 If the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, and if the Facility Operator intends to convey water furnished to the Facility Operator pursuant to this Agreement through connection facilities owned or operated by others, the use by the Facility Operator of such connection facilities shall be the subject of written agreement(s) between the Facility Operator and the owner(s) or operator(s) of such connection facilities, and all such agreements shall be provided to the CAWCD prior to initiation of deliveries.
- 12.4 Unless the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, all water delivered from the Water Supply System shall be measured with equipment furnished and installed by the Facility Operator and operated and maintained by the Facility Operator at the Facility Operator's sole cost and expense. The results of such measurements shall be reported to CAWCD in such manner and at such time(s) as CAWCD may prescribe. Upon the request of CAWCD or the AWBA, the accuracy of such measurements shall be investigated by the Facility Operator, and any errors which are determined to have occurred therein shall be adjusted; however, in the event the parties cannot agree on the required adjustment, CAWCD's determination shall be conclusive.
- 12.5 If the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, all water delivered from the Water Supply System shall be measured with equipment furnished and installed by the United States and operated and maintained by

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CAWCD. Upon the request of the Facility Operator, the AWBA, or CAWCD, the accuracy of such measurements shall be investigated by CAWCD and the Facility Operator, and any errors which are mutually determined to have occurred therein shall be adjusted; however in the event the parties cannot agree on the required adjustment, CAWCD's determination shall be conclusive.

- 12.6 The United States, CAWCD, and the AWBA shall not be responsible for the control, carriage, handling, use, disposal, or distribution of water beyond the Facility Operator's Project delivery point. The Facility Operator shall hold the United States, CAWCD, and the AWBA harmless on account of damage or claim of damage of any nature whatsoever for which there is legal responsibility, including property damage, personal injury, or death arising out of or connected with the control, carriage, handling, use, disposal, or distribution of water beyond the Facility Operator's Project delivery point.
- 12.7 The AWBA shall not be liable for any action taken by CAWCD or the Facility Operator pursuant to this Section 12 regarding the construction, operation, or maintenance of connection facilities.
- 12.8 Deliveries of water scheduled under this Agreement are subject to interruption and discontinuance due to investigation, inspection, construction, testing, maintenance, repair or replacement of the CAP and its components. The Facility Operator also acknowledges that CAP water available to the AWBA is only that water which would otherwise be unused in Arizona and, therefore, deliveries of water scheduled under this Agreement are subject to interruption and discontinuance due to insufficient water or delivery capacity to deliver all other waters scheduled

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for delivery through the CAP. The United States, its officers, agents, and employees, CAWCD, its officers, agents and employees, and the AWBA, its officers, agents, and employees shall not be liable for any damages when, for any reason whatsoever, any interruption, discontinuance, or reduction in delivery of water scheduled under this Agreement occurs.

13. 13.1 This Agreement may be terminated for any of the following reasons:
 - 13.1.1 If the Facility Operator remains in arrears in the payment of the Facility Operator's Contribution for thirty (30) days or more, the AWBA may terminate this Agreement, which termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator;
 - 13.1.2 If the Facility Operator remains in arrears in the reimbursement of any portion of the AWBA's Contribution for thirty (30) days or more, the AWBA may terminate this Agreement, which termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator and CAWCD;
 - 13.1.3 If the Excess CAP Water Contract between the AWBA and CAWCD providing for delivery of Authority Water is terminated, the AWBA may terminate this Agreement, which termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator; or
 - 13.1.4 if the AWBA determines in its sole discretion that the Facility Operator is operating the Groundwater Savings Facility in a manner contrary to law or in a manner which is likely to

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jeopardize the ability of the AWBA to earn Long-Term Storage Credits for Authority Water delivered to the facility for the benefit of the AWBA, the AWBA may terminate this Agreement, which termination shall be effective ten (10) days after mailing written notice of termination to the Facility Operator and CAWCD.

- 13.2 Any rights under this Agreement to collect any monies owed under the Agreement and any rights pursuant to Section 11 of this Agreement shall survive the termination of this Agreement.
- 13.3 The rights of the AWBA to terminate this Agreement as provided in this Section 13 shall be in addition to all other rights of the AWBA under this Agreement and as provided by law.
14. The Facility Operator shall establish and maintain accounts and other books and records pertaining to administration of the terms and conditions of this Agreement, including: the Facility Operator's water supply data, water-use data, and other matters that the AWBA or CAWCD may require. Reports thereon shall be furnished to the AWBA or CAWCD in such form and on such date or dates as the AWBA or CAWCD may require. Subject to applicable federal and state laws and regulations, each party to this Agreement shall have the right during office hours to examine and make copies of each other party's books and records relating to matters covered by this Agreement.
15. Any notice, demand, or request authorized or required by this Agreement shall be in writing and shall be deemed to have been duly given if mailed, first class postage prepaid, or delivered to the parties at the following addresses:

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If to the AWBA:

Manager
Arizona Water Banking Authority
3550 North Central Avenue
Phoenix, Arizona 85012

If to the Facility Operator:

XXXXXX
XXXXXXXX
XXXXXXXXX
XXXXXXXXX

The designation of the address or addressee for the giving of notice may be changed by notice given as provided in this Section 15.

16. The parties shall comply with Chapter 9, Title 41, Arizona Revised Statutes, Arizona Executive Orders 75-5 and 99-4 and any other federal or state laws relating to equal opportunity and non-discrimination, including the Americans with Disabilities Act.
17. The provisions of this Agreement shall apply to and bind the successors and assigns of the parties hereto, but no assignment or transfer of this Agreement or any interest therein shall be valid unless and until approved in writing by the AWBA.
18. This Agreement is subject to cancellation in accordance with the provisions of A.R.S. § 38-511.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective the day and year first above-written.

ARIZONA WATER BANKING AUTHORITY

Attest: _____
XXXXXXXXXXXXX, Secretary

By: _____
Sandra Fabritz-Whitney, Chairman

XXXXXXXXXXXXX

Attest: _____

By: _____

Title: _____

Title: _____

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

1. The ARIZONA WATER BANKING AUTHORITY (“AWBA”) and _____ (“Facility Operator”) enter into this Agreement this ____ day of _____, 2011.

2.
 - 2.1 The purpose of this Agreement is to provide for the storage of Central Arizona Project water, which the AWBA is legally entitled to store, at the Groundwater Savings Facility operated by the Facility Operator.
 - 2.2 The Parties recognize that this Agreement is one of a series of agreements entered into by the AWBA to provide for the storage of Central Arizona Project water. These agreements include the Intergovernmental Agreement among the Arizona Department of Water Resources, Arizona Water Banking Authority, and Central Arizona Water Conservation District, dated January 28, 2009, and the Agreement between the Central Arizona Water Conservation District and the Arizona Water Banking Authority Providing for the Delivery of Excess Central Arizona Project Water, dated July 14, 2005. These agreements, in turn, are subject to certain agreements entered into by the Central Arizona Water Conservation District regarding the operation of the Central Arizona Project. These agreements include Contract No. 14-06-W-245, Amendment No. 1, dated December 1, 1988, between the United States and the Central Arizona Water Conservation District, and Stipulation Regarding a Stay of Litigation, Resolution of Issues During the Stay and for Ultimate Judgment upon the Satisfaction of Conditions, filed with the United States District Court on May 3, 2000, in Central Arizona Water Conservation District v. United States, No. CIV 95-625-TUC-WDB (EHC),

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No. CIV 95-1720-PHX-EHC (Consolidated Action). The Parties to this Agreement recognize and agree that this Agreement is subject to the agreements referenced in this Section 2.2 and that in the event of any inconsistency between this Agreement and agreements referenced, the provisions of the agreements referenced shall be controlling.

2.3 The Parties agree that the Central Arizona Water Conservation District shall have rights as a third party beneficiary to enforce certain provisions that are specified in this Agreement. Designated Recovery Agents, as described in Section 11.1 of this Agreement, shall have rights as a third party beneficiary as described in Section 11.9 of this Agreement.

3. In this Agreement, the following terms shall have the following meanings:
 - 3.1 "ADWR" shall mean the Arizona Department of Water Resources.
 - 3.2 "Authority Water" shall mean water made available by CAWCD to the AWBA on an annual basis for underground storage pursuant to the terms of the Excess CAP Water Contract between the AWBA and CAWCD, which water would not otherwise have been used within Arizona.
 - 3.3 "CAP" shall mean the Central Arizona Project.
 - 3.4 "CAWCD" shall mean the Central Arizona Water Conservation District.
 - 3.5 "Party or Parties" shall mean either one, or in the plural, both of the parties to this Agreement.
 - 3.6 Definitions specified in A.R.S. § 45-802.01 are applicable to this Agreement. The first letters of terms so defined are capitalized.
4. This Agreement shall terminate on December 31, 2021 unless the parties agree in writing to extend the term or unless it is sooner terminated or cancelled in accordance with Section 13.

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5. The delivery and use of water under this Agreement are conditioned on the following, and the Parties agree that:
 - 5.1 All uses of Authority Water shall be consistent with Arizona water law and with federal law applicable to the CAP.
 - 5.2 Authority Water made available pursuant to this Agreement shall be used only at the Groundwater Savings Facility for which the Facility Operator has obtained and continues to maintain Groundwater Savings Facility Permit, No. 72-XXXXXXXXXX, or modifications or renewals of that permit. The Facility Operator shall be responsible for all expenses and administrative requirements, including filing annual reports with the ADWR, associated with maintaining the Groundwater Savings Facility permit. The Facility Operator's use of Authority Water at such Groundwater Savings Facility shall at all times comply with the plan of operation of the Groundwater Savings Facility Permit. If such Groundwater Savings Facility Permit is cancelled or expires for any reason the Facility Operator shall immediately notify the AWBA and deliveries of Authority Water to the Facility Operator may, at the option of the AWBA, be discontinued immediately. The Facility Operator shall notify the AWBA if it files an application with the ADWR to amend its Groundwater Savings Facility permit.
 - 5.3 Authority Water made available to the Facility Operator pursuant to this Agreement shall be used within the Facility Operator's Groundwater Savings Facility for Water Storage purposes only.
 - 5.4 The Facility Operator shall cause the pumping of groundwater within the Facility Operator's Groundwater Savings Facility to be reduced by one acre-foot for each one acre-foot of Authority Water received at the Facility.

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- 5.5 The Facility Operator shall submit to the AWBA a monthly report of water use. The monthly report shall be in a form and submitted within a time which is acceptable to the AWBA and shall contain a report of water use by amount and type of water used.
 - 5.6 The AWBA shall obtain a Water Storage Permit from the ADWR to store water at the Facility Operator's Groundwater Savings Facility. The AWBA shall be responsible for all expenses and administrative requirements, including filing annual reports with the ADWR, associated with maintaining the Water Storage Permit.
6. 6.1 On or before September 1, the Facility Operator shall consult with the AWBA and provide a written projection of the Facility Operator's water use by type and amount for each month of the following year, which the AWBA may use to develop its annual plan of operation for the following year.
 - 6.2 On or before December 1, the AWBA shall return to the Facility Operator a final water delivery schedule based on the AWBA's annual plan of operation for the following year.
 - 6.3 The AWBA shall authorize the Facility Operator to order Authority Water for delivery to the Groundwater Savings Facility directly from CAWCD in accordance with CAWCD water ordering procedures and the AWBA's plan of operation.
 - 6.4 The amounts, times and rates of delivery of Authority Water to the Facility Operator during any year shall be in accordance with the current plan of operation of the Authority. Authority Water ordered by the Facility Operator shall not exceed the amounts provided for in the current plan of operation of the Authority, unless approved in writing by the Authority.

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- 6.5 Monthly water deliveries may be amended upon the Facility Operator's written request to CAWCD with copy to the AWBA. Proposed amendments shall be submitted by the Facility Operator to CAWCD with copy to the AWBA not less than fifteen (15) days before the desired change is to become effective, and shall be subject to review and modification by CAWCD and the AWBA.
- 6.6 The Facility Operator shall hold the AWBA and CAWCD, their officers, agents, and employees, harmless on account of damage or claim of damage of any nature whatsoever arising out of or connected with water delivery schedules furnished by or to the Facility Operator.
7. 7.1 The AWBA may reduce or discontinue deliveries of Authority Water to the Facility Operator under this Agreement in one or more of the following events:
- 7.1.1 The Facility Operator fails to file the monthly report(s) required by Section 5.5.
- 7.1.2 The Facility Operator violates the permit or plan of operation associated with the Groundwater Savings Facility or takes any action that threatens the AWBA's ability to accrue Long-Term Storage Credits for Authority Water delivered to the Groundwater Savings Facility.
- 7.2 The AWBA shall notify the Facility Operator of any determination to reduce or discontinue deliveries of Authority Water to the Facility Operator.
8. 8.1 On or before October 1 of each year, CAWCD and the AWBA shall notify

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the Facility Operator of the cost for each acre foot of Authority Water to be delivered under this Agreement for the following year ("Facility Operator's Contribution").

8.2 The Facility Operator shall pay CAWCD directly for all water delivered under this Agreement. On or before the first day of each month, the Facility Operator shall pay CAWCD the amounts due as the Facility Operator's Contribution for Authority Water scheduled for delivery during that month.

8.3 The Facility Operator shall pay CAWCD in advance all amounts due as the Facility Operator's Contribution for Authority Water scheduled for delivery under this Agreement; however, CAWCD has agreed to reimburse the Facility Operator for any portion of the Facility Operator's Contribution which is attributable to Authority Water scheduled for delivery that is not subsequently delivered to the Facility Operator or to provide an equivalent credit against payment in the future of any fees owed CAWCD by the Facility Operator, should the Facility Operator so desire. CAWCD shall not be required to deliver water scheduled under this Agreement if the Facility Operator is in arrears in payment of any charges due CAWCD for a period of 60 days or more.

8.4 CAWCD shall be entitled, as a third party beneficiary to this Agreement, to collect from the Facility Operator any charges for water owed under this Section 8, along with interest, administrative and penalty charges on delinquent installments or payments, in accordance with the following:

8.4.1 The Facility Operator shall pay an interest charge for each day the payment is delinquent beyond the due date. When a payment becomes sixty (60) days delinquent, the Facility Operator shall pay

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an administrative charge to cover additional costs of billing and processing the delinquent payment. When a payment is delinquent ninety (90) days or more, the Facility Operator shall pay an additional penalty charge of six percent (6%) per year for each day the payment is delinquent beyond the due date. Further, the Facility Operator shall pay any fees incurred for debt collection services associated with a delinquent payment.

8.4.2 The interest charge rate shall be the greater of the rate prescribed quarterly in the Federal Register by the Department of the Treasury for application to overdue payments, or the interest rate of 0.5 percent (0.5%) per month prescribed by Section 6 of the Reclamation Project Act of 1939 (Public Law 76-260). The interest charge rate shall be determined as of the due date and remain fixed for the duration of the delinquent period.

8.4.3 When a partial payment on a delinquent account is received, the amount received shall be applied first to the penalty and administrative charges, second, to the accrued interest, and third to the overdue payment.

8.5 If the AWBA is not given Long-Term Storage Credits because the Facility Operator has violated the Groundwater Savings Facility permit or plan of operation, the Facility Operator shall pay to the AWBA any water service charges paid by the AWBA to CAWCD for the water delivered to the Groundwater Savings Facility which did not accrue Long-Term Storage Credits, or, at the request of the AWBA, facilitate and compensate for the transfer of Long-Term Storage Credits from a seller to the AWBA in an amount equal to the Long-Term Storage Credits not received, pursuant to

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state law. The payment or transfer shall be made within 90 days of the denial of Long-Term Storage Credits by the ADWR.

9. 9.1 Nothing in this Agreement shall be construed as an allocation of water to the Facility Operator, nor shall this Agreement entitle the Facility Operator to any water other than as provided herein.
 - 9.2 Nothing in this Agreement shall be construed as requiring the AWBA to provide Authority Water to the Facility Operator in any year, and nothing in this Agreement shall be construed as requiring the Facility Operator to accept deliveries of Authority Water in any year. The Parties agree that in any year in which the AWBA desires to provide Authority Water to the Facility Operator and in which the Facility Operator agrees to accept deliveries of Authority Water, the terms and conditions of this Agreement shall apply.
10. Neither the AWBA nor CAWCD warrant the quality of any water furnished under this Agreement and are under no obligation to construct or furnish water treatment facilities to maintain or better the quality of any water. The Facility Operator waives its right to make a claim against the AWBA or CAWCD, on account of the quality of water or any changes in water quality caused by the commingling of water delivered under this Agreement with other water.
11. 11.1 The Parties agree that the AWBA may designate a third party agent to exercise the right to recover the AWBA's water stored under this Agreement. The "Designated Recovery Agent" shall be CAWCD, a political subdivision of the State of Arizona, and/or a municipal corporation

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formed under the laws of the State of Arizona. The AWBA shall, in accordance with Section 15 of this Agreement, notify the Facility Operator of the appointment of a Designated Recovery Agent pursuant to this Section 11.

- 11.2 The Facility Operator agrees to cooperate with the Designated Recovery Agent in facilitating the recovery of Long-Term Storage Credits stored by the AWBA at the Facility Operator's Groundwater Savings Facility.
- 11.3 The Facility Operator agrees not to register any objection with the ADWR to an application for a recovery well permit filed by the Designated Recovery Agent or other entities seeking to recover water stored by the AWBA so long as the water is to be recovered at the Groundwater Savings Facility at which it was stored.
- 11.4 The Facility Operator shall use its best efforts to enter into agreements with owners of wells within the Facility Operator's boundaries to procure access to those wells for the Designated Recovery Agent for the purposes of recovering AWBA water stored at the Groundwater Savings Facility. The Facility Operator shall provide to the AWBA a description of wells and well sites which the Designated Recovery Agent could utilize for recovery purposes, including the necessary authorization for the Facility Operator's use of such wells and well sites, within 30 days of entering into each such agreement.
- 11.5 If agreements for access to wells have been procured under Section 11.4 and upon the distribution of Long-Term Storage Credits by the AWBA to a Designated Recovery Agent, the Designated Recovery Agent may, at the Designated Recovery Agent's sole expense, recover the Long-Term Storage Credits at the Groundwater Savings Facility using those wells

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upon written notification to the Facility Operator.

- 11.6 The Designated Recovery Agent shall not recover Long-Term Storage Credits within the Facility Operator's boundaries that were not accrued by the AWBA at the Facility Operator's Groundwater Savings Facility, unless the Facility Operator agrees in writing to allow the Designated Recovery Agent to recover other Long-Term Storage Credits.
- 11.7 The Designated Recovery Agent shall be responsible for obtaining and maintaining recovery well permits and shall pay all permit fees and other costs and expenses of any nature associated with recovery of Long-Term Storage Credits at the Groundwater Savings Facility.
- 11.8 The Facility Operator does not warrant the quality of water produced from recovery wells and is under no obligation to construct or furnish water treatment facilities to maintain or improve the quality of such water. The Designated Recovery Agent shall not make a claim against the Facility Operator because of changes in water quality caused by underground storage or the mixing of recovered water with other water. Notwithstanding this Section 11.8, the Facility Operator agrees to comply with state and federal law.
- 11.9 It is the express intention of the parties that the Designated Recovery Agent be a third party beneficiary of the obligations and duties of the provisions of this Section 11, and that the third party beneficiary shall be considered a "Party" only for the purposes of this Section 11, except that CAWCD shall also have rights as a third party beneficiary as described in other Sections of this Agreement. The rights of the third party beneficiary under this Section 11 shall vest immediately upon notification to the Facility Operator by the AWBA of the designation of a Designated

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Recovery Agent in accordance with this Section 11. The Parties agree that the terms of this Section 11 shall not, in any way, limit the rights or privileges of the AWBA under this Agreement.

- 11.10 The obligations set forth in this Section 11 shall survive the expiration or termination of this Agreement and remain in full force and effect until all Authority Water stored at the Facility Operator's Groundwater Savings Facility has been recovered.
12. 12.1 Authority Water furnished to the Facility Operator pursuant to this Agreement shall be delivered only to the Facility Operator at such point(s) that have previously been approved by CAWCD and only if CAWCD has satisfied itself that the pipelines, canals, distribution systems, or other conduits that will convey Authority Water after delivery will prevent excessive conveyance losses and are constructed, operated, and maintained in accordance with any condition of applicable laws, regulations or order and to the satisfaction of CAWCD.
- 12.2 In the event of damage to CAP facilities due to failure of the Facility Operator to operate in a good and workmanlike manner, the Facility Operator shall pay the CAWCD within thirty (30) days of Facility Operator's receipt of a statement for the costs of repairing any damage to Project facilities or Project rights-of-way caused by or arising out of the Facility Operator's activities under this Agreement.
- 12.3 If the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, and if the Facility Operator intends to convey water furnished to the Facility Operator pursuant to this Agreement through connection facilities owned or

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operated by others, the use by the Facility Operator of such connection facilities shall be the subject of written agreement(s) between the Facility Operator and the owner(s) or operator(s) of such connection facilities, and all such agreements shall be provided to the CAWCD prior to initiation of deliveries.

12.4 Unless the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, all water delivered from the Water Supply System shall be measured with equipment furnished and installed by the Facility Operator and operated and maintained by the Facility Operator at the Facility Operator's sole cost and expense. The results of such measurements shall be reported to CAWCD in such manner and at such time(s) as CAWCD may prescribe. Upon the request of CAWCD or the AWBA, the accuracy of such measurements shall be investigated by the Facility Operator, and any errors which are determined to have occurred therein shall be adjusted; however, in the event the parties cannot agree on the required adjustment, CAWCD's determination shall be conclusive.

12.5 If the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, all water delivered from the Water Supply System shall be measured with equipment furnished and installed by the United States and operated and maintained by CAWCD. Upon the request of the Facility Operator, the AWBA, or CAWCD, the accuracy of such measurements shall be investigated by CAWCD and the Facility Operator, and any errors which are mutually determined to have occurred therein shall be adjusted; however in the event the parties cannot agree on the required adjustment, CAWCD's

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determination shall be conclusive.

- 12.6 The United States, CAWCD, and the AWBA shall not be responsible for the control, carriage, handling, use, disposal, or distribution of water beyond the Facility Operator's Project delivery point. The Facility Operator shall hold the United States, CAWCD, and the AWBA harmless on account of damage or claim of damage of any nature whatsoever for which there is legal responsibility, including property damage, personal injury, or death arising out of or connected with the control, carriage, handling, use, disposal, or distribution of water beyond the Facility Operator's Project delivery point.
- 12.7 The AWBA shall not be liable for any action taken by CAWCD or the Facility Operator pursuant to this Section 12 regarding the construction, operation, or maintenance of connection facilities.
- 12.8 Deliveries of water scheduled under this Agreement are subject to interruption and discontinuance due to investigation, inspection, construction, testing, maintenance, repair or replacement of the CAP and its components. The Facility Operator also acknowledges that CAP water available to the AWBA is only that water which would otherwise be unused in Arizona and, therefore, deliveries of water scheduled under this Agreement are subject to interruption and discontinuance due to insufficient water or delivery capacity to deliver all other waters scheduled for delivery through the CAP. The United States, its officers, agents, and employees, CAWCD, its officers, agents and employees, and the AWBA, its officers, agents, and employees shall not be liable for any damages when, for any reason whatsoever, any interruption, discontinuance, or reduction in delivery of water scheduled under this Agreement occurs.

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13. 13.1 This Agreement may be terminated for any of the following reasons:
- 13.1.1 If the Facility Operator remains in arrears in the payment of the Facility Operator's Contribution for thirty (30) days or more, the AWBA may terminate this Agreement, which termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator;
 - 13.1.2 If the Facility Operator remains in arrears in the reimbursement of any portion of the AWBA's Contribution for thirty (30) days or more, the AWBA may terminate this Agreement, which termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator and CAWCD;
 - 13.1.3 If the Excess CAP Water Contract between the AWBA and CAWCD providing for delivery of Authority Water is terminated, the AWBA may terminate this Agreement, which termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator; or
 - 13.1.4 if the AWBA determines in its sole discretion that the Facility Operator is operating the Groundwater Savings Facility in a manner contrary to law or in a manner which is likely to jeopardize the ability of the AWBA to earn Long-Term Storage Credits for Authority Water delivered to the facility for the benefit of the AWBA, the AWBA may terminate this Agreement, which termination shall be effective ten (10) days after mailing written notice of termination to the Facility

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Operator and CAWCD.

- 13.2 Any rights under this Agreement to collect any monies owed under the Agreement and any rights pursuant to Section 11 of this Agreement shall survive the termination of this Agreement.
- 13.3 The rights of the AWBA to terminate this Agreement as provided in this Section 13 shall be in addition to all other rights of the AWBA under this Agreement and as provided by law.
14. The Facility Operator shall establish and maintain accounts and other books and records pertaining to administration of the terms and conditions of this Agreement, including: the Facility Operator's water supply data, water-use data, and other matters that the AWBA or CAWCD may require. Reports thereon shall be furnished to the AWBA or CAWCD in such form and on such date or dates as the AWBA or CAWCD may require. Subject to applicable federal and state laws and regulations, each party to this Agreement shall have the right during office hours to examine and make copies of each other party's books and records relating to matters covered by this Agreement.
15. Any notice, demand, or request authorized or required by this Agreement shall be in writing and shall be deemed to have been duly given if mailed, first class postage prepaid, or delivered to the parties at the following addresses:

If to the AWBA:

Manager
Arizona Water Banking Authority
3550 North Central Avenue
Phoenix, Arizona 85012

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If to the Facility Operator:

XXXXXXXXXXXX
XXXXXXXXXXXX
XXXXXXXXXXXX
XXXXXXXXXXXX

The designation of the address or addressee for the giving of notice may be changed by notice given as provided in this Section 15.

16. The parties shall comply with Chapter 9, Title 41, Arizona Revised Statutes, Arizona Executive Orders 75-5 and 99-4 and any other federal or state laws relating to equal opportunity and non-discrimination, including the Americans with Disabilities Act.
17. The provisions of this Agreement shall apply to and bind the successors and assigns of the parties hereto, but no assignment or transfer of this Agreement or any interest therein shall be valid unless and until approved in writing by the AWBA.
18. This Agreement is subject to cancellation in accordance with the provisions of A.R.S. § 38-511.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective the day and year first above-written.

ARIZONA WATER BANKING AUTHORITY

Attest: _____
XXXXXXXXXXXXX, Secretary

By: _____
Sandra Fabritz-Whitney, Chairman

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

Attest: _____

By: _____

VIII. Update on Distribution of AWBA Long-term Storage Credits during Shortages

NOTES: Direction for staff to proceed with development of an IGA

Call on **Virginia O'Connell** to provide an overview of draft concepts for a potential IGA among CAWCD, ADWR and AWBA

Call on **Tim Henley** to discuss progress on the AWBA supply and demand study

Staff members from ADWR, CAWCD and AWBA have been discussing potential concepts for an IGA between the three parties that would define the procedure for distributing 4-cent tax credits during a shortage year.

BASIC IGA TOPICS

- **AWBA Credits and CAP Delivery**

Includes topics such as any ADWR/AWBA/CAWCD rules or policies restricting the use of AWBA credits, CAP shortage operation and deliveries, and compliance with statutes and agreements required for the distribution of AWBA credits.

- **Credit Distribution Projection**

Includes topics such as timelines, who is responsible, and what is included such as credit availability, a preliminary credit distribution schedule, initial schedule reviews, a final schedule, and development of the AWBA Annual Operating Plan (AOP).

- **AWBA Annual Plan of Operation**

Includes topics such as a timeline and approval process of AWBA AOP and AWBA Annual Report

- **Assignment of Credits**

Includes topics such as processes for the assignment of credits, tracking credits once they are assigned recognizing operational changes during year, AOP amendments, timeline and documentation for CAWCD's final credit distribution report, and the final assignment of credits.

- **Credit Accounting and Reconciliation**

Includes topics such as a timeline, content of annual recovery report, review process, reconciliation process, and final assignment of credits.

- **Costs**

Includes topics such as costs associated with the assignment of credits.

- **Standard Boiler Plate Language**

Includes topics such as parties, purpose, definitions, term, execution date

Timeline for Planning & Processing AWBA Credits (discussion purposes only)

draft 9/22/11

Preparation Year	June 1	Deadline for USBR to notify CAP of water availability for next year (shortage year)
	July 1	AWBA provides CAWCD an accounting of their credit locations for their use in planning CAP deliveries for the M&I subcontracts.
	July 1	CAWCD advises subcontractors of water availability and requests confirmation of their CAP orders by October 1.
	Sept 1	CAWCD sends preliminary Projected Credit Distribution Schedule to AWBA and ADWR
	Sept 15	AWBA and ADWR review the preliminary Projected Credit Distribution Schedule for conformance and notify CAWCD of discrepancies
	3rd week of Sept.	AWBA presents preliminary Annual Plan of Operation (APO) to the AWBA Commission
	Oct 1	CAWCD subcontractors deadline to confirm their CAP orders for next year (shortage year)
	Nov 15	CAWCD sends <i>revised</i> Projected Credit Distribution Schedule to AWBA
	by end of November	AWBA revises APO and draft is available for public comment
	by end of November	AWBA presents preliminary Annual Plan of Operation (APO) to the GUACs
	Nov 15 - Nov 30	CAWCD Annual Operation Plan presented at the annual customer workshop
	December	AWBA Final Draft APO is presented to the AWBA Commission for adoption
Shortage Year	January - December	During the shortage year, CAWCD sends AWBA and ADWR any substantive changes to the Project Credit Distribution Schedule AWBA will incorporate the changes in their quarterly reports.
	December 1	CAWCD sends AWBA and ADWR a Credit Distribution report to AWBA. The report shows the amounts and locations of credits used during the shortage year and to whom the credits will be assigned.
	tentative: by end of year	AWBA to submit executed credit assignment forms to ADWR.
Reconciliation Period	March 31	Deadline for CAWCD, subcontractors, and recovery agents to submit their annual reports to ADWR.
	March - May	Reconciliation of inadvertent errors in Annual Reports
	June 1	Reconciliation of Annual Reports is complete
	June 1	Final accounting of credits from previous year in AWBA's Annual Report

IX. Call to the Public

NOTES:

Next meeting scheduled for Wednesday, December 7, 2011.

AWBA Water Supply and Demand Study

October 4, 2011

AWBA Meeting

Comparison 1997 Base to Base

1997 Base

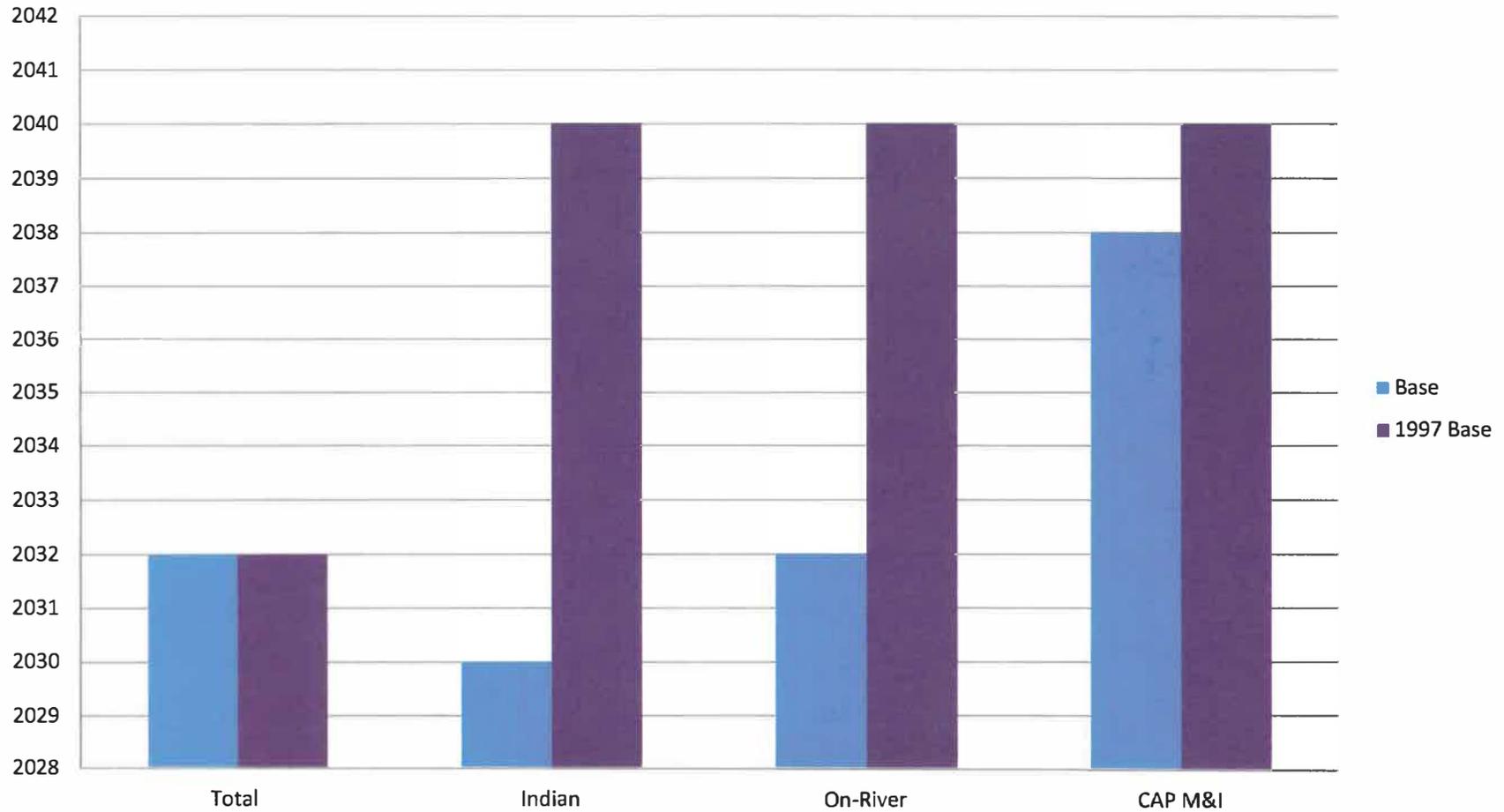
- 1997 Reservoir Elevations
- 15,000 AF Indian Firming
- Indian Firming thru 2097
- Pro Rata CAP/On-River
- Probability Base Shortage Determination

Base

- 2012 Reservoir Elevation
- 23,724 AF Indian Firming
- Indian Firming Thru 2108
- Shortage Sharing Proposal
- Stepped Shortage Determination

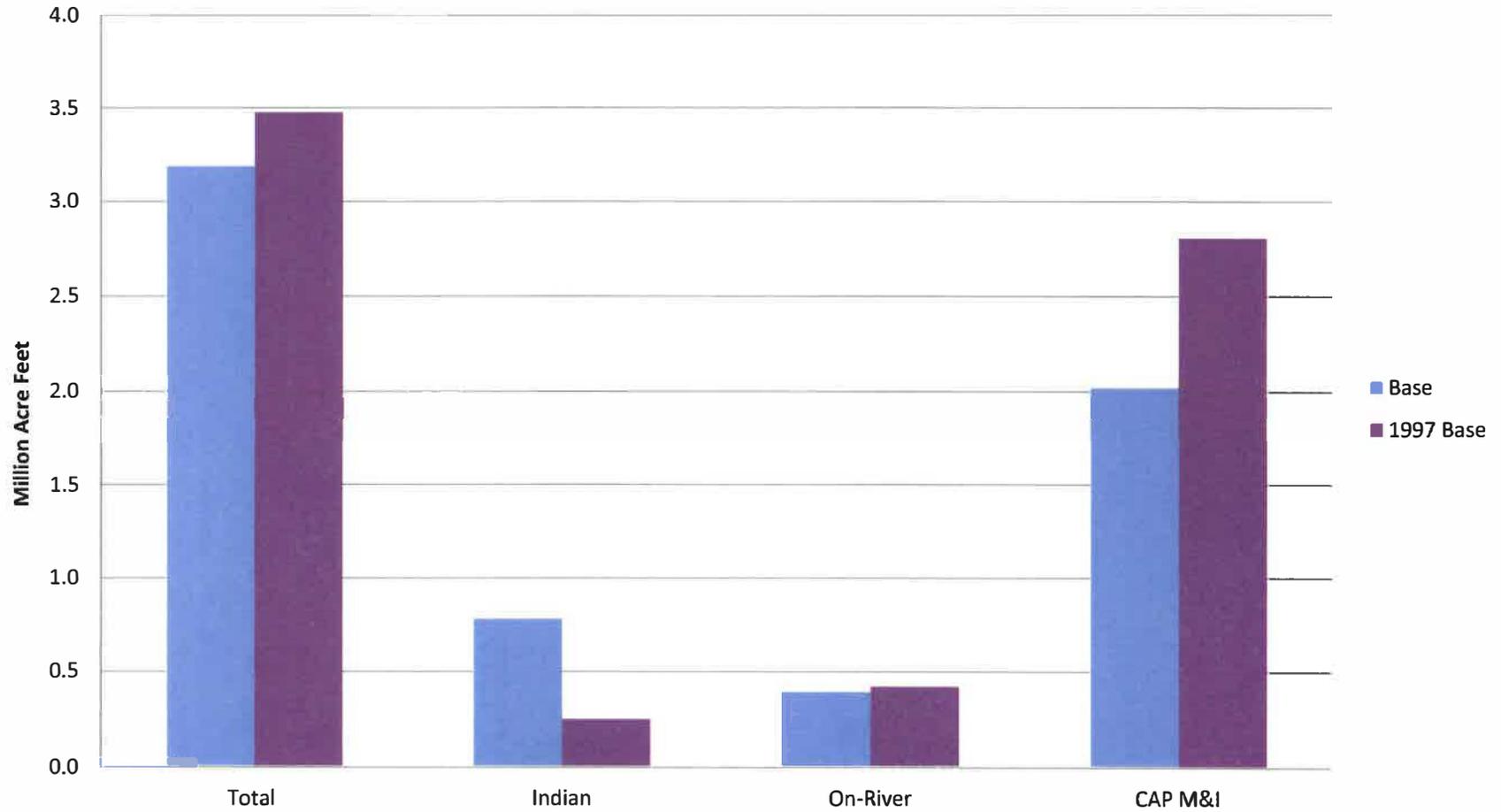
First Shortage Year

Base vs. 1997 Base



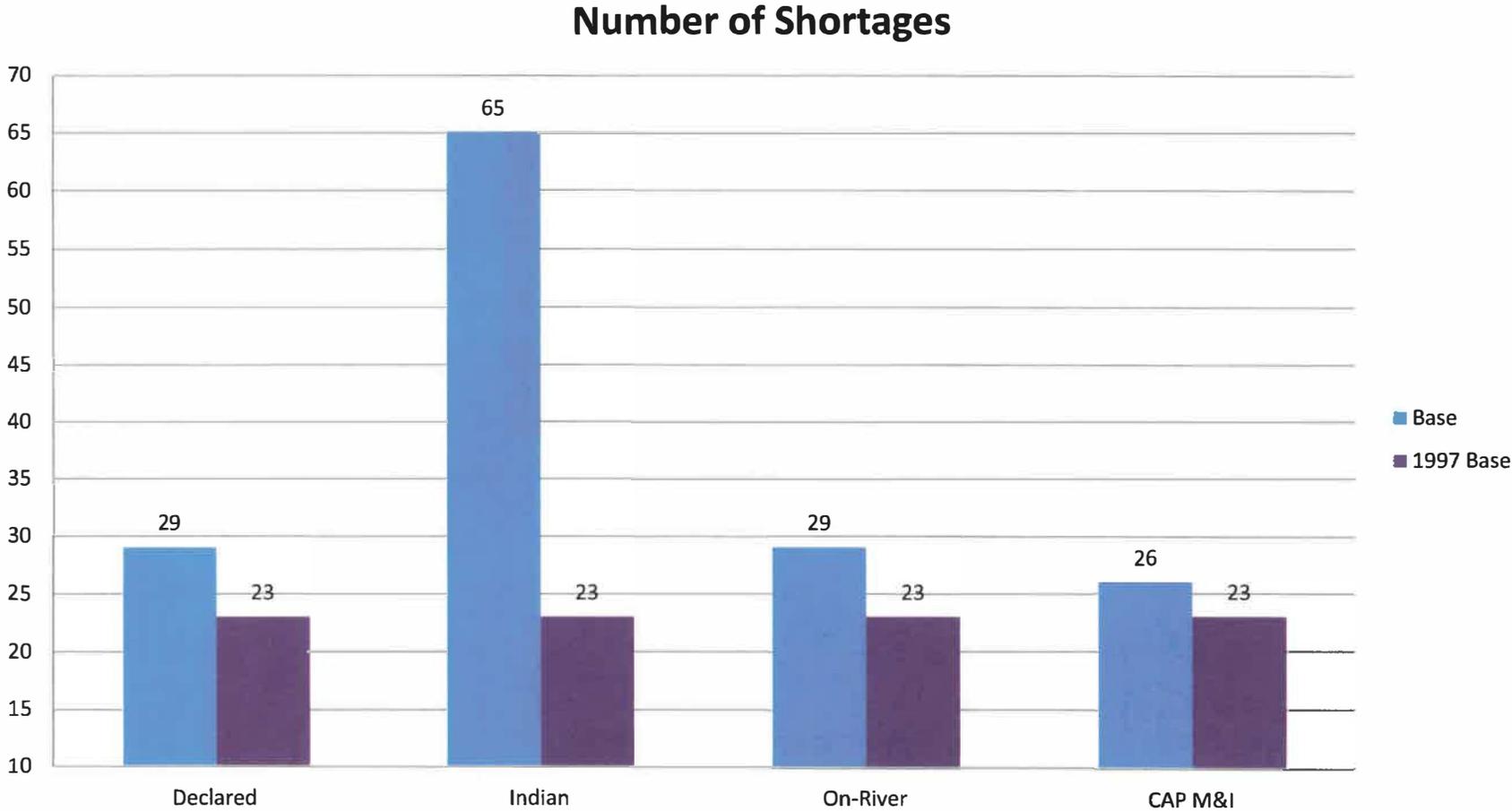
Shortage Volume

Base vs. 1997 Base



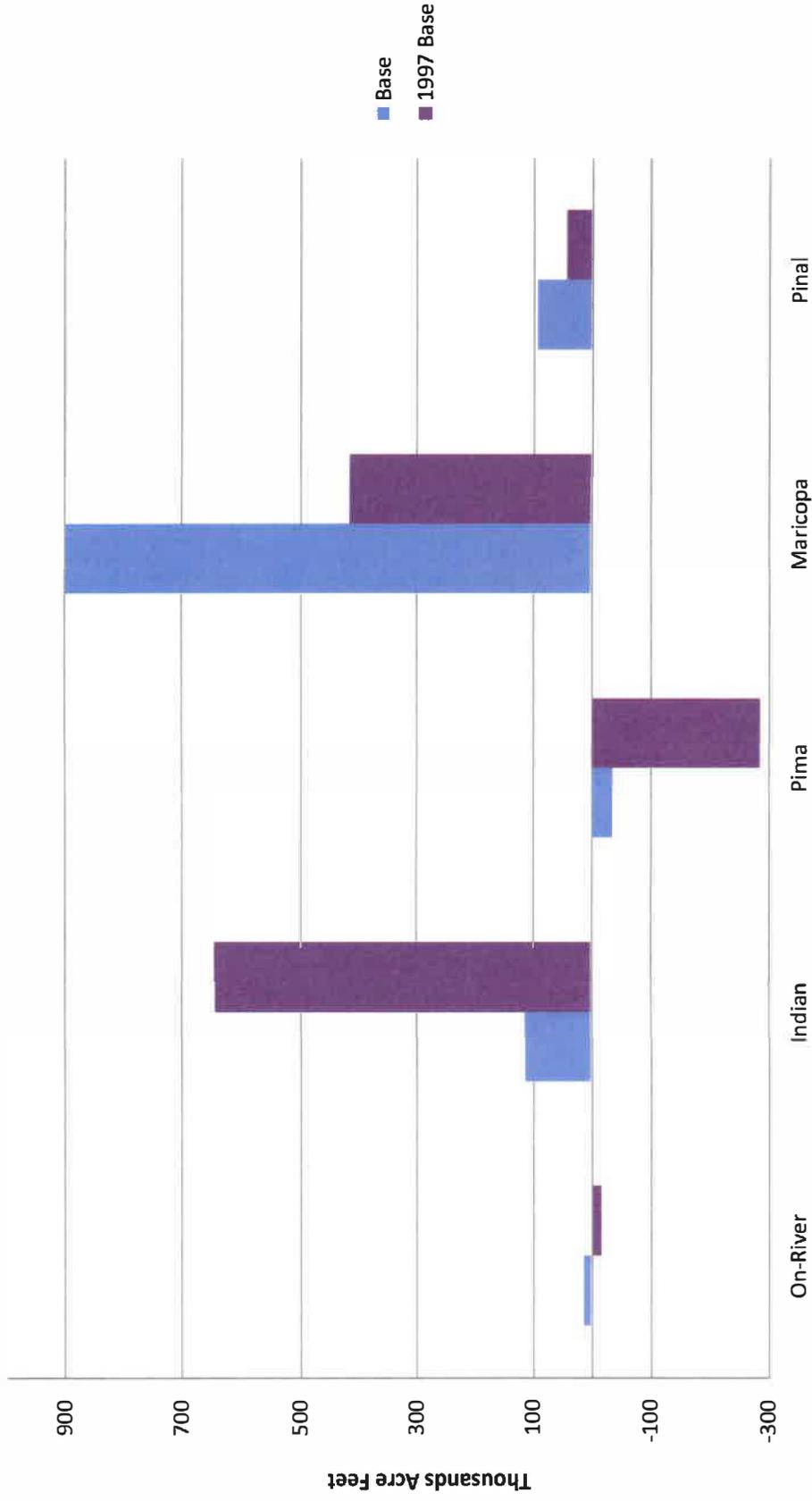
Number of Shortages

Base vs. 1997 Base



Credits Remaining

Base vs. 1997 Base



General Assumptions

- Starting Reservoir Elevation Jan. 2012
- Shortage Triggers
- CAP Shortage Distribution
- No Yuma Desalter
- M&I Firming thru 2097
- Indian Firming thru 2108
- Indian Firming 23,724 AF

Base vs. Scenarios

Base

- On-River/CAP shortage distribution pro rata based on demand

Scenarios

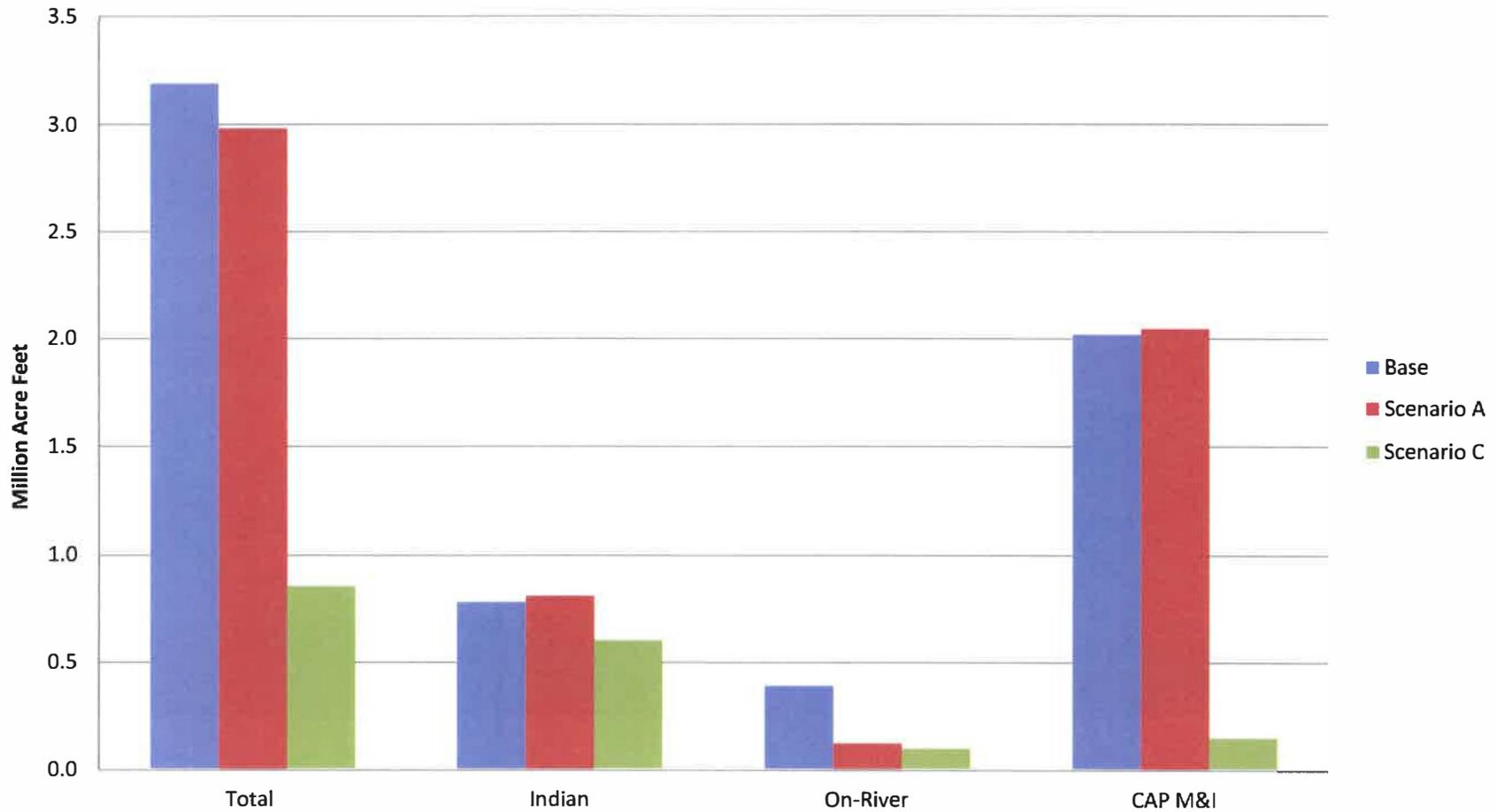
- Director's Shortage Sharing Recommendation

Scenarios

Scenario	Upper Basin Depletion Schedule	On-River Tribal Schedule	Lake Mead Shortage Criteria	Mexico Shares in Shortage	Model Run Completed
A	AWBA Upper Basin Assumption	Ten Tribes	Interim Guidelines Extended	Yes	8/29/2011
B	AWBA Upper Basin Assumption	Ten Tribes	Interim Guidelines Extended	No	8/29/2011
C	AWBA Upper Basin Assumption	ADWR 2010-2011 Update	Interim Guidelines Extended	Yes	8/30/2011
D	AWBA Upper Basin Assumption	ADWR 2010-2011 Update	Interim Guidelines Extended	No	
E	Upper Basin Schedule	Ten Tribes	Interim Guidelines Extended	Yes	8/29/2011
F	Upper Basin Schedule	Ten Tribes	Interim Guidelines Extended	No	8/29/2011
G	Upper Basin Schedule	ADWR 2010-2011 Update	Interim Guidelines Extended	Yes	8/29/2011
H	Upper Basin Schedule	ADWR 2010-2011 Update	Interim Guidelines Extended	No	8/30/2011

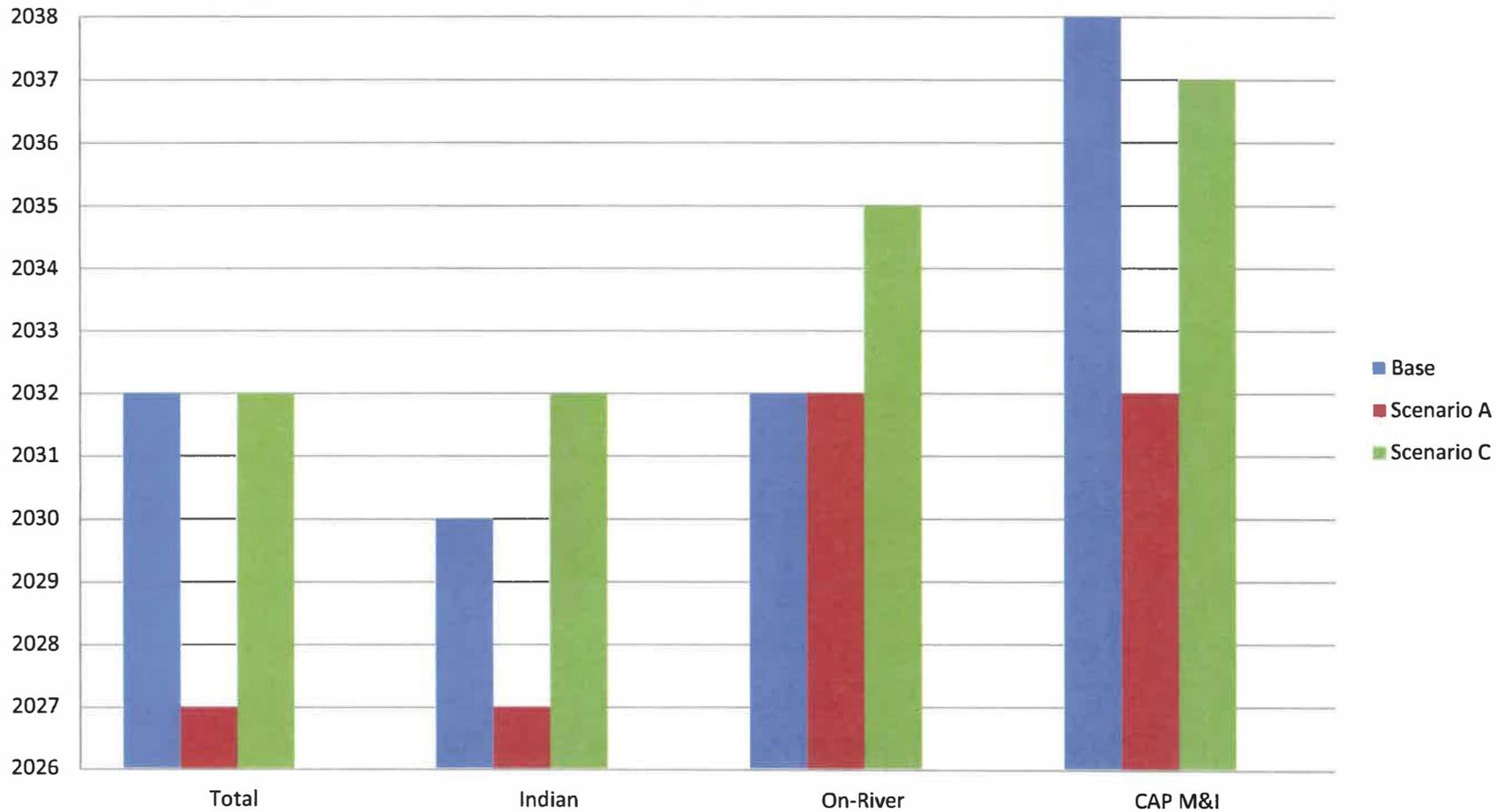
Shortage Volume

Base, Scenario A and Scenario C



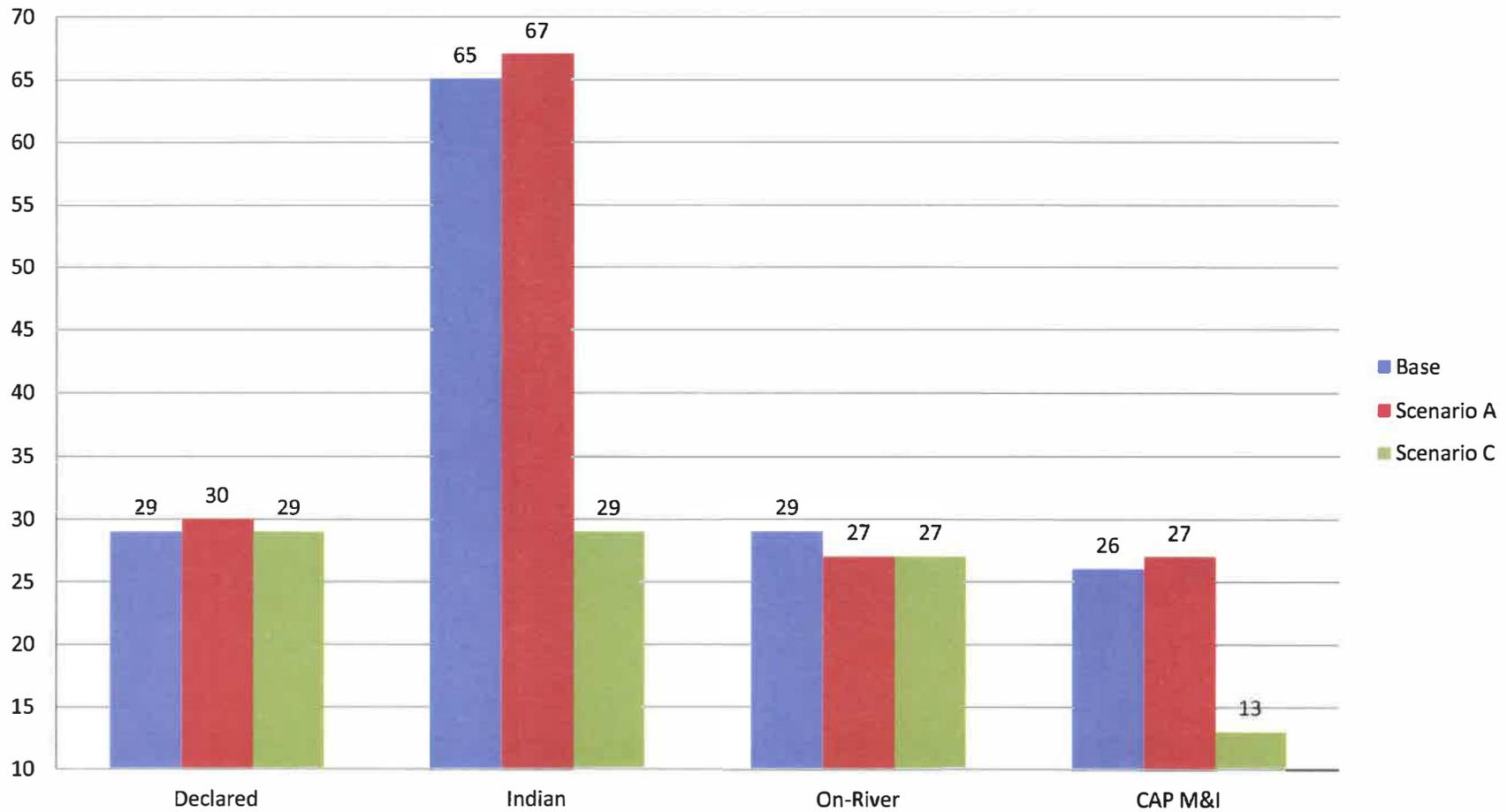
First Shortage Year

Base, Scenario A and Scenario C



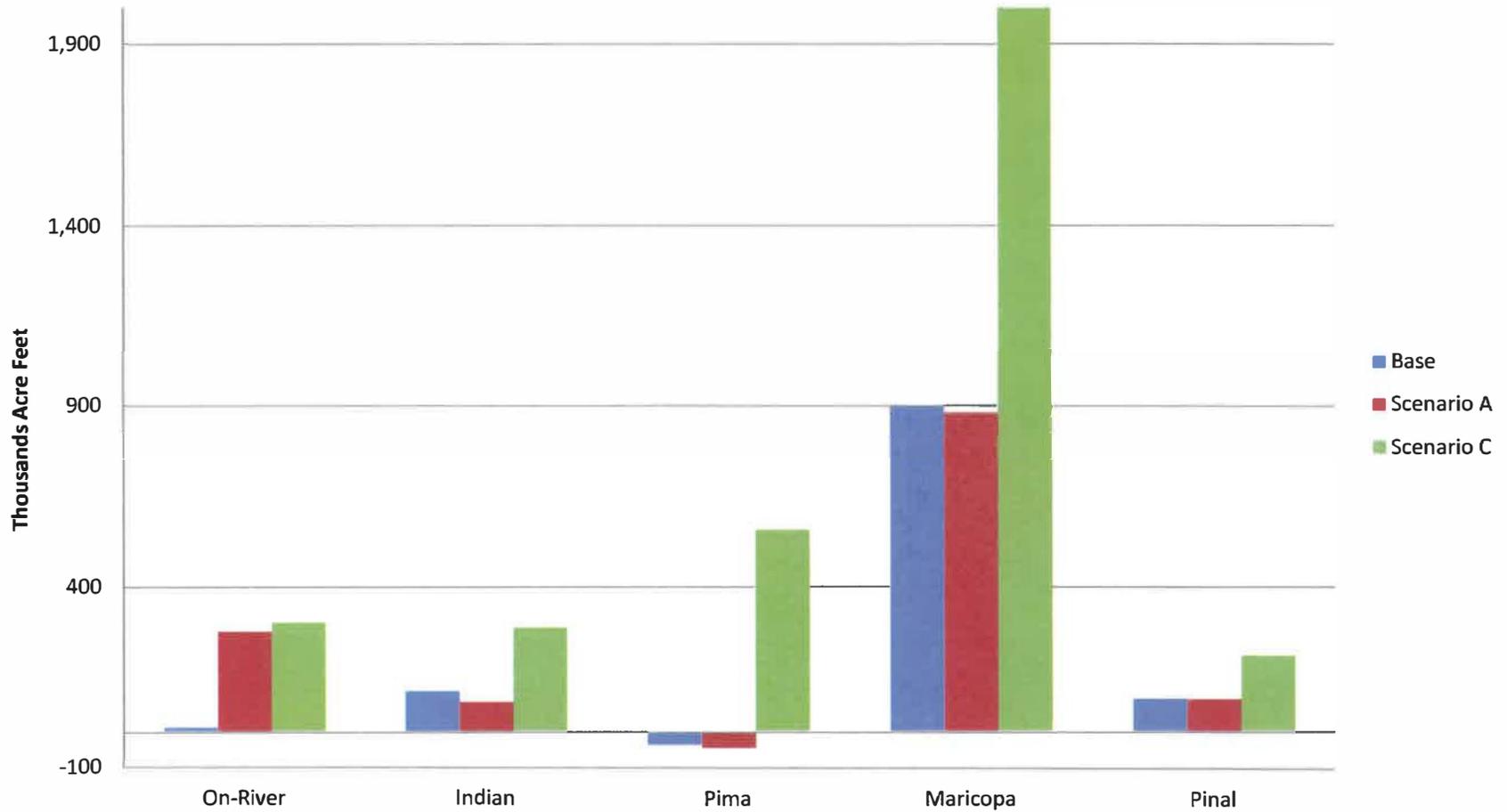
Number of Shortages

Base, Scenario A and Scenario C



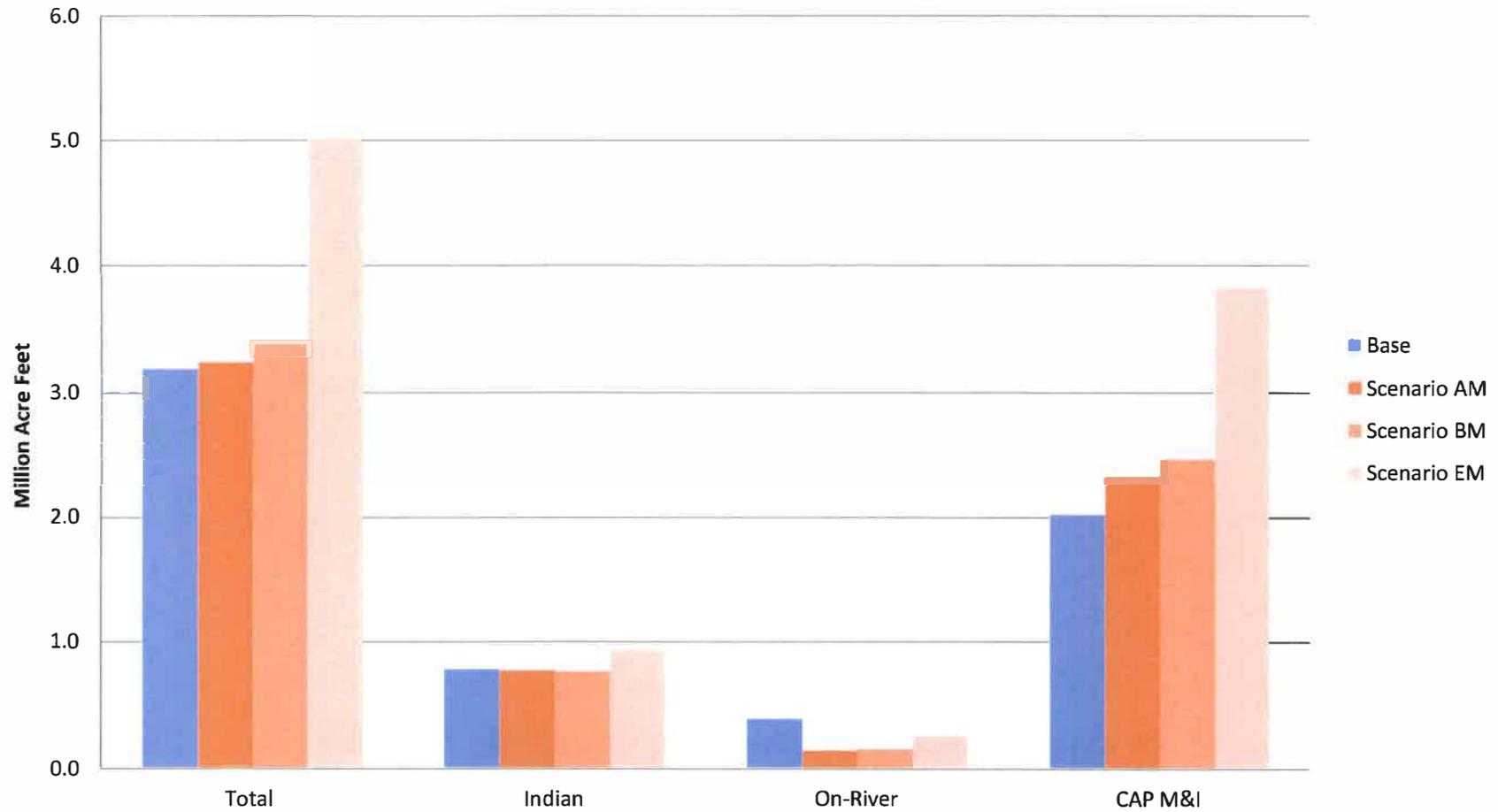
Credits Remaining

Base, Scenario A and Scenario C

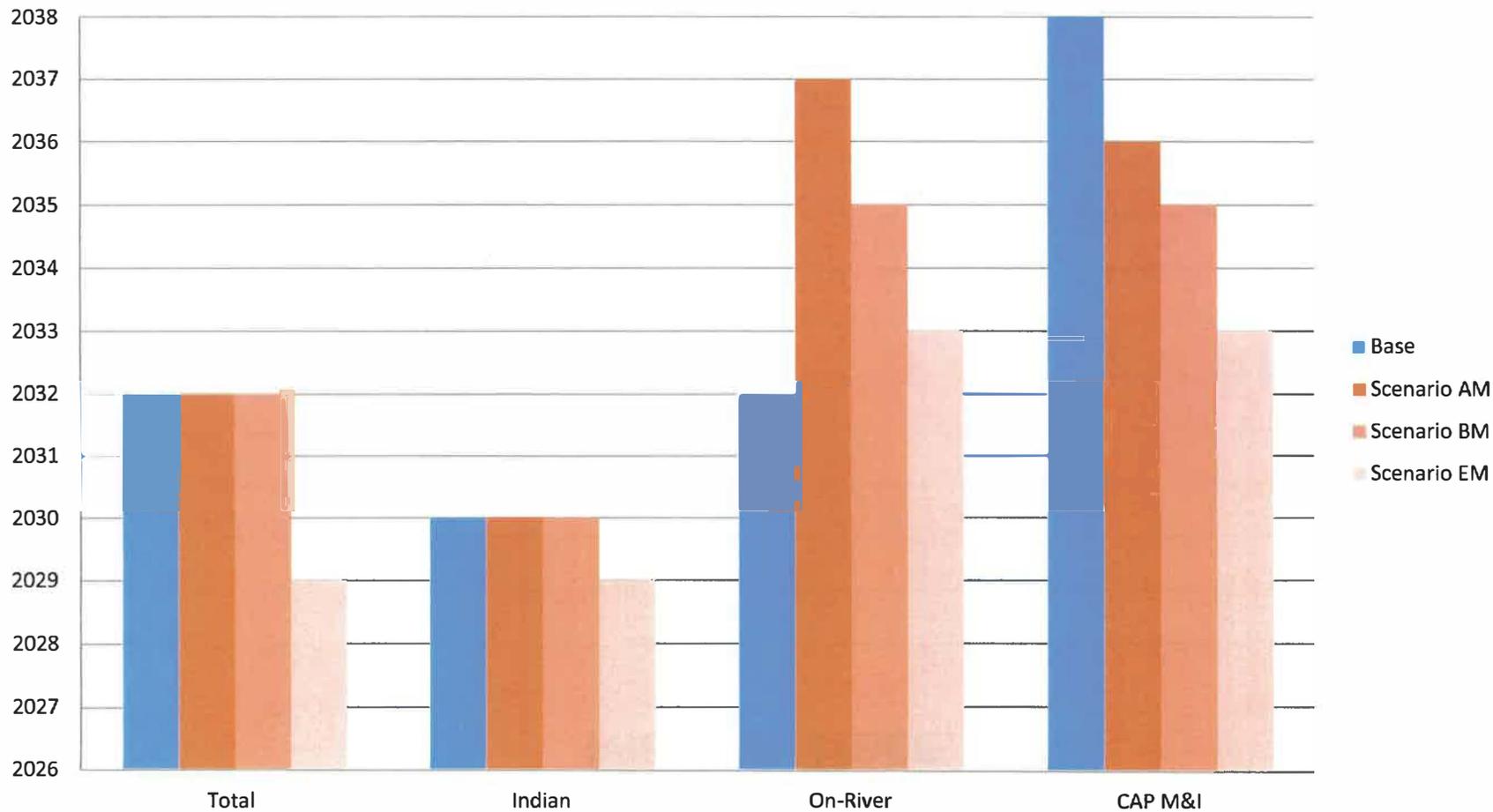


Shortage Volume

Median Traces

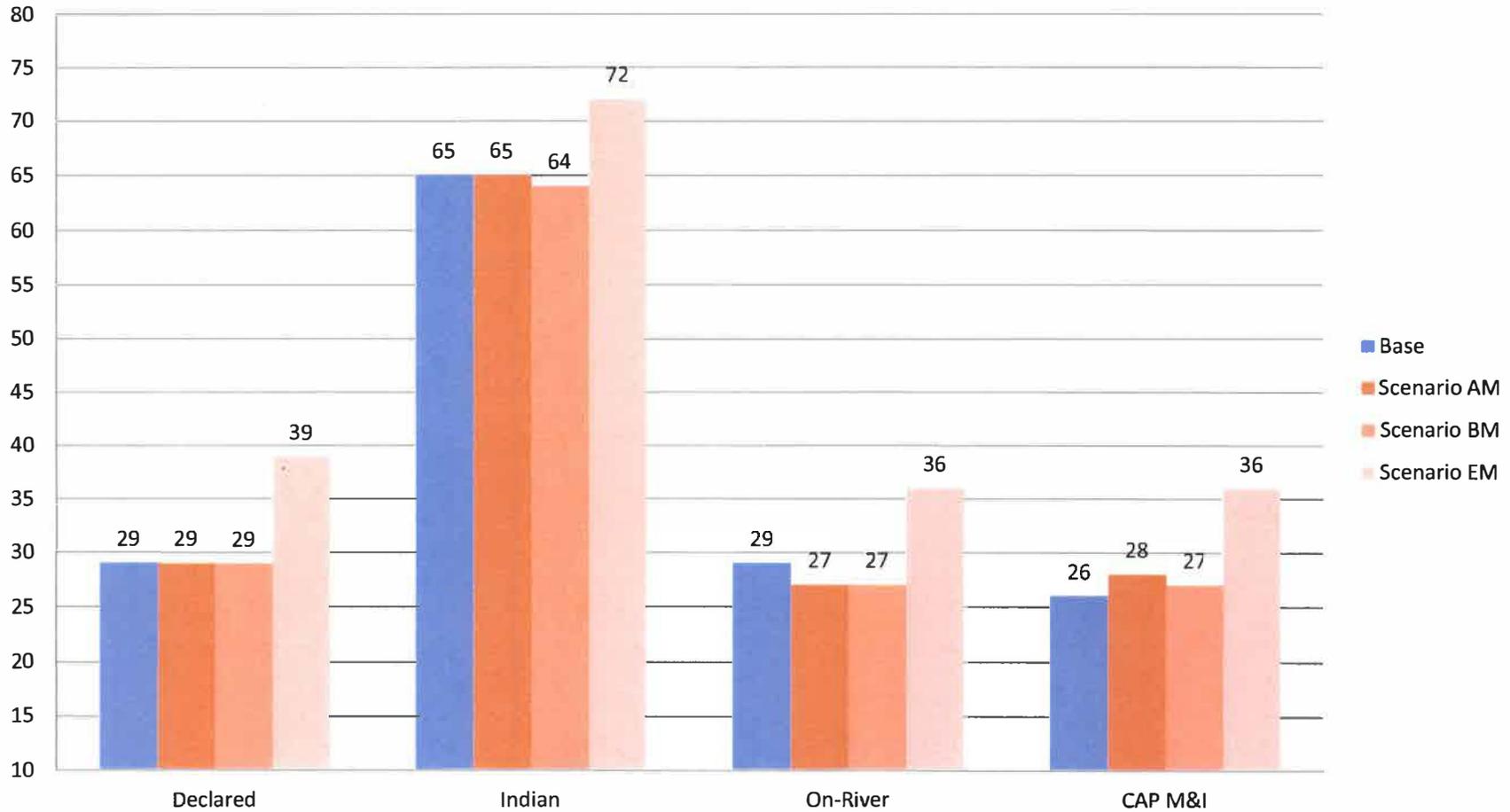


First Shortage Year Median Traces



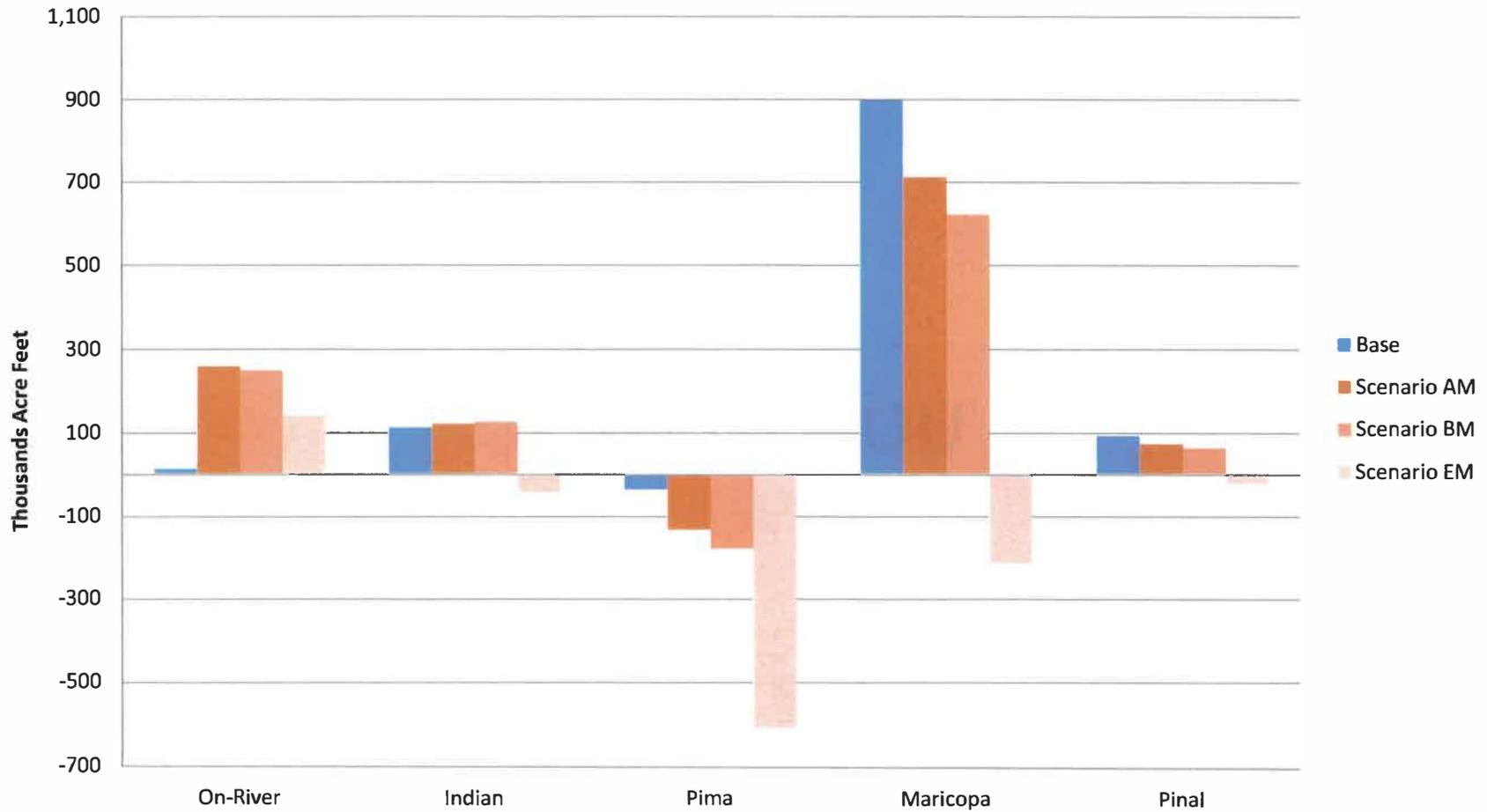
Number of Shortages

Median Trace



Credits Remaining

Base, Scenario A and Scenario C



Discussion

DRAFT 12-05-11

ARIZONA WATER BANKING AUTHORITY

ANNUAL PLAN OF OPERATION

2012



Sandra A. Fabritz-Whitney, Chairman

December 2011

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. By storing this unused water the AWBA secures a dependable water supply 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 Project service area and along the Colorado River in times of shortages;
- Meeting the management plan objectives of the Arizona Groundwater Code;
- Meeting the State's obligation pursuant to Indian Water Rights Settlements;
- Assisting the Colorado River fourth priority municipal and industrial users in developing credits that could be used to increase their future supplies; 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 canal. The water is stored underground in existing 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 credit that can be redeemed in the future when Arizona's communities, Indian Tribes 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. Included as a benefit to the AMA are both municipal and industrial firming and Indian firming.
- A four cent *ad valorem* property tax collected in the three county CAP service area. These monies can only be used to benefit the county in which the tax is levied.
- A general fund appropriation received at the discretion of the Legislature.

Another source of funding is used for water storage to aid Nevada (interstate storage) and is received pursuant to an Agreement for Interstate Water Banking.

In 2012, the Water Bank will store approximately 119,000 acre-feet of water at a cost of approximately \$15 million. The amount of water available to the AWBA was decreased because CAWCD reduced the amount of water in the pool available to the AWBA. The amount of water available overall in Excess Cap water pool has decreased because of increased demand from priority M&I subcontractor and Indian orders. This trend is expected to continue into the future. There is no interstate storage planned for 2012.

Furthermore, the AWBA will deliver an additional 1,000 acre-feet of water for the Southside Replenishment Bank at a cost of \$122,000.

To date, the AWBA has delivered for storage approximately 3.9 million acre-feet (MAF) of water at a cost of \$287 million; 3.3 MAF for intrastate storage at a cost of \$178 million and 594,000 acre-feet for interstate storage at a cost of \$109 million. A total of 3,000 acre-feet has been delivered for Southside Replenishment purposes at a cost of \$348,000.

INTRODUCTION

The Arizona Water Banking Authority (AWBA) was created to store Arizona's unused Colorado River water entitlement in western, central and southern Arizona to develop long-term storage credits to: (1) firm existing water supplies for municipal and industrial users (M&I) along the Colorado River and Central Arizona Project (CAP) M&I users during Colorado River shortages or CAP service interruptions; (2) help meet the water management objectives of the Groundwater Code; and (3) meet the State's obligations in the settlement of Indian water rights claims. Changes in the AWBA's enabling legislation in 1999 authorized the AWBA to participate in other water banking activities, however, no new water banking activities are included in this annual Plan of Operation.

The AWBA's storage of water is accomplished through the Underground Water Storage, Savings and Replenishment Act enacted by the Arizona legislature in 1994 and administered by the Arizona Department of Water Resources (ADWR). Through this program, the AWBA stores renewable water that currently has no immediate direct use in either underground storage (USF) or groundwater savings (GSF) facilities. A USF is a facility that allows water to physically be added to an aquifer. A GSF is a facility where the water is used in place of groundwater, creating a groundwater savings. The program mandates the accounting of the water stored and the development of long-term storage (LTS) credits. The LTS credits developed will then be utilized by the AWBA when future conditions warrant. The use of LTS credits for the three objectives listed is dependent on the source of funds utilized to develop them.

The AWBA is required by statute to approve an annual Plan of Operation (Plan) by January 1 of each year. Prior to approval of the final Plan, the AWBA is required to solicit public comment. A draft of the Plan was presented to the Groundwater Users Advisory Councils (GUAC) for the Phoenix, Pinal and Tucson Active Management Areas (AMA). Presentation of the draft Plan must be made at publicly-noticed open meetings at which members of the public are permitted to provide comment. The AWBA also makes the Plan available on its web page and accepts public comment in writing up to the time the final draft Plan is presented for approval.

The Plan is intended to govern the operations of the AWBA over the course of the entire calendar year. The AWBA recognizes that day-to-day adjustments in the normal operations of the CAP or the individual storage facilities may affect the actual monthly deliveries made on behalf of the AWBA. If the adjustments do not impact the overall annual delivery projections contained in the Plan, they will be addressed by staff and reported to the AWBA members on an as-needed basis.

2011 PLAN OF OPERATION

In 2011, the AWBA recharged and directly delivered approximately 137,440 acre-feet of Colorado River water. Arizona is forecast to use its full entitlement of 2.8 MAF (see Figure 1).

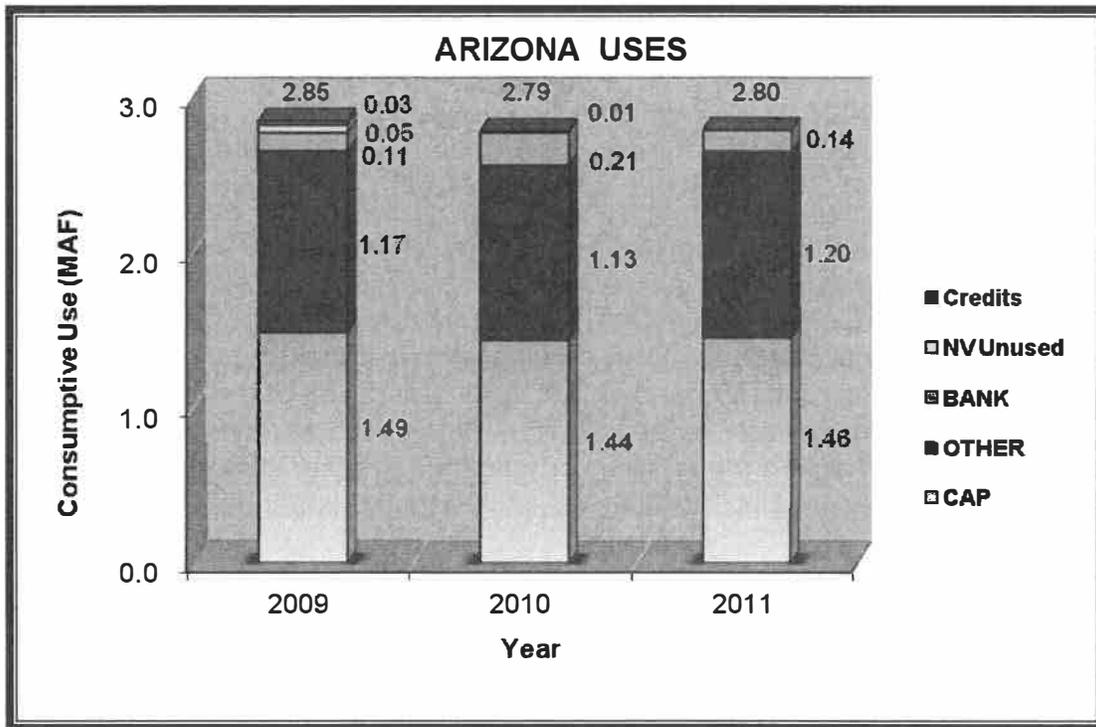


Figure 1. Recent Comparison of Colorado River Water Uses by Arizona

Forecasted direct use of Colorado River water in the Lower Basin is 7.37 MAF in 2011 (see Figure 2). California and Nevada also created Intentionally Created Surplus in 2011 for use in future years.

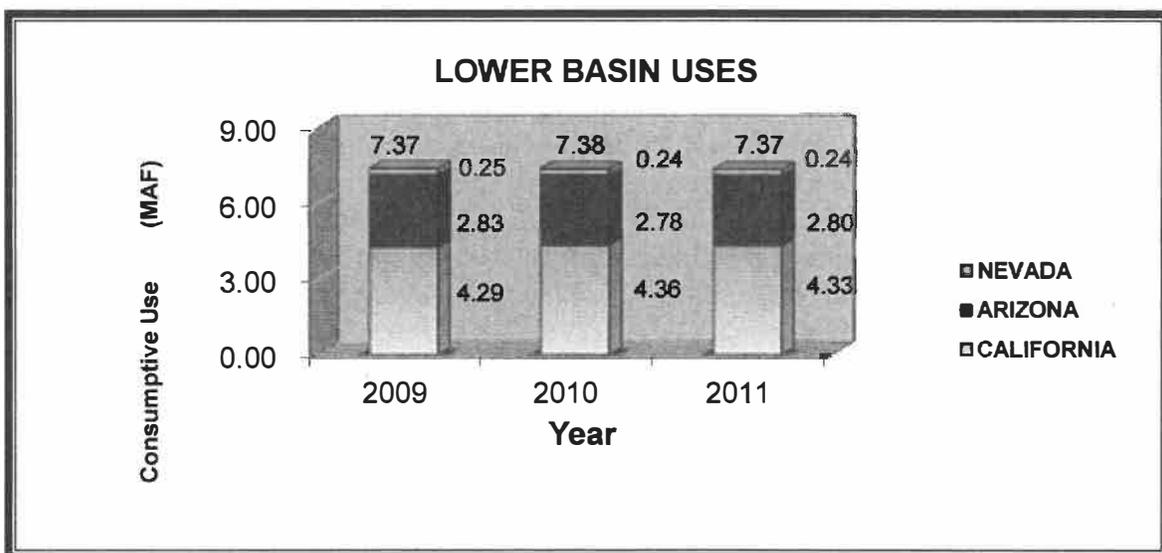


Figure 2. Recent Comparison of Lower Basin Uses of Colorado River Water

The AWBA recharged water at both USFs and GSFs in 2011. Table 1a lists the AWBA's recharge partners for 2011, the amount of water that can be stored under each AWBA water storage permit, and the amount of water delivered to the facility by the AWBA in 2011. Values are based on actual deliveries through October with November and December deliveries estimated. The amount of water delivered to a facility is always greater than the amount of long-term storage credits earned by the AWBA because credits are computed by subtracting approximately 3% for losses and 5% for a "cut to the aquifer" from the total annual deliveries. Final figures for credits earned generally become available in the middle of the following year after review of the annual reports filed with the ADWR and are reported in the AWBA's Annual Report.

Table 1a. Recharge Partners and Water Deliveries for 2011

AMA	Facility	Type	Permit Capacity (acre-feet)	Delivered (acre-feet)	
				Intrastate	Interstate
PHOENIX AMA	Tonopah Desert	USF	150,000	53,830	0
	New Magma ID	GSF	54,000	5,000	0
	Queen Creek ID	GSF	28,000	7,055	0
	<i>Intrastate/Interstate AMA Subtotal</i>			65,885	0
	<i>Phoenix AMA Subtotal</i>			65,885	
PINAL AMA	Central Arizona IDD	GSF	110,000	22,500	0
	Hohokam IDD	GSF	55,000	4,120	0
	Maricopa-Stanfield IDD	GSF	120,000	7,500	0
	<i>Intrastate/Interstate AMA Subtotal</i>			34,120	0
	<i>Pinal AMA Subtotal</i>			34,120	
TUCSON AMA	Avra Valley	USF	11,000	1,636	0
	Lower Santa Cruz	USF	50,000	11,801	0
	SAVSARP	USF	60,000	20,923	0
	Cortaro-Marana ID	GSF	20,000	1,000	0
	Kai Farms-Red Rock	GSF	11,231	1,077	0
	<i>Intrastate/Interstate AMA Subtotal</i>			36,437	0
	<i>Tucson AMA Subtotal</i>			36,437	
TOTAL INTRASTATE & INTERSTATE DELIVERIES					0
TOTAL RECHARGE DELIVERIES				136,442	

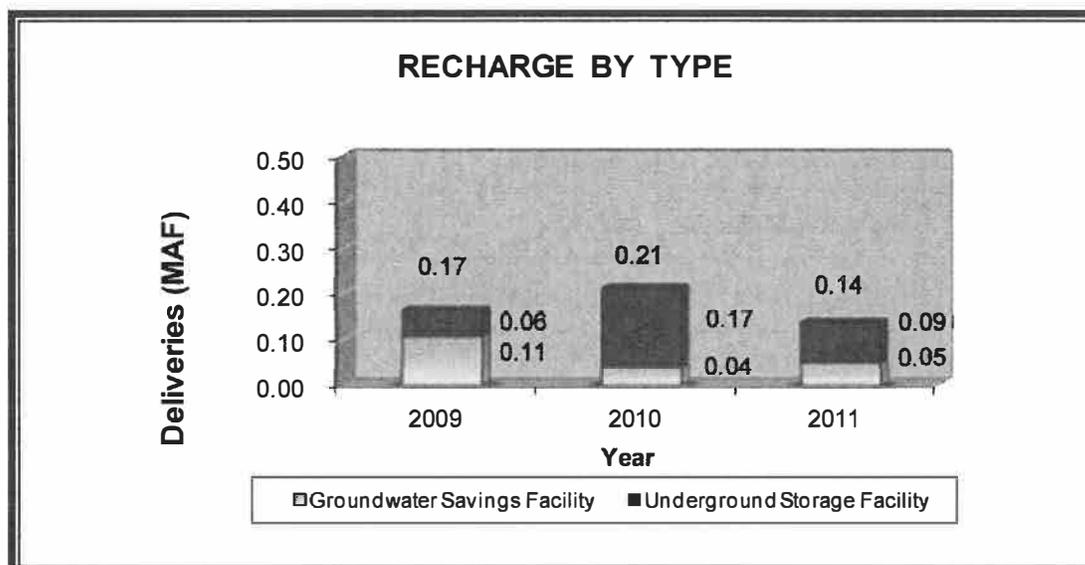
In addition to recharge deliveries, the AWBA also delivered water to meet the requirements of the Gila River Indian Community Water Settlement Program (Settlement Program). In 2009, the AWBA entered into an intergovernmental agreement (IGA) with the Gila River Indian Community that identifies the procedure for delivering water for meeting a replenishment obligation and/or for establishing the Southside Replenishment Bank identified in the Settlement Program. While these deliveries do not accrue long-term storage credits that may be recovered in the future, the Replenishment Bank receives a credit for each acre-foot of water delivered. The replenishment bank can be used to offset any replenishment obligations created as a result of pumping limitations included in the Arizona Water Settlements Act (Settlements Act). Table 1b identifies the amount of water the AWBA delivered to the Replenishment Bank. There was no replenishment obligation in 2011.

Table 1b. Replenishment Deliveries

Southside Replenishment Activities	2011 Deliveries (acre-feet)	Cumulative Deliveries (acre-feet)
Replenishment Obligations	0	0
Replenishment Bank	1,000	3,000
TOTAL DIRECT DELIVERIES	1,000	3,000

The AWBA again participated in the AWBA and Central Arizona Groundwater Replenishment District (CAGRDR) Replenishment Reserve Excess CAP water pool created by CAWCD. The 2011 Plan identified the delivery of 137,441 acre-feet of water for storage. The Plan was amended in August to reflect the redirection of water supplies from the Tucson AMA to the Pinal AMA. The Plan was also amended to include an additional cost share component paid by the Pinal AMA groundwater savings facility (GSF) operators for the redirected water supplies. For 2011, the AWBA delivered for storage an estimated 137,441 acre-feet of water: Figure 3 shows the acre-foot breakdown between GSFs and USFs for 2011 and a comparison between 2011 and previous years.

Figure 3. Recent Comparison of Annual Deliveries to GSFs and USFs



2012 PLAN OF OPERATION

The AWBA will store 119,002 acre-feet of intrastate water in 2012. Water storage will be occurring in facilities in all three counties. The AWBA is not planning any interstate storage. The AWBA will also deliver 1,000 acre-feet of water for the Southside Replenishment Bank.

When developing a Plan of Operation, the AWBA evaluates four critical factors: (1) the amount of water available to the AWBA for delivery; (2) the CAP capacity available to the AWBA for the delivery of water; (3) the funds available and the costs required to deliver the water; and (4) the capacity available for use by the AWBA at the various recharge facilities. In addition to these critical factors, the AWBA takes into consideration recommendations made by the Groundwater Users Advisory Councils (GUAC) of the three AMAs regarding water management objectives and priorities for storage. For 2012, the amount of water available to the AWBA is the limiting factor for this Plan.

I. Water Availability

The factor of water availability consists of two parts: (1) the amount of water available on the Colorado River for diversion by the CAP within Arizona's allocation; and (2) the amount of CAP water available to the AWBA for delivery under the existing pool structure.

The proposed Annual Operating Plan (AOP) for water year 2012 distributed by the Bureau of Reclamation (Bureau) stated that the Intentionally Created Surplus (ICS) Surplus Condition is the criterion that will govern the release of water for the states in the Lower Basin during calendar year 2011. Because Arizona has not created ICS, the State will operate under normal conditions, which allows 2.8 MAF of water available for use within Arizona. Arizona's on-river use is forecast to be 1.21 MAF, leaving approximately 1.59 MAF available for diversion by CAP.

For 2012, the AWBA will purchase water from the Excess CAP water pool that is available for use by the AWBA and CAGRD for replenishment reserve purposes. Under this pool the AWBA shares an equal priority for municipal and industrial (M&I) firming with the CAGRD for replenishment reserve purposes. The Federal government may also order water from this pool for the purpose of meeting its Indian firming obligations. The CAWCD Board of Directors (Board) originally identified a volume of 175,000 acre-feet for this pool. However for 2012, due to higher than expected priority M&I subcontractor and Indian orders the CAWCD Board modified the quantity available in this pool to approximately 137,000 acre-feet.

Subtracting the projected uses for the CAGRD replenishment reserve (5,525 acre-feet) and the Bureau (11,768 acre-feet), leaves a remaining balance of approximately 120,002 acre-feet for the AWBA.

II. CAP System Capacity

Under normal operating conditions, CAP can divert approximately 1.6 MAF of water. Reclamation estimates that approximately 1,587,000 acre-feet will be available for delivery by the CAP in 2012. This quantity includes the volume of water available to the AWBA. Because there is still capacity available in the CAP to deliver additional supplies, capacity within the CAP for the delivery of AWBA water is not a limiting factor in this Plan.

III. Available Funds

The AWBA will have withdrawal fees collected in 2012 available for use in this Plan. Total withdrawal fees are estimated at \$3.1 million, which includes \$1.5 for the Phoenix AMA, \$1.2 million for the Pinal AMA and \$400,000 for the Tucson AMA.

As in previous years, the CAWCD Board resolved to continue to retain the county *ad valorem* property taxes collected and not transfer those revenues to the AWBA Fund. Property tax revenues retained by CAWCD can be used to offset the cost of AWBA water deliveries in the tri-county CAWCD service area. The estimated *ad valorem* tax balances available for 2012, including carryover, are: Maricopa County (\$129 million), Pinal County (\$1.3 million), and Pima County (\$5.42 million).

While funding was not a limiting factor in developing the Plan for the Phoenix AMA, funding did limit the amount of water available for storage in the Pinal and Tucson areas. The amount of funds collected in both the Pinal and Tucson AMAs is expected to be a limiting factor in these areas in the future.

IV. Available Storage Facility Capacity

AWBA staff conferred with facility operators to discuss their delivery schedules and their continued interest in participating with the AWBA. These discussions confirmed that there was significant interest from facility operators in all three AMAs in partnering with the AWBA. If additional supplies become available, the AWBA still has sufficient capacity to meet its anticipated needs. Storage capacity is therefore not a limiting factor for this Plan.

The Water Delivery Schedule (Table 2) identifies the AWBA's partners for 2012 and the amount of water scheduled to be recharged. The second column in this section identifies the AWBA's water storage permit capacities for each facility based on the facility permits. The capacity available as shown does not always equate to the storage permit capacity because the storage facility operators may have agreements with other storage partners. In addition to recharge deliveries, Table 2 also identifies the amount of water scheduled for meeting the AWBA's Southside Replenishment obligations.

SHORTAGE REPARATION FUNDS

Southern Nevada Water Authority (SNWA) agreed to provide \$8 million to the AWBA to assist Arizona in offsetting impacts from shortages pursuant to the Arizona-Nevada Shortage-Sharing Agreement. Approximately \$3 million of these funds has been

expended since 2008. If additional water becomes available the AWBA will evaluate the feasibility of expending a portion of these funds to purchase that additional water.

NEW FACILITIES

CAWCD's Superstition Mountains Recharge Project (SMRP) has been included in the Plan for the first time. The facility is permitted for 25,000 acre-feet per year. The AWBA is expecting to store approximately 4,000 acre-feet at the facility in 2012.

**Table 2
Water Delivery Schedule (Acre-Feet)
Calendar Year 2012**

AWBA-Recharge Sites		Permitted Capacity (AF)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
PHOENIX AMA :															
USF	HIEROGLYPHIC MTN	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	150,000	4,000	4,000	8,000	7,000	412	0	0	0	0	0	0	0	23,412
	SUPERSTITION MTNS	25,000	0	1,000	1,000	1,000	350	0	0	0	0	0	0	0	3,350
															26,762
GSF	NEW MAGMA	54,000	0	0	4,000	4,000	4,000	4,000	4,000	4,000	4,000	2,000	0	0	30,000
	QUEEN CREEK	28,000	0	0	0	0	0	0	175	1,343	2,285	1,142	1,143	1,142	7,230
	TONOPAH ID	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0
															37,230
AMA TOTAL INTRASTATE			4,000	5,000	13,000	12,000	4,762	4,000	4,175	5,343	6,285	3,142	1,143	1,142	63,992
PINAL AMA :															
GSF	CAIDD	110,000	0	0	0	0	500	1,500	1,500	4,170	1,000	0	0	0	8,670
	HOHOKAM	55,000	734	0	0	0	0	0	0	0	734	734	734	734	3,670
	MSIDD	120,000	508	636	1,589	1,335	1,335	636	318	318	572	500	670	254	8,670
															21,010
AMA TOTAL INTRASTATE			1,242	636	1,589	1,335	1,835	2,136	1,818	4,488	2,306	1,234	1,404	988	21,010
TUCSON AMA:															
USF	AVRA VALLEY	11,000	0	0	0	0	0	0	0	0	0	260	670	670	1,600
	LOWER SANTA CRUZ	50,000	2,000	2,000	2,000	2,000	2,000	0	0	0	2,000	1,000		700	13,700
	CAVSARP	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	SAVSARP	60,000	2,000	2,000	2,000	2,000	2,000	0	0	0	0	1,000	2,000	2,000	15,000
															30,300
GSF	CORTARO-MARANA ID	20,000	0	0	0	500	500	500	500	0	0	0	0	0	2,000
	KAI FARMS (Red Rock)	11,231	0	0	0	500	500	500	0	0	0	0	0	0	1,500
	BKW Farms	14,316	0	0	100	100	0	0	0	0	0	0	0	0	200
															3,700
AMA TOTAL INTRASTATE			4,000	4,000	4,100	5,100	5,000	1,000	500	0	2,000	2,260	2,670	3,370	34,000
TOTAL INTRASTATE			9,242	9,636	18,689	18,435	11,597	7,136	6,493	9,831	10,591	6,636	5,217	5,500	119,002
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL RECHARGE			9,242	9,636	18,689	18,435	11,597	7,136	6,493	9,831	10,591	6,636	5,217	5,500	119,002
DIRECT DELIVERY (Non-Storage):															
	Southside Replenishment Bank		1,000	0	0	0	0	0	0	0	0	0	0	0	1,000
	Southside Replenishment Obligation		0	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL DIRECT		1,000	0	0	0	0	0	0	0	0	0	0	0	1,000
TOTAL DELIVERIES			10,242	9,636	18,689	18,435	11,597	7,136	6,493	9,831	10,591	6,636	5,217	5,500	120,002

INDIAN SETTLEMENTS

The Plan does not specifically identify storage to meet the State's firming obligations under the Settlements Act; however it does incorporate replenishment deliveries required under the Gila River Indian Community (GRIC) Settlement Program.

Indian Firming

The Settlements Act recognizes three categories where the State has firming responsibilities. The first two obligations pertain to firming of water for the GRIC and other Arizona tribes in times of shortage for a 100-year period; the third obligation pertains to providing assistance to the Secretary of the Interior (Secretary) in carrying out obligations of the Southern Arizona Water Rights Settlement Act.

1. GRIC - The AWBA must ensure that up to 15,000 acre-feet per year of CAP NIA priority water be made available to the GRIC. The AWBA did not receive a general fund appropriation for 2012 to specifically store water to help meet this obligation. Withdrawal fees may be utilized for Indian firming purposes after appropriated funds are expended. The 2012 Plan does not identify expenditures specifically for this purpose. However, credits accrued through the use of withdrawal fees could be used to meet this obligation if necessary.
2. Other Tribes - The AWBA is also required to firm up to 8,724 acre-feet per year of CAP NIA priority water for other Indian Settlements. The White Mountain Apache Tribe has entered into a settlement which requires the AWBA to firm 3,750 acre feet per year of the 8,724 acre-feet CAP NIA priority water. As with the GRIC obligation, no general fund appropriations were made available for this purpose. However, credits developed in this plan using withdrawal fees could be used for this purpose if needed. Settlements for other Indian Tribes have not been enacted at this time.
3. Federal Assistance - The AWBA has completed the State obligation to contribute \$3 million in cash or in-kind services to assist the Secretary in meeting the Federal obligation to the Tohono O'odham Nation.

Southside Replenishment Bank

In addition to the firming requirements of the Settlements Act, the AWBA, acting as agent for the State, is required to deliver 15,000 acre-feet of water to the GRIC for the purpose of establishing the Southside Replenishment Bank. The AWBA must deliver a minimum of 1,000 acre-feet per year to establish this Bank. The Southside Replenishment Bank will fulfill the obligations created under the Settlements Act for protection of the Reservation from off-reservation groundwater pumping. The 2012 Plan includes 1,000 acre-feet of direct deliveries to the GRIC for this purpose, creating a cumulative total of 4,000 acre-feet toward meeting this obligation.

Assignment of Long-term Storage Credits by the Tohono O'dham Nation

Pursuant to A.R.S. § 45-841.01, the Tohono O'dham Nation (Nation) must offer ten percent of the any credits they accrue at the Mission Mine Complex to the AWBA at a price per acre-foot that is equal to the AWBA's delivery and storage costs at the time of sale. If the Nation offers the AWBA credits in 2012, the AWBA will evaluate the offer to determine if it is reasonable to purchase those credits. While these credits may be used for M&I firming or for water management purposes, there is a restriction that the credits not be recovered within five miles of the exterior boundary of the reservation.

INTERSTATE WATER BANKING

The 2012 Plan does not include an interstate storage for Nevada. The AWBA and SNWA executed a letter agreement, December 9, 2010, which suspends certain provisions of Second Amended Agreement for Interstate Water Banking (Second Amended Agreement). Pursuant to the letter agreement, AWBA agreed to forego storing additional water for SNWA through the end of calendar year 2014 and SNWA has agreed to forego requiring the development of ICUA during this period. In order to accommodate these operational adjustments, and unless otherwise agreed to by the AWBA and SNWA, payment dates specified in Subarticle 2.4.1.2 of the Second Amended Agreement will be extended by six years.

From 2009 to the present, Legislative transfers from the AWBA Nevada Resource subaccount total \$19.65 million.

RECOVERY

No recovery of AWBA long term storage credits is anticipated in this Plan.

Staffs of ADWR, CAWCD and the AWBA have begun meeting to develop a draft Intergovernmental Agreement (IGA) among the ADWR, CAWCD and AWBA. This draft IGA will identify the duties and responsibilities of the parties as they relate to recovery of long term storage credits and delivery of the water created by that recovery. While the actual recovery of AWBA credits for firming is not expected for several years, a better understanding of the how that recovery is expected to occur would be very beneficial. As the staffs continue these efforts they will seek input from all interested parties.

PRICING

In June 2011, the CAWCD Board approved its water delivery rate schedule for calendar years 2011/2012. The AWBA rate for recharge is now equivalent to the rate for excess M&I water at \$137 per acre-foot.

Groundwater pumping costs in the Phoenix, Pinal and Tucson AMAs vary depending on energy sources used and the location of wells, i.e. depth to water. The AWBA cost share in 2012 for the GSF partners in the Phoenix and Pinal AMAs is \$33 per acre-foot for, which is comparable to the average groundwater pumping costs in these areas.

Based on the range of groundwater pumping costs and cost shares paid by other partners, it was determined the cost share in 2012 for the Tucson AMA will be \$15 per acre-foot.

Table 4 reflects the water delivery rate CAWCD will charge the AWBA, the cost share GSF operators pay, and the rates the AWBA pays to utilize different USFs for M&I firming. When storing water for other than M&I firming purposes, the AWBA also pays a facility capital charge component. There is no administrative cost component in the facility cost because the AWBA pays the CAWCD administrative costs on an annual basis. While no interstate banking is anticipated in this Plan the rate established for interstate banking is \$163 per acre-foot, plus facility costs and facility capital costs.

Table 4. 2012 Water and Facility Rates

CAWCD delivery rate to AWBA for water storage	\$137 per acre-foot
Interstate rate	\$163 per acre-foot
Groundwater Savings Facility operator cost share rate ¹	
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 ²	\$8 per acre-foot
Hieroglyphic Mtn. Recharge Project ²	\$8 per acre-foot
Superstition Mountain Recharge Project ²	\$8 per acre-foot
Tonopah Desert Recharge Project ²	\$8 per acre-foot
West Maricopa Combine	\$25 per acre-foot
Avra Valley Recharge Project	\$15 per acre-foot
Lower Santa Cruz Recharge Project ³	\$15 per acre-foot
Pima Mine Road Recharge Project ³	\$15 per acre-foot
Clearwater Facility (CAVSARP/SAVSARP)	\$15.17 per acre-foot
CAWCD rate to AWBA for Southside Replenishment Bank deliveries	\$122 per acre-foot

¹ 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 \$137/af for interstate deliveries.

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

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

ACCOUNTING

The AWBA's enabling legislation required the development of an accounting system that allows the tracking of all credits accrued by the AWBA and the funding sources from which they were developed. The ADWR maintains the accounting of the credits. The AWBA accounts for the expenditure of the funds.

The estimated total cost of the AWBA's 2012 Plan is approximately \$15 million. Table 5 provides estimates of the funds available to be utilized by the AWBA, an estimate of funds to be collected during the year, the funds to be utilized, the entity that holds the funds, and the credits that will accrue to those accounts based on the 2012 Plan.

Table 5. Funding for 2012 Annual Plan of Operation

	Funds Available (\$)		Funds Utilized (\$)		Credits (AF)
	AWBA	CAWCD	AWBA	CAWCD	
Withdrawal Fees					
Phoenix AMA	\$1,500,000	-	\$1,500,000	-	11,390
Pinal AMA ¹	\$1,200,000	-	\$1,200,000	-	9,540
Tucson AMA	\$400,000	-	\$400,000	-	2,470
Four Cent Tax					
Phoenix AMA	\$0	\$129,000,000	\$0	\$6,252,000	47,480
Pinal AMA	\$0	\$1,300,000	\$0	\$1,107,000	9,790
Tucson AMA ²	\$0	\$5,420,000	\$0	\$4,660,000	28,810
Other					
General	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
Gifts, Grants, Donations					
Shortage Reparations (NV):	\$0				
Phoenix AMA		-	\$0		0
Pinal AMA		-	\$0		0
Tucson AMA		-	\$0		0
Interstate Banking- Nevada					
Operating ³		\$0		\$0	0
	Total Funds Available		Total Funds Expended		Credits
	\$138,820,000		\$15,119,000		109,480

¹ Includes expenditure for 1,000 acre-feet of direct deliveries to establish the Southside Replenishment Bank under the Gila River Indian Water Settlement Program.

² Includes revenue from CAWCD's capital charge for 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 2011 is estimated to be \$2,194,811.

³ Pursuant to a letter agreement between AWBA and SNWA executed December 9, 2010, storage of water on behalf of SNWA and annual payments to the Operating account have been suspended through 2014.

The 2012 Plan was developed expending all available withdrawal fees in the three AMAs. The Plan also shows CAWCD utilizing a portion of the four-cent tax collected in Maricopa County and all of the four-cent tax collected in Pinal and Pima Counties to offset water costs to the AWBA.

Table 6 provides an estimate of the AWBA funds expended and the location of the credits accrued since inception.

Table 6. Cumulative Totals of Long-term Storage Credits 1997-2011

	FUNDS EXPENDED	CREDITS ¹ AMOUNT (AF)	LOCATION
Withdrawal Fee			
Phoenix AMA	\$17,134,991	277,760	Phoenix AMA
Pinal AMA ²	\$14,290,367	380,741	Pinal AMA
Tucson AMA ³	\$7,378,472	94,889	Tucson AMA
Four Cent Tax			
Maricopa County	\$80,093,703	1,271,155	Phoenix AMA
Pinal County	\$8,465,665	177,650	Pinal AMA
Pima County	\$35,902,315	360,618	Tucson AMA
Other			
General Fund ⁴	\$11,100,865	403,830	
	\$1,522,115	42,316	Phoenix AMA
	\$6,394,964	306,968	Pinal AMA
	\$3,183,786	54,546	Tucson AMA
Indian Firming Appropriation	\$2,338,171	28,481	
	\$0	0	Phoenix AMA
	\$0	0	Pinal AMA
	\$2,338,171	28,481	Tucson AMA
Shortage Reparations	\$2,999,742	82,050	
	\$1,099,339	20,642	Phoenix AMA
	\$1,708,580	60,181	Pinal AMA
	\$191,823	1,227	Tucson AMA
Pinal Redirect ⁵	N/A	13,800	Pinal AMA
Interstate			
Nevada ⁶	\$109,087,822	600,651	
	\$10,053,945	51,009	Phoenix AMA
	\$86,589,032	439,851	Pinal AMA
	\$12,444,845	109,791	Tucson AMA
TOTAL	\$288,792,113	3,691,625	

¹ Actual credits used for 1997-2010; credits estimated for 2011.

² Includes expenditure of \$348,000 for Southside Replenishment Bank deliveries.

³ Includes expenditure of \$22,698 for the assignment of 234 acre-feet of credits to the AWBA from the Tohono O'odham Nation pursuant to §45-841.01.

⁴ 256,174 AF of credits reserved pursuant to contract with Mohave County Water Authority.

⁵ Credits accrued from water scheduled for the Tucson AMA and redirected to the Pinal AMA for storage at GSFs. Facility operators paid 100% of the water delivery rate.

⁶ Includes 50,000 acre-feet of credits transferred from CAWCD pursuant to Amended Agreement for Interstate Water Banking.

Table 7 identifies the progress made on the AWBA's goals and obligations through 2012.

Table 7. Projected Percent of Goals and Obligations Achieved through 2012

Location and Objective	Funding Source	Goal	Obligation	Non-Credit Goal/Oblig. Achieved	Credits Accrued (AF)	Percent Goal/Oblig. Achieved
Phoenix AMA M&I Firming Groundwater Mgmt ¹	Ad valorem tax Withdrawal Fees	1,566,000 AF			1,318,328 289,461	84% 103%
Pinal AMA M&I Firming Groundwater Mgmt ¹	Ad valorem tax Withdrawal Fees	243,000 AF			187,443 390,277	77% 238%
Tucson AMA M&I Firming Groundwater Mgmt ^{1,2}	Ad valorem tax Withdrawal Fees	864,000 AF			389,415 91,753	45% 56%
On-River M&I Firming ³	General Fund	420,000 AF			403,830	96% ⁴
Indian Settlements: GRIC Firming	Withdrawal Fees	350,000 AF ⁵	up to 15,000 AF/YR		0	0%
Future Settlements	Withdrawal Fees	200,000 AF ⁵	up to 8,724 AF/YR		0	N/A
Federal Assistance Tucson AMA	Appropriation Withdrawal Fees		\$3,000,000	\$3,000,000 \$2,338,171 \$630,490	39,723 34,102 5,621	100%
	Cost of Services ⁶			\$31,339	n/a	
Southside Repl. Bank	Withdrawal Fees		15,000 AF Direct Delivery		4,000	27%
Interstate Water Banking - NV	Contract with Nevada		1,250,000 AF ⁷		600,651	48%
Other: Shortage Reparations- Nevada	Gifts, Grants, Donations	\$8,000,000		\$2,999,748	82,050	37%
Pinal Redirect Credits ⁸	N/A				13,800	N/A

¹ Withdrawal fees could be utilized in addition to 4¢ ad valorem tax revenues for M&I firming if needed to reach firming goals.

² Includes 234 AF credits acquired from the Tohono O'odham Nation pursuant to §45-841. 01.

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. 256,174 AF of credits reserved pursuant to contract with Mohave County Water Authority.

⁴ This percentage reflects full utilization of general fund credits accrued to date and would change as other objectives are identified by the AWBA.

⁵ Based on estimates from the Indian Firming Study Commission Report dated January 6, 2006.

⁶ Include \$14,883 and \$16,456 deducted for payment of cost of services for FY08 and FY09, respectively.

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

⁸ Credits accrued from 15,000 AF of water that was scheduled for the Tucson AMA and redirected to the Pinal AMA for storage at GSFs. These credits will be used for M&I firming in the Tucson AMA and would meet 1% of the firming goal.

PUBLIC REVIEW AND COMMENT

The AWBA staff held meetings with the GUACs for the Phoenix, Pinal and Tucson AMAs as required by statute. The Plan was distributed to the public and was posted on the AWBA web page for public review and comment. In general, the GUACs supported the Plan and had no requests for changes to it.

The City of Tucson/Tucson Water provided comments in support of the 2012 Plan and the AWBA's efforts to meet the M&I firming goal for the Tucson AMA. They also suggested future storage at recharge facilities with existing recovery capabilities, noting the importance of developing a recovery plan and encourage the AWBA's involvement in that process (see letter attached).

Form 7.8

Certification of Posting of Notice

Section 7.6.9

CERTIFICATION OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the attached notice was duly posted at the Arizona Department of Water Resources on bulletin Board @ ADWR at 9:15am in accordance with the statement filed by the Arizona Water Banking Authority.

Dated this 3rd day of October, 2011.


Virginia O'Connell, Technical Administrator