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Wilson	Richard		wilsonwater@aol.com	
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Wilson			mwilson21@cox.net	
Woner	Jeff	Tonopah Irrigation District	TIDDistrictAdmin@krsaline.com	
Wong	Ron	BKW Farms	ron@bkwfarms.com	
Zimmerman	Carol	CAP	carol@zimmermancom.com	
		CAIDD	Glinda@caidd.com	
		CMID	cmid12253@comcast.net	
			aparizona@ap.org	
			hlh51@aol.com	
			no4son@earthlink.net	
			plummernw@aol.com	
			posmon@azleg.gov	
			rburnsaz@cox.net	
			robinson@gilnet.net	
			UmHani@aol.com	
			waterllc@earthlink.net	
			wbaldo@azleg.gov	
			yqliu@hwr.arizona.edu	

Pellegrino Colby SNWA

Colby.pellegrino@SNWA.com

Arizona Water Banking Authority
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Web Page: www.azwaterbank.gov

**NOTICE AND FINAL AGENDA OF MEETING OF
THE ARIZONA WATER BANKING AUTHORITY COMMISSION**

Pursuant to A.R.S. § 38-431.02, notice is hereby given that there will be a meeting of the Arizona Water Banking Authority Commission on Wednesday, **December 3, 2014 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.

The agenda for the meeting is as follows:

- I. Welcome/Opening Remarks
- II. Approval of Minutes
 - September 17, 2014 meeting
- III. Expiration of terms for appointed Commission members
- IV. Water Banking Staff Activities
 - Deliveries
 - Potential future discussions with CAWCD on AWBA participation in Drought Response Program
 - Colorado River status update
 - Re-organization of CAWCD
- V. Discussion of Potential Legislation for the 2015 Session
 - Water storage tax extension
 - General fund appropriation
- VI. Discussion and approval of 2015 Annual Plan of Operation
 - Overview of public comment
 - Approval of 2015 Annual Plan of Operation
- VII. Discussion and approval of CY 2015 Water Delivery Budget
 - Overview of budget
 - Approval of budget
- VIII. Discussion or consultation for legal advice with Commission attorneys concerning the following draft agreements (1) Intergovernmental Agreement between the Arizona Water Banking Authority and the Gila River Indian Community; (2) Purchase and Sale Agreement for Long-term Storage Credits; (3) Lease Agreement for Transportation through the CAP/SRP Interconnection Facility and Storage at the Granite Reef Underground Storage Project and (4) Water Transportation Agreement between Salt River Valley Water Users' Association and Arizona Water Banking Authority. In addition, discussion or

consultation for legal advice with Commission attorneys concerning potential negotiations with CAWCD regarding the AWBA developing Intentionally Created Storage in 2016 and any other item on the agenda. The Commission may discuss these matters in executive session pursuant to A.R.S. §38-431.03(A)(3) and (A)(4). The Commission may decide the matter in the public meeting or defer decision to a later date. Discussions and minutes of the executive session shall be kept confidential.

- IX. Discussion and potential action regarding matters discussed during Executive Session.
- X. Call to the Public

Future Meeting Dates:

Wednesday, March 18, 2015
Wednesday, June 17, 2015
Wednesday, September 16, 2015
Wednesday, December 2, 2015

Dated this 25th day of November, 2014

This is a tentative agenda that is subject to change prior to the scheduled meeting date. Please contact the AWBA at (602) 771-8487 24 hrs in advance of meeting for final agenda.

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

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Michelle Moreno at 602-771-8530 or 602-771-8501 (TDD). Requests should be made as early as possible to allow time to arrange the accommodation.

I. Welcome/Opening Remarks

NOTES:

II. Approval of Minutes of Meeting

NOTES:

Move approval of September 17, 2014 AWBA meeting minutes

ACTION:

Approve minutes with any needed corrections.

ARIZONA WATER BANKING AUTHORITY
Draft Minutes

September 17, 2014
Arizona Department of Water Resources



AUTHORITY MEMBERS
Michael J. Lacey, Chairman
Maureen R. George, Vice-Chairman
Clifford A. Neal, Secretary
Jim Hartdegen
John Mawhinney

EX OFFICIO MEMBERS
The Honorable Andy Tobin
The Honorable Gail Griffin

Welcome/Opening Remarks

Chair Michael Lacey welcomed the attendees. All members of the Authority were present with Jim Hartdegen attending via telephone. *Ex-officio* members, Senator Gail Griffin and Speaker of the House Andy Tobin, were not in attendance.

Approval of Minutes

Chair Lacey asked for a motion to approve minutes from the June 18, 2014 regular quarterly meeting with some clarification changes made on page two. Vice-Chair, Maureen George moved to approve the minutes. Cliff Neal seconded the motion and the minutes were approved.

Water Banking Staff Activities

Monthly Deliveries. Virginia O'Connell, AWBA Manager, gave an overview of deliveries for 2014 stating that deliveries through August were on schedule with 65% of deliveries completed. She explained that there could be some turn back water from the AWBA's groundwater savings facility partners given the recent rains. If so, there is sufficient capacity to store that water at the underground storage facilities.

Colorado River Status Update. Patrick Dent, CAWCD, gave a presentation called "Update on Reclamation Operations and Basin Hydrology". A copy of the Power Point presentation is located on the AWBA's website for this meeting. Highlights included:

- Lake Powell is at 51% of full capacity with 12.31 million acre-feet of storage
- Lake Mead is at 39% of full capacity with 10.13 million acre-feet of storage
- Unregulated inflow into Lake Powell is at 97%
- Most recent storm will increase the estimated inflow for September of 2014
- Intervening flow is below average for all locations measured
- Recent storm systems have resulted in significant water order cuts on the river and within CAP so there may be additional unused water from on-River users and turn back water from CAP customers
- Recent storm events created good flow into Lake Pleasant
- August 24 Month Study shows the lake elevation in Lake Mead at 1,083.37 for January of 2015, so 2015 will be a normal water supply year.

Mr. Neal asked if CAWCD was planning to leave any unused apportionment in Lake Mead as it did last year. Mr. Dent indicated that CAWCD is discussing the matter and some water is expected to be left in Lake Mead but the amount is not known at this time.

Recovery Planning Update. Laura Grignano, CAWCD, gave an update on recovery planning efforts. She indicated that CAWCD is focusing on developing recovery agreements with its customers. Fifteen out of 22 M&I subcontractors recently surveyed

expressed a willingness to discuss potential recovery partnerships. Meetings have been scheduled in September and October to begin those discussions. The ultimate goal is to enter into recovery agreements with customers that have recovery capabilities and are willing to become partners. CAWCD is also planning to discuss recovery partnership opportunities with tribal entities and regional water agencies like the Salt River Project. She explained that CAWCD has also established an internal recovery team to ensure coordination between departments responsible for recovery. She also emphasized that the three agencies (i.e. CAWCD, ADWR and the AWBA) continue to meet on a quarterly basis to discuss pertinent recovery issues.

Indian Settlement Responsibilities. With regard to the White Mountain Apache Tribe settlement, Ms. O'Connell explained the deadline for filing an objection to the settlement in adjudication court ended September 8, 2014. There were two objections filed for the Little Colorado and five for the Gila River general stream adjudication. The court has to consider the objections as well as the terms of the settlement. There could be a hearing scheduled to hear the objections. The settlement is not likely to become enforceable until 2016. There are Federal requirements that must still be met. Once enforceable, the AWBA will have a firming obligation of up to 3,750 AF per year when NIA priority CAP water is insufficient to meet demand. The Federal government has the same firming requirement.

Regarding the settlement with the Gila River Indian Community (Community), AWBA staff continues to work with Community staff on the draft IGA for firming. The negotiating team has taken a timeline approach in developing the IGA, using the AWBA's Ten-Year Plan as the basis for evaluating and preparing for potential future shortages. The IGA will outline the steps that will need to be taken by each party as the possibility of a shortage draws closer. A revised draft is currently under review by Community staff. Substantial progress has been made and both parties feel optimistic that a draft will be available for review by the AWBA Commission at the December meeting.

Finally, Ms. O'Connell briefed Commission members on the general fund appropriation request approved by the Commission at the last meeting. The request was for \$895,000 to meet Indian settlement obligations, specifically to pay for the final 5,000 acre-feet of planned deliveries to the Southside Replenishment Bank (SSRB) in 2015. Staff submitted the request to ADWR. ADWR has decided not to include the request under its budget. Instead, the AWBA will be going forward making the request as part of the legislative budget process.

Mr. Mawhinney asked if AWBA staff would have to work the bill. Ms. O'Connell indicated that Doug Dunham would still be the AWBA's legislative liaison. Chair Lacey added that he would be discussing the process with the Governor's Office the following day. Mr. Mawhinney expressed concern that if the AWBA Commission waits until December it will be foreclosed from moving forward. Chair Lacey indicated that staff already had direction from Commission members and could move forward, and that Ms. O'Connell will keep members updated on the progress.

Discussion on Potential Legislation to Extend the Water Storage Tax

Ms. O'Connell informed Commission members that the Public Policy Committee of the

CAWCD Board held a meeting on September 4th. At that meeting, CAWCD staff presented the 2015 proposed state and federal legislative agendas. Included in the discussions was a recommendation to seek legislation to extend the expiration date of the Water Storage Tax (4-cent ad valorem tax) from 2017 to 2045 and to keep the current statutory language the same. These were initial discussions. The Committee was not scheduled to vote on a recommendation to the full Board. A public information meeting has been scheduled for September 23rd at 10:00 a.m. to discuss this and other proposed state legislation.

Commission members discussed the importance of extending the 4¢ tax and the need to have discussions with CAWCD, the AWBA and stakeholders in advance of the legislative session on how the existing and potential future revenues will be used. Mr. Mawhinney described the history of the CAWCD Board resolution that authorizes use of the 4¢ tax for water banking purposes each year. He expressed concern that the language in the resolutions had become less explicit over time with regard to water banking purposes. He expressed how important CAWCD's commitment to the AWBA is going forward and asked how the AWBA should communicate its concerns at the upcoming information meeting on September 23rd. Ms. George commented that if there was an opportunity, the AWBA should support use of the 4¢ tax for water banking purposes. She also expressed concern that CAWCD would not proceed with the legislation if there were changes to the language other than the date change. She emphasized how important it was to have discussions before heading to the Legislature. Commission member Mawhinney noted that he would be attending the September 23rd meeting.

Mr. Neal asked if the recent credit purchase legislation and related IGA relies upon extension of the tax. Ms. O'Connell indicated the IGA and legislation is silent on what happens if the tax is extended. Several Commission members expressed that support for the extension of the tax should be accompanied by a commitment on CAWCD's part to use the tax to support water banking purposes going forward. Mr. Hartdegen commented that the parties need to look more closely at the statutes and the IGA, and that CAWCD will likely need a better idea of where any credits will be purchased.

Chair Lacey asked for public comments. Jeffery Kros, Arizona Municipal Water Users Association (AMWUA), commented that AMWUA members are not opposed to the extension of the tax, but need more specificity on how the monies will be used. AMWUA members want a better mechanism for allocating those monies, and its members want more accountability and transparency that monies are being used for their intended purpose. He also expressed concern that monies collected in Maricopa County are being used to benefit other counties and that more proportionality is needed. He added that the AMWUA Board would be considering this issue at the end of September.

Draft 2015 Plan of Operation

Ms. O'Connell reviewed the Preliminary Draft 2015 Plan of Operation (Tables 2, 3 & 4). Under the Draft Plan, the AWBA will have 54,100 acre-feet of water available in 2015. Of this amount 49,100 acre-feet will be delivered for recharge in the three AMAs: 15,230 acre-feet in the Phoenix AMA, 9,600 acre-feet in the Pinal AMA, and 24,270 acre-feet in the Tucson AMA. The remaining 5,000 acre-feet will be delivered to the

Southside Replenishment Bank (SSRB). Ms. O'Connell indicated that staff is proceeding with a water storage permit application for the Granite Reef Underground Storage Project (GRUSP) and that the final plan may show some deliveries to GRUSP.

Ms. O'Connell explained that the water delivery rate increased by \$13 to \$179 per acre-foot. Staff is proposing that the cost-share rate paid by groundwater savings facility operators remain the same at \$34/AF for the Phoenix and Pinal AMAs and \$16/AF for the Tucson AMA. She noted that water storage facility rates have increased slightly in both AMAs. Under the 2015 Plan, the AWBA expects to accrue approximately 45,000 acre-feet of credits at a cost of approximately \$8.7 million, which includes just over \$3 million in withdrawal fees, over \$4 million in 4¢ tax monies and the remaining \$2 million in shortage reparation monies. Deliveries to the SSRB will cost \$895,000.

Ms. O'Connell informed Commission members of two items are not currently included in the Draft 2015 Plan: inter-AMA firming and credit purchase. She indicated that Metro Water has expressed an interest in possibly participating in inter-AMA firming, but are not able to make a commitment at this time. If they later decide to participate after the final plan is adopted, the plan would need to be amended. Regarding credit purchase, the AWBA has a potential opportunity in the Tucson AMA to purchase M&I firming credits using 4¢ tax monies. In the Phoenix AMA, AWBA does not have a specific opportunity, but is considering purchasing credits for Indian firming using withdrawal fees.

Mr. Neal asked if Metro Water agrees to participate in inter-AMA firming but the total volume delivered for the year does not change, how will that work? Ms. O'Connell responded saying that whatever volume agreed to for inter-AMA firming would be part of the existing volume planned for deliveries to Metro Water's facility. The difference would be that Maricopa 4¢ tax monies would be used instead of using Tucson monies to pay for the deliveries. Mr. Neal asked if that would require approval by CAWCD. Ms. O'Connell responded that it would not. Mr. Mawhinney moved to direct staff to schedule and hold public meetings on the Draft 2015 Plan of Operation in conjunction with the Groundwater Users Advisory Council Meeting in the Phoenix, Pinal and Tucson AMAs. Ms. George seconded the motion and the motion passed.

Initial Discussion on Future Use of Shortage Reparation Credits

Terri Sue Rossi, AWBA Technical Administrator, reviewed the briefing paper on the "Use of Credits Accrued from Monies Made Available under the Arizona-Nevada Shortage Sharing Agreement". Ms. Rossi explained that when the Commission last addressed the issue in 2008, it decided to use the monies to store water across the three AMAs, but resolved that it was premature to decide how the resulting credits would be used. While immediate resolution of the issue is not necessary before the end of the year, the probability of shortage is becoming more immediate. Because the credits were intended to be used during the interim period, which lasts through 2026, the matter should be addressed before the AWBA has its first firming requirement. Based on historical discussions and what is known now, Ms. Rossi described two ends of a spectrum for the Board to consider: one end described as "First Come First Served" and the other end described as "Allocation based". Under first come first served, firming needs realized early on would be met with shortage reparation credits.

According to the Joint Recovery Plan, this would likely mean Indian and on-River M&I firming.

Members asked for clarification on what is meant by shortage reparation credits would not need to be paid back. Ms. O'Connell explained that credits developed using general fund appropriation monies must be replaced after they are used by the entity that used them, except when they are used for Indian firming. The AWBA was required to reserve a reasonable number of credits using general funds to firm on-River supplies. To date, the AWBA has only accrued 96% of the 420,000 acre-feet needed. Although the general fund credits can be used for any purpose, because the AWBA has not yet met its reserve amount for on-River, it is not likely they would be made available for other firming purposes. She added that credits developed using 4¢ tax monies do not have to be replaced.

Ms. George explained that her position in the past and continues to be that the credits were intended to offset impacts during the interim period. She would advocate that staff develop options reflecting the first come first served end of the spectrum. The other members agreed. As such, staff will prepare alternatives reflecting that direction.

Call to the Public

Val Danos, AMWUA, announced that this would be his last AWBA meeting as he is retiring. Everyone wished Mr. Danos well. Chair Lacey announced the next meeting dates and asked for a motion to adjourn. The meeting adjourned at 11:14 a.m.

III. Expiration of Terms for Appointed Commission Members

NOTES: (No action required)

Call on **Virginia O'Connell** to inform members of their term expirations and the Boards and Commissions application process:

ACTION: None

Terms for Gubernatorial Appointments to the Arizona Water Banking Authority Commission

Under 45-2421.5.C Arizona Water Banking Authority Commission members appointed by the governor serve a six year term of office.

These appointments are currently held by:

1. Clifford A. Neal – who represents an entity that holds a Central Arizona Project M&I subcontract
2. Maureen George - who represents an entity located in a county adjacent to the mainstream of the Colorado river that holds a valid contract with the Secretary executed before June 1, 1996, for diversion and beneficial consumptive use of Colorado river water in that county, and
3. John Mawhinney - who represents a person who is knowledgeable in water resource management.

The term of office for gubernatorial appointments begins and ends on the third Monday in January. The current expiration is January 19, 2015.

Commission members may continue to serve beyond the expiration of the term until a successor is appointed and assumes office. They may also serve more than one term.

Appointments or reappointments are accomplished through an online application process. Applications and instructions can be found on the Office of Boards and Commissions website: <http://azgovernor.gov/bc>. The office is working with Governor-elect Ducey's transition team on the appointments.

IV. Water Bank Staff Activities

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

Call on **Virginia O'Connell** to update members on:

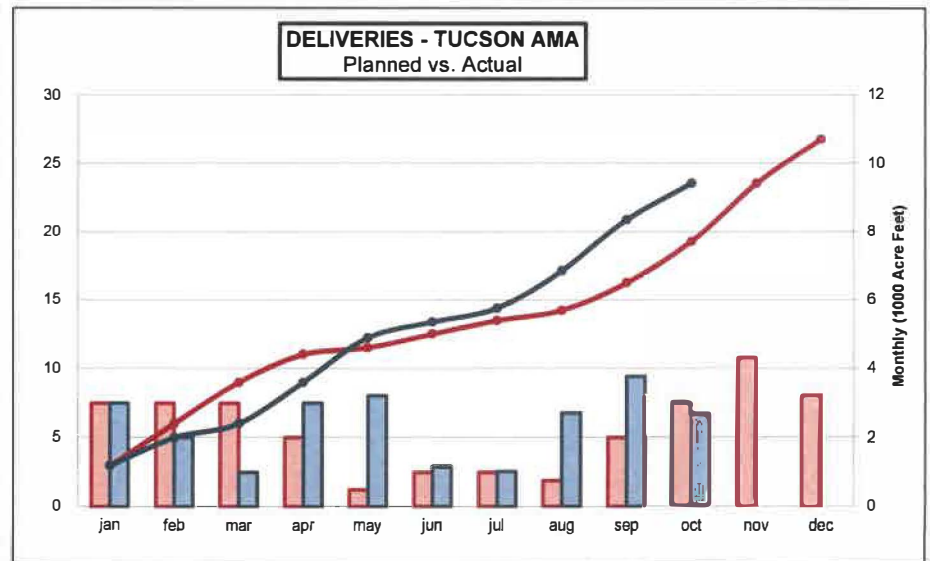
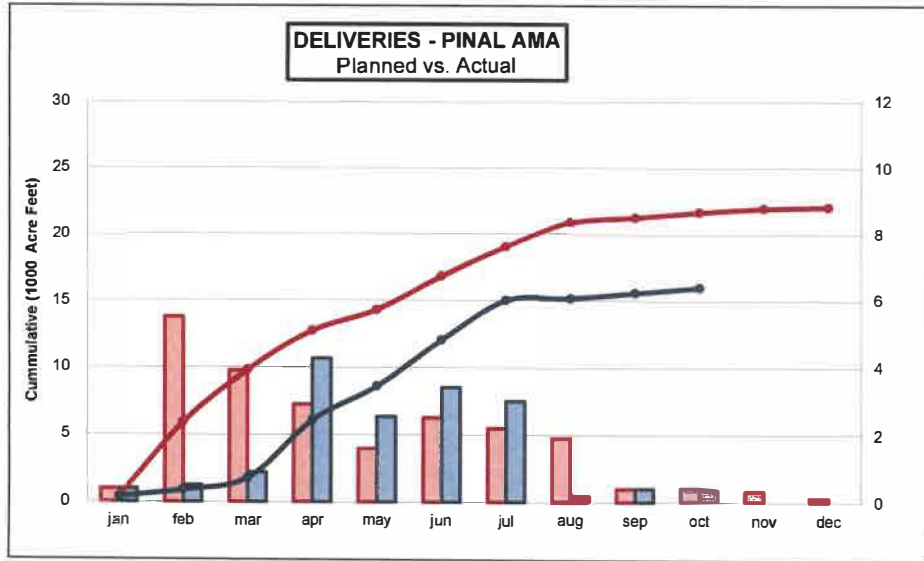
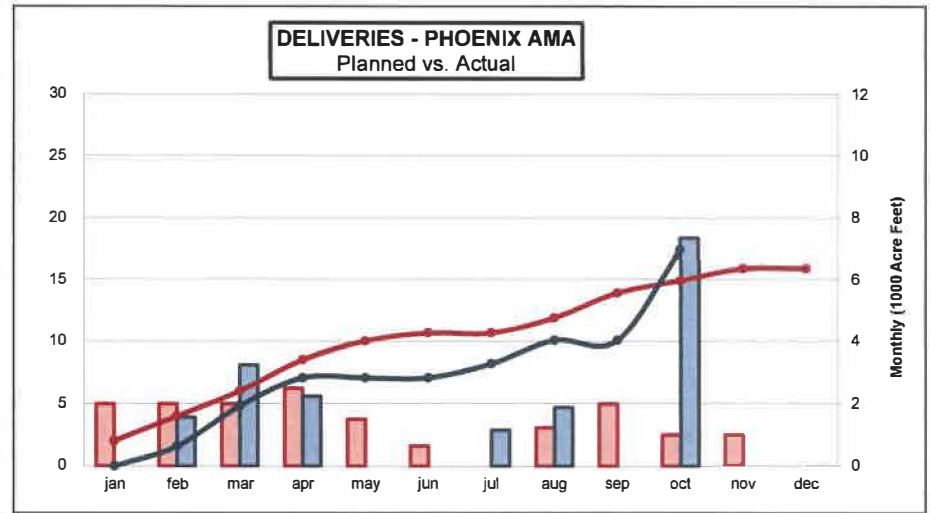
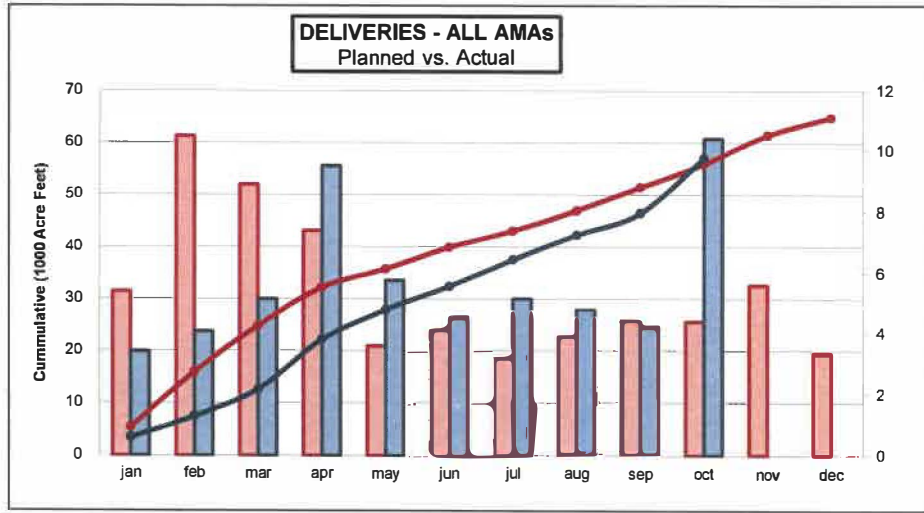
- Monthly deliveries
- Potential future discussions with CAWCD on AWBA participation in Drought Response Plan

Call on **Tom McCann** to update members on:

- Colorado River status update
- Re-organization of CAWCD

ACTION: None

2014 Plan of Operation - INTRASTATE



■ PLANNED (MONTHLY)
 ■ ACTUAL (MONTHLY)
 — PLANNED (CUM)
 — ACTUAL (CUM)

Actual Deliveries 2014
Plan of Operation

24-Nov-14

Phoenix AMA

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
HIEROGLYPHIC MTNS	0	0	1,320	880	0	0	0	860	0	149	0	0	2,809
	500	500	500	500	0	0	0	0	0	0	0	0	2,000
AGUA FRIA	0	548	0	0	0	0	1,132	0	0	1,807	0	0	3,487
	500	500	500	500	1,500	647	0	0	0	0	0	0	4,147
TONOPAH DESERT	0	0	0	0	0	0	0	0	0	382	0	0	382
	0	0	0	0	0	0	0	0	0	0	0	0	0
SUPERSTITION MTNS	0	1,020	1,921	1,559	0	0	2	0	0	0	0	0	4,502
	1,000	1,000	1,000	1,500	0	0	0	0	0	0	0	0	4,500
QCID	0	0	0	0	0	0	0	1,207	0	5,068	0	0	6,213
	0	0	0	0	0	0	0	1,230	2,000	1,000	1,000	0	5,230
Subtotal	0	1,568	3,241	2,239	0	0	1,134	1,867	0	7,344	0	0	17,011
Total to date	0	1,568	4,809	7,048	7,048	7,048	8,182	10,049	10,049	17,393	17,393	17,393	17,393
Projected total to date	2,000	2,000	2,000	2,500	1,500	647	0	1,230	2,000	1,000	1,000	0	15,877

Pinal AMA

CAIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	3,000	2,000	700	0	0	0	0	0	0	0	5,700
HIDD	0	0	0	0	0	2,907	2,793	0	0	0	0	0	5,700
	0	0	0	0	0	2,000	2,000	1,700	0	0	0	0	5,700
MSIDD	400	500	900	900	900	500	200	200	0	0	0	0	4,500
	400	500	900	900	900	500	200	200	400	400	300	100	5,700
SSRB	0	0	0	3,361	1,839	0	0	0	400	400	0	0	5,800
	0	5,000	0	0	0	0	0	0	0	0	0	0	5,000
Subtotal	400	500	900	4,261	2,539	3,407	2,993	200	400	400	0	0	16,000
Total to date	400	900	1,800	6,061	8,600	12,007	15,000	15,200	15,600	16,000	16,000	16,000	16,000
Projected total to date	400	5,500	3,900	2,900	1,600	2,500	2,200	1,900	400	400	300	100	22,100

Tucson AMA

AVRA VALLEY	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	300	700	1,000
LOWER SANTA CRUZ	1,000	1,000	0	0	0	0	0	1,490	3,010	1,160	0	0	7,660
	1,000	1,000	1,000	0	0	0	0	0	1,000	1,000	1,500	0	6,500
PIMA MINE ROAD	0	0	0	0	0	0	0	0	0	1,008	0	0	1,008
	0	0	0	0	0	0	0	0	0	1,000	500	544	2,044
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	2,000	1,000	1,000	3,000	3,000	800	600	500	614	500	0	0	13,014
	2,000	2,000	2,000	2,000	0	0	0	0	1,000	1,000	2,000	2,000	14,000
CMID	0	0	0	0	211	355	423	715	148	0	0	0	1,852
	0	0	0	0	482	1,000	1,000	750	0	0	0	0	3,232
KAI FARMS - Red Rock	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
BKW FARMS	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	3,000	2,000	1,000	3,000	3,211	1,155	1,023	2,705	3,772	2,668	0	0	23,534
Total to date	3,000	5,000	6,000	9,000	12,211	13,366	14,389	17,094	20,866	23,534	23,534	23,534	23,534
Projected total to date	3,000	3,000	3,000	2,000	482	1,000	1,000	750	2,000	3,000	4,300	3,244	26,776

TOTAL	3,400	4,068	5,141	9,500	5,750	4,562	5,150	4,772	4,172	10,412	0	0	56,545
Total to date	3,400	7,468	12,609	22,109	27,859	32,421	37,571	42,343	46,515	56,927	56,927	56,927	56,927
Projected total to date	5,400	10,500	8,900	7,400	3,582	4,147	3,200	3,880	4,400	4,400	5,600	3,344	64,753

V. Discussion of Potential Legislation for the 2015 Session

NOTES: (Action required)

Call on **Ted Cooke** to discuss CAWCD's potential legislation to extend the Water Storage (4-cent) Tax – (Powerpoint presentation)

Call on **Virginia O'Connell** to provide a status update on the AWBA's request for a general fund appropriation for FY 2016.

ACTION: None



4-Cent Tax Extension



4-Cent Tax Extension Outline

- Historical Timeline
- Current Statutory Language
- Proposed Draft Legislation
- CAP Funding Sources
- Historical Collections & Uses
- Continued Relevance
- CAP's Financial Planning
- Known Financial Obligations
- Example Scenarios
- Considerations



4-Cent Tax Historical Timeline

- 1990 – The Arizona Legislature authorizes CAP to collect a property tax in Maricopa and Pima counties to fund the construction of state demonstration projects (i.e. water recharge facilities) for five years (Laws 1990, Chapter 385).
- 1994 – The Legislature modifies the purpose of the tax for OM&R expenses of the CAP and federal repayment, expands the taxing authority to include Pinal County, and extends the tax until 2001 (Laws 1994, Chapter 278).
- 1996 – The Legislature creates the Arizona Water Banking Authority, authorizes AWBA’s use of Four-Cent Tax proceeds pursuant to CAP Board of Directors resolution, and extends the tax until January 1, 2017 (Laws 1996, Chapter 308).

3



Timeline Continued

- 2003 – The Legislature requests a legislative fund transfer of \$9 million from the Arizona Water Banking Fund to address state budgetary shortfalls. The CAWCD Board, by resolution, decides to retain all Four-Cent Tax revenues in a CAP account. In 2004, the Legislature sweeps an additional \$2 million from the AWBA fund. Only interest monies from the four-cent tax are swept.
- Post 2003 – The CAWCD annually adopts a resolution to specify whether Four-Cent tax revenues will be used for federal repayment, OM&R costs, or shared with the AWBA. Each year since, CAWCD has used a portion of Four-Cent tax monies to pay for the costs of AWBA’s delivery and storage of CAP water for M&I firming purposes.

4



Current Statutory Language

48-3715.03 Arizona water banking fund; disbursement of monies

A. The district's board of directors shall annually determine by resolution whether **all or any part of the tax** levied pursuant to section 48-3715.02, subsections B and C shall be applied to the **repayment of the construction costs of the central Arizona project** including interest owed on district repayment contracts or to the **annual operation, maintenance and replacement costs of the central Arizona project**. When the district's board adopts such a resolution, a certified copy of the resolution shall be delivered to the department of water resources and those monies specified in the resolution shall be deposited, pursuant to sections 35-146 and 35-147, in the district fund established pursuant to section 48-3712, subsection A, paragraph 5.

B. **Any taxes** that are levied pursuant to section 48-3715.02, subsections B and C and that are **not deposited in the district fund** established pursuant to section 48-3712, subsection A, paragraph 5 shall be deposited, pursuant to sections 35-146 and 35-147, in the **Arizona water banking fund** established by section 45-2425.



Proposed Draft Legislation

- Although the authority to levy the tax, its purpose, and distribution is contained in permanent law, the four-cent tax since 1994 has been continued and extended through temporary (session) law. One way to extend the tax is by amending session law:

Section 1. Laws 1994, chapter 278, section 14, as amended by Laws 1996, chapter 308, section 23, is amended to read:

Section 48-3715.02, Arizona Revised Statutes, ~~as amended this act~~, is repealed from and after January 1, ~~2017~~ 2045.

- This proposed draft language would have the effect of extending the four-cent tax through January 1, 2045, with no other statutory changes.
- The year 2045 corresponds to the end of CAP's federal repayment obligation (\$55 M annually) and also coincides with planned closure of NGS.



CAP Funding Sources



- Water delivery charges (60% of CAP's budget)
- M&I Capital charges - applied exclusively to repayment
- Power Basin and Development Fund revenues (10% of budget) - applied exclusively to repayment
- 10-cent ad valorem tax, currently collected at the maximum rate
- 4-cent ad valorem tax
- Interest income, reimbursements and other misc. revenues
- CAP is also authorized to issue general obligation and revenue bonds, but does not currently have any bonds outstanding

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What does this cost the home owner?

**\$100,000 value =
\$4.00 per year**

**\$200,000 value =
\$8.00 per year**



**\$400,000 value =
\$16.00 per year**



2

Historical Collections & Uses



- From 1991-1996, four-cent tax collections were used for the construction and operation of state demonstration projects.
- CAP built entire facilities, parts of others, and stored water, under the Board's supervision and a public process.
- 1991-1996 collections for this purpose were \$34.5 million.
- Underground storage projects completed included Avra Valley, Pima Mine Road, Lower Santa Cruz, Agua Fria, Tonopah Desert (partial) and Hieroglyphic Mountains (partial)

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Historical Collections & Uses



- The 1996 legislation that created the AWBA also required the CAWCD Board, by annual resolution, to determine the need and uses of the tax.
- From 1996-2002, the Board of Directors adopted annual resolutions and chose to reserve the four-cent tax proceeds for AWBA authorized purposes.
- During this period, \$75.3 million was collected by CAP and transferred to the Arizona Water Banking Fund for M&I firming.

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Historical Collections & Uses



- In 2003, because of legislative transfers, the Board of Directors resolved to protect four-cent tax proceeds by reserving them in an account maintained by CAP.
- The CAWCD Board continues to annually determine by resolution the need for the four-cent tax and the amount that should be levied according to Arizona law.
- From 2003-2013, \$76.6 million was collected and used by CAP to cover OM&R costs of deliveries to AWBA for M&I firming.

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Historical Collections & Uses



- In summary, since 1996 (through tax year 2013):
 - Approximately \$298 million has been collected.
 - CAWCD Board of Directors has been able to honor every request of the AWBA for four-cent tax revenues (more than \$150 million).
- The CAWCD Board of Directors voted to use \$45 million of 4-cent tax monies as an alternative to collecting additional OM&R fees from customers for 2012 and 2013 and increasing M&I capital charges.
- There is a current balance of \$100.8 million, of which \$78.4 million has been set aside by Board of Directors resolution for M&I firming (2003 – 2009 tax years).

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Historical Collections & Uses



- Virtually 100% of the balance relates to collections from the taxpayers of Maricopa County.
- The distribution of the assessed valuation among the three counties is very lopsided at the present time (78% Maricopa, 17% Pima, 5% Pinal).
- AWBA's statutory restriction regarding the use of four-cent revenues has led to the accrued balance for Maricopa County.
- The AWBA, in its mission to develop long-term storage credits for the state and to track those credits, is required by statute (A.R.S. 45-2457) to keep an accounting system to ensure that expended funds are used to benefit the county from which the funds were derived.

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Historical Collections & Uses



- Unlike the AWBA, geographical statutory restrictions on use of the four-cent tax do not exist for CAP because it is a multi-county special taxing district responsible for serving the needs of its three counties.
- Keeping the tax levied at a flat four cents has served Pima and Pinal counties in striving to meet their M&I firming goals.

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Historical Collections & Uses



- In 2013, several unpredictable energy events occurred that impacted CAP's financial projections.
- CAWCD Board discussed and considered several available options to address the financial situation at various public meeting forums:
 - January 24, 2013 (Finance, Audit and Power)
 - March 7, 2013 (CAWCD Board)
 - March 21, 2013 (Special CAWCD Board meeting)
 - April 4, 2013 (CAWCD Board)
 - April 18, 2013 (Finance, Audit and Power)
- On May 2, 2013, the CAWCD Board of Directors voted to use \$45 million of 4-cent tax monies as an alternative to collecting additional OM&R fees from customers for 2012 and 2013 and increasing M&I capital charges.

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Continued Relevance of the Tax



- CAP's federal repayment continues through 2045.
- CAP's OM&R expenses are ongoing and are expected to increase given future uncertainties.
- AWBA's firming goals are ongoing.

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CAP's Financial Planning



- CAWCD's current financing model is "pay as you go" - all known near-term financial obligations are included in the budget and water rates
- Up to this point, CAWCD's reserves have been adequate for the purposes of:
 - Smoothing out the cash flow related to known financial obligations, e.g., capital projects, allowing rates to be smooth while expenditures may be "lumpy"
 - Dealing with unknown financial obligations that present themselves, e.g., unplanned infrastructure failure
- CAWCD is considering revenue bond financing for some major capital expenditures in the near future (transmission lines) as an additional smoothing mechanism

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Some Major Known Future Financial Obligations



- Colorado river shortage fixed OM&R
- Colorado river structural deficit (augmentation, intentionally created surplus, desalination, etc.)
- CAP Canal Aging Infrastructure
- Recovery Infrastructure and Related Needs
- Navajo Generating Station (if it continues in operation through 2045)
 - 2019 balloon payment on renewal of land lease and coal contract
 - Annual cost increase 2020 renewal of land lease and coal contract
 - Fixed cost to be absorbed from BART closure of one unit 2020
 - Installation of SCRs for BART on two units 2030
- Navajo Generating Station (if it closes prior to 2045)
 - Replacement of SRP power sales revenue (through 2031)
 - Replacement cost of NGS power plus balance of repayment
- Cost of BART and contract renewal NEPA and legal challenges
- Pending carbon legislation

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Example Scenarios: Capital Charges



If NGS closes and have to make up \$30 million from surplus power sales, can only be made up from capital charges

	without funds	utilization of funds
Allocations that pay Capital Charges (af)	750,000	750,000
Lost power sales that increase federal debt repayment	\$30,000,000	\$30,000,000
4 cent tax funds applied	0	\$ (15,000,000)
Net amount to be made up	\$30,000,000	\$15,000,000
Increase per acre-foot	\$ 40.00	\$ 20.00

Decreases capital charge by \$20/acre-foot per year applied

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Example Scenarios: Fixed OM&R Rate



Mitigation of shortage expense of \$30 million per year, which allows Arizona to take its full entitlement.

	without funds	utilization of funds
Annual Deliveries (acre-foot)	1,500,000	1,500,000
Shortage mitigation cost	\$30,000,000	\$30,000,000
4 cent tax funds applied	0	\$ (15,000,000)
Net amount to be made up	\$30,000,000	\$15,000,000
Increase per acre-foot	\$ 20.00	\$ 10.00

Decreases Fixed OM&R rate by \$10/acre-foot per year applied

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Example Scenarios: Fixed OM&R Rate



Shortage occurs which decreases deliveries by 400,000 acre-foot. Normal Fixed OM&R rate is \$60/af

	without funds	utilization of funds	
Annual Deliveries (acre-foot)	1,500,000	1,100,000	1,100,000
Total Fixed OM&R cost	\$90,000,000	\$90,000,000	\$90,000,000
4 cent tax funds applied	0	0	\$ (15,000,000)
Net amount to be made up	\$90,000,000	\$90,000,000	\$75,000,000
Increase per acre-foot	\$ 60.00	\$ 82.00	\$ 68.00

Decreases Fixed OM&R rate by \$10/acre-foot per year applied

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Considerations



- If the 4-cent tax expires, the only place CAWCD can absorb significant new costs is in water rates and capital charges.
- Burden of additional costs will fall exclusively on water users, although the benefits of CAP extend to all citizens in the three counties and the balance of the state. (ASU's Economic Impact of CAP Study, April 2014)
- Future funding needs to ensure CAP reliability.

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VI. Discussion and Approval of 2015 Annual Plan of Operation

NOTES: (Action required)

Call on **Virginia O'Connell** to provide an overview of the 2015 Annual Plan of Operation. (Powerpoint presentation)

ACTION:

Move adoption of the Water Banking Authority 2015 Annual Plan of Operation as submitted with minor or technical changes



Draft 2015 Plan of Operation

Arizona Water Banking Authority

December 3, 2014

2014 Activities

- Normal Operating Conditions
- Lower Basin Estimated Uses (as of Nov. 17, 2014)
 - California – 4.51 million acre-feet (MAF)
 - Nevada – 0.23 MAF
 - Arizona – 2.77 MAF
 - On-River – 1.15 MAF
 - Central Arizona Project 1.61 MAF

2014 Plan of Operation

- Planned water deliveries – 64,753 AF
- Projected end of year deliveries - 74,297 AF
- Deliveries for storage – 26,297 AF
 - Phoenix AMA – 25,421 AF
 - Pinal AMA – 14,100 AF
 - Tucson AMA – 29,776 AF
- Southside Replenishment Bank – 5,000 AF

2014 Storage Deliveries (AF)

Storage Locations		Permitted Capacity (AF)	Delivery Amount
Phoenix AMA	Agua Fria	100,000	3,680
	Hieroglyphic Mtns	35,000	4,467
	Superstition Mtns	25,000	4,502
	Tonopah Desert	150,000	11,183
	Queen Creek ID	28,000	1,589
			25,421
Pinal AMA	Central Arizona IDD	110,000	1,700
	Hohokam IDD	55,000	5,700
	Maricopa-Stanfield IDD	120,000	6,700
			14,100
Tucson AMA	Avra Valley	11,000	900
	Lower Santa Cruz	50,000	9,600
	Pima Mine Road	30,000	2,044
	SAVSARP	60,000	15,380
	Cortaro-Marana ID	20,000	1,852
			29,776
TOTAL STORAGE DELIVERIES			69,297

AWBA Long-term Storage Credits 1997-2014 (Acre-Feet)

Funding Source	Phoenix AMA	Pinal AMA	Tucson AMA	Total LTS Credits
Withdrawal Fees	321,250	406,400	103,330	830,970
Ad valorem Tax (4¢)	1,355,320	207,370	421,990	1,984,690
General Fund	42,320	306,970	54,550	403,830
Indian Settlement Approp.	-	-	28,480	28,480
Shortage Reparation	20,640	60,510	17,750	98,900
Pinal Redirect (costs paid 100% by GSF)	-	14,130	-	14,130
SUBTOTAL	1,739,520	995,370	626,100	3,360,990
Interstate - Nevada	51,010	440,240	109,790	601,040
TOTAL	1,790,530	1,435,610	735,890	3,962,040

* Long-term storage credits estimated for 2014; amounts are rounded

AZ Water Settlements Act Requirement

- AWBA Required to Deliver 15,000 AF to Gila River Indian Community to Establish Southside Replenishment Bank
- Requires Minimum Delivery of 1,000 AF per Year
- Can Be Used to Offset a Replenishment Obligation

Southside Replenishment Activities	2014 Obligations/Deliveries (AF)	Cumulative Obligations/Deliveries (AF)
Replenishment Obligations	0	0
Replenishment Bank Deliveries	5,000	10,000
TOTAL DIRECT DELIVERIES	5,000	10,000

2015 Plan of Operation

Main Components to Consider:

- Water Availability
- Funding
- Storage Facility Capacity

Water Availability

- 2015 Colorado River Lower Basin State Diversions
 - Intentionally Created Surplus (ICS) Operating Condition – 2.7 MAF
 - Creation of up to 100 KAF of ICS
 - Central Arizona Project – 1.5 MAF
 - On-River – 1.2 MAF
- CAWCD Policy for Distributing Excess CAP Water
 - Statutory Firming Pool
 - Volume determined annually
 - 58,726 AF available to pool in 2015
 - AWBA share of pool – 50,448 AF



Funding Sources

- Withdrawal Fees Collected in Phoenix, Pinal and Tucson AMAs
- 4-Cent *Ad valorem* Tax
 - Levied by CAWCD in Maricopa, Pinal, and Pima Counties
 - Retained in CAWCD fund accounts since 2003
 - Utilized by CAWCD to offset AWBA water storage and delivery costs as part of project operating & maintenance costs
- General Fund Appropriations
- Shortage Reparation – Arizona/Nevada Shortage Sharing

Storage Facility Capacity

- Discussions with storage facility operators on storage opportunities
- Significant interest in providing storage capacity
- Water storage agreement for GRUSP in process
- Sufficient storage capacity available if additional water becomes available, but subject to funding availability

2015 Water Delivery Schedule (AF)

AMA	Recharge Sites		Permitted Capacity (AF)	Delivery Amount
Phoenix	USF	Hieroglyphic Mtn	35,000	2,000
		Agua Fria	100,000	4,818
		Superstition Mtns	25,000	2,000
		GRUSP	93,000	1,500
	GSF	Queen Creek ID	28,000	5,230
		Subtotal		15,548
Pinal	GSF	Central Arizona IDD	110,000	3,200
		Hohokam IDD	55,000	3,200
		Maricopa-Stanfield IDD	120,000	3,200
		Subtotal		9,600
Tucson	USF	Avra Valley	11,000	1,800
		SAVSARP	60,000	14,000
		Pima Mine Road	30,000	500
		Lower Santa Cruz	50,000	2,000
	GSF	Cortaro-Marana ID	20,000	500
		Kai Farms	11,231	1,000
		BKW Farms	14,316	500
		Subtotal		20,300
	Direct Delivery – Southside Replenishment Bank			5,000
	TOTAL DELIVERIES			50,448

2015 Water and Facility Rates

Recharge	Cost/AF
CAWCD delivery rate to AWBA for water storage	\$179
Groundwater Savings Facility operator cost share rate	
Phoenix and Pinal AMAs	\$34
Tucson AMA	\$16
Underground Storage Facility rate paid by AWBA	
CAWCD - Phoenix Facilities	\$9
CAWCD - Tucson Facilities	\$15
Avra Valley Recharge Project	\$15.45
Tucson Water Clearwater Facilities	\$15.62
Granite Reef Underground Storage Project	\$15.00
Direct Deliveries	
CAWCD rate to AWBA for Southside Replenishment Bank Deliveries	\$179

Funding for 2015 Annual Plan of Operation

Funding Source	Estimated Available	Estimated Utilized	Estimated Credits (AF)	
			Water Storage	LTSC Purchase
Withdrawal Fees				
Phoenix AMA	\$4,700,000	\$4,700,000	6,280	16,790
Pinal AMA	\$1,500,000	\$2,287,200	3,800	0
Tucson AMA	\$450,000	\$450,000	2,180	0
CAWCD Offset (4-cent tax)				
Phoenix AMA	\$12,800,000	\$1,868,000	8,180	14,290
Pinal AMA	\$800,000	\$800,000	5,130	0
Tucson AMA	\$3,100,000	\$3,100,000	6,990	14,570
General Fund	\$895,000	\$895,000	0	0
Shortage Reparation				
Tucson AMA	\$2,002,200	\$2,002,200	9,710	0
TOTAL	\$28,847,000	\$18,471,200	42,270	45,650

Projected Goals/Obligations Achieved through 2015

Objective	Goal/Obligation	Credits Accrued (AF)	% Achieved
CAP M&I Firming:			
Maricopa County	1,566,000 AF	1,363,497	87
Pinal County	243,000 AF	212,503	87
Pima County	864,000 AF	428,918	50 (w/fees 61 %)
On-River M&I Firming	420,000 AF	403,830	96
Indian Settlements:			
GRIC Firming	15,000 AF/Yr (Est. 350,000 AF)	105,390	30
Future Settlements	8,724 AF/Yr (Est. 200,000 AF)	0	0
Federal Assistance	Contribute \$3,000,000	34,102	100
Southside Repl. Bank	15,000 AF	15,000 (Non-recharge)	100
Groundwater Mgmt:			
Phoenix AMA	-	239,214	
Pinal AMA	-	195,119	
Tucson AMA	-	99,887	
Shortage Reparation	Expend \$8,000,000	108,604	100
Pinal Redirect Credits	-	14,125	n/a

Public Review and Comment

Groundwater Users Advisory Council Meetings

- Phoenix AMA
 - Questions related to type of LTSC proposed for purchase (i.e. public or private)
- Pinal AMA
 - Supported AWBA's plan to make progress on Southside Replenishment Bank responsibilities. Concerns regarding insufficient funding if general fund appropriation not received
- Tucson AMA
 - Continuing support for increased storage in Tucson AMA overall and efforts to store water at USFs with existing or planned recovery
 - Metro Water reaffirmed its commitment as a recharge and recovery partner and provided an update on its Avra Valley project
 - Metro Water also expressed interest in becoming an inter-AMA firming partner

Summary of changes- (changes in the Plan have been highlighted in yellow)

1. Summary

3.6 MAF corrected to 3.4 MAF. The text originally referred to water deliveries and credits. The volume for water deliveries was inadvertently used for the credit total during text revisions.

2. 2014 Plan of Operation

- a. (page 3) – There was a typo in total Arizona uses.
- b. (page 4) – Water deliveries were updated based on recent data from CAP
- c. (page 6, Table 2.) – Pinal AMA withdrawal fee expenditures for storage were corrected. The previous values included expenditures for 2014 Southside Replenishment deliveries.

3. 2015 Plan of Operation

- a. (*Available Funds*, page 8, 2nd paragraph) – A clarifying statement was added explaining that funding would be a limiting factor in the Tucson AMA if additional water becomes available
- b. (*Available Storage Facility Capacity*, Page 8) – Narrative was clarified to show that storage capacity in the Tucson AMA was prioritized based on subcontractor preferences and that if additional water became available only locations of least priority remain available. Even so, any additional storage would still be subject to the availability of funds.

4. Indian Settlements

- a. (*Southside Replenishment Bank*, page 11, 2nd paragraph) – Narrative was changed to clarify that all deliveries to the Southside Replenishment Bank have been paid using Pinal AMA withdrawal fees.

5. Storage for Inter-AMA firming

- a. (page 12, 1st paragraph) – clarifying edits
- b. (page 12, 2nd paragraph) – addition of Metro Water as participant
- c. (page 12, 3rd paragraph) - clarification edit

6. Accounting

- a. (page 15, Table 5) - Correction due to transposed number found in the formula.
- b. (page 16, 1st paragraph) – Language added to show how credit purchases would change progress toward firming goal.
- c. (page 16, Table 6) – Proposed credit purchase was inadvertently included in the total credits for the Tucson AMA

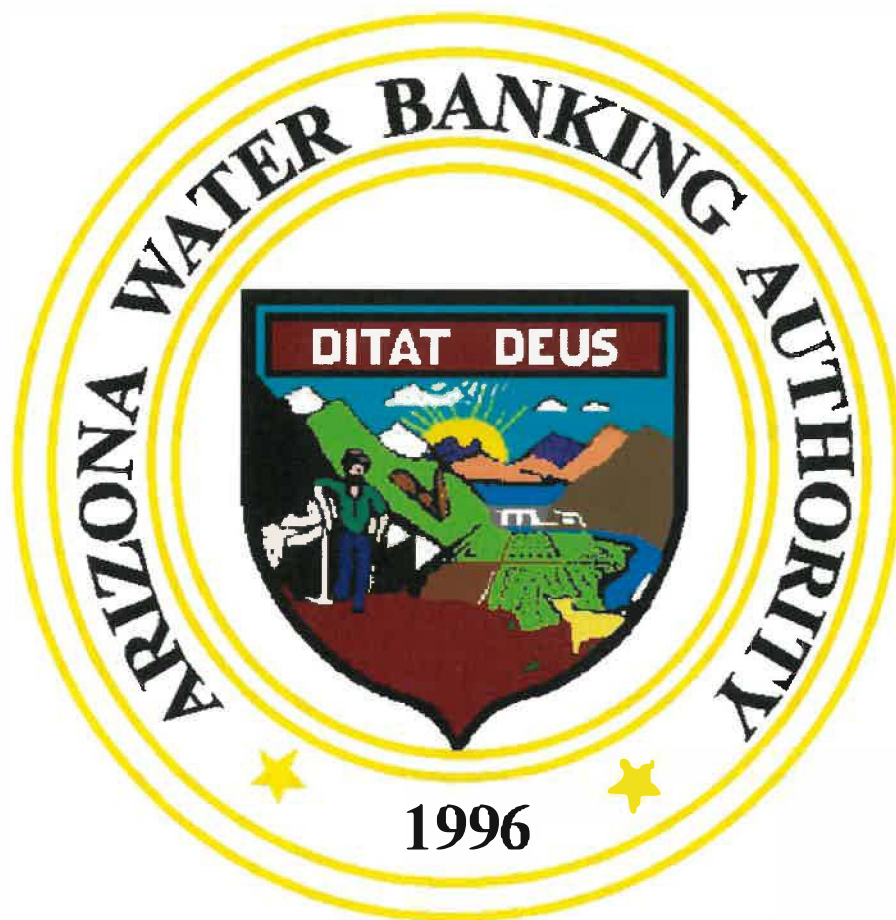
7. Public Review and Comment - updated based on comments received.

FINAL DRAFT

ARIZONA WATER BANKING AUTHORITY

ANNUAL PLAN OF OPERATION

2015



Michael J. Lacey, Chair

December 2014

SUMMARY

The role of the AWBA has changed considerably since its inception in 1996. The AWBA was initially established to utilize the unused portion of Arizona's annual Colorado River entitlement. In doing so, the AWBA's objectives were to store the water to protect Arizona water users against future shortages, to provide groundwater management benefits, and finally to assist both California and Nevada through interstate banking. Over time, as the AWBA's objectives have been clarified, its responsibilities have expanded in some cases to obligations and in all cases to the development of a resource relied upon by many water providers to create a reliable water supply.

During its eighteen years of operation, the AWBA has developed, at the cost of \$218 million, approximately 3.4 million acre-feet (MAF) of long-term storage credits, 2.5 MAF specifically to provide back-up supplies during shortages to certain Arizona cities and Indian communities and over 830,000 acre-feet of credits for groundwater management benefits. Still, to be fully prepared to meet its current obligations and responsibilities, the AWBA will need to develop another 1.1 MAF of credits or their equivalent. Additionally, to establish the Southside Replenishment Bank, a State requirement under the Arizona Water Settlements Act, the AWBA has delivered 10,000 acre-feet of excess CAP water to the Gila River Indian Community at a cost just over \$1.4 million. Finally, the AWBA has developed approximately 550,000 acre-feet of credits for Nevada's use at a cost to Nevada of \$109 million. In addition to these credits, another 50,000 acre-feet of credits previously accrued by CAWCD have been applied for interstate purposes bringing the total amount of credits available to Nevada to just over 600,000 acre-feet.

Because of increased demands from higher priority CAP water users, the amount of excess CAP water available to the AWBA has been decreasing. For 2015, the volume available to the AWBA is 50,448 acre-feet. Of this amount, the AWBA will store 45,448 acre-feet of water at a cost of \$8 million and directly deliver 5,000 acre-feet of water for the Southside Replenishment Bank at a cost of \$895,000. There is no interstate storage planned for 2015.

In response to its expanding responsibilities and as the reality of shortage has become more imminent, the AWBA's governing statutes were amended in 2014 authorizing the AWBA to purchase long-term storage credits. In order to continue making progress and to prepare itself to meet its responsibilities, the AWBA anticipates purchasing credits in both the Phoenix and Tucson AMA utilizing 4-cent tax revenues and withdrawal fees. Additionally, the AWBA is considering, for the first time, the concept of storage for inter-AMA firming. While this plan does not include storage for inter-AMA firming, as this concept further develops, the 2015 plan could be amended to include this as a component.

Consistent with the AWBA's direction in its 2013 Annual Report, the 2015 Plan of Operation continues to focus on meeting the M&I firming goals in the Tucson AMA and completing its deliveries to the Southside Replenishment Bank. Related to this second focus, the AWBA is attempting to secure a general fund appropriation.

INTRODUCTION

The AWBA was initially created in 1996 to store Arizona's unused Colorado River water entitlement in central and southern Arizona to develop long-term storage credits (credits) to: (1) firm existing water supplies for Colorado River and CAP M&I water users during Colorado River shortages or CAP service interruptions; (2) help meet the water management objectives of the Groundwater Code; (3) meet the State's obligations in the settlement of Indian water rights claims; and (4) assist Nevada and California through interstate banking. The AWBA's enabling legislation has been amended over time allowing it to store other renewable supplies and to purchase credits on top of excess CAP water supplies. The 2015 Plan does not include the storage of other renewable supplies, however, it does propose the purchase of credits.

Although the AWBA can utilize general fund appropriations to conduct its business, in recent years the only funds available to the AWBA have been groundwater withdrawal fees collected in the Active Management Areas (AMA) and *ad valorem* property taxes levied and collected by the Central Arizona Water Conservation District (CAWCD). The availability of these funds for AWBA use varies both on an annual basis and by the amounts collected within each AMA/County. There are also restrictions on how the AWBA may utilize these revenues to meet its firming responsibilities. The costs to store water for Nevada, the AWBA's only interstate partner at this time, are paid by Nevada at the time storage occurs.

The AWBA's storage of water is accomplished through the Underground Water Storage, Savings and Replenishment Program that is administered by the Arizona Department of Water Resources (ADWR). Through this program, the AWBA stores renewable water supplies in either underground storage (USF) or groundwater savings (GSF) facilities, also referred to as indirect storage. The program mandates an accounting of the water stored and the corresponding long-term storage credits accrued. The credits will be distributed by the AWBA when future conditions warrant. The use of the credits is dependent on the source of funds utilized to develop the credits.

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. Presentation of the draft Plan must be made at publicly-noticed open meetings at which members of the public are permitted to provide comment. A draft of the Plan was presented at meetings of the Groundwater Users Advisory Councils (GUAC) for the Phoenix, Pinal and Tucson AMAs. 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.

2014 PLAN OF OPERATION

The AWBA had 74,297 acre-feet of Colorado River water available for use in 2014. This amount includes just over 9,500 acre-feet of water turned back by other CAP customers. Arizona also plans to leave up to 30,000 acre-feet of unused apportionment in Lake Mead as a benefit to the system. Additionally, CAWCD on behalf of the the Central Arizona Groundwater Replenishment District, agreed to forebear 9,000 acre-feet of water to study a Pilot Conservation Program with the Yuma Mesa Irrigation and Drainage District. Arizona’s estimated use of Colorado River water in 2014 is 2.77 MAF (see Figure 1).

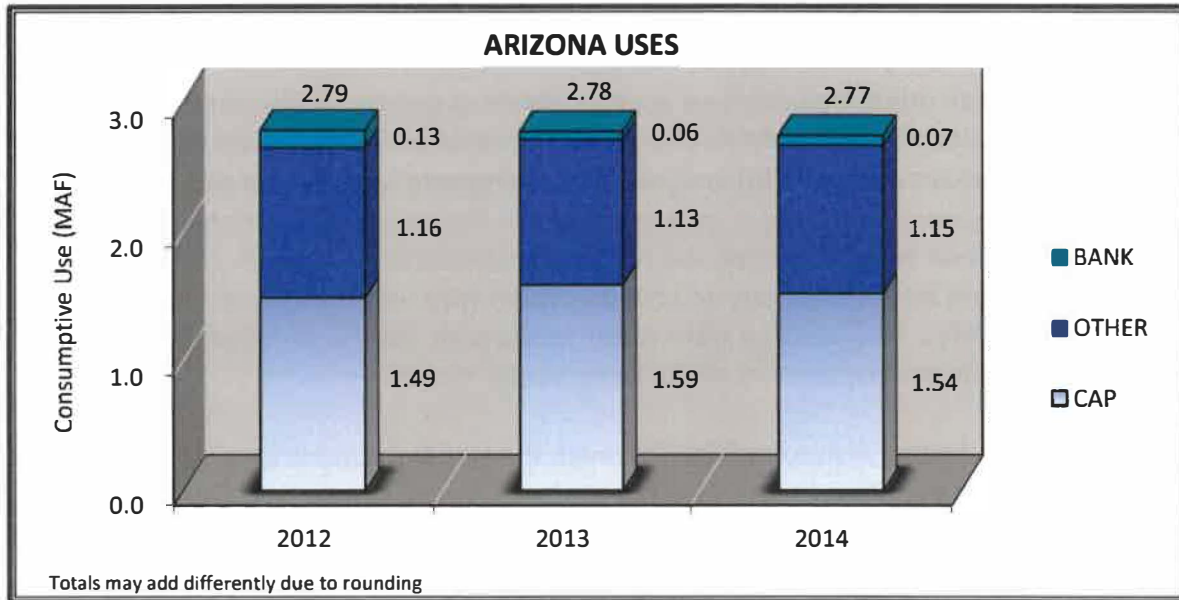


Figure 1. Recent Comparison of Colorado River Water Uses by Arizona

Forecasted direct use of Colorado River water in 2014 in the Lower Basin is 7.5 MAF as of November 17, 2014 (see Figure 2).

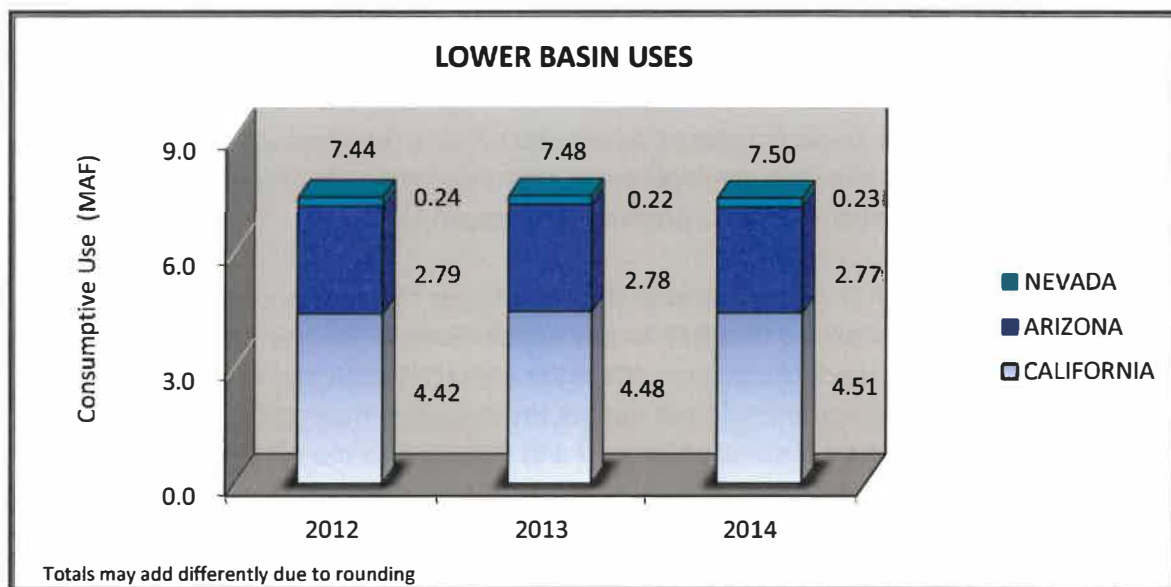


Figure 2. Recent Comparison of Lower Basin Uses of Colorado River Water

The AWBA stored water at both USFs and GSFs in 2014. Table 1a lists the AWBA's recharge partners for 2014, the amount of water that can be stored under each of the AWBA's water storage permits, and the amount of water delivered to the facility for the AWBA in 2014. The amount of water delivered to a facility is always greater than the amount of long-term storage credits accrued by the AWBA because credits are computed by subtracting approximately 1% to 3% for losses and 5% for a "cut to the aquifer" from the total annual deliveries. Final figures for credits accrued generally become available in the middle of the following year after review of the annual reports filed with the ADWR. These numbers are reported in the AWBA's Annual Report.

Table 1a. Recharge Facilities and Water Storage Deliveries for 2014

AMA	Facility	Type	AWBA Permit Capacity (acre-feet)	Delivered* (acre-feet)		
				Intrastate	Interstate	
PHOENIX AMA	Tonopah Desert	USF	150,000	11,183	0	
	Agua Fria	USF	100,000	3,680	0	
	Hieroglyphic Mtns.	USF	35,000	4,467	0	
	Superstition Mtns.	USF	25,000	4,502	0	
	Queen Creek ID	GSF	28,000	1,589	0	
	<i>Intrastate/Interstate AMA Subtotal</i>				25,421	0
	<i>Phoenix AMA Subtotal</i>				25,421	
PINAL AMA	Central Arizona IDD	GSF	110,000	1,700	0	
	Hohokam IDD	GSF	55,000	5,700	0	
	Maricopa-Stanfield IDD	GSF	120,000	6,700	0	
	<i>Intrastate/Interstate AMA Subtotal</i>				14,100	0
	<i>Pinal AMA Subtotal</i>				14,100	
TUCSON AMA	Avra Valley	USF	11,000	900	0	
	Lower Santa Cruz	USF	50,000	9,600	0	
	SAVSARP	USF	60,000	15,380	0	
	Pima Mine Road	USF	30,000	2,044	0	
	Cortaro-Marana ID	GSF	20,000	1,852	0	
	<i>Intrastate/Interstate AMA Subtotal</i>				29,776	0
	<i>Tucson AMA Subtotal</i>				29,776	
TOTAL INTRASTATE & INTERSTATE DELIVERIES				69,297	0	
TOTAL RECHARGE DELIVERIES				69,297		

* November and December deliveries estimated

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 for establishing the Southside Replenishment Bank identified in the Settlement Program. While these deliveries do not accrue long-term storage credits that can be recovered in the future, the Replenishment Bank receives a credit for each acre-foot of water delivered. The Replenishment Bank can be used as an option for offsetting a replenishment obligation that is incurred because of pumping limitations identified in the Arizona Water Settlements Act (Settlements Act) for the Southside Protection Zones. Table 1b identifies the amount of water the AWBA delivered to the Replenishment Bank since 2009. There was no replenishment obligation in 2014.

Table 1b. Southside Replenishment Activities through 2014

Southside Replenishment Activities	2014 Obligations/Deliveries (acre-feet)	Cumulative Obligations/Deliveries (acre-feet)
Replenishment Obligations	0	0
Replenishment Bank Deliveries	5,000	10,000
TOTAL DIRECT DELIVERIES	5,000	10,000

The 2014 Plan initially identified 59,753 acre-feet of scheduled water deliveries for recharge purposes. Additional water became available to the AWBA later in the year from CAP customers that turned back water. As a result, the AWBA recharged an estimated 69,297 acre-feet of water. Because of heavy monsoon precipitation, 9,380 acre-feet of the 25,562 acre-feet originally scheduled for GSFs was redirected for storage at USFs. Figure 3 identifies the storage breakdown between GSFs and USFs for 2014 and provides a comparison between 2014 and the two previous years.

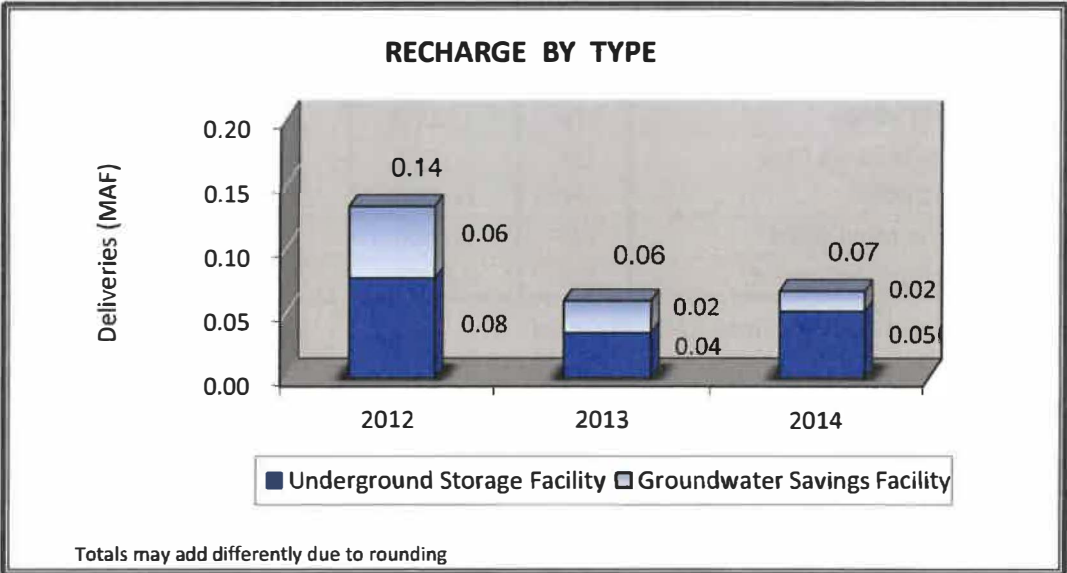


Figure 3. Recent Comparison of Annual Deliveries to GSFs and USFs

Table 2 provides an estimate of funds expended for water storage and the location of the credits accrued through 2014.

Table 2. Cumulative Long-term Storage Credits 1997-2014

Funding Source	Phoenix AMA		Pinal AMA		Tucson AMA		Total ¹	
	Funds Expended	Credits Accrued	Funds Expended	Credits Accrued	Funds ² Expended	Credits Accrued	Funds Expended	Credits Accrued
Withdrawal Fees	\$ 20.3	321,247	\$ 17.4	406,400	\$ 9	103,328	\$ 48	830,974
Ad valorem Tax	\$ 95.1	1,355,317	\$ 11.3	207,373	\$ 46	421,991	\$ 152	1,984,690
General Fund ³	\$ 1.5	42,316	\$ 6.4	306,968	\$ 3	54,546	\$ 11	403,830
Indian Appropriation	\$ -	-	\$ -	-	\$ 2	28,481	\$ 2	28,481
Shortage Reparations	\$ 1.1	20,642	\$ 1.7	60,507	\$ 3	17,753	\$ 6	98,902
Pinal Redirect ⁴		-	\$ -	14,125	\$ -	-	\$ -	14,125
Subtotal	\$ 118.0	1,739,522	\$ 36.8	995,373	\$ 63	626,099	\$ 218	3,360,994
Interstate - Nevada ⁵	\$ 11.4	51,009	\$ 71.5	440,241	\$ 26	109,791	\$ 109	601,041
Total	\$ 129.4	1,790,531	\$ 108.3	1,435,614	\$ 90	735,890	\$ 327	3,962,035

¹ Actual expenditures and credits for 1997-2013; 2014 estimated.

² Includes expenditure of \$22,698 in withdrawal fees for the assignment of 234 acre-feet of credits to the AWBA from the Tohono O'odham Nation pursuant to §45-841.01.

³ A total of 256,174 acre-feet of credits reserved for the Mohave County Water Authority pursuant to the Amended Agreement to Firm Future Supplies

⁴ 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.

⁵ Includes 50,000 acre-feet of credits transferred from CAWCD pursuant to Amended Agreement for Interstate Banking.

2015 PLAN OF OPERATION

The AWBA plans to recharge 45,448 acre-feet of water in 2015. Water storage will occur in all three counties. The AWBA will also deliver 5,000 acre-feet of water to the Gila River Indian Reservation for the Southside Replenishment Bank. The AWBA's total deliveries for 2015 will be 50,448 acre-feet. The AWBA is not planning any interstate storage.

When developing its Plan of Operation, the AWBA evaluates four critical factors: (1) the amount of water available to the AWBA for delivery; (2) the CAP canal 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.

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 2015 distributed by the Bureau of Reclamation (Reclamation) stated that the Intentionally Created Surplus (ICS) Condition is the criterion that will govern the release of water for the states in the Lower Basin during calendar year 2015. Because Arizona is proposing to create up to 100,000 acre-feet of ICS, an estimated 2.7 MAF of water will be available for use within Arizona. Arizona's on-river use is forecast to be roughly 1.2 MAF, leaving approximately 1.5 MAF available for diversion by CAP.

For 2015, the AWBA will purchase excess CAP water from the Statutory Firming Pool made available for use by the AWBA, CAGR, and Bureau of Reclamation pursuant to the CAWCD Board of Directors (Board) policy approved on March 6, 2014. The CAGR uses this pool to create its replenishment reserve and has an equal priority to the AWBA when using it for that purpose. The Federal government may also order water from this pool for meeting its Indian firming obligations. The CAWCD Board establishes the volume available in this pool on an annual basis. The quantity available in this pool for 2015 is 58,726 acre-feet.

Subtracting the projected uses for the CAGR replenishment reserve (3,245 acre-feet) and Reclamation (5,033 acre-feet), leaves a remaining balance of 50,448 acre-feet for the AWBA. Water availability is the primary limiting factor in developing the 2015 Plan.

II. CAP System Capacity

CAP system capacity is approximately 1.8 MAF. Under normal operating conditions, CAP diverts approximately 1.6 MAF of water. Reclamation estimates that this amount would be available for delivery by CAP in 2015. This amount includes the volume of water to be delivered for the AWBA. Because there is still capacity available in the CAP aqueduct 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 an estimated \$6.7 million in withdrawal fee revenues available for use in 2015. Of this amount, \$4.7 million is estimated to be available for the Phoenix AMA, \$1.5 million for the Pinal AMA, and \$450,000 for the Tucson AMA. Revenues include funds collected in 2015 and funds carried over from 2014.

As in previous years, the CAWCD Board resolved to retain the *ad valorem* property taxes collected in its three-county service area and not to deposit any of those revenues into the Arizona Water Banking Fund. Property tax revenues retained by CAWCD can be used to offset the cost of AWBA water deliveries in CAWCD's service area. Estimated funds available from CAWCD for the 2015 Plan are: Maricopa County (\$14 million), Pinal County (\$800,000), and Pima County (\$4.5 million).

With the exception of the Pinal AMA, funding was not a limiting factor in developing the 2015 Plan given the amount of water that is available for AWBA use. If more water becomes available during the year, funding will also be a limiting factor in the Tucson AMA.

IV. Available Storage Facility Capacity

AWBA staff conferred with facility operators to discuss the availability of storage capacity at their facilities and their continued interest in participating with the AWBA. These discussions confirmed that there was significant interest from facility operators in all three AMAs. Because of those discussions, the AWBA is pursuing new permits to store water at the Granite Reef Underground Storage Project (GRUSP) and the Salt River Project GSF in the Phoenix AMA. In the Tucson AMA, storage capacity was used according to the preference expressed by Tucson CAP M&I subcontractors who had requested that the AWBA prioritize storage for firming at locations with existing recovery capabilities. If additional supplies become available, the AWBA will have sufficient capacity to meet its anticipated needs although capacity remaining available in the Tucson AMA will be limited to locations of least priority. While storage capacity is not a limiting factor for this Plan, the use of additional capacity in the Pinal and Tucson AMAs is still subject to the availability of funds.

The Water Delivery Schedule (Table 3) identifies the storage sites for the AWBA's partners for 2015 and the amount of water scheduled for storage. The second column in this section identifies the AWBA's water storage permit capacities for each facility, which are based on the maximum permitted storage amounts of the facilities. The actual storage capacities available to the AWBA do not typically equal the AWBA's permitted volume because the storage facility operators may have agreements with other storage partners. In addition to storage deliveries, Table 3 also identifies the amount of water scheduled for meeting the AWBA's Southside Replenishment obligations.

**Table 3
Water Delivery Schedule (Acre-Feet)
Calendar Year 2015**

AWBA-Storage Sites		Permitted Capacity (AF)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
PHOENIX AMA :															
USF	AGUA FRIA	100,000	0	0	0	500	2,500	0	0	0	0	1,818	0	0	4,818
	GRUSP ¹	93,000	0	0	0	0	0	0	0	0	0	500	500	500	1,500
	HIEROGLYPHIC MTN	35,000	0	0	700	700	0	0	0	0	600	0	0	0	2,000
	SUPERSTITION MTNS	35,000	0	0	0	1,000	1,000	0	0	0	0	0	0	0	2,000
	TONOPAH DESERT	150,000	0	0	0	0	0	0	0	0	0	0	0	0	0
															10,318
GSF	NEW MAGMA	54,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	QUEEN CREEK	28,000	0	0	0	0	0	0	0	1,230	2,000	1,000	1,000	0	5,230
	TONOPAH ID	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0
															5,230
AMA TOTAL INTRASTATE			0	0	700	2,200	3,500	0	0	1,230	2,600	3,318	1,500	500	15,548
PINAL AMA :															
GSF	CAIDD	110,000	0	0	0	0	0	3,000	200	0	0	0	0	0	3,200
	HOHOKAM	55,000	0	0	0	0	0	1,600	1,600	0	0	0	0	0	3,200
	MSIDD	120,000	200	300	500	500	500	300	200	200	200	200	100	0	3,200
															9,600
AMA TOTAL INTRASTATE			200	300	500	500	500	4,900	2,000	200	200	200	100	0	9,600
TUCSON AMA:															
USF	AVRA VALLEY	11,000	0	0	0	0	0	0	0	0	450	450	450	450	1,800
	LOWER SANTA CRUZ	50,000	0	0	1,000	0	0	0	0	0	0	1,000	0	0	2,000
	PIMA MINE ROAD	30,000	0	0	500	0	0	0	0	0	0	0	0	0	500
	CAVSARP	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	SAVSARP	60,000	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	0	1,000	1,300	14,000
															18,300
GSF	CORTARO-MARANA ID	20,000	0	0	0	0	0	0	0	500	0	0	0	0	500
	KAI FARMS (Red Rock)	11,231	0	0	0	0	500	500	0	0	0	0	0	0	1,000
	BKW Farms	14,316	0	0	0	0	0	0	0	0	200	200	100	0	500
															2,000
AMA TOTAL INTRASTATE			1,300	1,300	2,800	1,300	1,800	1,800	1,300	1,800	1,950	1,650	1,550	1,750	20,300
TOTAL INTRASTATE			1,500	1,600	4,000	4,000	5,800	6,700	3,300	3,230	4,750	5,168	3,150	2,250	45,448
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL RECHARGE			1,500	1,600	4,000	4,000	5,800	6,700	3,300	3,230	4,750	5,168	3,150	2,250	45,448
DIRECT DELIVERY (Non-Storage):															
	Southside Replenishment Bank		0	0	1,250	0	0	0	0	0	1,250	1,250	0	1,250	5,000
	Southside Replenishment Obligation		0	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL DIRECT		0	0	1,250	0	0	0	0	0	1,250	1,250	0	1,250	5,000
TOTAL DELIVERIES			1,500	1,600	5,250	4,000	5,800	6,700	3,300	3,230	6,000	6,418	3,150	3,500	50,448

¹ Water storage at this facility is conditional on issuance of a water storage permit from ADWR.

INDIAN SETTLEMENTS

The Plan does not specifically identify water storage for meeting future State firming obligations under the Settlements Act; however, it does incorporate replenishment deliveries required under the Gila River Indian Community (GRIC) Settlement Program.

Indian FIRMING

CAP supplies will not be shorted in 2015 and no long-term system outages are anticipated that would reduce deliveries to CAP customers. Therefore, the AWBA has no obligation to firm Non-Indian Agricultural (NIA) Priority CAP water supplies in 2015.

The Settlements Act recognizes three categories where the State has firming responsibilities. The first two obligations pertain to firming of NIA Priority CAP 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 NIA Priority CAP water be made available to the GRIC during shortages. The AWBA anticipates developing and utilizing long term storage credits or their equivalent to meet this obligation. The AWBA did not receive a general fund appropriation for fiscal year (FY) 2015 to assist in meeting this obligation. While the 2015 Plan does not identify expenditures specifically for Indian firming, withdrawal fees may be used for this purpose after appropriated funds are expended, therefore credits accrued from this funding source in 2015 may be used to meet this obligation if necessary. To date, the only credits identified specifically for meeting this obligation are 105,390 acre-feet of withdrawal fee credits accrued from water previously stored at the Gila River Indian Irrigation and Drainage District GSF.
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 under 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. This obligation was met by accruing an equivalent amount of LTS credits that will be distributed to the Secretary during shortages.

Southside Replenishment Bank

In addition to the firming requirements of the Settlements Act, the AWBA is required to deliver 15,000 acre-feet of water to the GRIC for the purpose of establishing the Southside Replenishment Bank. The Replenishment Bank will fulfill the obligations created under the Settlements Act for protection of the Reservation from off-reservation groundwater pumping. The AWBA must deliver a minimum of 1,000 acre-feet per year to establish the Replenishment Bank. The AWBA delivered this amount each year from 2009 through 2013, for a total of 5,000 acre-feet.

Projections from Reclamation's August 2013 24-Month Study indicated there was a significant chance that a Lower Colorado River shortage could be declared in 2016. Recognizing that a shortage, if it occurred, would mean there would be no excess CAP water available for low priority CAP water users, the AWBA planned to deliver the remaining 10,000 acre-feet of water needed to complete the obligation in 2014 and 2015, thus avoiding the risk of not being able to make the required deliveries. Consequently, the AWBA delivered 5,000 acre-feet of water to the GRIC in 2014, bringing the total delivered to 10,000 acre-feet. Because general fund appropriations have not been made available for this purpose, Pinal AMA withdrawal fees, including all funds carried over from previous years, have been used to pay for these deliveries, which collectively total \$1.44 million. Since hydrologic conditions have not improved, the AWBA intends to deliver the remaining 5,000 acre-feet in 2015. The AWBA is requesting a general fund appropriation for \$895,000 in FY 2016 to pay for these deliveries.

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

Pursuant to A.R.S. § 45-841.01, the Tohono O'odham Nation (Nation) must offer ten percent of 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 2015, 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.

SHORTAGE REPARATION FUNDS

The 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 \$6 million has been expended since the agreement was executed 2008. The AWBA will expend the remaining \$2 million to store water in the Tucson AMA in 2015.

INTERSTATE WATER BANKING

The AWBA, SNWA, and CRCN executed a Third Amended and Restated Agreement for Interstate Banking on May 20, 2013. The amended agreement removed the AWBA's obligation to accrue 1.25 MAF of long-term storage on behalf of SNWA. Under the amended agreement,

storage for interstate purposes will be determined by the parties on an annual basis and may include the storage of Nevada's unused apportionment. Storage will be paid for by Nevada on a pay-as-you-go basis. There is no interstate storage planned for Nevada in 2015. Additionally, SNWA has not requested the development of intentionally created unused apportionment (ICUA) for 2015.

STORAGE FOR INTER-AMA FIRMING

The Arizona Municipal Water Users Association (AMWUA) and Southern Arizona Water Users Association (SAWUA) have developed a proposal for Inter-AMA water storage and firming between the Phoenix and Tucson AMAs. The goal of the proposal is to provide additional water management flexibility to CAP M&I subcontractors and the AWBA. Under the proposal, a CAP M&I subcontractor in the Phoenix AMA could store a portion of its entitlement in the Tucson AMA at a Tucson CAP M&I subcontractor's USF. In-turn, a Tucson M&I subcontractor would agree to accept the stored water in the future in lieu of a direct delivery to their USF, which would be delivered instead to the Phoenix M&I subcontractor's treatment plant. Likewise, the AWBA could store water in the Tucson AMA for M&I firming purposes using monies collected in the Phoenix AMA to pay for the storage. The stored water is applied toward the firming goal for the Phoenix AMA. During shortages, the water would be recovered and used in lieu of a direct delivery in the Tucson AMA. The water that would have been delivered to the Tucson AMA will instead be delivered to treatment plants in Phoenix, making the cost for recovery infrastructure more affordable for all M&I users.

To evaluate the concepts of the proposal, the City of Phoenix, Tucson Water, and Metropolitan Domestic Water Improvement District (Metro Water) have agreed to participate in a pilot phase of the program by storing a relatively small amount of water in 2015. If successful, the interested parties may want to proceed with the second phase of the project that could include an expansion of the Clearwater and Avra Valley USFs to accommodate the additional storage. The potential expansion of these facilities would also involve the cooperation of CAWCD for operational and potential funding purposes and ADWR for regulatory purposes.

Although certain CAP M&I subcontractors have expressed an interest in participating in 2015 with the AWBA in the Inter-AMA firming program as a pilot storage and recovery partner, they were not prepared to do so at this time. Therefore, the Plan does not include a component to store water for Inter-AMA firming in 2015. A reconsideration by M&I subcontractors to participate during the following year could be addressed as an amendment to the 2015 Plan.

PRICING

In June of 2014, the CAWCD Board approved its water delivery rate schedule for calendar years 2015/2016. The AWBA rate for recharge is equivalent to the rate for excess M&I water at \$179 per acre-foot, an increase of \$13 per acre-foot from the previous year.

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 2015 for the GSF partners in the Phoenix and Pinal AMAs will remain at \$34 per acre-foot. Based on the range of groundwater pumping costs and cost shares paid by other partners, it was determined the cost share in 2015 for the Tucson AMA will also remain the same at \$16 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. When storing water for other than M&I firming and water management purposes at CAWCD recharge facilities, the AWBA also pays a facility capital charge. There is no administrative cost component in the facility cost because the AWBA pays the CAWCD administrative costs on an annual basis.

Table 4. 2015 Water and Facility Rates

Recharge	Cost per Acre-foot
CAWCD delivery rate to AWBA for water storage	\$179
Groundwater Savings Facility operator cost share rate ¹	
Phoenix and Pinal AMAs	\$34
Tucson AMA	\$16
Underground Storage Facility rate paid by AWBA	
CAWCD – Phoenix Facilities	\$9
CAWCD – Tucson Facilities	\$15
Avra Valley Recharge Project	\$15.91
Clearwater Facility (CAVSARP/SAVSARP)	\$16.09
Granite Reef Underground Storage Project ²	\$15.00
Direct Deliveries	
CAWCD rate to AWBA for Southside Replenishment Bank deliveries	\$179

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 \$145/af for intrastate deliveries to the Phoenix and Pinal AMAs and \$163/af to the Tucson AMA.

² Subject to execution of water storage agreement between Salt River Project and AWBA.

PURCHASE OF LONG-TERM STORAGE CREDITS

The AWBA's governing statutes were amended in 2014 to allow the AWBA to purchase long-term storage credits after all available excess CAP water supplies have been scheduled for storage, thus providing the AWBA with additional flexibility in meeting its responsibilities. When purchasing credits, the AWBA may use all funding sources authorized for AWBA use, however, the use of *ad valorem* tax funds for this purpose is subject to approval by the CAWCD Board. Additionally, in developing its Plan for the following year, the AWBA must confer with the ADWR and CAWCD on the potential purchase of credits, particularly if CAWCD is anticipated to be the AWBA's recovery agent for those credits.

For 2015, the AWBA is proposing to purchase credits using *ad valorem* tax funds collected in Maricopa and Pima Counties to make further progress on the CAP M&I firming goals for the Phoenix and Tucson AMAs, respectively. Accordingly, the AWBA will request that the CAWCD Board reserve funds for this purpose from monies collected in each of these counties during the 2015 tax year. The AWBA is presently negotiating an agreement to purchase credits in the Tucson AMA at costs equal to that of the AWBA's 2015 storage costs and is aiming for similar arrangements in the Phoenix AMA. In addition to cost, careful consideration will also be given to the location of the credits that are available for sale. The AWBA will also seek opportunities to purchase credits in the Phoenix AMA for water management purposes, including credits that can be applied toward meeting Indian settlement obligations.

RECOVERY

Recovery of AWBA long-term storage credits for firming purposes or for the development of ICUA is not anticipated in 2015.

Staff representatives for ADWR, CAWCD and the AWBA, in cooperation with stakeholders, have developed a recovery plan that identifies the duties and responsibilities of the parties as they relate to recovery of the AWBA's long-term storage credits and delivery of the water during shortage events. While the recovery of AWBA credits for CAP M&I priority subcontract firming is not projected until the 2035-2045 planning period, recovery for interstate, Indian CAP NIA priority, and on-River domestic supplies may occur sooner. If recovery for firming of Indian CAP NIA priority water and Colorado River fourth priority domestic supplies is necessary, potential opportunities to provide this firming exist.

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. ADWR maintains the accounting of the credits, the AWBA accounts for the expenditure of the funds utilized from the Water Banking Fund, and CAWCD accounts for the expenditure of the *ad valorem* tax monies and reports that expenditure to the AWBA.

The estimated water delivery and storage costs for the AWBA's 2015 Plan total approximately \$8.9 million and includes \$2.7 for the Phoenix AMA, \$1.4 million for the Pinal AMA and \$3.9 for the Tucson AMA. Additionally, the AWBA anticipates expending up to \$9.6 million to purchase existing long-term storage credits; up to \$6.5 million in the Phoenix AMA (\$3 million in Maricopa *ad valorem* tax funds and \$3.5 million in withdrawal fees) and just under \$3.1 million in Pima County *ad valorem* tax funds in the Tucson AMA. Table 5 provides estimates of the funds available to the AWBA, the funds to be utilized, the entity that holds the funds, and the credits estimated to accrue to those accounts based on the 2015 Plan.

The 2015 Plan was developed to prioritize storage in the Tucson AMA to make progress on the M&I firming goal for that AMA. All funds estimated to be available in 2015 are utilized, including \$2 million in shortage reparation funds. The remaining water supplies were divided between the Phoenix and Pinal AMAs based on funding availability. All available funds are used in the Pinal AMA except for \$895,000 in withdrawal fees that are reserved to pay for deliveries to the Southside Replenishment Bank should the Legislature not appropriate funds for this purpose. If monies are appropriated, the withdrawal fees would be available for additional storage. The Plan anticipates utilizing all withdrawal fees collected in the Phoenix AMA and a portion of the *ad valorem* tax monies collected in Maricopa County. There are funds and storage capacity available to store additional water in the Phoenix AMA if it becomes available.

Table 5. Funding for 2015 Annual Plan of Operation

Funding Source	Estimated Funds Available		Estimated Funds Utilized		Estimated Credits (AF)	
	AWBA	CAWCD ¹	AWBA	CAWCD	Water Storage	LTSC Purchase
Withdrawal Fees						
Phoenix AMA ²	\$4,700,000	-	\$4,700,000	-	6,280	16,790
Pinal AMA ³	\$1,500,000	-	\$592,000	-	3,800	0
Tucson AMA ⁴	\$450,000	-	\$450,000	-	2,180	0
Four Cent Tax						
Phoenix AMA ⁵	\$0	\$14,000,000	\$0	\$4,532,000	8,180	14,290
Pinal AMA	\$0	\$800,000	\$0	\$800,000	5,130	0
Tucson AMA ⁶	\$0	\$4,500,000	\$0	\$4,500,000	6,990	14,570
Other:						
General Fund⁷	\$895,000					
Phoenix AMA		-	\$0	-	0	0
Pinal AMA		-	\$895,000	-	0	0
Tucson AMA		-	\$0	-	0	0
Shortage Reparations	\$2,002,000					
Phoenix AMA		-	\$0		0	0
Pinal AMA		-	\$0		0	0
Tucson AMA		-	\$2,002,200		9,710	0
	Total Funds Available		Total Funds Expended		LTS Credits	
	\$28,847,000		\$18,471,200		42,270	45,650

¹ The figures shown are estimates provided by CAWCD staff based on anticipated collections during the 2015 tax year. The amount shown for Tucson includes \$1.4 million in carry over funds. If utilization is greater than estimated, there may be additional funds held by CAWCD that could be made available at the discretion of the CAWCD Board of Directors.

² Includes up to \$3.5 million toward the potential purchase of credits for water management purposes.

³ \$895,000 in estimated available funds held in reserve to pay for Southside Replenishment Bank deliveries if the Legislature does not appropriate funds for that purpose.

⁴ Estimates include 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.

⁵ Includes up to \$3 million toward the potential purchase of credits for M&I firming.

⁶ Includes just under \$3.1 million toward the potential purchase of credits for M&I firming.

⁷ Availability of funds subject to appropriation by the Legislature in 2015.

Table 6 identifies the progress expected to be made on the AWBA's goals and obligations through 2015. Proposed credit purchases were not included in the totals due to the uncertainty in the acquisition of those credits. Though if successful, progress on the M&I firming goals for the Phoenix and Tucson AMAs could increase to 88% (1,377,787 AF) and 51% (443,488 AF), respectively.

Table 6. Projected Percent of Goals and Obligations Achieved through 2015

Location and Objective	Funding Source	Estimated Goal	Non-Credit Goal Achieved	Credits Accrued (AF)	Goal Achieved
CAP M&I Firming Phoenix AMA Pinal AMA Tucson AMA	Water Storage Tax (4¢ <i>Ad valorem</i>) collected by County	1,566,000 AF		1,363,497	87%
		243,000 AF		212,503	87%
		864,000 AF		428,918	50%
On-River M&I Firming ¹	General Fund	420,000 AF		403,830	96%
Indian Settlement Obligations: GRIC Firming ² <i>up to 15 KAF/yr</i>	General Fund Withdrawal Fees	350,000 AF ³		105,390	30%
				0	
Future Settlements - <i>up to 8.7 KAF/yr</i>	General Fund Withdrawal Fees	200,000 AF ³		0	N/A
Federal Assistance (SAWRSA)- <i>\$3 million</i>	General Fund Tucson W/Fees Cost of Services ⁴		\$3,000,000	34,102	100%
			\$2,338,171	28,481	
			\$630,490	5,621	
Southside Repl. Bank - <i>15 KAF direct delivery</i>	General Fund Pinal W/Fees			15,000	100%
				0	
Groundwater Management ⁵ Phoenix AMA Pinal AMA Tucson AMA ⁶	Withdrawal Fees collected by AMA			239,214	
				195,119	
					99,887
Other: Shortage Reparations	Agreement with Nevada	\$8,000,000	\$8,000,000	108,604	100%
Pinal Redirect Credits ⁷	N/A			14,125	N/A

¹ By resolution passed in 2002, the AWBA established on-River firming as the highest priority of use for credits accrued through expenditure of general fund appropriations. Pursuant to the Agreement to Firm dated February 4, 2005, a total of 230,280 acre-feet of credits were transferred to the AWBA long-term storage subaccount for MCWA in 2005. An additional 25,894 acre-feet of credits have been reserved under Exhibit C of the Amended Agreement to Firm, dated December 8, 2010, for a total of 256,174 acre-feet.

² Credits accrued and reserved for firming pursuant to the Agreement between the AWBA and the Gila River Indian Irrigation and Drainage District of the Gila River Indian Community for storage of Central Arizona Project Water at a GSF, executed June 16, 2006. Credits include 88,313 AF accrued in the Phoenix AMA and 17,077 AF accrued in the Pinal AMA. Credits available for water management have been adjusted accordingly.

³ Based on estimates from the Indian Firming Study Commission Report dated January 6, 2006.

⁴ Expenditures include \$14,883 and \$16,456 deducted for payment of cost of services for FY08 and FY09, respectively.

⁵ Withdrawal fees could be utilized in addition to 4¢ ad valorem tax revenues to M&I firming if needed to reach firming goals and for Indian settlement obligations in the absence of general fund appropriations.

⁶ Includes 234 AF of credits acquired from the Tohono O'odham Nation pursuant to § 45-841.01.

⁷ Credits accrued from water provided to Pinal AMA GSFs at full cost to the GSF operators. These credits are currently identified for use in the Tucson AMA.

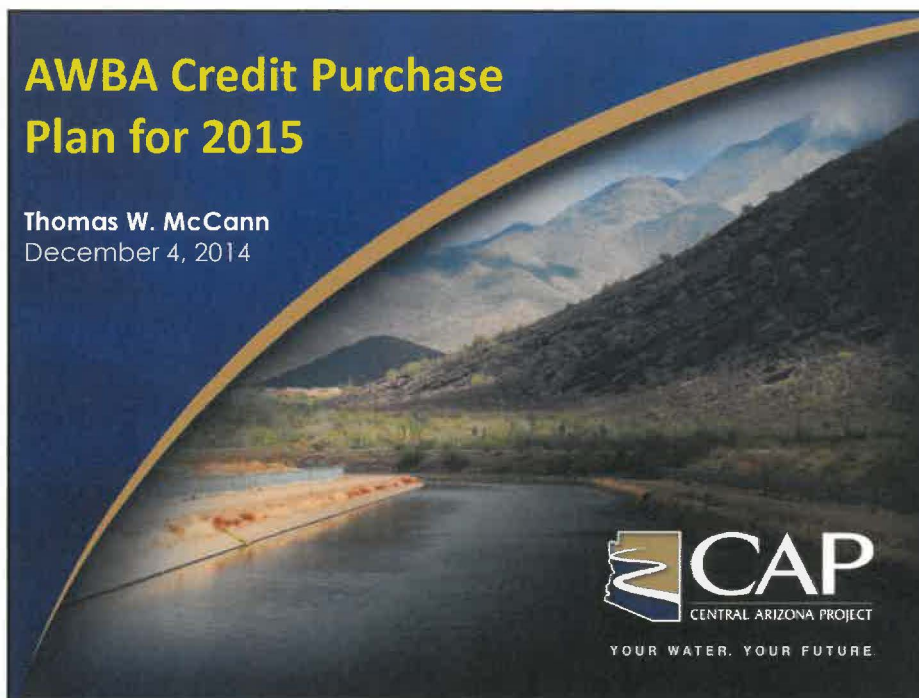
PUBLIC REVIEW AND COMMENT

AWBA staff presented the Plan to the public in conjunction with the Groundwater Users Advisory Councils (GUAC) meetings for the Phoenix, Pinal and Tucson AMAs as required by statute. Council members supported the Plan and there were no requested changes.

In the Phoenix AMA, GUAC members had questions regarding the type of long-term storage credits the AWBA anticipated purchasing in the Phoenix AMA, specifically if they belonged to public or private entities. In response, staff indicated that the type of credit could not be identified at this time since staff was not currently engaged in discussions for credit purchase in the Phoenix AMA. While there are known private entities that have credits available for sale, the AWBA would be interested in any potential opportunities, private or public, so long as those credits are reasonably priced and in a location that is suitable for future recovery.

In the Pinal AMA, there were comments in support of the AWBA's plan to complete the State's obligation of establishing the Southside Replenishment Bank. There were concerns if the AWBA had sufficient funds available to make the final 5,000 acre-feet in deliveries if State General Funds are not appropriated for this purpose.

In the Tucson AMA, members responded positively and expressed appreciation on the AWBA's efforts over the last several years to focus storage in that AMA. In addition, Metro Water reaffirmed its commitment to become a recovery partner with CAWCD. Specifically, its Board of Directors adopted a 10-year Capital Improvement Program, financial plan, and schedule for the completion of the AVRCP CAP Recharge, Recovery and Delivery System in April of this year. Consistent with this planning process, the Board adopted an increase in its Water Resource Utilization Fee and approved hiring a consultant to ensure that prior to the purchase of any properties necessary to implement the AVRCP CAP Recharge, Recovery, and Delivery System, which includes recovery well sites, that the properties can be used for their intended purpose. Lastly, Metro Water has expressed their interest in becoming a partner for inter-AMA firming in 2015.



Amended IGA

- AWBA, CAP and ADWR must confer annually regarding AWBA plans to purchase long-term storage credits
- Draft AWBA Plan of Operation to include:
 - Target volume of credits to be purchased
 - Projected cost of acquiring those credits
 - Funding sources and amounts needed from each source

AWBA Plan of Operation for 2015

- “AWBA is proposing to purchase credits using *ad valorem* tax funds collected in Maricopa and Pima Counties to make further progress on the CAP M&I firming goals for the Phoenix and Tucson AMAs”
- “AWBA is presently negotiating an agreement to purchase credits in the Tucson AMA at costs equal to that of the AWBA’s 2015 storage costs and is aiming for similar arrangements in the Phoenix AMA”

3



AWBA 2015 Credit Purchase Plan

Location	Target volume of credits to be purchased	Projected cost of credits	Source of funds
Phoenix AMA	14,290 AF	\$3M	4-cent tax
Tucson AMA	14,740 AF	\$3.1M	4-cent tax

4



Amended IGA

- CAP staff identify for the Board the amount of 4-cent tax revenues, by County, that AWBA is requesting for the purchase of credits in the following year
- No later than its December meeting, the Board shall establish the amount of 4-cent tax revenues, by County, that will be available to AWBA for the purchase of credits in the following year

5



Amended IGA

- If/when AWBA enters into a credit purchase agreement, AWBA will provide notice to CAP and request transfer of 4-cent tax revenues to Arizona Water Banking Fund
- Notice includes:
 - Total price to be paid for credits
 - A copy of the purchase agreement
- After receiving notice, CAP will amend its 4-cent tax resolution and transfer 4-cent tax revenues to Arizona Water Banking Fund

6



Questions?



CENTRAL ARIZONA PROJECT

YOUR WATER. YOUR FUTURE.

VII. Discussion and Approval of CY 2015 Water Delivery Budget

NOTES: (Action required)

Call on **Virginia O'Connell** to provide an overview of the water delivery, recharge, and credit purchase budget for the 2015 calendar year

ACTION:

Move adoption of the Water Banking Authority water delivery, recharge, and credit purchase budget for CY 2015.

**ARIZONA WATER BANKING AUTHORITY
2015 WATER DELIVERY, RECHARGE and CREDIT PURCHASE BUDGET**

\$14,698,802

REVENUES AVAILABLE for 2015 DELIVERIES

Withdrawal Fee¹	Phoenix AMA	\$4,700,000
	Pinal AMA	\$1,500,000
	Tucson AMA	\$450,000
Shortage Reparations²		<u>\$2,002,200</u>
TOTAL		\$8,652,200

¹ Projected based on carryover funds plus average collections in recent years.

² Provided by SNWA pursuant to Shortage Sharing Agreement

WATER DELIVERY and RECHARGE RATES

Water Delivery	Recharge Rate (Intrastate)	\$179
	Replenishment Bank Rate	\$179
Direct Recharge Facility Rate	CAWCD – Phoenix Facilities	\$9
	Granite Reef Underground Storage & Recovery Project	\$15
	CAWCD – Tucson Facilities	\$15
	Avra Valley Recharge Project	\$15.91
	Clearwater Facility - CAVSARP and SAVSARP	\$16.09
GSF Cost Share Rate	Phoenix and Pinal AMAs	\$34
	Tucson AMA	\$16

WATER DELIVERY and RECHARGE

		Water Delivered (AF)	\$/AF	Total
Withdrawal Fee	Phoenix AMA	6,750	\$174	\$1,175,000
	Pinal AMA	4,090	\$145	\$592,500
	Tucson AMA	2,350	\$192	\$450,000
General Fund Appropriation³	Pinal AMA - SSRB Direct Delivery	5,000	\$179	\$895,000
Shortage Reparations	Tucson AMA	<u>10,440</u>	\$192	<u>\$2,002,200</u>
Total 2015		28,630		\$5,114,700

³ Assumes the AWBA is successful in securing a general fund appropriation.

CREDIT PURCHASE

		Credits Purchased (AF)	\$/AF	Total
Withdrawal Fee	Phoenix AMA	16,786	\$210	\$3,525,000
4¢ Ad Valorem Tax Utilized⁴	Phoenix AMA	14,290	\$210	\$3,000,000
	Tucson AMA	<u>14,567</u>	\$210	<u>\$3,059,102</u>
Total 2015		45,643		\$9,584,102

⁴ Assumes CAWCD Board approves request to reserve 4¢ tax funds for credit purchase.

PROJECTED AWB FUND CARRYOVER

Withdrawal Fees	Phoenix AMA	\$0
	Pinal AMA ⁵	\$907,500
	Tucson AMA	<u>\$0</u>
Total 2015		\$907,500

⁵ Withdrawal fees are reserved in the event a general fund appropriation is not secured.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

		Water Delivered (AF)	\$/AF	Total
4¢ Ad Valorem Tax Utilized	Maricopa County	8,799	\$174	\$1,532,000
	Pinal County	5,516	\$145	\$800,000
	Pima County	<u>7,513</u>	\$192	<u>\$1,441,000</u>
Total 2015		21,828		\$3,773,000

VIII. Discussion or consultation for legal advice with Commission attorneys concerning:

Draft agreements

1. IGA between AWBA and the Gila River Indian Community
2. Purchase and Sale Agreement for Long-term Storage Credits
3. Lease Agreement for Transportation through the CAP/SRP Interconnection Facility and Storage at GRUSP
4. Water Transportation Agreement between Salt River Valley Water Users' Association and AWBA, and

Discussion or consultation for legal advice with Commission attorneys concerning potential negotiations with CAWCD regarding the AWBA developing Intentionally Created Surplus in 2016 and any other items on the agenda.

NOTES:

The AWBA Commission meeting will resume no earlier than _____ o'clock.

INTERGOVERNMENTAL AGREEMENT

BETWEEN
THE ARIZONA WATER BANKING AUTHORITY AND
THE GILA RIVER INDIAN COMMUNITY

This Intergovernmental Agreement ("IGA") is made this _____ day of _____, 20__ between the Arizona Water Banking Authority, an agency of the State of Arizona ("AWBA"), and the Gila River Indian Community ("the Community"). AWBA and Community are sometimes each referred to in this Agreement as a "Party" and collectively as the "Parties."

RECITALS

A. AWBA, as the agent for the State of Arizona, will satisfy any State obligations to the Community under the Arizona Water Settlements Act (Pub. L. No. 108-451, 118 Stat. 3478) ("Act") and the Amended and Restated Gila River Indian Community Water Rights Settlement Agreement ("Settlement Agreement").

B. Pursuant to section 205(a) of the Act and paragraph 8.2 of the Settlement Agreement, the Community and the United States executed Exhibit 8.2 to the Settlement Agreement, the Amended Central Arizona Project Water Delivery Contract between the United States and the Gila River Indian Community, on May 15, 2006 ("Exhibit 8.2").

C. Exhibit 8.2 amended Contract No. 3-07-30-W0284, dated October 22, 1992, which was superseded and replaced by Exhibit 8.2.

D. Exhibit 8.2 allocates 191,200 acre-feet of CAP Indian Priority Water and 120,600 acre-feet of CAP NIA Priority Water to the Community.

E. Nothing in Exhibit 8.2 limits the Community's ability to enter into any agreement with the Arizona Water Banking Authority, or its successor agency or entity, in accordance with State law.

F. As a condition precedent to the enforceability of the Act and the ~~Amended and~~ Settlement Agreement, the AWBA and the United States of

America, acting through the Secretary of the Interior ("Secretary"), executed the Agreement between the Secretary of the Interior and the State of Arizona for the Firming of Central Arizona Project Indian Water on November 15, 2007 ("Federal Agreement") to carry out the State's obligation under §105 (b)(2)(A) of the Act.

G. The Federal Agreement recognizes the AWBA may enter into a separate contract with the Community for meeting the State's firming obligation to the Community and that the Secretary need not be a party to such contract.

H. The Parties desire to enter into this IGA to establish an annual process to insure the obligations of the State set forth in Arizona Revised Statutes § 45-2491 are satisfied.

DEFINITIONS

In this IGA, unless the context within which used requires otherwise:

1. Terms not otherwise defined herein shall have the same meaning as they have in the Act, the Settlement Agreement, and in sections of the Arizona Revised Statutes ("A.R.S."), as they refer to the firming obligations of the State to the Community in Title 45 to the extent they are consistent with the Act, and the Settlement Agreement. References hereafter to the A.R.S. shall be to title and section numbers without reference to A.R.S.;
2. "Agreement between the Arizona Water Banking Authority and Gila River Indian Irrigation and Drainage District of the Gila River India Community for Storage of Central Arizona Project Water at a Groundwater Savings Facility" or "Water Storage Agreement" means the agreement dated June 16, 2006, amended January 6, 2009.
3. "ADWR" shall mean the Arizona Department of Water Resources;
4. ;
5. "AWBA" means the Arizona Water Banking Authority established by § 45-2421 or its successor;
6. "APO" means the annual operating plan that is adopted pursuant to § 45-2456;

7. "AWBA "Ten-Year Plan" means the ten-year planning projections contained within the AWBA report pursuant to § 45-2426(B)(6) that is submitted to the governor, president of the senate and speaker of the house of representatives on or before July 1 of each year pursuant to § 45-2426;

8. "BOR" shall mean the Bureau of Reclamation;

9. "Central Arizona Project" or "CAP" means the federal reclamation project authorized by the Colorado River Basin Project Act of 1968, 82 Stat. 885, as amended;

10. "CAP Indian Priority Water" means that CAP water having an Indian delivery priority;

11. "CAP M&I Priority Water" means that CAP water having municipal and industrial delivery priority;

12. "CAP NIA Priority Water" means that CAP water having non-Indian agricultural delivery priority;

13. "CAWCD" shall mean the Central Arizona Water Conservation District;

14. "Delivery" means direct physical delivery of water, exchange of water, or delivery to a lessee;

~~14-15.~~ "Full Order" shall mean the Community's CAP water delivery order that has not been modified to account for the projected CAP supply

Comment [A1]: Not positive of verbage.

~~15-16.~~ "Gila River Indian Community" or "Community" shall mean the government composed of members of the Pima Tribe and the Maricopa Tribe, which is organized under Section 16 of the Act of June 18, 1934 (25 U.S.C. § 476);

~~16-17.~~ "Long-term Storage Account" or "LTS Account" means an account established pursuant to § 45-852.01;

~~17-18.~~ "Long-term Storage Credit" or "LTS Credit" means stored water that meets the requirements of § 45-852.01 and that has been credited to a long-term storage account;

~~18-19.~~ "Reservation" means all lands lying within the exterior boundaries of the Gila River Indian Reservation;

~~19.20.~~ "Water Shortage" means available CAP water is insufficient to fully meet the demand of the Gila River Indian Community, and their lessees, if any, for that CAP NIA Priority Water reallocated to the Community in accordance with the Act;
~~20.21.~~ "Year" means a calendar year beginning on January 1 and ending on December 31 of the same year.

Comment [A2]: KCS: It appears ~20 times, but to reduce possible confusion, changing the term to "NIA Water Shortage" is worth considering.

AGREEMENT

1. Term

This IGA shall commence, after execution by all of the parties, on the date it is filed with the Arizona Secretary of State. This IGA shall terminate December 14, 2107 and shall be reviewed at least every 25 years.

2. Firming Obligation

2.1 The AWBA shall, in each Year of this Agreement in which there is a Water Shortage, firm up to 15,000 acre-feet of CAP NIA Priority Water reallocated to the Community in accordance with the Act, upon demand of the Community. To satisfy this firming obligation the AWBA shall cause to be delivered to the Community, as agreed upon in Section 3, up to 15,000 acre-feet of water in an amount determined as follows:

- a) Calculate the total water quantity that would have been available to the Community as if it had received 15,000 acre-feet of CAP M&I Priority Water allocation with the remainder of its reallocated CAP NIA Priority wWater keeping its CAP NIA Priority Water status.
- b) Calculate the amount of CAP NIA Priority Water made available to the Community that year.
- c) Subtract the amount calculated in (b) from the amount calculated in (a) to determine the amount of CAP water the AWBA shall firm for the Community.

2.2 In each ~~Year~~ of this Agreement ~~in~~ which there is a Water Shortage, ~~the AWBA's obligation in~~ section 2.1 above to firm CAP NIA Priority Water reallocated ~~to~~ the Community under the Act shall commence at such time as any Community entitlements to CAP Indian Priority Water and CAP M&I Priority Water for such year are fully exhausted. See Exhibit A, which is attached hereto and incorporated herein, for representative calculations of the provisions of sections 2.1 and 2.2 above.

Comment [A3]: Inserted to clarify the purpose of the representative calculations.

3. Firming Proposal

3.1 During the development of the AWBA's ~~annual~~ Ten-Year Plan, the AWBA shall evaluate the potential for a Water Shortage during the ten-year period as follows:

Comment [A4]: We suggested slightly modifying the definition of AWBA Ten-Year Plan (see definition 7 above). This change is to conform to the revision.

a) The AWBA will assume the most recent demand of the Community when projecting the Community's demand for the ten-year period, unless additional information is provided by the Community.

Comment [A5]: KCS: Not directly our concern, but this seems overly proscriptive. The CAP water supply projections used by the AWBA originate with CAP, and aren't typically performed at the contract level.

b) The AWBA shall consult with the Community, ADWR, CAWCD, and BOR when evaluating the potential for a Water Shortage during the ten-year period.

c) The AWBA shall provide the Community with a copy of its draft Ten-Year Plan at the same time as it is provided to the AWBA Commission.

3.2 If the projections of the AWBA Ten-Year Plan indicate ~~there will be a likelihood~~ a Water Shortage is likely in the third year of the planning period, the Community and the AWBA shall meet within six (6) months following approval of the Ten-Year Plan to evaluate the potential for a firming obligation. See Exhibit C, attached hereto and incorporated herein, for graphical representation of activities occurring during this time period.

Comment [A6]: This is not a substantive change, just a different way of expressing the thought.

3.3 If the projections of the AWBA Ten-Year Plan indicate ~~there will be a likelihood of~~ a Water Shortage is likely in the second year of the planning period the Community and the AWBA will undertake the following activities, as further described in. ~~See Exhibit C, for activities occurring during this time period.~~

- a) The Community and the AWBA shall meet within three (3) months following approval of the AWBA Ten-Year Plan identified in Section 3.3 to estimate the volume of CAP NIA Priority Water the AWBA shall firm and to propose one or any combination of firming methods identified in Exhibit B, and any amendments thereto, that may be performed to satisfy the firming obligation.
- b) In the month of December following the activities described in Section 3.3.a, the AWBA and the Community shall report to their governing bodies the estimated firming volume, potential method(s), and any agreements that would be necessary to implement the firming method(s).
- c) In the month of January thereafter, the AWBA and the Community, based on direction provided by the respective governing bodies, shall begin developing a preliminary firming proposal.
- d) In the month of March following approval of the AWBA Ten-Year Plan identified in Section 3.3, the AWBA and the Community shall provide a firming proposal to their respective governing bodies for review that includes the estimated volume of CAP NIA Priority Water the AWBA shall firm and the firming method(s) identified in Exhibit B that shall be performed to satisfy the firming obligation for that projected Water Shortage Year.
- e) By May 15 thereafter, the AWBA and the Community shall confirm the firming proposal that will be implemented to satisfy the firming obligation for the projected Water Shortage Year.

Comment [A7]: Consider adding the term "Water Shortage Year" as a defined term.

- 3.4 If the AWBA Ten-Year Plan currently in effect projects a Water Shortage in the following year, the Community and the AWBA shall implement the approved firming proposal according to the following schedule. See Exhibit C, for activities occurring during this time period:

- a) By September 1 of the year in which the AWBA Ten-Year Plan identified in Section 3.4 is approved, the Community and the AWBA shall confirm in writing the estimated volume of CAP NIA Priority Water the AWBA shall firm based on water availability estimates provided by CAWCD in response to the findings of the BOR's August 24 Month Study.
- b) The AWBA shall incorporate as a component of its preliminary APO the approved firming proposal that will be implemented to satisfy the projected firming obligation.
- c) The AWBA shall provide its preliminary APO to the Community at the same time it provides its preliminary APO to the public for comment.
- d) By October 1 of that same Year, the Community shall submit its fFull eOrder for CAP NIA Priority Water to CAWCD for the following Year and include in its submittal a monthly delivery schedule and the approved firming proposal that will be implemented to satisfy the projected firming obligation.
- e) The AWBA shall include in its final APO for the following Year the volume of CAP NIA Priority Water the AWBA shall firm based on the Community's fFull eOrder submitted to CAWCD, and the approved firming proposal, and CAWCD's projection of NIA-priority CAP supply for that will be implemented to satisfy the Water Shortage for that Year.

Comment [A8]: Not sure if we had resolution regarding orders and monthly delivery schedules. Someone had also suggested a definition.

Comment [A9]: KCS: Striking it fixes it.

4. Amending an Approved Firming Proposal

- 4.1 The Community and the AWBA shall notify each other respectively of any proposed changes to the approved firming proposal included in the APO for the Water Shortage Year.
- 4.2 The Community and the AWBA shall amend the approved firming proposal included in the APO during a Water Shortage Year if any of the following apply:

- a) There are substantive changes to the volume of CAP NIA Priority Water the AWBA is required to firm under the approved firming proposal included in the APO.
 - b) The firming method(s) identified under the approved firming proposal included in the APO cannot be implemented as anticipated and/or the parties desire to choose an alternative method from Exhibit B to satisfy the firming obligation for the Water Shortage Year.
- 4.3 Any amendments to the approved firming proposal included in the AWBA's APO resulting from Section 4.2.b. shall be through mutual agreement between the Community and the AWBA.
- 4.4 If necessary, the AWBA shall amend its APO for the Year to identify any substantive changes to the approved firming proposal.
- 4.5 If amendments to the approved firming proposal result in changes to the volume of CAP NIA Priority Water available to the Community, the Community shall submit a revised water delivery schedule to CAWCD and include any modifications to the approved firming proposal for that Water Shortage Year.

5. Payments

- 5.1 The firming costs and payment responsibilities for Years in which the AWBA has a firming obligation shall be based on the individual firming methods identified in the firming plan for that Water Shortage Year.
- 5.2 In any Year in which the AWBA's APO includes deliveries of firmed CAP NIA Priority Water delivered to the Community by CAWCD, the following shall apply:
- a) -The Community shall pay CAWCD directly the amounts due for water ordered and delivered ~~pursuant to the APO~~ in the manner described in Exhibit 8.2.
 - b) The AWBA shall pay CAWCD the costs for the recovery of AWBA LTS Credits that exceed the water delivery charges paid by Indian water users. AWBA payments to CAWCD

Comment [A10]: Please note that the Community will not be able to modify its schedule to increase its order during the delivery year or after October 1st of the year preceding the delivery year. If the Community desires to decrease its water order or to direct deliveries to another turnout during the delivery year, that would be permitted (assuming no negative impacts on operations.).

Comment [A11]: KCS: It doesn't seem like payment to CAWCD should be tied to the Bank's APO

shall be in accordance with the executed recovery agreement with CAWCD in that Year.

- 5.3 In any Year in which the APO includes the extinguishment of AWBA LTS Credits accrued on-Reservation, the Community shall pay the costs for groundwater that is pumped on-Reservation in lieu of firmed CAP NIA Priority Water delivered to the Community by CAWCD.

6. Reporting

- 6.1 No later than thirty (30) days after the end of each quarter of a Water Shortage Year, the Community shall submit to the AWBA a quarterly report of firmed CAP NIA Priority Water the Community received pursuant to the APO for that Water Shortage Year.
- 6.2 No later than thirty (30) days after the end of the Water Shortage Year, the Community shall submit a written report that shall serve as both the fourth quarterly report and the annual report to the AWBA of firmed CAP NIA Priority Water that the Community received pursuant to the APO for that Water Shortage Year.
- 6.3 In any Year in which the firming proposal includes the recovery of AWBA LTS credits, the AWBA shall before the end of that Year, distribute LTS Credits to its recovery partner.
- 6.4 The AWBA and the Community shall submit any reports that are legally or contractually required to carry out the firming proposal that is adopted for a Water Shortage Year.

Comment [A12]: This section seems extraneous to the purposes of this Agreement, not sure it is necessary to include it here.

7. Water Quality

In carrying out the firming proposal neither the AWBA nor CAWCD warrant the quality of any water furnished under the APO and neither is under any obligation to construct or furnish water treatment facilities to maintain or improve the quality of any water. The Community 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 the APO with other water.

Comment [A13]: Not sure this provision is necessary.

8. Notices

DRAFT 11/20/14

Any notice, demand, or request authorized or required by this IGA shall be in writing and shall be deemed to have been duly given if delivered by email to a valid email address designated by the Parties, or if mailed first class or delivered, to the following address:

If to the AWBA:

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

Formatted: French (France)

If to the Community:

Governor and
General Counsel for the Community
Gila River Indian Community
525 West Gu u Ki
Post Office Box 97
Sacaton, Arizona 85247

9. Miscellaneous

- 9.1 This IGA is solely for the benefit of the Parties and does not create, nor shall it be construed to create, rights in any third party unless expressly provided herein. No third party may enforce the terms and conditions of this IGA.
- 9.2 The waiver by either Party of any breach of any term, covenant or condition of this IGA shall not be deemed a waiver of any other term, covenant or condition, or any subsequent breach of the same or any other term, covenant or condition of this IGA.
- 9.3 The terms, covenants and conditions of this IGA constitute the entire agreement between the Parties, and no understandings of obligations not expressly set forth in this IGA shall be binding upon them. This IGA may not be modified or amended in any manner unless in writing signed by the Parties.

- 9.4 This IGA shall be governed by and construed in accordance with applicable laws of the State of Arizona.
- 9.5 The Parties to this IGA are hereby notified of section 38-511.
- 9.6 The Parties shall obtain and maintain all licenses, permits and authority necessary to perform their obligations pursuant to this IGA, and shall comply with all applicable state, federal and local laws, including but not limited to those regarding unemployment insurance, disability insurance and worker's compensation. This IGA does not relieve either party from any obligation or responsibility imposed upon it by law.
- 9.7 Neither party shall be considered an officer, employee or agent of the other. No monitoring or supervisory responsibility over the other party's activities arises on the part of the other or as a result of, or pursuant to, this IGA other than as expressly provided herein.
- 9.8 The provisions of this IGA are severable to the extent that if any provision is held unenforceable under applicable law, the remaining provisions of the IGA shall remain in effect.
- 9.9 All books, accounts, reports, files and other records relating to this IGA shall be subject at all reasonable times to inspection and audit by the State of Arizona and the AWBA for five (5) years after completion of the IGA. Such records shall be produced at such state offices as are designated by the State of Arizona and the AWBA.
- 9.10 Each Party to this IGA is independently responsible in the event of its own negligence. Neither Party agrees to indemnify the other Party.
- 9.11 The Parties shall attempt to resolve all claims, disputes, controversies, or other matters in question between the Parties arising out of, or relating to, this IGA ("Dispute") promptly, equitably, and in a good faith manner. Any Dispute arising out of this Agreement are subject to arbitration to the extent required by A.R.S. §12-133 and §12-1518. The prevailing Party in such arbitration may seek enforcement of such award in any court of competent jurisdiction. Each Party agrees to submit to the

jurisdiction of any such court solely for purposes of the enforcement of such arbitration decision and for no other purpose.

- 9.12 The waiver of any breach or default of any of the provisions of this Agreement shall not be construed as a waiver of any succeeding breach of the same or other provisions; nor shall any delay or omission on the part of either Party to exercise or avail itself of any right, power or privilege that it has or may have hereunder operate as a waiver of any breach or default by the other Party.

In Witness of this IGA, the Parties affix their official signatures below, acknowledging execution of this document on the ____ day of _____, 20XX.

Arizona Water Banking Authority

By: _____

Michael J. Lacey, Chair

Attest:

By: _____

Clifford A. Neal, Secretary

Gila River Indian Community

By: _____

Governor

Approved as to form:

DRAFT 11/20/14

By: _____
General Counsel for the Gila River Indian Community

EXHIBIT A

CONFIDENTIAL

EXHIBIT B

Methods for Firming Gila River Indian Community CAP NIA Priority Water

Described below are firming methods identified by the Community and the AWBA that may be implemented when the AWBA has a firming obligation to the Community as calculated in Exhibit A. The firming methods are not listed by priority but reflect various options currently available. This Exhibit may be amended as needed to include additional firming methods agreed upon by the Community and the AWBA. The Community and the AWBA recognize that the parties may enter into future agreements to facilitate the State's obligation to firm CAP NIA Priority Water for the Community. Potential agreements have been identified under each method.

1. **Recovery of AWBA LTS Credits Accrued Off-Reservation** – AWBA LTS credits accrued off-Reservation are used to firm CAP NIA Priority Water ordered by the Community. LTS Credits may be recovered the following ways:
 - a) CAWCD recovers AWBA LTS Credits accrued off-Reservation and delivers firming NIA Priority CAP water to the Community directly or by exchange. A recovery agreement between the AWBA and CAWCD is required.
 - i. The Community is responsible for paying the water delivery charges to CAWCD.
 - ii. The AWBA is responsible for paying CAWCD recovery costs that exceed the water delivery charges paid by Indian water users.
 - b) AWBA LTS Credits accrued in the vicinity of the Reservation are extinguished by the AWBA and the Community pumps an equivalent amount of groundwater as “firming water” which is accepted by the Community as water delivered to meet an equivalent portion of the

~~State's firming obligation for that Year. - The Community reduces its order for CAP NIA Priority Water for that Year by the volume of "firmed water" that will be pumped.~~ The Community is responsible for paying for the groundwater pumped in lieu of its water delivery.

Comment [A14]: KCS: This isn't "Recovery"; should be a new #2 "Extinguishment of AWBA LTS Credits Accrued OffReservation"

- ~~2. Existing AWBA LTS Credits Accrued On-Reservation – In accordance with Section 11.1 of the Water Storage Agreement , AWBA LTS Credits accrued from water stored pursuant to AWBA Water Storage Permit Nos. 73-211277.0100 and 73-211277.0200 are extinguished by the AWBA and accepted by the Community as water delivered to meet an equivalent portion of the State's firming obligation for that Year. The water delivered reduces on an acre-foot per acre-foot basis the State's total firming obligation to the Community.~~

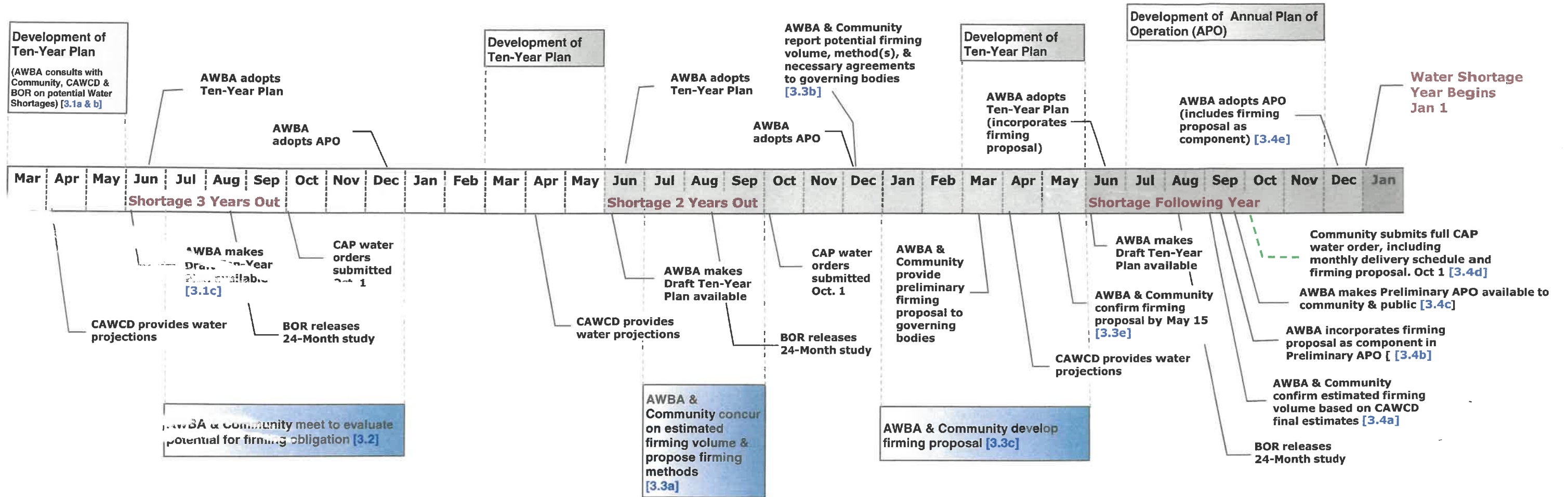
~~2.~~

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Potential Future AWBA LTS Credits Accrued On-Reservation – AWBA LTS Credits accrued from water stored on Reservation at potential future storage facilities may be extinguished and accounted for as described in method No. 2 above. This would require the Community to hold an underground storage facility permit issued by ADWR and the AWBA to hold a water storage permit issued by ADWR for storage at the facility. Additionally, the AWBA and the Community would need to enter into a water storage agreement for storage at the facility.

3. **AWBA Non-traditional Storage On-reservation –** "Firming credits" accrued by the AWBA pursuant to an agreement with the Community for deliveries of water to the Community during non-shortage years are debited from the total volume of firming credits held in a "Firming Account". The Community reduces its order for CAP NIA Priority Water and pumps an equal volume of groundwater.

Firming Proposal Timeline



**PURCHASE AND SALE AGREEMENT
FOR
LONG TERM STORAGE CREDITS**

This Purchase and Sale Agreement is made this ____ day of _____, 2015, (the "Effective Date"), between the Arizona Water Banking Authority ("the Water Bank", or "Bank"), an authority established under Chapter 14, Title 45 of the Arizona Revised Statutes, added by Law 1996, Ch. 308, § 16, effective April 30, 1996, the City of Tucson ("Tucson"), a Charter City and political subdivision of the State of Arizona.

RECITALS

Water Bank

A. The Water Bank desires to purchase Long-Term Storage Credits developed by Tucson pursuant to Arizona Revised Statutes Title 45, Chapter 3.1, for the benefit of meeting the Bank's storage goals.

B. Tucson is willing to sell and transfer certain Long-Term Storage Credits to Water Bank under the price, terms and conditions set forth herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, and intending to be legally bound, the parties hereby agree as follows:

**ARTICLE 1
DEFINITIONS**

As used in this Agreement, the following terms, when capitalized, shall mean:

1.1 "ADWR" means the Arizona Department of Water Resources.

1.2 "Agreement" means this Purchase and Sale Agreement for Long-Term Storage Credits.

1.3 "Annual Long-Term Storage Credit Volume" means for any given year during the term of this Agreement, the annual volume of Long-Term Storage Credits to be acquired by the Water Bank in that year as indicated in the Annual Notice submitted by Water Bank to Tucson pursuant to Article 3.1 below.

1.4 "Annual Purchase Price" means the annual purchase price for Long-Term Storage Credits to be transferred pursuant to the terms of this Agreement as calculated pursuant to Article 2.3 below.

1.5 "Long-Term Storage Credit" is as defined in Arizona Revised Statutes § 45-802.01(11).

1.6 "Long-Term Storage Credit Transfer Form" is a form, approved by ADWR, to effectuate the assignment of Long-Term Storage Credits, as defined in Arizona Revised Statutes § 45-854.01(B), and more specifically described in Article 3 below.

1.7 "Tucson" means the City of Tucson.

1.8 "Tucson's Long-Term Storage Account" means the account established pursuant to Arizona Revised Statutes § 45-852.01 in Tucson's name, account No. 70-411111.

1.9 "Water Bank" or "Bank" means the Arizona Water Banking Authority.

ARTICLE 2 PURCHASE OF LONG-TERM STORAGE CREDITS

2.1 Sale and Purchase. Subject to the terms and conditions of this Agreement, beginning in 2015, each year during the term of this Agreement, Tucson agrees to sell, transfer and assign and Water Bank agrees to purchase, accept and pay for no more than 15,000 acre-feet of Long-Term Storage Credits. The total volume of Long-Term Storage Credits that Tucson agrees to sell and Water Bank agrees to purchase during the term of this Agreement is 45,000 acre-feet.

2.3 Annual Purchase Price. The Annual Purchase Price ("AP") for the Long-Term Storage Credits to be transferred pursuant to this Agreement will vary from year to year and shall be based on components of the Central Arizona Project published rate schedule. The Annual Purchase Price for the Long-Term Storage Credits to be transferred in 2015 shall be multiplied by the Annual Long-Term Storage Credit Volume for 2015. The Annual Purchase Price for the Long-Term Storage Credits to be transferred pursuant to this Agreement in each year after 2015, shall be calculated as follows:

$$AP = \{[(CAP \text{ Fixed OM\&R } \underline{\text{Delivery Charge}}^* + CAP \text{ Pumping Energy } \underline{\text{ChargeRate 1}}^* + CAP \underline{\text{Underground Water Storage O\&M-M\&I Long-term Subcontract Capital Charges}}^* + \underline{\text{TW Facility Fee}}) \times 1.07] + \underline{\text{TW Facility Fee}}\} \times \text{Annual Long-Term Storage Credit Volume for the applicable year}$$

where

AP = the Annual Purchase Price for Long-Term Storage Credits transferred in the applicable year

TW Facility Fee=the Annual Facility Fee for Water Bank Storage in Tucson Water Recharge Facilities, set at \$16.09 for 2015, which increases at the fixed rate of —3 percent per year.

*As published in CAP's Annual Firm Rate Schedule for the year in which the credits are transferred.

2.4 Type of Water. It is the intent of the parties that all Long-Term Storage Credits purchased and sold under this Agreement shall retain the identity of the source of water used to generate such Long-Term Storage Credits.

2.5 Long-Term Storage Credits.

2.5.1 The Long-Term Storage Credits to be sold by Tucson are from Tucson's Long-Term Storage Account and shall be transferred to Water Bank's Account(s) subject to the terms and conditions of this Agreement.

2.5.2 The Long-Term Storage Credits to be transferred to Water Bank must have been accrued by Tucson at underground storage facilities located in the Tucson Active Management Area.

2.5.2 The Long-Term Storage Credits to be sold by Tucson were stored, or will be stored, at the underground storage facilities, under the ADWR Facility Permit and ADWR Storage Permits set forth on Exhibit A. The Parties acknowledge that Exhibit A may be amended from time to time during the term of this Agreement to reflect amendments to Tucson's existing underground storage facility permits or to add new permitted underground storage facilities. Tucson, in its sole discretion, may determine the origin of the Long-Term Storage Credits it wishes to transfer to Water Bank in any particular year by specifying in writing the Facility Permit Number where the credits were accrued and the Water Storage Permit Number authorizing such storage.

2.5.3 The Water Bank agrees that any Long Term Storage Credits acquired pursuant to this Agreement will be used by the Water Bank for the purpose of meeting its statutory obligations to protect Arizona municipal and industrial ("M&I") water users against future water shortages on the Colorado River and disruptions of operation of the Central Arizona Project, as established in A.R.S. Chapter 14, Title 45, and will not be sold to any third party.

2.5.4. Tucson agrees to work in good faith with the Water Bank and the Central Arizona Project to wheel Water Bank supplies to other M&I water users who have "wheeling" or other arrangements with Tucson to store and deliver M&I water using Tucson infrastructure.

ARTICLE 3 TIME AND MANNER OF TRANSFER

3.1 Annual Notice. On or before February 15 of each year thereafter during the term of this Agreement, Water Bank shall notify Tucson of the volume of Long-Term Storage Credits it desires to acquire from Tucson during such year (the "Annual Long-Term Storage Credit Volume")

3.2 Long-Term Storage Credit Transfer Form. On or before February 15, 2015, and on or before February 15 of each year thereafter during the term of this Agreement, Tucson and Water Bank shall complete, sign and deliver the Long-Term Storage Credit Transfer Form to evidence the transfer of the Annual Long-Term Storage Credit Volume for that year. A copy of the Long-

Term Storage Credit Transfer Form is attached as Exhibit B to this Agreement. If ADWR adopts a different Long-Term Storage Credit Transfer form, then the Parties shall utilize that form instead. On or before February 15, 2015, and on or before February 15 of each year thereafter during the term of this Agreement, Water Bank shall submit fully executed Long-Term Storage Credit Transfer Form to ADWR.

3.3 Additional Actions and Documentation. Water Bank shall pay any administrative fees established by ADWR to effectuate the transfer of Long-Term Storage Credits into Water Bank's Account(s). The parties shall cooperate to take such further actions and execute such further documents as may be determined by either party to be necessary or advisable in order to complete the transfer of the Long-Term Storage Credits contemplated by this Agreement.

ARTICLE 4 COMPLETION OF DELIVERY AND PAYMENT

4.1 Completion of Delivery. Delivery of the Annual Long-Term Storage Credit Volume for a particular year shall be deemed complete when ADWR notifies Water Bank in writing that it has received and accepted the Long-Term Storage Credit Transfer Form and intends to transfer Long-Term Storage Credits equal to the Annual Long-Term Storage Credit Volume for such year from Tucson's Long-Term Storage Account to Water Bank's Account(s).

4.2 Payment. Each year during the term of this Agreement, within 30 (thirty) days after receiving written notification from ADWR that it has received and accepted the Long-Term Storage Credit Transfer Form and intends to transfer the Annual Long-Term Storage Credit Volume to Water Bank Account(s), Water Bank shall pay Tucson the Annual Purchase Price as calculated pursuant to Article 2.3 above. Provided however, each year during the term of this agreement, Water Bank shall pay Tucson the Annual Purchase Price as calculated pursuant to Article 2.3 above, no later than June 30 of the applicable year.

ARTICLE 5 REJECTION OR INVALIDATION OF TRANSFER

If ADWR, pursuant to Arizona Revised Statutes § 45-854.01(C), rejects or invalidates any transfer or assignment of Long-Term Storage Credits made hereunder before Water Bank has paid for such Long-Term Storage Credits, Water Bank shall not be obligated to pay for the number of Long-Term Storage Credits affected by such rejection or invalidation. If such rejection or invalidation occurs after payment has been made by Water Bank, Tucson shall refund an amount equal to the number of Long-Term Storage Credits affected by such rejection or invalidation times the price per acre-foot for the affected Long-Term Storage Credits, as such price is established in Article 2.3 above. Tucson shall refund such amount within 20 (twenty) business days after either Water Bank or Tucson receives any notice of rejection or invalidation from ADWR. Water Bank shall transfer and assign back to Tucson the number of credits affected by any such rejection or invalidation. Tucson's obligation to refund any payments under this Article 5 shall expire thirty (30) days after ADWR has issued a non-appealable final agency decision approving the transfer and assignment of the Long-Term Storage Credits into Water

Bank Account(s). The Parties' rights and obligations under this Article 5 shall remain in full force and effect, and shall survive termination of this Agreement for purposes of addressing a circumstance where ADWR rejects or invalidates any transfer of Long-Term Storage Credits made hereunder.

**ARTICLE 6
EFFECTIVE DATE AND TERM**

This Agreement shall be effective as of the date set forth in the introductory paragraph of this Agreement (the "Effective Date"). The initial term of this Agreement is three (3) years.

**ARTICLE 7
DEFAULT AND REMEDIES**

7.1 Default. The occurrence of any of the following events constitutes an event of default by a party to this Agreement:

7.1.1 The failure of either party to perform any term, covenant, or condition of this Agreement, if that failure continues for thirty days following the receipt of written notice from the other party.

7.1.2 (i) The filing by or against either party of a petition to have the party adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against a party, the same is dismissed within 60 days); (ii) the making by a party of any general assignment for the benefit of creditors; (iii) the appointment of a trustee or receiver to take possession of substantially all of the party's assets, when possession is not restored to the party within 60 days; or (iv) the attachment, execution, or other judicial seizure of substantially all of a party's assets, where such seizure is not discharged within 60 days.

7.2 Remedies. If an event of default occurs, the non-defaulting party may immediately terminate this Agreement by written notice to the defaulting party and/or may pursue any other rights available to it in law or equity. The obligation of the defaulting party to pay any amounts due but unpaid as of the date of termination under this provision shall survive such termination.

**ARTICLE 8
MISCELLANEOUS PROVISIONS**

8.1 Interpretation. This Agreement is governed by and must be construed and interpreted in accordance with and in reference to the laws of the State of Arizona, without regard to its conflicts of laws provisions. Any action to resolve any dispute regarding this Agreement shall be taken in a state court of competent jurisdiction located in Maricopa County, Arizona.

8.2 Tucson's Warranty of Title. Tucson warrants that to the best of its actual knowledge it has good and marketable title to the Long-Term Storage Credits that are the subject of this Agreement and agrees to convey marketable title to such Long-Term Storage Credits free and

clear of all liens and encumbrances. Tucson shall warrant and defend title against all persons claiming by or through Tucson and no other.

8.3 Amendments. This Agreement may be modified, amended or revoked only by the express written agreement of the parties hereto.

8.4 Entire Agreement. This Agreement constitutes the entire agreement between the parties and no understandings or obligations not expressly set forth in this Agreement are binding upon the parties.

8.5 Waiver. No delay in exercising any right or remedy shall constitute a waiver unless such right or remedy is waived in writing signed by the waiving party. A waiver by any party of any right or remedy hereunder shall not be construed as a waiver of any other right or remedy, whether pursuant to the same or a different term, condition or covenant.

8.6 Captions. All captions, titles, or headings in this Agreement are used for the purpose of reference and convenience only and do not limit, modify, or otherwise affect any of the provisions of this Agreement.

8.7 Rules, Regulations and Amendment or Successor Statutes. All references in this Agreement to the Arizona Revised Statutes include all rules and regulations promulgated by ADWR under such statutes and all amendment statutes and successor statutes, rules, and regulations to such statutes, rules, and regulations.

8.8 Notices. Except as otherwise required by law, any notice given in connection with this Agreement must be in writing and must be given by personal delivery, overnight delivery, facsimile, or United States certified or registered mail. Any such notice must be addressed to the appropriate party at the following address (or at any other address as a party may hereafter designate by written notice given as required by this paragraph):

WATER BANK:

For delivery and U.S. Mail use:

c/o Chairperson
Arizona Water Banking Authority
3550 N. Central Avenue, 2nd Floor
Phoenix, Arizona 85012

TUCSON:

For delivery and
for U.S. Mail use:

c/o Water Director

310 W. Alameda
Tucson, Arizona 85726-7210

Notice is deemed to have been given on the date on which notice is personally delivered, delivered to an overnight delivery service, transmitted by facsimile or mailed. Notice is deemed to have been received on the date on which the notice is actually received or delivery is refused.

IN WITNESS WHEREOF, the parties to this Agreement have executed this Agreement as of the date first set forth above.

Water Bank: **WATER BANK**

By: _____

Its: Chairperson

ATTEST: _____

TUCSON: **THE CITY OF TUCSON**

By: _____

Jonathan Rothschild

Its: Mayor _____

ATTEST: _____

Roger Randolph
City Clerk

APPROVED AS TO FORM:

_____,
Principal Assistant City Attorney

EXHIBIT A
to
Purchase and Sale Agreement for Long-Term Storage Credits

LONG-TERM STORAGE CREDITS

Facility Name	ADWR Facility Permit No.	ADWR Water Storage Permit No.	Credits (AF)	Year(s) Earned	Water Source
CAVSARP	71-591928.0001	73.591925.0000			CAP
SAVSARP	<hr/>	<hr/>			CAP

EXHIBIT B

to

Purchase and Sale Agreement for Long Term Storage Credits

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

ARIZONA DEPARTMENT OF WATER RESOURCES

Water Management Section

3550 North Central Ave, Phoenix, Arizona 85012

Telephone (602) 771-8585

Fax (602) 771-8689

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

For Official Use Only
DATE RECEIVED: _____

[FOR SELLER]

Name of Seller

Long-Term Storage Account No.

Contact Person/Telephone Number

Facility Permit Number (where source water was stored)

Mailing Address

Water Storage Permit Number (authority to store source water)

City/State/Zip

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

Type: _____ acre-feet _____ year earned _____
Type: _____ acre-feet _____ year earned _____

[FOR BUYER]

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:

Name of Buyer

1. The date of Buyer's formation (if Buyer is a legal entity): _____

Contact Person/Telephone Number

2. The amount of groundwater withdrawn by Buyer in the AMA during the calendar year that the credits were earned:

Mailing Address

a. The groundwater right number(s) the Buyer withdrew the groundwater pursuant to:

City/State/Zip

Long -Term Storage Account No. (if any)

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. § 45-853.01 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.

Authorized Signature for Seller DATE

Authorized Signature for Buyer DATE

Title

Title

**LEASE AGREEMENT FOR TRANSPORTATION
THROUGH THE CAP/SRP INTERCONNECTION
FACILITY AND STORAGE OF WATER AT THE
GRANITE REEF UNDERGROUND STORAGE PROJECT**

1. PARTIES:

This Lease Agreement is made and entered into the ____day of _____, 20__ by and between the Salt River Valley Water Users' Association, hereinafter referred to as "Association", and the Arizona Water Banking Authority (AWBA)

2. RECITALS:

- 2.1 Association and Participants to the Granite Reef Underground Storage Project Intergovernmental Agreement dated February 26, 1993 have constructed and Association is responsible for operating the Granite Reef Underground Storage Project (GRUSP), an underground storage facility that is located in the East Salt River sub-basin of the Phoenix Active Management Area in Maricopa County.
- 2.2 Association, on behalf of the owners thereof, operates the CAP/SRP Interconnection Facility (CSIF) which interconnects the CAP Canal with Association's Water Delivery System for the delivery of water from the CAP Canal operated by the Central Arizona Water Conservation District (CAWCD).
- 2.3 Association, on behalf of the GRUSP Participants, and in accordance with the GRUSP IGA and GRUSP Annual Operations Procedures, is authorized to broker leases to other entities for the Annual Lease Capacity at GRUSP.
- 2.4 ADWR has issued Association a Constructed Underground Storage Facility Permit (Permit No. 71-516371.0001) for GRUSP. The permit authorizes the underground storage of a maximum of 93,000 acre-feet per year for a maximum of 1.23 million acre-feet of water in storage at any time.
- 2.5 AWBA desires to store CAP water at GRUSP and Association agrees to make available storage capacity at GRUSP for such storage and CSIF capacity, in accordance with the provisions of this Lease

Agreement.

NOW THEREFORE, in consideration of the foregoing, the payments to be paid by the AWBA, and the covenants and agreements contained in this Lease Agreement, and other good and valuable consideration, Association and AWBA agree as follows:

3. DEFINITIONS:

As used in this Lease Agreement, the following terms, when capitalized, have the following meanings:

- 3.1 ADWR: The Arizona Department of Water Resources
- 3.2 Association: The Salt River Valley Water Users' Association
- 3.3 CAP (CENTRAL ARIZONA PROJECT): The water delivery works of the CAP including, but not limited to, the CAP canal, its turnout structures and associated measuring devices.
- 3.4 CSIF (CAP/SRP Interconnection Facility): The facility located adjacent to the Granite Reef Diversion Dam which interconnects the CAP aqueduct with the Association Water Delivery System and the Salt River Bed.
- 3.5 CSIF IGA: The agreement among the Association, the Salt River Project Agricultural Improvement and Power District, Chandler, Gilbert, Glendale, Mesa, Peoria, Phoenix, Scottsdale and Tempe dated July 26, 1989, as subsequently amended or supplemented.
- 3.6 GRUSP (Granite Reed Underground Storage Project): The underground storage facilities generally described in Exhibit A of the Agreement.
- 3.7 GRUSP Annual Operations Procedures: The operational planning document that outlines how each Participant and Association as Operating Agent shall implement annual scheduling and leasing.
- 3.8 GRUSP IGA: The agreement among the Association, the Salt River Project Agricultural Improvement and Power District, Chandler, Gilbert, Mesa, Phoenix, Scottsdale, and Tempe dated February 26, 1993.
- 3.9 Operating Agent: The Association, in accordance with the GRUSP IGA or CSIF IGA.
- 3.10 Operating Capacity: The monthly amount of water in AF that can be physically stored in the GRUSP as determined by the Operating Agent.
- 3.11 Participants: Any one or more of the Parties to the GRUSP IGA which

owns Storage Entitlement.

- 3.12 Party/Parties: Either one or, in the plural, both parties to this Lease Agreement
- 3.13 Permit: The Constructed Underground Storage Facility Permit issued by the ADWR for GRUSP, Permit No. 71-516371.0001
- 3.14 Storage Capacity: The maximum amount of water in AF that can be physically stored in GRUSP each calendar year in compliance with the facility permit issued by ADWR, or additional document authorizing the Participants to store water at GRUSP.
- 3.15 Storage Entitlement: A Participant's individual percentage of ownership in the Storage Capacity of GRUSP, as set forth in Exhibit C of the GRUSP IGA, as revised.
- 3.16 Uncontrollable Forces: Any cause beyond the control of the Party affected, including but not restricted to failure of or threatened failure of facilities, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, restraint by court order or public authority, and action or non-action by or failure to obtain the necessary authorizations or approvals from any governmental agency or authority not a Party to this Agreement, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. Nothing contained herein shall be construed so as to require a Party to settle any strike or labor dispute in which it is involved. Any Party rendered unable to fulfill any of its obligations under this Agreement by reason of an Uncontrollable Force shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability.
- 3.17 Water Delivery System: The canal system, including canals, gates, and measuring devices, but excluding laterals and drain ditches, operated and maintained by Association to deliver water.

4. SCOPE:

This Lease Agreement is limited to (1) the storage of AWBA water by the Association at the GRUSP for the benefit of the AWBA and (2) transportation of AWBA water through the CSIF. Additionally, transportation of AWBA water in the Association Water Delivery System will require a separate Water Transportation Agreement between AWBA and Association.

5. TERM OF AGREEMENT:

This Lease Agreement shall become effective when executed by both Parties and shall remain in effect for _____ year(s) unless the Parties agree in writing to extend the term or unless it is sooner terminated or canceled in accordance with the terms of this Lease Agreement.

6. CONDITIONS RELATING TO STORAGE AND USE OF CSIF:

6.1 The transportation and storage of water under this Lease Agreement is conditioned on the following:

6.1.1 Transportation of AWBA water through the CSIF and the Association Water Delivery System, and storage of AWBA water in GRUSP is subject to the CSIF, Association, and GRUSP operating practices, respectively.

6.1.2 All storage of AWBA water shall be consistent with the GRUSP IGA, Arizona water law and with federal law applicable to GRUSP.

6.1.3 AWBA water made available pursuant to this Lease Agreement shall be stored by the Association only at GRUSP.

6.1.4 AWBA shall obtain a water storage permit from ADWR authorizing it to store AWBA's water at GRUSP.

6.1.5 Association's storage of AWBA's water at GRUSP shall, at all times, comply with the Permit. Association shall be responsible for filing annual reports as required by the Permit. Association shall promptly notify AWBA of any changes or modifications to the Permit that would affect AWBA's rights under this Lease Agreement. If the Permit is canceled or expires for any reason, AWBA may terminate this Lease Agreement.

7. SCHEDULING AND OPERATION

7.1 Delivery of water to and from GRUSP and CSIF is subject to the GRUSP IGA, CSIF IGA, this Lease Agreement and the GRUSP and CSIF operating procedures

7.2 Discrepancies between scheduled and actual water flows shall be resolved by the Parties in a mutually agreeable manner.

7.3 On or before September 15 of each year during the term of this Lease Agreement, Association shall notify AWBA of a proposed amount of GRUSP capacity available to AWBA the following year.

8. WATER DELIVERY AND STORAGE RATE:

8.1 GRUSP Storage Rate: Each year under the term of this Lease

Agreement, Association shall establish a per acre-foot GRUSP rate (“Annual GRUSP Storage Rate”) for the use of GRUSP storage capacity for the following year based on actual operation and maintenance expenses.

8.2 CSIF Use Rate: Each year under the term of this Lease Agreement, Association shall establish a per-acre foot CSIF rate (“CSIF Use Rate”) for the use of CSIF capacity for the following year.

8.3 SRP will provide notice of the GRUSP Storage Rate and CSIF Use Rate no later than September 15th each year during the term of this agreement.

9. OPERATING AGENT:

9.1 The Association shall have the sole discretion in determining whether a curtailment or stoppage of water flows to or from CSIF or to GRUSP is made necessary by circumstances existing at any time; and shall assume no liability to AWBA for such curtailment or stoppage.

9.2 The Association shall retain sole responsibility and authority for decisions relating to CSIF and GRUSP operating and maintenance practices, including maintenance scheduling and the selection of periods when maintenance will be done.

9.3 Association shall operate CSIF and GRUSP in a manner consistent with the CSIF IGA and GRUSP IGA. Whenever practicable, the Association shall inform AWBA ninety (90) days in advance of any matter which may substantially affect CSIF, GRUSP or the rights of AWBA, and of any actions to be taken by Association related thereto.

10. DESTRUCTION/RECONSTRUCTION OF GRUSP:

In the event of destruction of all or part of GRUSP, Association may repair or reconstruct GRUSP, but Association shall not be obligated to do so.

11. WATER MEASUREMENT AND ACCOUNTING:

11.1 Water measurement and accounting for water stored at GRUSP shall be done in accordance with Section 16 of the GRUSP IGA.

11.2 Water measurement and accounting for water transported through the CSIF shall be done in accordance with Section 16 of the CSIF IGA.

11.3 Association shall determine evaporation losses representative of the conditions at or near GRUSP using the method indicated in the Permit or using actual measurements, when available. Any other losses in GRUSP shall be calculated using generally accepted engineering practices.

- 11.4 Association shall prepare a monthly water accounting report of water stored at GRUSP for AWBA. The report shall include the daily amount of water stored and the losses calculated as described in this Section.
- 11.5 Association shall provide ADWR with water accounting reports for GRUSP as required by the Permit.
- 11.6 Association shall provide AWBA copies of GRUSP annual reports submitted to ADWR.

12. WATER QUALITY:

- 12.1 Nothing in this Lease Agreement shall be construed so as to require that the Association receive or transport water from any source when the Association reasonably determines that such receipt or transportation is likely to result in a violation of then existing federal, state or local laws or regulations regarding water quality.
- 12.2 AWBA shall release, hold harmless and indemnify the Association from and against all losses, liability, claims, injury or damage it incurs or suffered by third parties resulting from water quality degradation caused by the comingling of AWBA water in the Association Water Delivery System for the purpose of transporting such water for AWBA to GRUSP; provided however, that AWBA indemnification shall only extend to the percentage of degradation attributable to the AWBA water entering the Association Water Delivery System under the terms of this Lease Agreement.

13. BILLING AND PAYMENTS:

- 13.1 Bills for services provided to AWBA shall be submitted by the Association to AWBA on or before the twenty-fifth (25th) day of each month (or if such day is not a business day, on the next succeeding business day) immediately following the month during which AWBA has incurred charges for such services. Such bills may include adjustments or corrections to bills previously submitted by the Association to AWBA.
- 13.2 Payment by AWBA to the Association shall be made in good funds on or before the thirtieth (30th) day following the date on which the bill was postmarked or if such day is not a business day, on the next succeeding business day. Bills which are not paid by this date shall be delinquent and thereafter accrue an interest charge at the prime rate of interest as established by the Bank of America on the last business day of the

month following the month for which the bill was submitted, plus 6% per annum, prorated by days of the unpaid principal, computed daily until payment is received. Any payment received shall first be applied to any interest charges owed, and then to any bills owed for services rendered.

13.3 In the event any portion of any bill is disputed, the disputed amount shall be paid when due, but may be accompanied by a written statement indicating the basis for any dispute. If the dispute is found to be valid, AWBA shall be refunded any overpayment plus interest, accrued at the rate set forth in Subarticle 13.2, prorated by days from the date payment was credited to AWBA to the date the refund check is mailed.

13.4 In the event any delinquent amount is not paid by AWBA within thirty (30) days after receipt by AWBA of written notice from the Association of the delinquency, the Association shall have the right, without liability of any kind, to refuse to transport and store AWBA water so long as the said amount remains unpaid, and may terminate this Lease Agreement. Nothing herein shall limit the rights of the Association to use any other available legal remedy to effect collection of said amounts.

14. AUTHORIZATIONS AND APPROVALS:

AWBA shall be responsible for obtaining, at its own expense, any permits, authorizations and approvals required for the underground storage and recovery of water in GRUSP or for AWBA's performance under this Lease Agreement. AWBA shall keep the Association informed of its applications for such permits and authorizations. The Association will share information with AWBA to assist AWBA in its permit application. AWBA shall also be responsible for filing any annual reports or other documents necessary to maintain its right to store water at GRUSP.

15. LIABILITY:

15.1 Except as otherwise provided in this Lease Agreement, AWBA shall indemnify, hold harmless and release Association, its directors, officers and employees against and from any damage, loss or any liability for death, injury, loss or damage incurred by any customer, citizen, employee, contractor, sub-contractor or agent of AWBA as a result of any performance pursuant to this Lease Agreement.

15.2 The obligation to indemnify under Section 12 and this Section 15 shall extend to the indemnitaries' share of any deductibles under any applicable insurance coverage.

- 15.3 Neither Association nor the other parties to the CSIF IGA shall assume any liability to AWBA for claims of damage resulting from Association's decision or the decision of CAWCD to curtail or stop water flows to or from the CSIF in accordance with the requirements of CAWCD and/or Association water operations, or to terminate deliveries of water to or from the CSIF solely in accordance with the requirements of Association.
- 15.4 The provisions of this Section 15 shall not be construed so as to relieve any insurer providing insurance coverage pursuant to Section 16.1 of its obligation to pay any insurance proceeds in accordance with the terms and conditions of valid and collectible insurance policies.
- 15.5 In the event any third party institutes an action against Association, other parties to the CSIF IGA, AWBA or other lessees of CSIF capacity, for claims arising from the activities undertaken pursuant to this Lease Agreement, the parties named in the action shall meet to coordinate the procurement of legal counsel and the steps necessary to defend against the action.

16. INSURANCE

- 16.1 During the term of this Lease Agreement, unless otherwise agreed in writing by Association, AWBA shall procure and maintain in force or cause to be procured and maintained in force, Commercial General Liability Insurance including bodily injury, personal injury, and property damage, wrongful death, and contractual liability with a minimum limit of \$5,000,000 per occurrence. Auto Liability with a minimum combined single limit of \$5,000,000 per occurrence. Both the commercial general and auto liability cover should name Association and the other parties to the CSIF IGA as additional insureds. Additionally, AWBA must show evidence of Workers compensation insurance with minimum statutory limits to cover obligations imposed by applicable federal and state statutes and Employer's Liability insurance with a minimum limit of \$1,000,000.
- 16.2 Any insurance carried by Association or other parties to the CSIF-IGA shall be excess and not contributory insurance to any insurance afforded hereunder. The commercial general liability and workers compensation insurance policies should include a waiver of subrogation in favor the Association and the other parties to the CSIF IGA. Proof of insurance

satisfactory to Association shall be submitted to Association prior to use of the CSIF by AWBA. Such proof of insurance shall be in the form of a certificate stating the coverage provided and that such insurance is in force and that such insurance shall not be canceled until after thirty (30) days prior written notice thereof shall have been given to Association.

- 16.3 With written approval of Association, AWBA may self-insure or combine the coverage's required by this Lease Agreement with coverage's outside the scope of that required by this Lease Agreement.
- 16.4 Required insurance coverage's shall be written with deductibles and limits approved by Association. Association may, at any time, change the policy limits, add or eliminate coverage(s), and shall determine appropriate deductibles or retentions.
- 16.5 If AWBA fails to acquire, provide or continue the insurance coverage's required; Association may terminate this Lease Agreement immediately upon written notice to AWBA.

17. Miscellaneous

- 17.1 The Agreement is subject to cancellation in accordance with the provisions of A.R.S. § 38-511.
- 17.2 The Parties shall comply with State Executive Order No. 75-5, as amended by State Executive Order No. 2009-9, and all other Federal or State laws, rules and regulation, including the Americans with Disabilities Act.
- 17.3 The Parties shall obtain and maintain all licenses, permits and authority necessary to perform their obligations pursuant to this Agreement, and shall comply with all applicable state, federal and local laws, including but not limited to those regarding unemployment insurance, disability insurance and worker's compensation. This Agreement does not relieve either party from any obligation or responsibility imposed upon it by law.
- 17.4 Neither party shall be considered an officer, employee or agent of the other. No monitoring or supervisory responsibility over the other party's activities arises on the part of the other arises or as a result of, or pursuant to, this Agreement other than as expressly provided herein.
- 17.5 All books, accounts, reports, files and other records relating to this Agreement shall be subject at all reasonable times to inspection and audit by the State of Arizona and the AWBA for five (5) years after completion of the Agreement. Such records shall be produced at such

state offices as are designated by the State of Arizona and the AWBA.

18. DEFAULT:

In the event of a default by AWBA or Association of any obligation herein, then, within thirty (30) days following notice of such default by the non-defaulting Party, the defaulting Party shall remedy such default by advancing the necessary funds and/or rendering the necessary performance. Such notice shall specify the existence and nature of such default. If such default is not remedied within the time specified, the non-defaulting Party may terminate this Lease Agreement upon twenty four (24) hours written notice.

19. UNCONTROLLABLE FORCES:

No Party shall be considered in default in the performance of any of its obligations under this Lease Agreement (other than obligations of said Party to pay costs and expenses) when a failure of performance is due to Uncontrollable Forces. Nothing contained in this Lease Agreement shall be construed so as to require a Party to settle any strike or labor dispute in which it is involved. Any Party rendered unable to fulfill any of its obligations under this Lease Agreement by reason of an Uncontrollable Force shall give prompt written notice of such fact to the other Party and shall exercise due diligence to remove such inability.

20. GOVERNING LAW:

The laws of the State of Arizona shall govern this Lease Agreement without regard for conflict of law principles. To the extent required by A.R.S. §§ 12-1518(B) and 12-133, the parties agree to resolve any dispute arising out of this agreement by arbitration.

21. ASSIGNMENT:

This Lease Agreement shall not be assigned by AWBA or accrue to AWBA's successor, nor shall AWBA's Lease rights hereunder be used by another party.

22. NOTICES:

22.1 Notice, demand or request provided for in this Lease Agreement shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by registered or certified mail, postage prepaid, to the persons specified below:

Arizona Water Banking Authority
c/o Manager
3550 N. Central Avenue
Phoenix, AZ 85012

Salt River Valley Water Users' Association

c/o Corporate Secretary

PO Box 52025

Mail Station PAB 215

Phoenix, Arizona 85072-2025

Reference: GRUSP

22.2 A party may, at any time, by notice to the other Party, designate different or additional persons or different addresses for the giving of notices.

23. NO THIRD PARTY BENEFICIARIES:

This Lease Agreement is solely for the benefit of the Parties, and does not create nor shall it be construed to create rights in any third party unless expressly provided herein. No third party may enforce the terms and conditions of this Lease Agreement.

24. WAIVER:

The waiver by either Party of any breach of any term, covenant or condition herein contained shall not be deemed a waiver of any other term, covenant or condition, or any subsequent breach of the same or any other term, covenant or condition herein contained.

25. ENTIRE AGREEMENT:

The terms, covenants and conditions of this Lease Agreement constitute the entire agreement between the Parties relative to the leasing of CSIF capacity and GRUSP capacity, and no understandings or agreements not herein expressly set forth shall be binding upon them. This Lease Agreement may not be modified or amended in any manner unless in writing and signed by the Parties.

IN WITNESS WHEREOF, this Lease Agreement is executed by the Parties hereto.

SALT RIVER VALLEY WATER USERS' ASSOCIATION

By: _____

Attest: _____ Secretary

Arizona Water Banking Authority

By: _____

Attest: _____ Secretary

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WATER TRANSPORTATION AGREEMENT

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6

BETWEEN

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SALT RIVER VALLEY WATER USERS' ASSOCIATION

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AND

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ARIZONA WATER BANKING AUTHORITY

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1 WATER TRANSPORTATION AGREEMENT

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1 WATER TRANSPORTATION AGREEMENT

2 1. PARTIES:

3 The Parties to this Water Transportation Agreement (Agreement) made and entered into as of
4 this ____ day of _____, 20__, are the ARIZONA WATER BANKING AUTHORITY
5 (AWBA), and SALT RIVER VALLEY WATER USERS' ASSOCIATION, an Arizona corporation
6 (Association).

7 2. RECITALS:

8 This Agreement is made with regard to the following:

9 2.1 The Colorado River Basin Project Act of 1968 (82 Stat. 885) provides, among other
10 things, that for the purposes of furnishing irrigation water and municipal and industrial
11 water supplies to water deficient areas in Arizona and Western New Mexico through
12 direct diversion or exchange of water, control of floods, conservation, development of
13 fish and wildlife resources, enhancement of recreation opportunities and for other
14 purposes, the Secretary of Interior for the United States of America (Secretary of
15 Interior) shall construct, operate and maintain the Central Arizona Project (CAP).

16 2.2 Shareholders of Association are owners of land within the Salt River Reservoir District,
17 having valid appropriative rights to waters of the Salt and Verde Rivers. Association is
18 responsible for delivery to said lands of waters developed, controlled or stored by it for
19 the benefit of such lands. Association is the agent of the Salt River Project Agricultural
20 Improvement and Power District (District), a political subdivision of the State of
21 Arizona, in the operation of the water delivery system of the Salt River Project, a
22 federal reclamation project, pursuant to an agreement dated March 22, 1937, as
23 amended by agreements dated February 28, 1944, and September 12, 1949, and is
24 also the agent of the United States of America (USA) in the operation of said federal
25 reclamation project pursuant to contract dated
26

1 September 6, 1917. Association, in distributing water developed by Salt River Project
2 works and facilities, is governed by the decree in Hurley v. Abbott, filed March 1, 1910,
3 and all supplemental decrees thereto, all commonly referred to as the "Kent Decree";
4 the Articles of Incorporation and By-laws and rules and regulations of Association;
5 contracts now in effect and hereafter executed between the Association, the District
6 and the USA; rules and regulations promulgated by the Secretary of Interior, pursuant
7 to the provisions of an Act of Congress, approved June 17, 1902 (32 stat. 388), and
8 acts amendatory thereof and supplementary hereto, all of which are commonly known
9 and referred to as Federal Reclamation Law; and by applicable laws of the State of
10 Arizona.

11 2.3 The Arizona Water Banking Authority is an agency of the State of Arizona established
12 under A.R.S. 45-2421.

13 2.4 Association operates and maintains the water delivery system on behalf of and for the
14 primary benefit of its shareholders, who hold rights to water developed by the Salt
15 River Project, and to whom Association is obligated to deliver such water.

16 2.5 AWBA is obtaining CAP water and is obtaining contracts to transport such water
17 through the Interconnection Facility.

18 2.6 AWBA is in need of a link between the Interconnection Facility and its facilities;
19 therefore, AWBA desires to transport CAP water through the Association Water
20 Delivery System for use by AWBA, and has the authority to enter into this Agreement
21 for transportation of such water.

22 2.7 Association does not as a rule make its water delivery system available to all water
23 users potentially served by it and does not operate for profit. However, as an
24 accommodation to AWBA and for the incidental benefit to Association shareholders,
25 Association will transport CAP water for AWBA as an incident to its primary function;
26 provided that the transportation of such water shall not in any way disrupt or interfere

1 with the operation of the Association Water Delivery System on behalf of Association
2 shareholders and pursuant to existing decrees and existing contracts; and provided
3 further that this Agreement will not affect the responsibilities of Association with
4 respect to waters developed, controlled or stored by Association and delivered
5 pursuant to rights of Association shareholders, and decrees and contracts.

6 2.8 As Association limits the use of the Association Water Delivery System to the
7 transportation and delivery of water to its shareholders and those entities with specific
8 entitlements to such delivery service, to the exclusion of the general public, this
9 Agreement is necessary for Association to transport CAP water for AWBA

10 3. AGREEMENT:

11 In consideration of the premises and mutual covenants and agreements herein set forth, the
12 Parties hereto agree as follows:

13 4. DEFINITIONS:

14 As used in this Agreement the following terms, when capitalized, have the meanings
15 indicated:

16 4.1 Annual Index: The number calculated by dividing the U.S. Department of Commerce's
17 final estimate of the Implicit Gross Domestic Product Price Deflator
18 for the third quarter of the most recently completed year by the value of that same
19 quantity for the third quarter of the previous year. The Annual Index shall be
20 determined in January of each year commencing in 1996.

21 4.2 Association Water Delivery System: Association's canal system, including canals,
22 gates and measuring devices; but excluding laterals and drain ditches.

23 4.3 Evacuated Water: Water released from the Association Water Delivery System:

- 24 a) As a result of excess storm runoff and under emergency conditions.
25 b) In the event of the discovery of contaminated water in the Association Water
26 Delivery System.

1 4.4 Interconnection Facility: The facility located adjacent to the Granite Reef Diversion
2 Dam which interconnects the CAP Canal with the Association Water Delivery System
3 and the Salt River Bed.

4 4.5 Point Of Delivery: The point at which AWBA Water is diverted from the Association's
5 Water Delivery System for delivery to GRUSP for the AWBA. Unless otherwise
6 agreed in writing by the Parties, the Point of Delivery is the GRUSP delivery gates that
7 are located just upstream of the Hennessy drain gates on the Association's South
8 Canal.

9 4.6 Point Of Receipt: The point where the Interconnection Facility discharges into the
10 Association's Water Delivery System. Unless otherwise agreed in writing by the
11 Parties, the Point of Receipt is the point where the South Canal component of the
12 Interconnection Facility discharges into the Association's South Canal.

13 4.7 AWBA Water: CAP water discharged for AWBA into the Association Water Delivery
14 System from the Interconnection Facility.

15 4.8 Transportation Losses: The amount of water lost through seepage, evaporation or
16 other causes while being transported within the Association Water Delivery System
17 from the Point of Receipt to the Point of Delivery. Transportation Losses shall not
18 include Evacuated Water.

19 4.9 Uncontrollable Forces: Any cause beyond the control of the Party unable to perform
20 such obligation, including, but not limited to, failure of or threat of failure
21 of facilities, flood, earthquake, storm, fire, lightning and other natural catastrophes,
22 epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or
23 material shortage, sabotage, government priorities and restraint by court order or
24 public authority, and action or nonaction by, or failure to obtain the necessary
25 authorizations or approvals from, any governmental agency or authority, which by
26 exercise of due diligence such Party could not reasonably have been expected to

1 avoid and which by exercise of due diligence it shall be unable to overcome. Nothing
2 contained herein shall be construed to require either Party to settle any strike or labor
3 dispute in which it is involved.

4 4.10 Water Accounting: The general determination of the quantity of AWBA Water
5 transported by Association hereunder.

6 5. SCOPE OF SERVICE:

7 This Agreement is limited to transportation of AWBA Water in the Association Water Delivery
8 System from the Point of Receipt to the Point of Delivery.

9 6. TERM OF AGREEMENT:

10 This Agreement shall be effective as of the date stipulated in Section 1 and shall remain in
11 effect until its expiration on January 1 of the following year. Upon written confirmation by
12 Association, this Agreement may be extended for additional terms of one calendar year each
13 by written notice from AWBA to Association by October 1 of the then current year.
14 Association shall confirm or reject extension of the Agreement by November 15 of the then
15 current year. This Agreement may be terminated as provided in this Agreement, or upon 30
16 days written notice by either Party to the other Party.

17 7. RATES, FEES, AND CHARGES:

18 7.1 Association shall bill AWBA and AWBA shall pay Association \$5 for each acre foot
19 (AF) of AWBA Water received at the Point of Receipt whether or not AWBA accepted
20 or used such water.

21 7.2 Association shall also bill AWBA and AWBA shall pay Association an annual
22 administration fee of \$2,827.95 for the administration and water accounting related to
23 the transportation service provided under this Agreement. This fee shall be adjusted
24 by the Annual Index each January. The fee shall be billed when service is
25 commenced and in each January thereafter, and paid in accordance with Section 8.
26

1 The fee shall be prorated for those partial years of service resulting from initiation or
2 permanent termination of service pursuant to this or a successor Agreement.

3 7.3 For purposes of this Section 7, "adjusted by the Annual Index" means that the rate or
4 the annual administration fee for the previous calendar year is multiplied by the Annual
5 Index.

6 7.4 If, as a result of the service provided to AWBA pursuant to this Agreement,
7 Association becomes liable to a governmental authority other than District for any tax,
8 tariff, duty, toll, fee, impost, charge or other exaction, or any increase thereof, pursuant
9 to Section 8, Association shall bill AWBA and AWBA shall pay Association the amount
10 for which Association is liable.

11 **8. BILLING AND PAYMENT:**

12 8.1 Bills for service provided to AWBA shall be submitted by Association to AWBA on or
13 before the twenty-fifth (25th) day of each month (or if such day is not a business day,
14 on the next succeeding business day) immediately following the month during which
15 AWBA has incurred charges for such service. Such bills may include adjustments or
16 corrections to bills previously submitted by Association to AWBA

17 8.2 Payment by AWBA to Association shall be made by any method which provides
18 available funds on or before the thirtieth (30th) day following the date on which the bill
19 was postmarked or if such day is not a business day, on the next succeeding business
20 day. Bills not paid by this date shall be delinquent and thereafter accrue an interest
21 charge at the prime rate of interest as established by the Bank of America on the last
22 business day of the month following the month for which the bill was submitted, plus
23 2% per annum, prorated daily from the date due to the date of payment. Any payment
24 received shall first be applied to any interest charges owed, and then to any bills owed
25 for service rendered.
26

1 8.3 In the event any portion of any bill is disputed, the disputed amount shall be paid under
2 protest when due and shall be accompanied by a written statement indicating the basis
3 for the protest. If the protest is found to be valid, AWBA shall be refunded any
4 overpayment plus interest, accrued at the rate set forth in Section 8.2, prorated by the
5 number of days from the date payment was credited to AWBA to the date the refund
6 check is mailed.

7 8.4 In the event any delinquent amount remains unpaid more than sixty (60) days after its
8 due date, Association shall have the right, without liability of any kind, to refuse to
9 provide service under this Agreement so long as the said amount remains unpaid and
10 may terminate this Agreement. In any event, AWBA shall remain obligated to pay for
11 service actually provided under this Agreement, whether billed or yet to be billed.
12 Nothing in this Agreement shall limit the rights of Association to use any other available
13 legal remedy to effect collection of said amounts.

14 9. WATER ACCOUNTING:

15 9.1 Association will provide daily Water Accounting of AWBA Water received for AWBA at
16 the Point of Receipt. Such Water Accounting shall be retained by Association for at
17 least three (3) years and be made available for AWBA's inspection upon
18 written request.

19 9.2 AWBA shall provide a monthly report of the total amount of water received each day
20 during the month as measured at each Point of Delivery in accordance with operating
21 procedures prepared by Association. Such report shall be submitted to Association by
22 the sixth (6th) business day following the month end, pursuant to such operating
23 procedures.

24 9.3 Association shall prepare a monthly Water Accounting report based on the daily Water
25 Accounting provided under Section 9.1. It shall also include the daily water deliveries
26 as reported by AWBA pursuant to Section 9.2. Such Water Accounting report may be

1 combined with other existing Association reports provided to AWBA and shall include
2 AWBA Water delivered to the Point of Delivery, Transportation Losses, and Evacuated
3 Water during that month.

4 9.4 Inadvertent water flow discrepancies between scheduled and actual water flows shall
5 be resolved by the Parties in a mutually agreeable manner.

6 10. WATER QUALITY:

7 10.1 Association neither guarantees nor warrants the quality of water transported through
8 the Association Water Delivery System to, or for, AWBA pursuant to this Agreement,
9 and AWBA assumes all responsibility for purifying or otherwise treating AWBA Water
10 received at AWBA's Point of Delivery to meet applicable water quality standards
11 established by federal, state or local authorities. AWBA releases Association from any
12 liability for AWBA claims related to water quality, unless such water quality claim
13 results from Association's negligent or intentionally wrongful commingling of AWBA's
14 Water with other water in the Association Water Delivery System. Nothing in this
15 Agreement shall be construed so as to require that Association receive or transport
16 water from any source when such receipt or transportation is likely to result in a
17 violation of then existing federal, state or local
18 laws or regulations regarding water quality.

19 10.2 Except as otherwise provided in Section 20.1, AWBA shall indemnify and hold
20 harmless Association from and against all losses to third parties resulting from water
21 quality degradation resulting from the commingling of AWBA Water with other water in
22 the Association Water Delivery System, and shall defend Association against all claims
23 for such losses, at no cost to Association.

24 10.3 If Association coincidentally introduces water into the Association Water Delivery
25 System through the Interconnection Facility, or other causes contribute to the losses of
26

1 third parties, AWBA will indemnify and defend only for those losses to third parties
2 attributable to commingling of AWBA Water in the Association Water Delivery System.

3 10.4 Association shall cooperate fully with AWBA in the defense of all claims of third parties
4 for losses under this Section 10 and shall provide AWBA with all information, expert
5 witnesses and records necessary for AWBA to defend against such claims.

6 10.5 AWBA's obligation to indemnify under this Section 10 shall encompass all costs of
7 defending against claims by third parties for such losses and all costs incurred by
8 Association in cooperating with AWBA under Section 10.4 in the defense of such
9 claims.

10 11. TRANSPORTATION LOSSES:

11 AWBA shall be assessed Transportation Losses at the rate of 0.06 percent per AF per mile
12 between the Point of Receipt and the Point of Delivery. Using the water balance of supply and
13 delivery, a procedure similar to the loss calculation used in standard reporting to the Arizona
14 Department of Water Resources and the United States Bureau of Reclamation, Association
15 shall review and adjust such Transportation Loss rate annually in April based on annual
16 average Association Water Delivery System losses during the
17 preceding five (5) years. Such adjusted rate shall remain in effect until next adjusted.

18 12. PRIORITY OF SERVICE:

19 12.1 AWBA Water may be transported under this Agreement only to the extent that such
20 transportation does not impair nor prejudice the transportation and delivery of water A)
21 to Association shareholders, or B) pursuant to decrees, or C) pursuant to contracts
22 between Association and any third parties.

23 12.2 Association shall transport water, as among all contractors for such service from
24 Association, according to the capacity of the Association Water Delivery System as
25 determined and allocated by Association.
26

1 13. RIGHT TO CONTRACT OR SUBCONTRACT:

2 13.1 Association retains the right to contract directly with other entities desiring
3 transportation of water in the Association Water Delivery System.

4 13.2 AWBA may not subcontract services provided to it by Association under this
5 Agreement.

6 14. DISTRIBUTION:

7 14.1 Association's obligations and responsibilities to AWBA under this Agreement shall
8 commence at the Point of Receipt and shall terminate at the Point of Delivery. AWBA
9 shall be responsible and assume full liability for the further distribution of AWBA Water
10 received at the Point of Delivery, including, but not limited to, all operation and
11 maintenance costs for delivery to AWBA's end users.

12 15. INTERRUPTIONS OR CURTAILMENTS IN DELIVERY:

13 15.1 Transportation of AWBA Water shall be in accordance with AWBA's requests as set
14 forth in Section 19 of this Agreement, and shall be subject to:

15 15.1.1 Interruptions and curtailments in the capability of Association to transport
16 AWBA Water due to emergencies, canal dry up, operational constraints
17 and necessary maintenance and repairs of the Association
18 Water Delivery System, all as determined solely by Association.

19 15.1.2 Interruptions, evacuations and curtailments because of excessive storm
20 runoff entering the Association Water Delivery System, as determined
21 solely by Association, or because Association determines that significant
22 degradation of water quality in the Association Water Delivery System likely
23 to result in substantial liability is occurring or may occur as a result of
24 introduction of AWBA Water, contamination or contaminated water in the
25 Association Water Delivery System.

1 15.1.3 No obligation on the part of Association to replace any portion of AWBA
2 Water evacuated from the Association Water Delivery System.

3 15.1.4 Availability of AWBA Water at the Point of Receipt, as determined by
4 Association.

5 16. FLOW MEASUREMENT:

6 CAP water transported for AWBA pursuant to this Agreement shall be measured at or near
7 the Point of Delivery in accordance with requirements of maintaining the accuracy of these
8 systems within plus or minus five (5) percent of actual flows.

9 17. ACCESS TO PREMISES AND FACILITIES:

10 AWBA hereby grants to Association, its employees and agents the right of access to the
11 premises identified as the Point of Delivery, at reasonable times and after reasonable notice
12 from Association, for such purposes as installing, connecting, reading, testing, repairing,
13 adjusting, disconnecting, removing or inspecting meters, measuring devices, communications
14 equipment, data devices and other apparatus and equipment pertinent to the provision of or
15 accounting for service under this Agreement.

16 18. FUTURE FACILITIES:

17 AWBA bears responsibility and cost for any facility needed at a future point of receipt or Point
18 of Delivery to effect service under this Agreement.

19 19. NOTICE OF WATER DELIVERIES:

20 AWBA shall provide adequate notice to Association of AWBA's water orders and any
21 subsequent order changes, in accordance with operating procedures established by
22 Association. Operating procedures established by Association shall provide that, in the event
23 of a pending canal capacity curtailment, Association shall give AWBA as much notice as
24 reasonably practicable of the pending curtailment. Association shall schedule, transport and
25 account for AWBA Water. Transportation of AWBA Water shall be subject to operational and
26 maintenance constraints common to all parties served by the Association Water Delivery

1 System. The amount of AWBA Water requested by AWBA less Transportation Losses, shall
2 be delivered by Association to the Point of Delivery, subject to the provisions of Section 15.
3 Association shall schedule and monitor the transportation of AWBA Water so as not to in any
4 manner whatsoever interfere with the operation and maintenance of the Association Water
5 Delivery System.

6 **20. LIABILITY:**

7 20.1 Each Party shall assume liability arising out of its negligence or intentionally wrongful
8 action or inaction, and shall indemnify the other Party against any damages such other
9 Party incurs as a result of such action or inaction, including costs or defending against
10 related claims.

11 20.2 Except as otherwise provided in this Agreement, AWBA shall indemnify and hold
12 harmless the Association, its directors, officers and employees against and from any
13 liability for death, injury, loss or damage incurred by any customer/member of AWBA
14 as a result of any performance pursuant to this Agreement.

15 20.3 The obligation to indemnify under Sections 10 and 20 of this Agreement shall extend to
16 the indemnitee's share of any deductibles under any applicable insurance coverage.

17 20.4 Association assumes no liability to AWBA for claims of damage resulting from
18 Association's decision to curtail or stop water flows to or from the Interconnection
19 Facility in accordance with the requirements of Association water operations.

20 20.5 The provisions of this Section 20 shall not be construed so as to relieve any insurer
21 providing insurance coverage pursuant to Section 21.1 of its obligation to pay any
22 insurance proceeds in accordance with the terms and conditions of valid and
23 collectible insurance policies.

24 **21. INSURANCE:**

25 21.1 During the term of this Agreement, unless otherwise agreed in writing by Association,
26 AWBA shall procure and maintain in force or cause to be procured and maintained in

1 force Commercial General Liability Insurance naming Association as an additional
2 insured, including bodily injury, personal injury, and property damage, wrongful death,
3 automobile liability, and contractual liability with a minimum limit of \$5,000,000 per
4 occurrence,

5 21.2 Any insurance carried by Association shall be excess and not contributory insurance to
6 any insurance afforded hereunder. Proof of insurance satisfactory to Association shall
7 be submitted to Association prior to transportation of water for AWBA. Such proof of
8 insurance shall be in the form of a certificate stating the coverage provided and that
9 such insurance is in force and that such insurance shall not be cancelled until after
10 thirty (30) days prior written notice thereof shall have been given to Association.

11 21.3 With written approval of Association, AWBA may self-insure or combine the coverages
12 required by this Agreement with coverages outside the scope of that required by this
13 Agreement.

14 21.4 Required insurance coverages shall be written with deductibles and limits approved by
15 Association. Association may, at any time, change the policy limits, add or eliminate
16 coverage(s), and shall determine appropriate deductibles or retentions.

17 21.5 AWBA fails to acquire, provide or continue the insurance coverages required,
18 Association may terminate this Agreement immediately upon written notice to AWBA

19 22. AUDIT:

20 22.1 Upon reasonable written notice, either Party at its expense shall have the right, at all
21 reasonable times, to review and audit the books, records and documents of the other
22 Party directly pertaining to the billings and Water Accounting data required to
23 administer this Agreement. Any such audit may be conducted by an employee of or
24 independent accountant designated by the auditing Party. The Party being audited
25 agrees to fully cooperate with any such audit. This right to audit shall extend for a
26 period of three (3) years following the date of each payment under this Agreement.

1 The Parties agree to retain all necessary records and documentation during this audit
2 period. The foregoing shall not be construed to permit either Party to conduct a
3 general audit of the other Party's records. Information obtained by either Party's
4 representatives in examining the other Party's applicable records to verify such billings
5 and Water Accounting data shall not be disclosed to third parties without prior written
6 consent of the audited party, or unless in response to compulsory judicial or regulatory
7 process or state law and after giving the other Party written notice as much in advance
8 as possible.

9 22.2 The audited Party shall be notified in writing of any exception taken as a result of an
10 audit and shall respond to such notification within thirty (30) days. Upon resolution of
11 any exception, A) as to payment of any monies due, the owing Party shall directly remit
12 the amount of any exception to the other Party within thirty (30) days, with interest
13 calculated at the rate set forth in Section 8.2. Interest shall be computed from the date
14 of the original billing to the date of payment by the Party owing as a result of the Audit;
15 B) as to any water due, the Parties shall
16 arrange for the owing Party to return the amount owed as soon as practicable.

17 23. UNCONTROLLABLE FORCES:

18 Neither Party shall be considered to be in default in the performance of any of its obligations
19 hereunder (other than the obligation of AWBA to make payment for service hereunder) when
20 a failure of performance shall be due to Uncontrollable Forces.

21 24. MISCELLANEOUS

22 24.1 The Agreement is subject to cancellation in accordance with the provisions of A.R.S. §
23 38-511.

24 24.2 The Parties shall comply with State Executive Order No. 75-5, as amended by State
25 Executive Order No. 2009-9, and all other Federal or State laws, rules and regulation,
26 including the Americans with Disabilities Act.

1 24.3 The Parties shall obtain and maintain all licenses, permits and authority necessary to
2 perform their obligations pursuant to this Agreement, and shall comply with all
3 applicable state, federal and local laws, including but not limited to those regarding
4 unemployment insurance, disability insurance and worker's compensation. This
5 Agreement does not relieve either party from any obligation or responsibility imposed
6 upon it by law.

7 24.4 Neither party shall be considered an officer, employee or agent of the other. No
8 monitoring or supervisory responsibility over the other party's activities arises on the
9 part of the other arises or as a result of, or pursuant to, this Agreement other than as
10 expressly provided herein.

11 24.5 All books, accounts, reports, files and other records relating to this Agreement shall be
12 subject at all reasonable times to inspection and audit by the State of Arizona and the
13 AWBA for five (5) years after completion of the Agreement. Such records shall be
14 produced at such state offices as are designated by the State of Arizona and the
15 AWBA.

16 25. NOTICES:

17 Any notice, demand or request provided for in this Agreement shall be in writing and delivered
18 in person, or sent by registered or certified mail, postage prepaid, to:

19 Salt River Valley Water Users Association
20 c/o Secretary
21 PO Box 52025
22 Phoenix, AZ 85072-2025
23 Reference: Water Transportation Agreement

24 Arizona Water Banking Authority
25 c/o Manager
26 3550 N. Central Avenue
Phoenix, AZ 85012

1 25. WAIVER:

2 The waiver by either Party of any breach of any term, covenant or condition herein contained
3 shall not be deemed a waiver of any other term, covenant or condition, or any subsequent
4 breach of the same or any other term, covenant or condition herein contained.

5 26. HEADINGS:

6 Title and paragraph headings herein are for reference only and are not part of this Agreement.

7 27. RECLAMATION REFORM ACT:

8 In no event shall Association's performance of obligations established herein subject
9 Association or its shareholders to provisions of the Reclamation Reform Act of 1982 (RRA),
10 43 USC 390bb (1), as amended, and regulations attendant thereto, to which
11 Association would not otherwise have been subjected. Further, in the event a change of
12 legislation, future federal agency determination or other administrative or judicial action
13 subjects or purports to subject Association to the RRA as a result of Association's
14 performance of obligations established herein, Association shall be relieved of any further
15 obligations hereunder, and this Agreement shall be voidable at Association's discretion.

16 28. RESOLUTION OF DISPUTES:

17 28.1 Any Party having a dispute under this Agreement that cannot be resolved by the
18 Parties, may submit the dispute to arbitration. Arbitration shall be subject to the
19 following provisions:

20 28.1.1 Arbitration shall be binding only upon the consent of the Parties.

21 28.1.2 A Party wishing to submit a dispute to arbitration shall provide thirty (30)
22 days written notice to the other Party of its intent to pursue arbitration and
23 shall name one arbitrator at that time. Within fifteen (15) days of receiving
24 this notice, the other Party to the dispute shall name one arbitrator and give
25 written notice to the other Party of its selection. The two selected
26

1 arbitrators shall, within five (5) days of selection of the second arbitrator,
2 jointly select a third arbitrator.

3 28.1.3 Within thirty (30) days from the selection of the third arbitrator, the
4 arbitrators shall hold a hearing. Within thirty (30) days from the conclusion
5 of the hearing the arbitrators shall render a decision on the dispute.

6 28.1.4 Arbitration shall be subject to the Arizona Arbitration Act, Arizona Revised
7 Statutes, Title 12, Chapter 9, Article 1. In the event of a conflict between
8 this Agreement and the Act, the provisions of this Agreement shall prevail.

9 28.2 Any Party that is dissatisfied with the results of non-binding arbitration may pursue
10 any other legal or equitable remedy not expressly provided for in this Section 28 and
11 available to resolve the dispute.

12 29. ACTION PENDING RESOLUTION OF DISPUTES:

13 Pending the resolution of a dispute pursuant to Section 28, the Parties shall proceed, to the
14 extent legally permissible, in a manner consistent with this Agreement, and shall make
15 payments required in accordance with the applicable provisions of this Agreement. Amounts
16 paid by a Party pursuant to this Section 29 during the pendency of such dispute shall be
17 subject to refund and adjustment upon a final resolution of any dispute involving an amount
18 due. Upon such final resolution, the owed amounts shall be remitted in accordance with the
19 remittance procedures/arrangements contained in Section 8.

20 30. GOVERNING LAW:

21 This Agreement is made under, and shall be governed by, the laws of the State of Arizona.

22 31. PERMITS:

23 AWBA shall be responsible for obtaining any permits required to discharge AWBA Water into
24 the Association Water Delivery System; except that if any permits are required to discharge
25 AWBA Water from Association-owned or operated facilities into the Association Water
26

1 Delivery System, Association and AWBA shall be jointly responsible for obtaining the permits.
2 Denial of any necessary permit shall not result in liability of either Party to the other.

3 32. NO THIRD PARTY BENEFICIARIES:

4 This Agreement is solely for the benefit of the Parties, and does not create nor shall it be
5 construed to create rights in any third party. No third party may enforce the terms and
6 conditions of this Agreement.

7 33. ENTIRE AGREEMENT:

8 The terms, covenants and conditions of this Agreement constitute the entire Agreement
9 between the Parties and no understandings or obligations not herein expressly set forth shall
10 be binding upon them. This Agreement may not be modified or amended in any manner
11 unless in writing and signed by the Parties.

1 IN WITNESS WHEREOF, this Agreement was executed by the Parties on the date first hereinabove
2 written.

3 SALT RIVER VALLEY WATER USERS'
4 ASSOCIATION

5 Attest and Countersign

6
7 _____ By: _____
8 Secretary Title: _____

9
10 Approved as to form and within the Power and
11 Authority granted under the laws of the Territory of
12 Arizona to the Salt River Valley Water Users' Association

13 _____
14
15
16 _____

17 Attest and Countersign

18
19
20 _____ By: _____
21 Secretary Title: _____

22 Approved as to form and within the
23 Power and Authority granted under the laws
24 of the State of Arizona to the _____

25 _____
26 _____

IX. Discussion and potential action regarding matters discussed during Executive Session

1. Draft IGA between AWBA and GRIC

Direction to staff to provide a final draft to the public for review. Written comments should be received by December 31st.

2. Purchase and Sale Agreement for Long-term Storage Credits

POTENTIAL ACTION:

Motion to finalize credit purchase agreement with Tucson Water and authorize Chair to execute final agreement.

3. Lease Agreement for Transportation through the CAP/SRP Interconnection Facility and Storage at GRUSP

POTENTIAL ACTION:

Motion to authorize Chair to sign a request for exception for a contract, lease or other written agreement with regard to indemnification.

4. Water Transportation Agreement between Salt River Valley Water Users' Association and AWBA

POTENTIAL ACTION:

Motion to authorize Chair to sign a request for exception for a contract, lease or other written agreement with regard to indemnification.

X. Call to the Public

Future Meeting Dates:

Wednesday, March 18, 2015

Wednesday, June 17, 2015

Wednesday, September 16, 2015

Wednesday, December 2, 2015