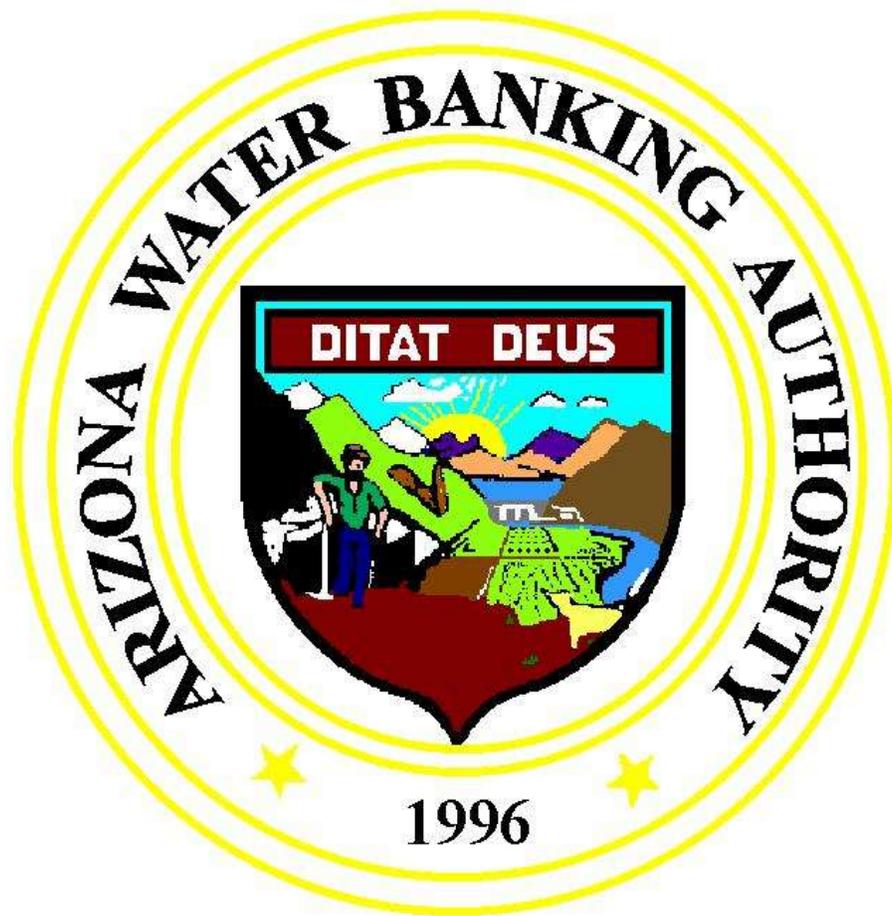


ARIZONA WATER BANKING AUTHORITY
ANNUAL PLAN OF OPERATION
2013



Sandra A. Fabritz-Whitney, Chairman

December 2012

The Arizona Water Banking Authority

Summary

The Arizona Water Banking Authority (AWBA; Water Bank) was created in 1996 to store the unused portion of Arizona's annual allocation of the Colorado River. By storing this unused water, the AWBA secures a dependable water supply necessary to ensure the state's long-term prosperity.

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

- Firming (to secure) adequate water supply to municipal and industrial users in the Central Arizona Project service area and along the Colorado River in times of shortages;
- Meeting the management plan objectives of the Arizona Groundwater Code;
- Meeting the State's obligation pursuant to Indian Water Rights Settlements;
- Assisting the Colorado River fourth priority municipal and industrial (M&) users in developing credits that could be used to increase their future supplies; and
- Assisting Nevada and California through interstate water banking.

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

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

- Fees for groundwater pumping currently collected within the Phoenix, Pinal and Tucson Active Management Areas (AMA). These monies can only be used to benefit the AMA in which the fees are collected. Included as a benefit to the AMA are both municipal and industrial firming and Indian firming.
- A four cent *ad valorem* property tax collected in the three county CAP service area. If these monies are deposited in the Water Banking Fund they can only be used to benefit the county in which the tax is levied.
- A general fund appropriation received at the discretion of the Legislature.

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

In 2013, the Water Bank will store approximately 52,500 acre-feet of CAP water at a cost of approximately \$7 million. The amount of water available to the AWBA has decreased substantially because of increased demand from M&I priority subcontract and Indian contract orders. In addition, unlike previous years, the Central Arizona Groundwater Replenishment District (CAGR) ordered its full pool amount of 35,000 acre-feet for replenishment obligations. Because of the increased demand from higher

priority users, the 175,000 acre-feet AWBA/CAGRDR Replenishment Reserve pool was reduced to 61,371 acre-feet. This trend is anticipated to continue into the future. There is no interstate storage planned for 2013. In addition to delivering water for storage, the AWBA will deliver an additional 1,000 acre-feet of water directly to the Gila River Indian Community for the Southside Replenishment Bank at a cost of \$144,000.

To date, the AWBA has delivered for storage just over 4 million acre-feet (MAF) of water at a cost of approximately \$305 million; 3.5 MAF for intrastate storage at a cost of \$196 million and 594,000 acre-feet for interstate storage at a cost of \$109 million. A total of 4,000 acre-feet has been delivered for Southside Replenishment Bank purposes at a cost of \$470,000.

INTRODUCTION

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

The AWBA's storage of water is accomplished through the Underground Water Storage, Savings and Replenishment Act enacted by the Arizona legislature in 1994 and administered by the Arizona Department of Water Resources (ADWR). Through this program, the AWBA stores renewable water that would not be used in either underground storage (USF) or groundwater savings (GSF) facilities. A USF is a facility that allows water to physically be added to an aquifer. A GSF is a facility where the water is used in place of groundwater, creating a groundwater savings. The program mandates the accounting of the water stored and the development of long-term storage (LTS) credits. The LTS credits developed will then be utilized by the AWBA when future conditions warrant. The use of LTS credits for the three objectives listed is dependent on the source of funds utilized to develop them.

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

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

2012 PLAN OF OPERATION

In 2012, the AWBA recharged and directly delivered approximately 136,800 acre-feet of Colorado River water. Arizona is forecast to use its full entitlement of 2.8 MAF (see Figure 1).

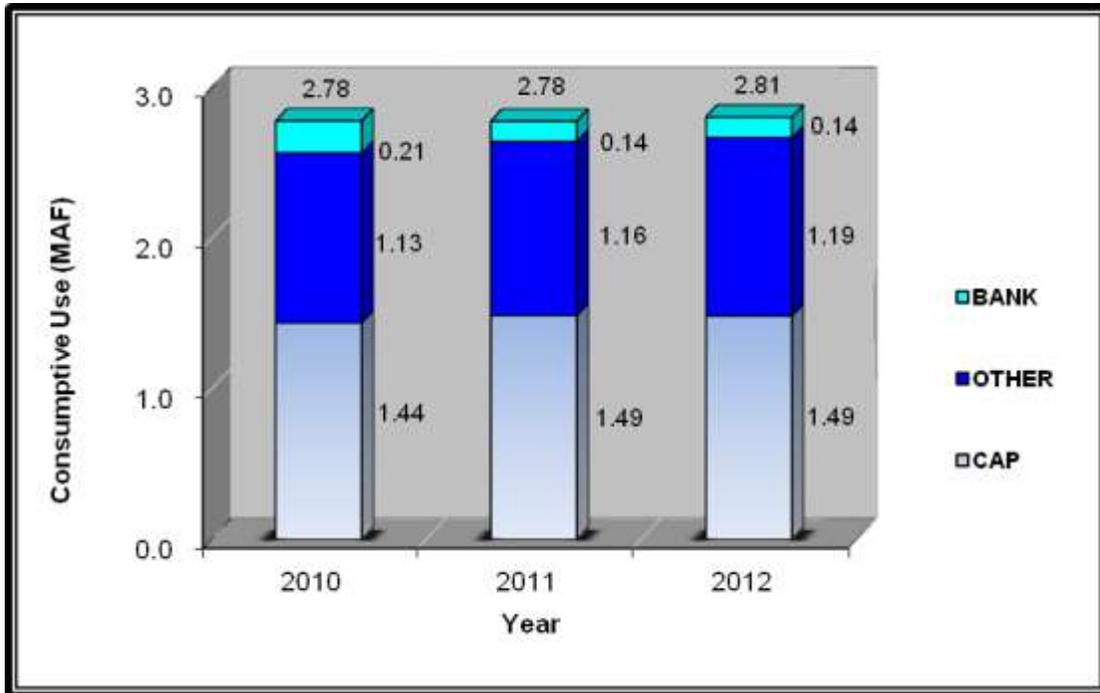


Figure 1. Recent Comparison of Colorado River Water Uses by Arizona

Forecasted direct use of Colorado River water in the Lower Basin is 7.49 MAF in 2012 as of November 30, 2012 (see Figure 2).

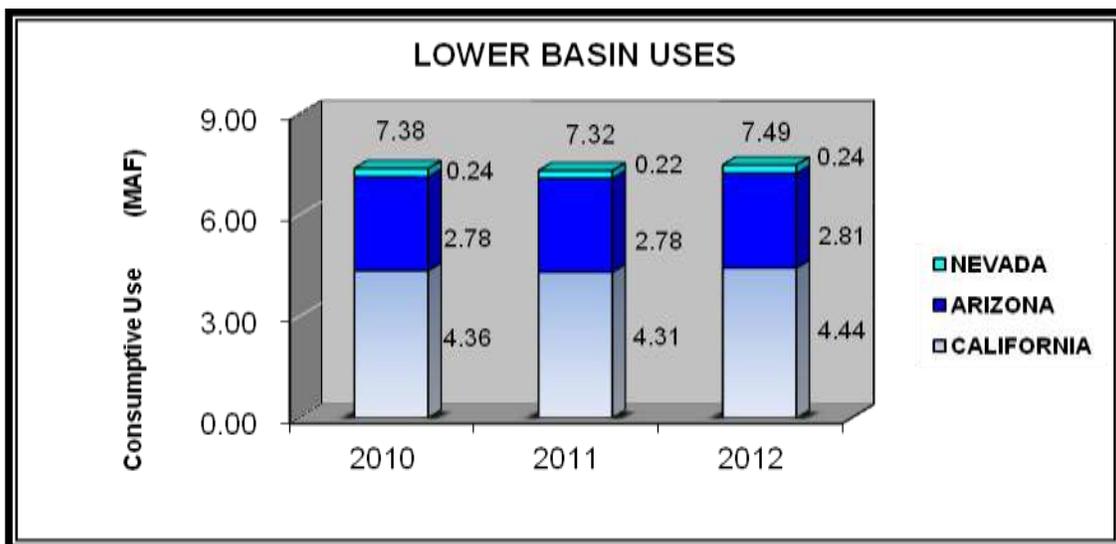


Figure 2. Recent Comparison of Lower Basin Uses of Colorado River Water

The AWBA recharged water at both USFs and GSFs in 2012. Table 1a lists the AWBA's recharge partners for 2012, the amount of water that can be stored under each AWBA water storage permit, and the amount of water delivered to the facility for the benefit of the AWBA in 2012. The amount of water delivered to a facility is always greater than the amount of long-term storage credits earned by the AWBA because credits are computed by subtracting approximately 3% for losses and 5% for a "cut to the aquifer" from the total annual deliveries. Final figures for credits earned generally become available in the middle of the following year after review of the annual reports filed with the ADWR and are reported in the AWBA's Annual Report.

Table 1a. Recharge Partners and Water Deliveries for 2012

AMA	Facility	Type	Permit Capacity (acre-feet)	Delivered* (acre-feet)		
				Intrastate	Interstate	
PHOENIX AMA	Tonopah Desert	USF	150,000	46,815	0	
	Superstition Mtns.	USF	25,000	2,386		
	New Magma ID	GSF	54,000	26,400	0	
	Queen Creek ID	GSF	28,000	5,230	0	
	<i>Intrastate/Interstate AMA Subtotal</i>				<i>80,831</i>	<i>0</i>
	<i>Phoenix AMA Subtotal</i>				<i>80,831</i>	
PINAL AMA	Central Arizona IDD	GSF	110,000	8,670	0	
	Hohokam IDD	GSF	55,000	3,670	0	
	Maricopa-Stanfield IDD	GSF	120,000	8,670	0	
	<i>Intrastate/Interstate AMA Subtotal</i>				<i>21,010</i>	<i>0</i>
	<i>Pinal AMA Subtotal</i>				<i>21,010</i>	
TUCSON AMA	Avra Valley	USF	11,000	1,000	0	
	Lower Santa Cruz	USF	50,000	11,010	0	
	SAVSARP	USF	60,000	15,000	0	
	Pima Mine Road	USF	30,000	600	0	
	BKW Farms	GSF	14,316	200	0	
	Cortaro-Marana ID	GSF	20,000	4,339	0	
	Kai Farms-Red Rock	GSF	11,231	1,851	0	
	<i>Intrastate/Interstate AMA Subtotal</i>				<i>34,000</i>	<i>0</i>
	<i>Tucson AMA Subtotal</i>				<i>34,000</i>	
TOTAL INTRASTATE & INTERSTATE DELIVERIES					0	
TOTAL RECHARGE DELIVERIES				135,841		

* December deliveries estimated

In addition to recharge deliveries, the AWBA also delivered water to meet the requirements of the Gila River Indian Community Water Settlement Program (Settlement Program). In 2009, the AWBA entered into an intergovernmental agreement (IGA) with the Gila River Indian Community that identifies the procedure for delivering water for meeting a replenishment obligation and/or for establishing the Southside Replenishment Bank identified in the Settlement Program. While these deliveries do not accrue long-term storage credits that may be recovered in the future, the Replenishment Bank receives a credit for each acre-foot of water delivered. The replenishment bank can then be used as an option for offsetting any replenishment obligations created as a result of pumping limitations included in the Arizona Water Settlements Act (Settlements Act). Table 1b identifies the amount of water the AWBA delivered to the Replenishment Bank. There was no replenishment obligation in 2012.

Table 1b. Replenishment Deliveries

Southside Replenishment Activities	2012 Deliveries (acre-feet)	Cumulative Deliveries (acre-feet)
Replenishment Obligations	0	0
Replenishment Bank	1,000	4,000
TOTAL DIRECT DELIVERIES	1,000	4,000

The AWBA again participated in the AWBA/CAGRDR Replenishment Reserve Excess CAP water pool created by CAWCD. The 2012 Plan identified the delivery of 119,002 acre-feet of water for recharge purposes. Additional water became available to the AWBA during the year from CAP customers that had turned back water. As a result, the AWBA recharged an estimated 135,841 acre-feet of water in 2012. Figure 3 identifies the storage breakdown between GSFs and USFs for 2012 and provides a comparison between 2012 and previous years.

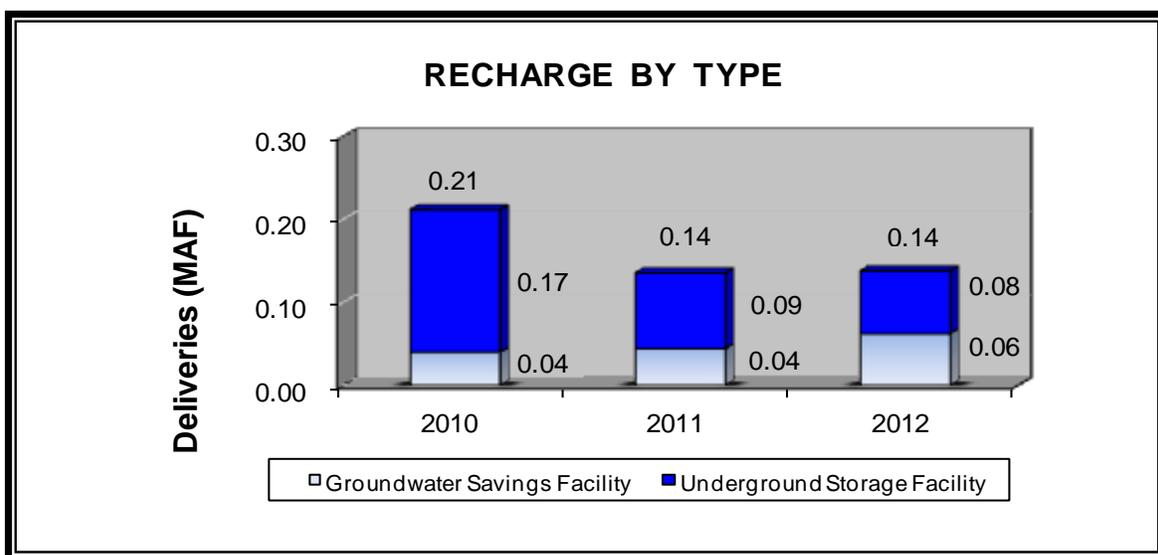


Figure 3. Recent Comparison of Annual Deliveries to GSFs and USFs

2013 PLAN OF OPERATION

The AWBA will store 51,546 acre-feet of intrastate water in 2013. Water storage will be occurring in facilities in all three counties. The AWBA is not planning any interstate storage. The AWBA will also deliver 1,000 acre-feet of water for the Southside Replenishment Bank.

When developing a Plan of Operation, the AWBA evaluates four critical factors: (1) the amount of water available to the AWBA for delivery; (2) the CAP 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. For 2013, the amount of water available to the AWBA is the limiting factor for this Plan.

I. Water Availability

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

The proposed Annual Operating Plan (AOP) for water year 2013 distributed by the Bureau of Reclamation (Bureau) stated that the Intentionally Created Surplus (ICS) Surplus Condition is the criterion that will govern the release of water for the states in the Lower Basin during calendar year 2013. Because Arizona has not created ICS, the State will operate under normal conditions, which allows 2.8 MAF of water available for use within Arizona. Arizona's on-river use is forecast to be 1.2 MAF, leaving approximately 1.6 MAF available for diversion by CAP.

For 2013, the AWBA will purchase water from the Excess CAP water pool that is available for use by the AWBA and CAGRDR for replenishment reserve purposes. Under this pool the AWBA shares an equal priority for municipal and industrial (M&I) firming with the CAGRDR for replenishment reserve purposes. The Federal government may also order water from this pool for meeting its Indian firming obligations. The CAWCD Board of Directors (Board) originally identified a volume of 175,000 acre-feet for this pool. However for 2013, due to higher than expected priority M&I subcontractor and Indian orders the CAWCD Board adjusted the quantity available in this pool to 61,371 acre-feet.

Subtracting the projected uses for the CAGRDR replenishment reserve (3,565 acre-feet) and the Bureau (5,260 acre-feet), leaves a remaining balance of 52,546 acre-feet for the AWBA. Given the reductions to the pool, water availability is the primary limiting factor in developing the 2013 Plan.

II. CAP System Capacity

Under normal operating conditions, CAP can divert approximately 1.6 MAF of water. Reclamation estimates that the full amount will be available for delivery by CAP in 2013. This quantity includes the volume of water available to the AWBA. Because there is still capacity available in the CAP to deliver additional supplies, capacity within the CAP for the delivery of AWBA water is not a limiting factor in this Plan.

III. Available Funds

The AWBA will have withdrawal fees collected in 2013 available for use in this Plan. Total withdrawal fees are estimated at \$3.1 million, which includes \$1.5 for the Phoenix AMA, \$1.2 million for the Pinal AMA and \$400,000 for the Tucson AMA.

As in previous years, the CAWCD Board resolved to continue to retain the county *ad valorem* property taxes collected and not transfer those revenues to the AWBA Fund. Property tax revenues retained by CAWCD can be used to offset the cost of AWBA water deliveries in the tri-county CAWCD service area. Estimated funds available from CAWCD for the 2013 Plan are: Maricopa County (\$14 million), Pinal County (\$1.15 million), and Pima County (\$3.2 million).

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

IV. Available Storage Facility Capacity

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

The Water Delivery Schedule (Table 2) identifies the AWBA's partners for 2013 and the amount of water scheduled to be recharged. The second column in this section identifies the AWBA's water storage permit capacities for each facility based on the facility permits. The capacity available as shown does not always equate to the storage permit capacity because the storage facility operators may have agreements with other storage partners. In addition to recharge deliveries, Table 2 also identifies the amount of water scheduled for meeting the AWBA's Southside Replenishment obligations.

SHORTAGE REPARATION FUNDS

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

expended since 2008. The AWBA will expend an additional \$1.5 million to store water in the Tucson AMA in 2013.

NEW FACILITIES

There are no new recharge facilities identified in the 2013 Plan.

**Table 2
Water Delivery Schedule (Acre-Feet)
Calendar Year 2013**

AWBA-Recharge Sites		Permitted Capacity (AF)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
PHOENIX AMA :															
USF	HIEROGLYPHIC MTN	35,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	AGUA FRIA	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	TONOPAHO DESERT	150,000	2,000	2,000	2,030	0	0	0	0	0	0	0	0	0	6,030
	SUPERSTITION MTNS	35,000	0	500	500	702	0	0	0	0	0	0	0	0	1,702
															7,732
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	175	1,343	2,285	1,142	1,143	1,142	7,230
	TONOPAHO ID	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0
															7,230
AMA TOTAL INTRASTATE			2,000	2,500	2,530	702	0	0	175	1,343	2,285	1,142	1,143	1,142	14,962
PINAL AMA :															
GSF	CAIDD	110,000	0	0	0	0	0	0	0	6,600	0	0	0	0	6,600
	HOHOKAM	55,000	0	0	0	0	0	0	0	1,650	1,650	1,650	1,650	0	6,600
	MSIDD	120,000	408	536	989	935	935	536	247	218	472	400	670	254	6,600
															19,800
AMA TOTAL INTRASTATE			408	536	989	935	935	536	247	8,468	2,122	2,050	2,320	254	19,800
TUCSON AMA:															
USF	AVRA VALLEY	11,000	0	0	0	0	0	0	0	0	0	0	183	700	883
	LOWER SANTA CRUZ	50,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	PIMA MINE ROAD	30,000	0	0	0	0	0	0	0	0	700	800	1,700	800	4,000
	CAVSARP	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	SAVSARP	60,000	2,000	2,000	2,000	2,000	0	0	0	0	0	0	2,000	1,901	11,901
															16,784
GSF	CORTARO-MARANA ID	20,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	KAI FARMS (Red Rock)	11,231	0	0	0	0	0	0	0	0	0	0	0	0	0
	BKW Farms	14,316	0	0	0	0	0	0	0	0	0	0	0	0	0
															0
AMA TOTAL INTRASTATE			2,000	2,000	2,000	2,000	0	0	0	0	700	800	3,883	3,401	16,784
TOTAL INTRASTATE			4,408	5,036	5,519	3,637	935	536	422	9,811	5,107	3,992	7,346	4,797	51,546
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL RECHARGE			4,408	5,036	5,519	3,637	935	536	422	9,811	5,107	3,992	7,346	4,797	51,546
DIRECT DELIVERY (Non-Storage):															
	Southside Replenishment Bank		0	1,000	0	0	0	0	0	0	0	0	0	0	1,000
	Southside Replenishment Obligation		0	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL DIRECT		0	1,000	0	0	0	0	0	0	0	0	0	0	1,000
TOTAL DELIVERIES			4,408	6,036	5,519	3,637	935	536	422	9,811	5,107	3,992	7,346	4,797	52,546

INDIAN SETTLEMENTS

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

Indian Firming

CAP supplies will not be shorted in 2013. There are also no long term system outages anticipated that would reduce deliveries to CAP customers. Therefore, there is no obligation for the AWBA to firm Indian supplies under this Plan.

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

1. GRIC - The AWBA must ensure that up to 15,000 acre-feet per year of CAP NIA priority water be made available to the GRIC. The AWBA did not receive a general fund appropriation for 2013 to assist in meeting this obligation. Withdrawal fees may be utilized for Indian firming purposes after appropriated funds are expended. The 2013 Plan does not identify expenditures specifically for this purpose. However, credits accrued through the use of withdrawal fees could be used to meet this obligation if necessary.
2. Other Tribes - The AWBA is also required to firm up to 8,724 acre-feet per year of CAP NIA priority water for other Indian Settlements. The White Mountain Apache Tribe has entered into a settlement which requires the AWBA to firm 3,750 acre feet per year of the 8,724 acre-feet CAP NIA priority water. As with the GRIC obligation, no general fund appropriations were made available for this purpose. However, credits developed in this plan using withdrawal fees could be used for this purpose if needed. Settlements for other Indian Tribes have not been enacted at this time.
3. Federal Assistance - The AWBA has completed the State obligation to contribute \$3 million in cash or in-kind services to assist the Secretary in meeting the Federal obligation to the Tohono O'odham Nation.

Southside Replenishment Bank

In addition to the firming requirements of the Settlements Act, the AWBA, acting as agent for the State, is required to deliver 15,000 acre-feet of water to the GRIC for the purpose of establishing the Southside Replenishment Bank. The AWBA must deliver a minimum of 1,000 acre-feet per year to establish this Bank. The Southside Replenishment Bank will fulfill the obligations created under the Settlements Act for protection of the Reservation from off-reservation groundwater pumping. The 2013 Plan includes 1,000 acre-feet of direct deliveries to the GRIC for this purpose, creating a

cumulative total of 5,000 acre-feet toward meeting this obligation. Cumulative costs through 2013 total \$614,000.

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

Pursuant to A.R.S. § 45-841.01, the Tohono O'dham Nation (Nation) must offer ten percent of the any credits they accrue at the Mission Mine Complex to the AWBA at a price per acre-foot that is equal to the AWBA's delivery and storage costs at the time of sale. If the Nation offers the AWBA credits in 2013, the AWBA will evaluate the offer to determine if it is reasonable to purchase those credits. While these credits may be used for M&I firming or for water management purposes, there is a restriction that the credits not be recovered within five miles of the exterior boundary of the reservation.

INTERSTATE WATER BANKING

The 2013 Plan does not include an interstate storage for Nevada. The AWBA and SNWA executed a letter agreement, December 9, 2010, which suspends certain provisions of Second Amended Agreement for Interstate Water Banking (Second Amended Agreement). Pursuant to the letter agreement, AWBA agreed to forego storing additional water for SNWA through the end of calendar year 2014 and SNWA agreed to forego requiring the development of ICUA during this period. In order to accommodate these operational adjustments, and unless otherwise agreed to by the AWBA and SNWA, payment dates specified in Subarticle 2.4.1.2 of the Second Amended Agreement will be extended by six years.

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

RECOVERY

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

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

PRICING

In June 2012, the CAWCD Board approved its water delivery rate schedule for calendar years 2013/2014. The AWBA rate for recharge is equivalent to the rate for excess M&I water at \$144 per acre-foot.

Groundwater pumping costs in the Phoenix, Pinal and Tucson AMAs vary depending on energy sources used and the location of wells, i.e. depth to water. The AWBA cost share in 2013 for the GSF partners in the Phoenix and Pinal AMAs is \$34 per acre-foot, which is comparable to the average groundwater pumping costs in these areas. Based on the range of groundwater pumping costs and cost shares paid by other partners, it was determined the cost share in 2013 for the Tucson AMA will be \$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, 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. While no interstate banking is anticipated in this Plan the rate established for interstate banking is \$168 per acre-foot, plus facility costs and facility capital costs.

Table 3. 2013 Water and Facility Rates

Recharge	Cost per Acre-foot
CAWCD delivery rate to AWBA for water storage	\$144
Interstate rate	\$168
Groundwater Savings Facility operator cost share rate ¹	
Intrastate	
Phoenix and Pinal AMAs	\$34
Tucson AMA	\$16
Interstate	\$26
Underground Storage Facility rate paid by AWBA	
CAWCD – Phoenix Facilities ²	\$8
CAWCD – Tucson Facilities ³	\$15
Avra Valley Recharge Project	\$15
Clearwater Facility (CAVSARP/SAVSARP)	\$15.63
Direct Deliveries	
CAWCD rate to AWBA for Southside Replenishment Bank deliveries	\$144

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 \$110/af for intrastate deliveries to the Phoenix and Pinal AMAs, \$128/af to the Tucson AMA, and \$142/af for interstate deliveries.

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

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

ACCOUNTING

The AWBA's enabling legislation required the development of an accounting system that allows the tracking of all credits accrued by the AWBA and the

funding sources from which they were developed. The ADWR maintains the accounting of the credits. The AWBA accounts for the expenditure of the funds.

The estimated total cost of the AWBA's 2013 Plan is approximately \$7 million. Table 4 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 2013 Plan.

Table 4. Funding for 2013 Annual Plan of Operation

	Estimated Funds Available (\$)		Estimated Funds Utilized (\$)		Estimated Credits (AF)
	AWBA	CAWCD ¹	AWBA	CAWCD	
Withdrawal Fees					
Phoenix AMA	\$1,500,000	-	\$1,500,000	-	10,480
Pinal AMA ²	\$1,200,000	-	\$1,200,000	-	8,830
Tucson AMA	\$400,000	-	\$400,000	-	2,310
Four Cent Tax					
Phoenix AMA	\$0	\$14,000,000	\$0	\$471,000	3,290
Pinal AMA	\$0	\$1,150,000	\$0	\$1,122,000	9,380
Tucson AMA ³	\$0	\$3,200,000	\$0	\$776,000	4,480
Other					
General	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
Shortage Reparations (NV):	\$1,500,000				
Phoenix AMA		-	\$0		0
Pinal AMA		-	\$0		0
Tucson AMA		-	\$1,500,000		8,650
Interstate Banking- Nevada					
Operating ⁴	\$0		\$0		0
	Total Funds Available		Total Funds Expended		Credits
	\$22,950,000		\$6,969,000		47,420

¹ The figures shown are estimates provided by CAWCD staff, and are based on amounts anticipated to be collected during the 2012 tax year and include funds carried over from the previous year if needed to meet the estimated funds utilized during the year. 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 expenditure for 1,000 acre-feet of direct deliveries to establish the Southside Replenishment Bank under the Gila River Indian Water Settlement Program.

³ 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.

⁴ Pursuant to a letter agreement between AWBA and SNWA executed December 9, 2010, storage of water on behalf of SNWA and annual payments to the Operating account have been suspended through 2014.

The 2013 Plan was developed expending all available withdrawal fees in the three AMAs and \$1.5 million in Shortage Reparation funds in the Tucson AMA. The Plan also shows CAWCD utilizing a portion of the four-cent tax collected in Maricopa and Pima

Counties and all of the four-cent tax collected in Pinal County, including funds carried over from the previous year, to offset water costs for credits accrued to the AWBA. Table 5 provides an estimate of the AWBA funds expended and the location of the credits accrued since inception through 2012.

Table 5. Cumulative Long-term Storage Credits 1997-2012

FUNDING SOURCE	FUNDS EXPENDED	CREDITS ¹	
		AMOUNT (AF)	LOCATION
Withdrawal Fee			
Phoenix AMA	\$18,875,551	290,382	Phoenix AMA
Pinal AMA	\$15,280,367	393,632	Pinal AMA
Tucson AMA ²	\$7,886,313	98,086	Tucson AMA
Four Cent Tax			
Maricopa County	\$87,767,572	1,333,628	Phoenix AMA
Pinal County	\$9,312,705	188,867	Pinal AMA
Pima County	\$40,144,935	389,918	Tucson AMA
Other			
General Fund ³	\$11,100,865	403,830	
	\$1,522,115	42,316	Phoenix AMA
	\$6,394,964	306,968	Pinal AMA
	\$3,183,786	54,546	Tucson AMA
Indian Firming Appropriation	\$2,338,171	28,481	
	\$0	0	Phoenix AMA
	\$0	0	Pinal AMA
	\$2,338,171	28,481	Tucson AMA
Shortage Reparations	\$2,999,742	82,376	
	\$1,099,339	20,642	Phoenix AMA
	\$1,708,580	60,507	Pinal AMA
	\$191,823	1,227	Tucson AMA
Pinal Redirect ⁴	N/A	14,125	Pinal AMA
Interstate			
Nevada ⁵	\$109,087,822	600,651	
	\$11,444,369	51,009	Phoenix AMA
	\$71,508,152	439,851	Pinal AMA
	\$26,135,300	109,791	Tucson AMA
TOTAL	\$304,794,041	3,823,974	

¹ Actual expenditures and credits for 1997-2011; 2012 estimated.

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

³ 256,174 AF of credits reserved pursuant to contract with Mohave County Water Authority.

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 Water Banking.

Table 6 identifies the progress made on the AWBA's goals and obligations through 2013.

Table 6. Projected Percent of Goals and Obligations Achieved through 2013

Location and Objective	Funding Source	Goal	Obligation	Non-Credit Goal/Oblig. Achieved	Credits Accrued (AF)	Percent Goal/Oblig. Achieved
Phoenix AMA M&I Firming Groundwater Mgmt ¹	Ad valorem tax Withdrawal Fees	1,566,000 AF			1,336,915 300,859	85%
Pinal AMA M&I Firming Groundwater Mgmt ¹	Ad valorem tax Withdrawal Fees	243,000 AF			198,251 402,464	82%
Tucson AMA M&I Firming Groundwater Mgmt ^{1,2}	Ad valorem tax Withdrawal Fees	864,000 AF			394,396 94,773	46% 57%
On-River M&I Firming ³	General Fund	420,000 AF			403,830	96% ⁴
Indian Settlements: GRIC Firming	Withdrawal Fees	350,000 AF ⁵	up to 15,000 AF/YR		0	0%
Future Settlements	Withdrawal Fees	200,000 AF ⁵	up to 8,724 AF/YR		0	0%
Federal Assistance Tucson AMA	Appropriation Withdrawal Fees Cost of Services ⁶		\$3,000,000	\$3,000,000 \$2,338,171 \$630,490	34,102 28,481 5,621	100%
Southside Repl. Bank	Withdrawal Fees		15,000 AF Direct Delivery		5,000	33%
Interstate Water Banking - NV	Contract with Nevada		1,250,000 AF ⁷		600,651	48%
Other: Shortage Reparations- Nevada Pinal Redirect Credits ⁸	Gifts, Grants, Donations N/A	\$8,000,000		\$4,499,742	91,450 14,125	56% N/A

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

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

³ By resolution passed in 2002, the AWBA established on-river firming as the highest priority of use for credits accrued through expenditure of general fund appropriations. 256,174 AF of credits reserved pursuant to contract with Mohave County Water Authority.

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

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

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

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

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

PUBLIC REVIEW AND COMMENT

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

In the Phoenix AMA, GUAC members asked for clarification on use of the 4-cent *ad valorem* tax and questioned whether CAWCD was obligated to offset the AWBA's costs as part of their O&M costs. AWBA staff noted that while the CAWCD Board's resolution on use of the 4-cent tax does not specifically identify AWBA storage as part of the O&M costs, CAWCD has made funds available for this purpose. CAWCD staff also commented that the CAWCD Board has recognized the importance of the AWBA and has been committed to offsetting AWBA costs.

In the Pinal AMA, there were comments from the public requesting that the AWBA consider storing additional water if additional funding and water become available.

In the Tucson AMA there were comments questioning whether the AWBA should continue its historic practice of scheduling deliveries for direct use (GSFs) before deliveries to USFs when water supplies are limited rather than prioritizing storage locations based on meeting certain goals and obligations. This issue was confirmed by a letter from the Southern Arizona Water users Association (attached).



SOUTHERN ARIZONA WATER USERS ASSOCIATION
PO Box 35481
Tucson AZ 85740-5481

December 10, 2012

Ms. Sandra Fabritz-Whitney, Chairperson
Arizona Water Banking Authority
3550 North Central Avenue, Second Floor
Phoenix, Arizona 85012

RE: Draft AWBA 2013 Plan of Operations

MEMBERS

Aqua Water Coop

BBW Farms

*Community Water Company
of Green Valley*

FCO Farmers Water Co.

Flooding Wells Irrigation District

*Green Valley Domestic Water
Improvement District*

Kal Farms

*Town of Marana Municipal
Water System*

Metro Water District

Oro Valley Water Utility

*Pima County Regional Wastewater
Reclamation Department*

Red Rock Utilities, LLC

Sahuarita Water Company

*Town of Sahuarita Wastewater
Treatment and Reclamation Facility*

Tucson Water Department

Dear Ms. Fabritz-Whitney:

The Southern Arizona Water Users Association (SAWUA) appreciates the continued support given by the Arizona Water Banking Authority (AWBA) to develop viable plans for achieving the M&I firming water goals in the Active Management Areas (AMAs). A concern of SAWUA members is whether the AWBA will be able to fulfill the M&I firming water goal within the Tucson AMA in light of reductions in the availability of Excess CAP water in 2013.

SAWUA believes the reduction in Excess CAP water is a trend that AWBA needs to assess. If the M&I firming goal in the Pinal AMA (243,000 acre-feet) and Phoenix AMA (1,566,000 acre-feet) has been reached then Excess CAP water should be redirected to other unfilled AWBA goals. Table 7 from the draft 2013 Plan of Operations notes that the Pinal AMA will be at 83% of the M&I firming goal through 2013 with 200,551 acre-feet of credits earned by the Ad valorem tax and at 400,164 acre-feet if Groundwater Withdrawal credits are utilized. The combined credits would equate to 247% of the M&I firming goal for the Pinal AMA. The Phoenix AMA would be at 101% of the M&I firming goal if both the Ad valorem tax and Groundwater Withdrawal fees are used through 2013. More notably, the TAMA will only be significantly short of its goal with only 54% of its M&I firming goal.

AWBA initial draft Plan had 29,000 acre-feet of Excess CAP water storage in the TAMA for M&I firming. The revised draft Plan now has 16,784 acre-feet. SAWUA does not support this large reduction given there are sufficient funds for M&I firming in the TAMA and given the remaining amount of M&I firming required for the TAMA.

At the November TAMA GUAC meeting, AWBA staff explained that priority is given to storing at Groundwater Saving Facilities (GSF) because the water is directly being used in agricultural activities. This is why with the reduction of Excess CAP water, the amount of water for the Pinal AMA had not changed from the initial draft Plan. While we appreciate the emphasis given GSF storage, SAWUA believes an equal, or even higher priority, ought to be given to meeting the M&I firming goal in the Tucson AMA, especially if the funds exist from the Tucson AMA for such storage. AWBA staff has acknowledged that the AWBA will not be able to meet the firming goal for the Tucson AMA, which is all the more reason that as much of the available Excess water ought to be used to meet that firming goal.

CONTACT INFORMATION

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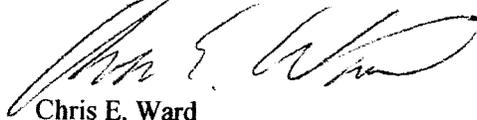
Stuart Goodman, Capitol Lobbyist
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Advancing long-term quality water for Southern Arizona

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We trust that AWBA will make certain that the promise of achieving the M&I firming needs of all of the CAP M&I subcontractors is achieved in an equitable and timely manner.

Sincerely,



Chris E. Ward
President

c: John Mawhinney
Lisa Atkins
Cliff Neal
Maureen George
Virginia O'Connell ✓
Val Little
Jeff Biggs
Leo Leonhart
Dan M. Offret
Kathleen Ferris