

**RESOLUTION 2007-1**  
*of the*  
**Arizona Water Banking Authority**

**WHEREAS**, on January 21, 1998, the Arizona Water Banking Authority (“Authority”) adopted a motion identifying 420,000 acre-feet as the reasonable number of long-term storage credits (credits) to be developed and set aside for the benefit of fourth priority municipal and industrial users (mainstream water users) of Colorado River water in this state that are outside the service area of Central Arizona Water Conservation District (“CAWCD”);

**WHEREAS**, on March 20, 2002, the Authority adopted Resolution 2002-1, which provided, in part, that the first priority of the use of credits accrued with general fund appropriations shall be to develop and set aside a reasonable number of credits as determined by the Authority’s commission for the benefit of mainstream water users in the State of Arizona that are outside the service area of CAWCD;

**WHEREAS**, on February 4, 2005, the Authority and the Mohave County Water Authority (MCWA) entered into an Agreement To Firm Future Supplies (Firming Agreement) under which the Authority has agreed to transfer credits to MCWA during times of shortage;

**WHEREAS**, MCWA is required to reimburse the Authority for any credits that have been transferred to MCWA and the Authority is required to replace those credits;

**WHEREAS**, a Director’s Shortage-Sharing Workgroup (“Shortage-Sharing Workgroup”) was established to develop a strategy for implementing future Colorado

River shortages in the lower basin, and for allocating shortages between the Central Arizona Project (“CAP”) and equivalent priority mainstream water users;

**WHEREAS**, the MCWA agreed to the methodology for sharing Colorado River shortage allocations described in the Shortage-Sharing Workgroup Recommendation dated October 24, 2006;

**WHEREAS**, the Shortage-Sharing Workgroup made the recommendation that mainstream water users be provided the opportunity to firm 100 percent of the individual municipal/industrial entitlements;

**WHEREAS**, the Shortage-Sharing Workgroup also made the recommendation that the Authority create a revolving fund that utilizes the credits that are required to be replaced to allow the mainstream water users to reach the 100 percent firming goal established by the Authority and that, as Authority credits are used and replaced, the new credits will be earmarked in the name of the entity that replaced the credits for that purpose.

**NOW, THEREFORE, BE IT RESOLVED** by the Commission of the Authority, as follows:

1. That the Authority will establish a replacement subaccount that utilizes the credits developed by the Authority from the reimbursement of credits transferred to mainstream water users;
2. That credits in the replacement subaccount would be available for Authority purposes as identified in A.R.S. § 45-2457(B);
3. That credits in the replacement subaccount will be made available to mainstream water users only to the extent that 100 percent of the goal

previously identified as reasonable for shortage protection that has not been reserved will be set aside;

4. That the entities that have reimbursed the Authority for the replacement of credits will have priority for credits accrued in the subaccount;
5. That any credits remaining in the replacement subaccount after meeting the 100 percent goal for mainstream water users would be available to the Authority for other purposes as identified in A.R.S. § 45-2457(B);
6. That the accounting method for determining credits held in the mainstream water users subaccounts and the replacement subaccount be calculated in such a manner as described in the example provided in Exhibit A.

Exhibit A

Example:

Mohave County Water Authority Subaccount	Initial <sup>1</sup> Balance	Years						Replacement Subaccount Totals
		1	2	3	4	5	6	
LTSC <sup>2</sup> Objective	243,941	243,941	233,941	223,941	213,941	213,941	213,941	N/A
LTSC Reserved	230,280	230,280	220,280	210,280	200,280	200,280	200,280	N/A
LTSC Recovered	0	10,000	10,000	10,000	0	0	0	N/A
LTSC Replaced to AWBA:	0	0	0	0	10,000	10,000	10,000	30,000
Earmarked for MCWA	0	0	0	0	10,000	3,661	0	13,661
Available for AWBA General	0	0	0	0	0	6,339	10,000	16,339
Ending Balance:								
LTSC Objective	243,941	233,941	223,941	213,941	213,941	213,941	213,941	N/A
LTSC Available	230,280	220,280	210,280	200,280	210,280	213,941	213,941	N/A

<sup>1</sup>Pursuant to Agreement to Firm Future Supplies dated February 4, 2005

<sup>2</sup>LTSC - Long-term Storage Credits