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Mr. John Entsminger  
General Manager  
Southern Nevada Water Authority  
1001 South Valley View Boulevard  
Las Vegas, NV 89153

Ms. Jayne Harkins  
Executive Director  
Colorado River Commission of Nevada  
555 E Washington Avenue, #3100  
Las Vegas, NV 89101

RE: Interstate Funding Agreement for Tucson AMA Recovery Capacity

Dear Mr. Entsminger and Ms. Harkins:

Under the Recovery Agreement among the Arizona Water Banking Authority (“AWBA”), Central Arizona Water Conservation District (“CAWCD”), Southern Nevada Water Authority (“SNWA”) and Colorado River Commission of Nevada (“CRCN”) (collectively, the “Parties”) executed on June 9, 2010 (the “Recovery Agreement”), the Parties agreed that they would meet annually to discuss the options available to meet the recovery needs of SNWA.

Among those options is for CAWCD to recover long-term storage credits and exchange those recovered long-term storage credits with a Central Arizona Project (“CAP”) customer that has scheduled CAP water for delivery to an underground storage facility (“USF”) for annual storage and recovery purposes. The exchange would be for an equivalent acre-foot volume reduction in the CAP customer’s CAP water delivery order. Any CAP water that is not delivered pursuant to such a recovery option will remain in Lake Mead for development by SNWA as Intentionally Created Unused Apportionment (“ICUA”).

On March 29, 2017, SNWA and CAWCD successfully entered into an “Agreement for Funding the Recovery of Long-Term Storage Credits Stored on Behalf of Southern Nevada Water Authority” (the “Arizona Water Company Funding Agreement”). Under the Arizona Water Company Funding Agreement, SNWA transferred \$1,000,000 to CAWCD for CAWCD to use for a portion of the development and construction of the Arizona Water Company (“AWC”) USF in the Pinal AMA. In exchange for the \$1,000,000 payment, AWC granted CAWCD the right to 2,500 acre-feet of annual recovery capacity at the AWC USF from January 1, 2025 until December 31, 2050. CAWCD in turn granted SNWA a first right to this 2,500 acre-feet of annual recovery capacity at no additional cost to SNWA. The AWBA, CAWCD, SNWA and CRCN entered into a letter agreement dated March 15, 2017, acknowledging that the first 2,500 acre-feet of interstate recovery requested by SNWA during the term of the Arizona Water Company Funding Agreement would be from the AWC USF.

A similar opportunity has presented itself in the Tucson AMA and SNWA and CAWCD have entered into an “Agreement for Funding the Recovery of Long-Term Storage Credits Stored on Behalf of Southern Nevada Water Authority in the Tucson Active Management Area” dated and effective on \_\_\_\_\_, 2018 (the “Tucson Water Funding Agreement”). Under the Tucson Water Funding Agreement, SNWA will transfer \$1,000,000 to CAWCD for CAWCD to use to secure long-term recovery capacity with

the City of Tucson (“Tucson”). In exchange for the \$1,000,000 payment, Tucson will grant CAWCD the right to recover up to 10,000 acre-feet of long-term storage credits annually from Tucson recovery wells from January 1, 2020 until December 31, 2050, with a total maximum recovery of 65,000 acre-feet of credits, and to exchange the recovered long-term storage credits for a reduction in Tucson’s CAP water deliveries for development of ICUA by SNWA.

Subsection 3.3.3 of the Third Amended and Restated Agreement for Interstate Water Banking among the Arizona Water Banking Authority, the Southern Nevada Water Authority, and the Colorado River Commission of Nevada executed on May 20, 2013 (“Interstate Water Banking Agreement”) states that, in a given year, “[t]he choice of facilities utilized to recover the Long-term Storage Credits used to develop the ICUA during any year shall be at the discretion of [the Arizona Water Banking Authority].”

The AWBA and CAWCD are sending this letter to acknowledge SNWA’s right under the Tucson Water Funding Agreement of up to 10,000 acre-feet per year of prepaid annual recovery capacity (65,000 acre-feet maximum recovery capacity) from Tucson Water recovery wells during the term of the Tucson Water Funding Agreement (January 1, 2020 through December 31, 2050). In any given year during the term of the Tucson Water Funding Agreement, and after first satisfying SNWA’s right to have the first 2,500 acre-feet of interstate recovery occur from the AWC USF, the AWBA, in accordance with subsection 3.3.1 and 3.3.1.1 of the Interstate Water Banking Agreement, shall meet and confer with CAWCD and SNWA and consider SNWA’s rights under the Tucson Water Funding Agreement when developing the Interstate Recovery Schedule for ICUA to be developed in the following recovery year. Any water recovered pursuant to the Tucson Water Funding Agreement shall not count against the 50,000 acre-feet of long-term storage credits for which recovery has been pre-paid as described in the Interstate Water Banking Agreement. Furthermore, AWBA and CAWCD acknowledge that the Tucson Water Funding Agreement creates capacity only and SNWA’s Interstate Account balance will not be reduced if SNWA chooses not to recover any or all of the SNWA’s long-term storage credits made available pursuant to the Tucson Water Funding Agreement. And finally, SNWA shall not be precluded from concurrently recovering additional long-term storage credits through other arrangements.

Should you have any questions on this letter, please contact either Rhett Billingsley, CAWCD Senior Attorney at [rbillingsley@cap-az.com](mailto:rbillingsley@cap-az.com) or Virginia O’Connell, AWBA Manager at [voconnell@azwater.gov](mailto:voconnell@azwater.gov). Thank you,

Sincerely:

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Thomas Buschatzke  
Chairman  
Arizona Water Banking Authority

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Ted Cooke  
General Manager  
Central Arizona Water Conservation District

By signing below I agree to the understanding regarding recovery capacity outlined above.

By: \_\_\_\_\_ Date: \_\_\_\_\_

John J. Entsminger  
General Manager  
Southern Nevada Water Authority

By: \_\_\_\_\_ Date: \_\_\_\_\_

Jayne Harkins  
Executive Director  
Colorado River Commission of Nevada

cc: AWBA Commission Members  
Mr. Rhett Billingsley, CAWCD  
Ms. Virginia O'Connell, AWBA