

ARIZONA WATER COMPANY

3805 N. BLACK CANYON HIGHWAY, PHOENIX, ARIZONA 85015-5351 • P.O. BOX 29006, PHOENIX, AZ 85038-9006
PHONE: (602) 240-6860 • FAX: (602) 240-6874 • TOLL FREE: (800) 533-6023 • www.azwater.com

March 7, 2014

Ms. Laura Grignano
Central Arizona Project
Resources Planning and Analysis Department
Post Office Box 43020
Phoenix, Arizona 85080

Re: *Recovery of Water Stored by the Arizona Water Banking Authority – A Joint Plan by AWBA, ADWR and CAP*

Dear Ms. Grignano:

Arizona Water Company ("Arizona Water") is concerned about the current plan to recover and deliver Central Arizona Project ("CAP") water and other Colorado River water stored in the Pinal, Phoenix, and Tucson Active Management Areas ("AMA"). Arizona Water, a public service corporation, relies on local groundwater supplies to provide water service to residential and business customers in the Pinal, Phoenix and Tucson AMAs. Arizona Water is a municipal water provider in the Phoenix, Pinal, and Tucson AMAs. Arizona Water holds subcontracts for CAP water in the Pinal AMA totaling 10,884 acre-feet (8,884 acre-feet for Casa Grande and 2,000 acre-feet for Coolidge). Arizona Water's CAP subcontracts represent over seventy percent (70%) of the municipal and industrial ("M&I") subcontracts for CAP water in the Pinal AMA. Arizona Water also holds M&I subcontracts for its Apache Junction and Superior water systems (6,285 acre-feet) and White Tank water system (968 acre-feet) in the Phoenix AMA.

Arizona Water reviewed the report titled *Recovery of Water Stored by the Arizona Water Banking Authority – A Joint Plan by AWBA, ADWR and CAP* (the "Plan"), dated January 9, 2014 and submits the following comments:

1. The Arizona Water Banking Authority ("AWBA") should increase its involvement with potential recovery partners, especially M&I subcontractors, including Arizona Water. Facilitating agreements with Arizona Water in the Pinal AMA would accomplish over seventy percent (70%) of the recovery of stored CAP water and other Colorado River water in the Pinal AMA for M&I purposes. Similar efforts should also take place in the Phoenix and Tucson AMAs.

E-MAIL: mail@azwater.com

2. Arizona Water is concerned about the Plan's proposal to deliver recovered Pinal AMA CAP water outside the Pinal AMA because of the potential impacts on Pinal's critical local groundwater supplies. The recovery of water outside of the areas where water is stored should only be pursued after holding broadly represented stakeholder involvement to address such impacts. Analysis of impacts must be supported by hydrologic analysis showing such recovery will not have a detrimental impact on local communities which rely on those supplies. Arizona Water has similar concerns for the Phoenix and Tucson AMAs.

3. The Plan lacks specific details about recovering and delivering stored water to M&I subcontractors in the Pinal, Phoenix, and Tucson AMAs. The AWBA and CAP should actively pursue agreements with Pinal, Phoenix, and Tucson AMA M&I subcontractors to develop the specific requirements of recovery for each M&I subcontractor. More specifically, the Plan should consider using recovery wells to deliver stored water to M&I subcontractors' public water systems, such as Arizona Water and other Pinal AMA M&I subcontractors. Recovery and delivery of stored water to Pinal AMA M&I subcontractors will require coordination, advanced cooperative planning and placement of recovery wells, water storage tanks, and treatment and delivery infrastructure.

4. In light of the fact that there are currently no underground storage facilities ("USF") in the Pinal AMA permitted to store CAP water, Arizona Water believes that the AWBA should actively pursue a USF partnership with Arizona Water and other Pinal AMA M&I subcontractors.

5. The Plan should pursue placing recovery wells in areas where both M&I subcontractors and other recovery partners are readily able to receive recovered water from the same recovery facility. Although recovered water may be needed for both potable and non-potable purposes, these same recovery well could be used to satisfy both needs. This approach could lower up-front capital costs needed to develop necessary recovery infrastructure.

6. CAP uses considerable energy to lift and convey water from the Colorado River and deliver Colorado River water to central and southern Arizona. However, during times of Colorado River shortage and other times when CAP is recovering stored water, CAP will transport less water from the Colorado River and use less energy from the Navajo Generating Station ("NGS"), its principal source of energy. Historically, CAP has sold surplus energy from NGS to Salt River Project and other energy providers. Based on the Plan to recover stored water from central and southern Arizona, CAP should consider how it could use additional revenues from the increased sale of surplus energy to offset costs of recovering stored water.

Thank you for the opportunity to provide comments on this important recovery Plan. To ensure that Arizona Water remains fully informed about all matters affecting this Plan, please send all notices, related information and correspondence as follows:

Arizona Water Company
3805 N. Black Canyon Highway
Phoenix, AZ 85015
Attn: Mr. Fredrick K. Schneider, PE
Telephone: (602) 240-6860

Very truly yours,



Fredrick K. Schneider, PE
Vice President – Engineering
fschneider@azwater.com

badr

VIA EMAIL AND CERTIFIED MAIL

cc: Central Arizona Project
Mr. David Modeer, General Manager
23636 N. Seventh St.
Phoenix, AZ 85024
dmodeer@cap-az.com

Central Arizona Project
Central Arizona Groundwater Replenishment District
Mr. Dennis Rule, Manager
23636 N. Seventh St. Phoenix, AZ 85024
drule@cap-az.com

Arizona Department of Water Resources
Mr. Mike Lacey, Director
3550 North Central Avenue
Phoenix, Arizona 85012
mjlacey@azwater.gov

Pinal County Water Augmentation Authority
Mr. Joe Singleton, Executive Director
PO Box 12684
Casa Grande, Arizona 85130
jsingleton@pcwaa-az.org

Pinal Partnership
Ms. Sandie Smith, President and CEO
P.O. Box 904
Florence, Arizona 85132
Sandie@pinalpartnership.com