

FINAL AGENDA

ARIZONA WATER BANKING AUTHORITY

Wednesday, November 20, 1996

9:30 a.m. - 12:30 p.m.

Arizona Department of Water Resources

500 North 3rd Street

Phoenix Arizona

- I. Welcome / Opening Remarks
- II. Adoption of Minutes of October 16 Meeting
- III. Presentation of comments received on 1997 Plan of Operation
- final adoption by Authority
- IV. Presentation of draft Agreement between AWBA, ADWR and CAWCD
- V. Presentation of sample partner agreements / AWBA water storage permits
- review of draft agreement / permits
- authority to expend monies for permit fees
- VI. Presentation of draft Position Statements
- Modification of an Annual Operating Plan
- Expenditure of Monies in AMA/County of Generation
- VII. Recommended changes for inclusion in 1997 ADWR Omnibus Bill
- VIII. Updates
AWBA Recovery Subcommittee
AWBA Study Commission
- IX. Next Meeting - Yuma City Council Chambers
- Tuesday, December 17, 1996, 2:30 p.m. - 4:30 p.m.
- Proposed agenda items
- X. Call to the Public
- XI. Adjournment

If, because of a disability, you need a reasonable accommodation to participate equally in this program, activity, or service, please contact the Arizona Water Banking Authority at (602) 417-2418 or (602) 417-2455 (TDD) with your needs. Many accommodations, such as auxiliary aids and services, alternate format material, or changing facilities, require in excess of 72 hours to arrange. In order for this department to provide timely accommodation, please notify us as far in advance as possible.

Water for Arizona's Future
"A Primer on Arizona's Water Challenges and Opportunities"

ARWA Legislative Conference

Friday, December 13, 1996*
Wyndham Metrocenter Hotel
10220 N. Metro Parkway East
Phoenix, Arizona

* Please note change in date

Preliminary Program

- 8:00 a.m. Registration Open - Continental Breakfast
- 9:00 a.m. Welcome - Carlton Camp, ARWA President
- 9:15 a.m. "Water for the 21st Century: The Central Arizona Project"
Grady Gammage, Jr., CAWCD President
- 9:50 a.m. "Assuring Arizona's Water Future--the Colorado River and Arizona's
Water Management Programs"
Rita Pearson, DWR Director (invited)
- 10:20 a.m. Mid-Morning Break & Refreshments
- 10:30 a.m. "Surface Water: The Renewable Resource"
The Honorable Gus Arzberger (invited)
Fred Zumwalt, ARWA Past President
John Keane, Executive Water Policy Analyst, Salt River
Project
- 11:15 a.m. "Colorado River and the Mainstem Users"
Don Pope, Yuma County Water Users' Association
Tom Griffin, Mohave Water Authority (invited)
- 12:00 Noon Luncheon - "Preserving Arizona's Water Legacy"
Congressman John Shadegg, Keynote Speaker (invited)

(OVER)

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REGISTRATION FORM

Name: _____	Name: _____
Title: _____	Title: _____
Affiliation: _____	Affiliation: _____
Address: _____	Address: _____
City/State: _____	City/State: _____
Zip: _____ Phone: _____	Zip: _____ Phone: _____

REGISTRATION FEE: \$45.00 PER PERSON

Please mail this registration form along with the registration fee to:

Arizona Rural Water Association
7000 North 16th Street, #120-307
Phoenix, Arizona 85020

or fax to: (602) 395-1943

If faxing registration, please indicate whether you will:

_____ mail the payment or
_____ pay at the door*

Registration must be received by December 2, 1996
(No refunds will be given for cancellations made after that date.)

*No shows must pay because of ARWA's commitment for luncheon.

MODIFICATION OF THIS ANNUAL OPERATING PLAN

This annual plan of operation is intended to govern the storage of water over the course of the entire calendar year. The Authority recognizes that day to day fluctuations in weather, individual delivery works at storage facilities, or normal CAP operations may affect the monthly estimates of water actually delivered for the benefit of the Authority. Day to day fluctuations that do not impact the overall annual projections contained in this plan are not modifications of this plan and will be addressed by the staff and reported to the Authority on an as needed basis.

During the course of the year, changing circumstances may present limitations or provide new opportunities not contemplated in this plan that will affect the overall annual projections. In such circumstances, A.R.S. § 45-2456(F) provides that the Authority may modify this adopted plan. If such modifications are required, they will be undertaken by the Authority in the course of its normal business. Public comment may be accepted by the Authority at the meetings where proposed modifications are discussed or approved. For such modifications, the Authority will not repeat the procedures outlined in A.R.S. § 45-2456(C) for the adoption of an original plan.

RESOLUTION 1996 - _____

**RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY,
ARIZONA REQUESTING THAT THE PROPOSED 1997 PLAN OF OPERATION
FOR THE ARIZONA WATER BANKING AUTHORITY PROVIDE FOR THE
EXPENDITURE OF PIMA COUNTY TAXPAYER FUNDS FOR WATER STORAGE
IN PIMA COUNTY**

Whereas, the 1980 Groundwater Management Act requires that the Tucson Active Management Area (AMA) achieve safe yield by 2025 by reducing the current overdraft in the basin to a situation whereby the amount of groundwater that is withdrawn does not exceed the amount naturally or artificially recharged; and

Whereas, in order to meet future water consumption and recharge needs, over \$4.4 billion has been expended to bring Colorado River Water to Central Arizona; and

Whereas, the Arizona Water Banking Authority was established to utilize fully Arizona's allocation of Colorado River Water; and

Whereas, Pima County taxpayers have contributed to construction of the Central Arizona Project (CAP) canal and the funding of the Arizona Water Banking Authority; and

Whereas, groundwater savings and underground storage projects are currently permitted and operating in Pima County and the Tucson AMA and permit applications for additional projects are pending; and

Whereas, the owners and operators of groundwater savings and underground storage projects are willing and able to share their facilities with the Arizona Water Banking Authority; and

Whereas, there are existing and proposed underground storage projects at the Avra Valley Recharge Project, at the Lower Santa Cruz River, at the terminus of the CAP canal and at the Central Avra Valley Storage and Recovery Project; and

Whereas, there are existing and proposed groundwater savings projects in the Tucson AMA.

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF MARANA, ARIZONA, REQUESTING THAT THE PROPOSED OPERATING PLAN FOR THE ARIZONA WATER BANKING AUTHORITY PROVIDE FOR THE EXPENDITURE OF 1997 FUNDS WITHIN PIMA COUNTY FOR RECHARGE.

WHEREAS, the 1980 Ground Water Management Act requires that the Tucson Active Management Area (hereinafter referred to as "TAMA") achieve safe yield by 2035 by reducing the current overdraft in the basin to a situation whereby the amount of water that is withdrawn is naturally or artificially recharged; and

WHEREAS, in order to meet future water consumption and recharge needs, the Bureau of Reclamation has expended over \$4.4 billion to bring Colorado River Water to Central Arizona; and

WHEREAS, the Arizona Water Banking Authority was established to fully utilize Arizona's allocation of Colorado River Water; and

WHEREAS, Pima County taxpayers have contributed to construction of the CAP canal and the funding of the Arizona Water Banking Authority; and

WHEREAS, water savings and recharge projects are currently operating in Pima County and applications for additional projects are pending; and

WHEREAS, the owners and operators of recharge and water savings projects are willing and desirous of sharing their facilities with the Arizona Water Banking Authority; and

WHEREAS, there are existing and proposed recharge projects at the terminus of the CAP canal, at CAVSARP, and at the Avra Valley Pilot Project and the Lower Santa Cruz; and

WHEREAS, there are existing and proposed ground water savings projects in the TAMA.

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Council of the Town of Marana, Arizona, that the Town hereby requests that the proposed operating plan for the Arizona Water Banking Authority provide for the expenditure of 1997 funds within Pima County and the TAMA for recharge and in lieu of projects.

PASSED AND ADOPTED by the Mayor and Council of the Town of Marana, Arizona, this 19th day of November, 1996.

Mayor ED HONEA

ATTEST:

Sandy Groseclose
Town Clerk

11-19-96

1997 ANNUAL PLAN OF OPERATION SCHEDULE

- | | |
|-------------|--|
| October 16 | Arizona Water Banking Authority preliminary approval |
| October 24 | Presentation to Pinal GUAC |
| October 25 | Presentation to Tucson GUAC |
| November 6 | Presentation to Phoenix GUAC |
| November 20 | Final approval by Authority |

ARIZONA WATER BANKING AUTHORITY

1997 PLAN OF OPERATION



Rita P. Pearson, Chairman

Updated as of
November 19, 1996

INTRODUCTION

The Arizona Water Banking Authority (Authority) was created with the passage of HB 2494 by the 1996 Legislature. The Authority consists of the following 7 members, 5 of whom are voting and two of whom are non-voting ex officio: the Director of the Arizona Department of Water Resources, who serves as chairman of the Authority (Rita P. Pearson); the President, or his designee, of the Central Arizona Water Conservation District Board (Grady Gammage); a representative of an entity with an M&I subcontract (Bill Chase); a representative of the Colorado River communities (Tom Griffin); and a person knowledgeable in water management (Richard S. Walden). A member of the Senate appointed by the President of the Senate (Stan Barnes) and a member of the House appointed by the Speaker of the House (Mark Killian) serve as the two ex officio nonvoting members of the Authority.

The Authority was created with a mission to take the currently unused portion of Arizona's Colorado River allotment and recharge the water in Arizona to develop long-term storage credits for future use. Recharge by the Authority is not meant as a substitute for existing uses or storage of Colorado River water by entities in Arizona, but as a means of utilizing Colorado River water that would otherwise have gone unused by Arizona.

The Authority has approximately \$9.4 million in calendar year 1997 for direct (underground storage) and in-direct (groundwater savings) recharge, including all pump tax, 4 cent property tax and general fund revenues. Based on available funds and requests, recharge opportunities for 1997 are only limited by capacities in the CAP aqueduct.

OVERVIEW

Total estimated use on the Colorado River for 1996 and 1997 will exceed the 7.5 million acre feet (maf) allotted to the Lower Basin states of Arizona, California and Nevada (see Figure 1). The 1996 surplus declaration and the expected declaration of a surplus for 1997 have and will provide for delivery to the Lower Basin an amount greater than the 7.5 maf.

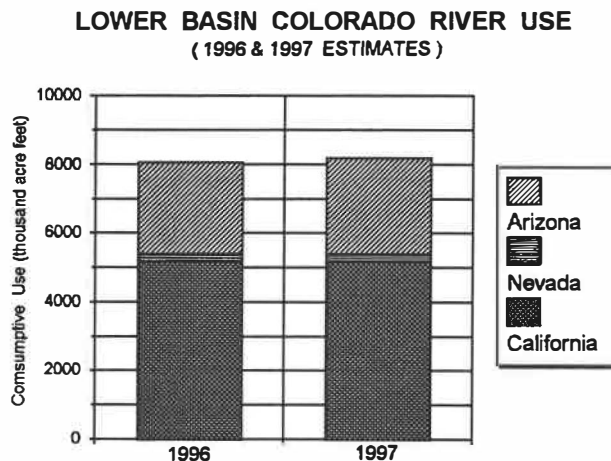


Figure 1

However, total Colorado River consumptive use by the State of Arizona for 1997 is estimated to be 2.7 maf (see Figure 2), still under the allotted 2.8 maf allowed to be diverted by Arizona under *Arizona vs. California*.

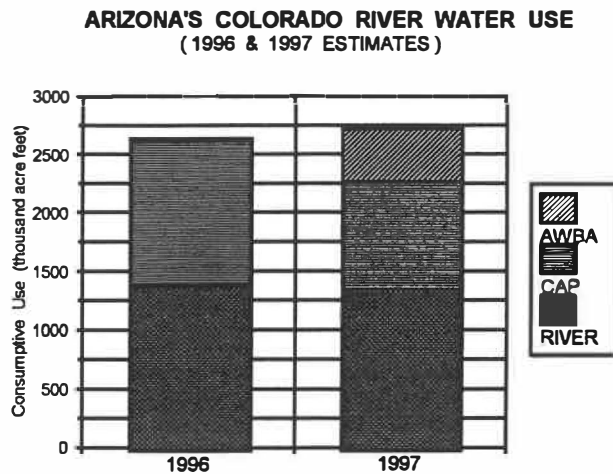


Figure 2

Figure 3 further itemizes Arizona's estimated 2.7 maf of Colorado River use by month, including projected Colorado River uses along the River in Arizona of 1.38 maf; CAP

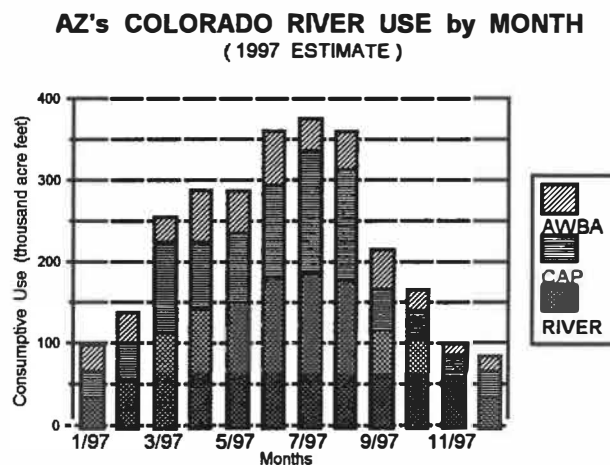


Figure 3

subcontractor deliveries of an estimated 975,000 af, including M&I, Indian, Agriculture Pool 1, 2, and 3, and incentive recharge water, leaving approximately 400,000 af of capacity available for recharge by the Authority. The current Plan recharges approximately 360,000 af of water.

Only facilities available or that are expected to be available in 1997 have been included in this Plan. However, in order to ensure that the 360,000 af of water is recharged, the Plan includes the flexibility, that in the event a facility is not available as anticipated, the water that was scheduled to be used at that facility would be recharged at GRUSP for the benefit of the county where the funds were collected.

The Authority's policy for adopting this Plan of Operation provides the flexibility to accommodate changes, such as including additional facilities not currently listed on Table 1. Based on this policy, if such a facility or facilities becomes available and there is aqueduct capacity and funds available, this Plan could be modified at a later date to include those facilities.

Table 1 reflects estimated delivery of water by the CAWCD on behalf of the Arizona Water Banking Authority for banking in Arizona. Total deliveries to the Authority in calendar year 1997 will be constrained by CAP aqueduct capacity remaining after the CAP has scheduled its deliveries. It is the intention of the Authority to optimize, on a monthly basis, deliveries of Colorado River water in order to maximize the development of credits for the Authority.

In developing Table 1, the AWBA/CAWCD staff's developed a percent for each potential partner based on permitted capacities and the total amount of potential capacity for the AWBA. This method for the distribution of capacities evolved out of comments made at meetings of the Groundwater User Advisory Councils (GUAC's). After additional discussions, Table 1 was modified to represent the best estimates of the amount of water they could utilize based on the current terms put forth by the Authority. Table 1 reflects deliveries at the CAP turnouts and do not account for losses incurred between these turnouts and the actual points of use. When those losses are taken into account, the actual credits developed by the Authority will be less than the total deliveries shown in Table 1.

TABLE 1
ARIZONA WATER BANKING AUTHORITY
CAP Water Delivery Schedule for AWBA Recharge
 (Monthly Adjusted AWBA Volumes based on CAP Capacity Values)
 Calendar Year 1997
 (ACRE-FEET)

(REVISED 11/19/96)

			January	February	March	April	May	June	July	August	September	October	November	December	Total
Estimated CAP Deliveries: (M&I, Indian, Ag Pools 1, 2 & 3, Incentive Recharge)			34,000	54,000	124,000	97,000	96,000	120,000	158,000	146,000	59,000	34,000	28,000	25,000	975,000
Available Excess CAP Capacity for AWBA:			27,000	30,000	26,000	54,000	46,000	59,000	33,000	39,000	39,000	22,000	10,000	15,000	400,000
AWBA - Recharge Sites:															
Phoenix AMA:															
Direct >	GRUSP	Permitted Capacity 200,000													
	FOR MARICOPA COUNTY	Available to AWBA 80,000													
	FOR PIMA COUNTY (1)		10,000	10,000	10,000	10,000	10,000	10,000							60,000
				(210)	(210)	(210)	(210)	(210)	(210)	(210)	(4,840)	(4,840)	(3,330)	(4,620)	(19,100)
Indirect >	CHANDLER HGTS CID	3,000				70	80	80	100	90	80				500
	MWD	30,000		630	570	3,000	3,320	3,870	2,010	1,980	2,230	1,430	630	330	20,000
	NEW MAGMA	40,000		2,000	2,300	2,300	2,100	2,100	3,700	9,700	9,700	1,400	1,200	1,000	40,000
	QUEEN CREEK	28,000		1,000		1,300	1,300	1,000	1,600	3,600	1,500	1,000	500	2,200	16,000
	RWCD	100,000		8,000	4,000	8,000	8,000	8,000	4,000	5,000	8,000	5,000	3,000	2,000	67,000
	SRP (2)	200,000													
	TONOPAH ID (3)	15,000													
PINAL AMA:															
Direct >															
Indirect >	CAIDD	110,000	1,600	2,000	2,500	5,000	4,500	6,000	4,600	4,000	3,000	1,100	100	600	35,000
	HOHOKAM	40,000			1,400	3,300	3,300	6,300	5,400	5,700	1,300	1,300			28,000
	MSIDD	120,000	4,000	5,000	5,000	11,000	11,000	13,000	7,000	6,000	6,800	3,200	1,200	3,800	77,000
TUCSON AMA:															
Direct >	CENTRAL AVRA VALLEY (4)	5,000									1200	1200	900	1200	4,500
	AVRA VALLEY	5,000		210	210	210	210	210	210	210	210	210	210	210	2100
	PIMA MINE ROAD (4)	10,000									630	630	620	620	2,500
	LOWER SANTA CRUZ (4)	30,000									2,800	2,800	1,600	2,800	10,000
Indirect >	CORTARO MARANA ID (3)	10,000													0
	8KW FARMS (3)	9,000													0
	KAI FARMS (2)	11,000													0
TOTAL :			23,100	28,840	25,980	44,180	43,810	50,560	28,620	36,280	37,450	19,270	9,960	14,550	362,600
Remaining CAP Capacity:			3,900	1,160	20	9,820	2,190	8,440	4,380	2,720	1,550	2,730	40	450	37,400

Note: Agua Fria Siphon Outage (June 16 - September 15, 1997) The HAV through HSV Pumping Plant Capacity will not be available for recharge downstream of the Waddell Turnout during this period.
 (1) - Capacity Only Utilized to the extent Pima County Facilities are Not Available
 (2) - \$21.00 Cost Prohibitive
 (3) - Capacity Committed to Other Partners
 (4) - Currently Not Permitted

PRICING

The total cost to the AWBA to store approximately 363,000 acre feet of water is \$8,910,000 including the delivery rate, cost recovery from the in-lieu user, and a direct facility use fee.

Table 2 reflects the water rates the Central Arizona Water Conservation District (CAWCD) will charge the Authority for the delivery of Colorado River water, the rate the Authority will charge irrigation districts for in-lieu water and the rate the Salt River Project (SRP) and direct recharge facilities in Pima County are expected to charge the Authority for the use of their facilities.

Table 2 WATER RATES For Calendar Year 1997	
CAP delivery rate to AWBA	\$36 per acre foot
AWBA rate to In-Lieu User	\$21 per acre foot
Rate to AWBA for Direct Recharge	\$22 per acre foot

ACCOUNTING

A.R.S. § 45-2457 stipulates that the Authority shall develop an accounting system for the long-term storage credits accrued by the Authority. The accounting system shall be designed to allow the Authority to determine which funding source of the banking fund paid for each long-term storage credit accrued by the Authority.

The Arizona Department of Water Resources has set-up the accounts per A.R.S. § 45-2457 for both funding and credits. Table 3 reflects estimates of the 1997 funding and credits, which will accrue to those accounts based on this Operating Plan.

Table 3
FUNDING AND CREDIT ACCOUNTING
For Calendar Year 1997

DESCRIPTION	FUNDING		CREDITS	
	AVAILABLE	EXPENDED	AMOUNT	LOCATION
<u>Withdrawal Fee</u>				
Phoenix AMA	(not available)			
Tucson AMA	(not available)			
Pinal AMA	(not available)			
<u>Four Cent Tax</u>				
Maricopa County	\$5,700,000	\$5,700,000	203,500 acre feet	Phoenix AMA
Pima County	\$1,400,000	\$1,110,000	19,100 acre feet	Tucson AMA
Pinal County	\$300,000	\$100,000	7,000 acre feet	Pinal AMA
<u>Other</u>				
General Fund	\$2,000,000	\$2,000,000	133,000 acre feet	Pinal AMA
California	(not applicable)			
Nevada	(not applicable)			
TOTAL	\$9,400,000	\$8,910,000	362,600 acre feet	

**1997 PLAN of OPERATION
SUMMARY and ANALYSIS**

	Draft Plan (Pima Credits in Pinal)	Revised Draft Plan (AWBA Indirect Cost = \$15)	Revised Draft Plan (AWBA Indirect Cost = \$18)	Revised Draft Plan (AWBA Indirect Cost = \$21)					
CAP DELIVERIES WITHOUT AWBA	905,000 AF	975,000 AF	975,000 AF	975,000 AF					
CAP CAPACITY AVAILABLE TO AWBA	436,000 AF	400,000 AF	400,000 AF	400,000 AF					
	Est. Funds (Million \$)	Cost (Million \$)	Credits (acre feet)	Cost (Million \$)	Credits (acre feet)	Cost (Million \$)	Credits (acre feet)	Cost (Million \$)	Credits (acre feet)
MARICOPA COUNTY	5.70								
DIRECT		2.50	44,100	3.50	60,000	2.90	50,000	1.10	19,000
IN-DIRECT		2.58	172,200	2.20	143,500	2.80	154,000	4.60	219,000
TOTAL		<u>5.08</u>	<u>216,300</u>	<u>5.70</u>	<u>203,500</u>	<u>5.70</u>	<u>204,000</u>	<u>5.70</u>	<u>238,000</u>
PINAL COUNTY	0.30								
DIRECT									
IN-DIRECT		0.30	20,000	0.10	7,000	0.30	16,700	0.30	14,300
TOTAL		<u>0.30</u>	<u>20,000</u>	<u>0.10</u>	<u>7,000</u>	<u>0.30</u>	<u>16,700</u>	<u>0.30</u>	<u>14,300</u>
PIMA COUNTY	1.40								
DIRECT				1.11	19,100	1.11	19,100	1.11	19,100
IN-DIRECT		1.32	88,100						
TOTAL		<u>1.32</u>	<u>88,100</u>	<u>1.11</u>	<u>19,100</u>	<u>1.11</u>	<u>19,100</u>	<u>1.11</u>	<u>19,100</u>
GENERAL FUND	2.00								
DIRECT		0.44	7,800						
IN-DIRECT		1.56	103,800	2.00	133,000	2.00	111,000	2.00	95,200
TOTAL		<u>2.00</u>	<u>111,600</u>	<u>2.00</u>	<u>133,000</u>	<u>2.00</u>	<u>111,000</u>	<u>2.00</u>	<u>95,200</u>
TOTAL	<u>9.4</u>								
DIRECT		2.94	51,900	4.61	79,100	4.01	69,100	2.21	38,100
IN-DIRECT		5.76	384,100	4.30	283,500	5.10	281,700	6.90	328,500
TOTAL		<u>8.70</u>	<u>436,000</u>	<u>8.91</u>	<u>362,600</u>	<u>9.11</u>	<u>350,800</u>	<u>9.11</u>	<u>366,600</u>
TOTAL CAP DELIVERIES		1,341,000		1,337,600		1,325,800		1,341,600	
TOTAL AZ. DELIVERIES		2,699,000		2,695,600		2,683,800		2,699,600	
TOTAL L.B. DELIVERIES		8,149,000		8,145,600		8,133,800		8,149,600	

November 19, 1996

Ms. Rita Pearson
Chairman
Arizona Water Banking Authority

Re: Draft 1997 Plan of Operation

Dear Rita:

Enclosed is the Objection and Proposals of Tucson AMA Entities With Regard to Draft 1997 Annual Plan of Operation of Arizona Water Banking Authority. This Objection and Proposals has been prepared by the staffs and consultants to the undersigned Tucson AMA Entities to implement the policy positions taken formally by these entities.

We urge that the modifications to the Draft Plan proposed in Exhibit B to the Objection and Proposals be adopted at the AWBA meeting tomorrow.

Sincerely,

Pima County



By:
Sharon Megdal

City of Tucson



By:
Marvin S. Cohen

Town of Marana



By:
Hurvie Davis, Town Manager

Town of Oro Valley



By:
Chuck Sweet, Town Manager

Metropolitan Domestic Water
Improvement District



By:
Mark Straton, General Manager

Community Water Co. of
Green Valley



By:
Alan Forrest, General Manager

**OBJECTION AND PROPOSALS OF TUCSON AMA ENTITIES
WITH REGARD TO
DRAFT 1997 ANNUAL PLAN OF OPERATION
OF
ARIZONA WATER BANKING AUTHORITY**

OBJECTION

The following entities within the Tucson Active Management Area ("TAMA Entities") submit this objection to the Draft 1997 Annual Plan of Operation ("Draft Plan") of the Arizona Water Banking Authority ("AWBA") together with proposals for modification of the Draft Plan:

Pima County	City of Tucson	Town of Oro Valley
Town of Marana	MDWID	Community Water Co. of Green valley

While all of the TAMA Entities fully support the objectives of the AWBA, we are deeply concerned with the treatment of Pima County and the Tucson AMA in the Draft Plan. In 1996, the special four-cent property tax levied by the Central Arizona Water Conservation District ("CAWCD") in Pima County is expected to raise approximately \$1.4 million which will be made available to the AWBA. Under the law that created the AWBA early this year, these funds are to be spent "only for the benefit of the county in which the funds were collected..." A.R.S. § 45-2457.B.7.

The Draft Plan proposes to spend \$1.321 million of these funds to deliver 88,100 acre feet of Colorado River Water to Pinal County irrigation districts in order to establish 88,100 acre feet of groundwater storage credits in the Pinal County AMA. The Draft Plan contains no explanation of how credits accrued in the Pinal AMA will be distributed to the benefit of Pima County, or at what cost. We are aware that the Pinal AMA is not a safe yield AMA; there are no assurances that groundwater will actually be available in years of shortage on the Colorado River or that the quality of the water would be acceptable for M&I use. Nor are there physical, legal or institutional infrastructures in place to assure recovery and delivery of the water. In addition, Indian water claims with regard to Pinal County groundwater remain unresolved.

The Draft Plan proposes to spend 86% of available Maricopa County four-cent funds to store water in the Phoenix AMA and to carry over \$700,000 of available Maricopa County funds. The Draft Plan proposes to spend all available Pinal County four-cent funds to store water in the Pinal AMA.

The Draft Plan would establish \$21 per acre foot as the uniform price for purchase by agricultural interests of AWBA water for groundwater savings projects. Actual variable costs to TAMA agricultural entities of pumping groundwater are below \$21 per acre foot. No agricultural entity will buy AWBA water at a price above its actual cost of pumping groundwater. The use of \$21 statewide would effectively exclude Pima County from participation in the State Water Bank through groundwater savings projects and force the TAMA to rely on the more expensive direct recharge projects which would store much less Colorado River in our area for future shortage years.

While we recognize that differentiated pricing could present administrative problems, we propose that in future plans of operation the price be set in relation to each participant's actual variable costs, or at least on an AMA basis. We understand that differentiated pricing would be too difficult to accomplish in the short period available for preparation of the first year's Plan of Operation, and we do not propose any indirect recharge projects in Pima County for 1997.

We object to the use of Pima County four-cent funds to store water outside the Tucson AMA on the following bases:

- Such use violates A.R.S. § 45-2457.B.7. because, for the reasons stated above, credits in the Pinal AMA do not benefit Pima County;
- Pima County four-cent funds should be used to store water within the Tucson AMA--opportunities for such storage in 1997 are listed on Exhibit A hereto which is by this reference made a part hereof;
- To the extent that projects or facilities are not available in the Tucson AMA to store a quantity of Colorado River water that would utilize the entire \$1.4 million, the unexpended balance should be accumulated for expenditure in future years;
- The use of a uniform \$21 per acre foot price statewide for all agricultural participants in groundwater savings projects excludes participation by Pima County agricultural entities because their variable costs of pumping groundwater are well below \$21 per acre foot. This should be corrected in future plans.

PROPOSAL

We propose that the 1997 Draft Plan be modified as follows:

In order to maximize with state tax revenues in the first year of operation the quantity of water diverted from the Colorado River, the entire \$2 million of General Funds available to the AWBA should be used for Groundwater Savings Projects in Pinal County.

The direct storage of approximately 19,000 acre feet of Colorado River water at a cost of approximately \$1.1 million should be planned in the Tucson AMA at the facilities and in the programs described in Exhibit A.

To the extent that Pima County four-cent funds are not utilized in 1997, the remaining funds should be carried over for use in 1998 to fund water storage in the Tucson AMA.

Implementation of this proposal would reduce the quantity of Colorado River stored at GRUSP in Maricopa County by 5,000 acre feet and would change the quantity stored in the indirect storage projects in Pinal County from 181,475 acre feet to 153,355 acre feet. The overall effect on the quantity of additional Colorado River water stored in Arizona would be minimal. The total diversions of Colorado River water by the AWBA would be 422,059 acre feet instead of the 436,000 acre feet shown on Table 4 of the Draft Plan. The specific language changes and changes to Table 1, Table 3 and Table 4 that we propose to the Draft Plan are contained in Exhibit B.

SUMMARY

As stated above, the TAMA Entities fully support the objectives of the AWBA. We believe our proposal is consistent with these objectives and the law. Formation of the AWBA has brought California and Nevada to the negotiating table. Because of the surplus declaration on the River for 1997, California is able to divert as much water as it needs in 1997, independent of the amount Arizona diverts next year.

The diversion of 422,000 acre feet of additional Colorado River water will have the same strategic effect on California and Nevada as diverting 436,000 acre feet--but without the serious divisive internal effect within Arizona that would be caused by the Draft Plan in its present form.

EXHIBIT A

UNDERGROUND STORAGE	ACRE FEET	ESTIMTD COST/AF	AWBA COST	NOTES
Avra Valley Pilot Project	2,075	\$58	\$120,350	Permitted to CAWCD
CAVSARP Pilot Project	4,500	\$58	\$261,000	Permit Pndng Tucson
Pima Mine Road	2,500	\$58	\$145,000	Permit Pndng CAWCD
Lower Santa Cruz	10,000	\$58	\$580,000	Permit Appl Pndng Pima County Flood Control
TOTAL DIRECT UNDERGROUND STORAGE	19,075		\$1,106,350	

EXHIBIT B

In Table 1 the quantities of water to be stored at GRUSP and the three Pinal County indirect storage projects would change. The quantities to be stored in the Maricopa County indirect storage projects would not change. The following is a revised Table 1 to reflect the changes in the totals for GRUSP and the Pinal County projects; we have not calculated the revisions to the monthly deliveries for these entities.

TABLE 1

AWBA RECHARGE SITES		TOTAL 1997
PHOENIX AMA:		
Direct>	GRUSP	41,734
	AGUA FRIA	5,184
Indirect>	CHANDLER HGTS CID	220
	MWD	25,992
	NEW MAGMA	34,903
	QUEEN CREEK	9,499
	RWCD	54,764
	SRP	77,353
PINAL AMA:		
Indirect>	CAIDD	61,832
	HOHOKAM	15,598
	MSIDD	75,903
TUCSON AMA:		
Direct>	AVRA VALLEY	2,075
	CAVSARP	4,500
	PIMA MINE ROAD	2,500
	LOWER SANTA CRUZ	10,000
TOTAL SYSTEM (DIRECT & INDIRECT)		422,057
Remaining CAP Capacity		13,943

The following language changes in the text are proposed, consistent with the changes in Tables 1, 3 and 4:

Step 2: General Fund monies expended for Pinal AMA indirect recharge projects in order to maximize use of Colorado River water.

Step 3: Calculate the amount of recharge potential in each AMA/county by four-cent tax funds collected in each county and allocated to each AMA.

PRICING

The total cost to the AWBA to develop approximately 422,000 acre feet of recharge credits is \$9,106,351 including the delivery rate, cost recovery from the in-lieu user, and a direct facility use fee.

In Table 3 the Tucson AMA rate of \$22 for use of facilities for Direct Recharge should be added and the preceding paragraph should be revised to conform.

The following are the changes to Table 4 that result from the proposal of the TAMA entities:

Table 4

DESCRIPTION	FUNDING		CREDITS	
	AVAILABLE	EXPENDED	AMOUNT	LOCATION
<u>Four Cent Tax</u>				
Maricopa County	\$5,700,000	\$5,700,001	249,649 AF	Phoenix AMA
Pima County	\$1,400,000	\$1,106,350	19,075 AF	Tucson AMA
Pinal County	\$ 300,000	\$ 300,000	20,000 AF	Pinal AMA
General Fund	\$2,000,000	\$2,000,000	133,333 AF	Pinal AMA
TOTAL	\$9,400,000	\$9,106,351	422,057 AF	

Calculations for Revision of Tables 1 and 4

Maricopa County

Four-cent tax funds available: \$5,700,000

Scheduled Indirect Storage per Table 1 of Draft Plan:

202,731 acre feet at \$15 = \$3,040,965.

\$5,700,000 minus \$3,040,965 = \$2,659,035 for Direct Storage.

Agua Fria 5,184 acre feet at \$46 = \$238,464;

this leaves \$2,420,571 to pay for direct storage at GRUSP at \$58 per acre foot;

resulting in 41,734 acre feet of storage at GRUSP.

Pinal County

Four-cent tax funds available: \$ 300,000

General Funds available: \$2,000,000

Total \$2,300,000

\$2,300,000 divided by \$15 = 153,333 acre feet.

The Draft Plan indicates 181,475 acre feet of indirect storage in Pinal County. Applying the reduction from 181,475 to 153,333 pro rata to the three districts results in the following:

153,333 divided by 181,475 = .8449263

CAIDD 73,180 X .8449263 = 61,832 acre feet

HOHOKAM 18,461 X .8449263 = 15,598 acre feet

MSIDD 89,834 X .8449263 = 75,903 acre feet

Total 153,333 acre feet

ARIZONA WATER BANKING AUTHORITY
Draft Minutes

October 16, 1996 Meeting
Lake Havasu City Police Facility



AUTHORITY
MEMBERS
Rita P. Pearson,
Chairman
Tom Griffin, Vice-Chair
Bill Chase, Secretary
Grady Gammage
Richard S. Walden

EX OFFICIO MEMBERS
Senator Stan Barnes
Speaker Mark Killian

Welcome / Opening Remarks

Chairman Pearson welcomed Authority Members Dick Walden, Bill Chase and Tom Griffin and public members in attendance. Ms. Pearson thanked Lake Havasu Mayor Richard Heilman and his staff for hosting the meeting and noted others may join the meeting later, including Representative Don Aldridge and representatives from California and Nevada.

Adoption of Minutes of September 10 Meeting

Minutes from the September 10 Authority meeting were moved by Mr. Griffin and adopted without any corrections.

Presentation and Initial Recommendation of 1997 Plan of Operation

Mr. Tim Henley, AWBA Manager, presented the draft 1997 Plan of Operation, reviewing the key points and the process used in developing the Plan. He noted that AWBA staff continue to work with CAP staff in developing the scheduling aspects of the Plan. CAP has determined that approximately 430,000 af of CAP capacity remains for AWBA purposes, after delivering about 900,000 acre feet (af) to its subcontractors, including: M&I water, Indian water, the Pool 1, Pool 2 and Pool 3 water and any incentive water, with capacities being constrained due to planned repairs and installation of a turnout at the Agua Fria siphon scheduled for June - September 1997. CAP is in the permitting process for a recharge facility on the Agua Fria to be constructed with 4 cent demonstration tax monies.

As CAP was developing estimated capacities for 1997, Authority and CAP staffs met with permitted facilities to determine potential interest in direct and in-direct recharge and in what months each individual district would have capacities. Potential capacities were found to be in excess of the 436,000 af CAP had determined was available to the AWBA for 1997 and amounts were then reduced to approximately 75% of the total amounts potential partners had requested to meet available capacities. Table 1 reflects expected CAP and AWBA water deliveries by month, with the Authority filling in the gaps between CAP scheduled subcontractor deliveries and potential delivery capacity, maximizing deliveries of Arizona's share of Colorado River water.

The 1997 Plan of Operation is scheduled for final approval at the November Authority meeting. Mr. Henley noted the flexibility in the Plan, allowing for deliveries to other partners, including potential facilities in the Tucson area in 1997. Total CAP deliveries for 1997 are estimated to be 1.3 maf, including the 900,00 to CAP subcontractors and the 430,000 af for AWBA purposes. Mr. Henley presented Table 3 outlining the pricing of water for 1997. CAP has adopted a two-year price for AWBA water of the postage stamp energy rate plus \$5 to offset operating costs, totaling \$36 per af in 1997. The Plan assumes a \$21 per af cost recovery from in-lieu partners, and the Bank paying \$15 per af. For direct projects, the AWBA will pay the entire \$36 to CAP, in addition to a cost for using the facility. The Plan reflects direct recharge at the Granite Reef Underground Storage Project (GRUSP) operated by the Salt River Project and the possible use of the CAP Agua Fria facility expected to be completed by September 1997. Cost estimates for GRUSP are about \$22, with less costs expected for a longer-term agreement. Agua Fria is in the permitting stages, but initial estimates are about \$10 per af for use of the facility. Mr. Henley noted again that direct recharge opportunities may also exist in the Tucson area in calendar year 1997. (NOTE: the Agua Fria site has since been removed from the Plan)

Mr. Henley stated that the Authority is required to maintain fund accounts by source of generation and the law stipulates the credits are developed for "the benefit of" the AMA or county where the funds were generated. Credits developed with the four cent tax must benefit the county in which the funds are collected and the withdrawal fees are accounted for to benefit the AMA in which they are generated. General Fund monies have greater flexibility and are available to: firm supplies for users of Colorado River water along the River; can be used to assist in an Indian water rights settlement; and for water management purposes the Authority deems appropriate.

Table 4 reflects withdrawal fees being collected for 1997 pumping and available April 1998. Based on historical collection, 1997 estimates on the four cent tax for Maricopa County are \$5.7 million and about \$1.4 million for Pima County. Pinal County monies are estimated at \$300,000, but have not historically been collected. The Bank projects to expend about \$4.7 of the \$5.7 million of Maricopa monies to generate 210,000 af of credits in the Phoenix AMA. The Bank is projecting to spend approximately \$1.2 million of Pima County monies for approx. 88,000 af of credits. These credits are currently scheduled to be developed in Pinal County, but could be developed in the Tucson area if potential capacities become available. Tucson is participating with other entities for approximately 40,000 af. The \$2 million General Fund monies will store approximately 44,000 af in the Phoenix AMA and 71,000 af in the Pinal AMA for a total of 116,000 af. The Authority will make a determination on the use of General Fund credits in the future. The AWBA will have spent \$8.2 million of \$9.4 million collected for recharge of approximately 436,000 af.

Mr. Henley again stated that the Plan is a preliminary document and the public would have opportunities for comment and the Tucson, Pinal and Phoenix GUAC meetings. He noted that public comments would be incorporated into the Plan and presented to the Authority for consideration at the November meeting for submittal on December 1.

Mr. Bill Chase indicated many of the figures are based on estimates, including estimates of capacities, and inquired about how the Authority intended to build in sufficient flexibility for other potential opportunities. He inquired whether the Banking staff felt the Authority would have to amend the Plan to facilitate any changes and what would this process require? Mr. Henley stated that this was not yet clear, but that major changes would probably need a formal hearing. Staff will provide a more concise answer at the November meeting based on the comments of the Authority and the public, in consultation with legal counsel. Mr. Chase, further stated that he feels the Authority should consider a policy of recharging the water in the county or AMA where the monies were generated whenever possible and staff should develop such a policy for consideration at the November meeting. Chairman Pearson requested clarification on Mr. Chase's statement of adopting a policy that monies generated in a county or AMA must be stored there, or whether a priority be given to the county or AMA in which the taxes are collected? Mr. Chase stated that if a policy is adopted in which water must be stored in the county, then the Authority may not be able to use Pima County monies in 1997. He suggests a policy to give priority to monies being spent within the county of generation, as long as recharge capacity exists within the county, over the water being recharged elsewhere. Mr. Chase suggested that such a policy would make many people, including himself, much more comfortable.

Chairman Pearson asked that as the Authority goes through the process of developing the Plan and people share their concerns, that the value of potentially storing less water in a county where monies are generated because it is more expensive be weighed with storage occurring in another location other than the county in which the tax is generated. Mr. Chase feels such a consideration should be made, but under this Plan, the Authority is not using all potential storage capacity in Pinal County nor Maricopa County. He added that the relative cost of recharging water in Maricopa County versus Pinal County is more expensive, but noted that all Maricopa County monies are staying in the County. Mr. Chase reiterated

his feeling of it being more important to expend monies in the county of generation first, even if it is more expensive. He feels this to be very important, particularly in light of the absence of recovery plans.

Mr. Dick Walden stated the Authority must not get bogged down in the local storage debate and forget the objective of securing Arizona's share of Colorado River water they have worked so hard to win, while opportunities erode away due to lack of action. He reiterated his strong feeling of the Authority maintaining the primary objective of diverting water off the River.

Mr. Chase clarified that the Tucson water recharged in Pinal County would most likely be delivered to Tucson through exchange, rather than pumping it out of Pinal County.

Mr. Henley assured the Authority that a mechanism will be developed to assure that Tucson receives any water stored in another AMA or county for their benefit. He reiterated that the credits will exist in the future for Tucson, with one option being to deliver pumped water through the CAP aqueduct and that storing the water in the Tucson AMA was still the goal of the Authority.

Mr. Tom Griffin agreed with Mr. Walden that the primary purpose of the Authority is to divert water out of the Colorado River for use in Arizona. Mr. Griffin stated that he would be hesitant to support any overly restrictive action concerning the expenditure of funds. He does understand the arguments, but feels the Authority should be recharging all water that can be recharged, as long as it is available to be recovered. Mr. Griffin is concerned about adopting a policy that would not allow for sufficient flexibility.

Mr. Chase clarified that it was not his intention to develop a policy resulting in no recharge, but wants priority given to the county or AMA where monies were generated. General Fund monies are different and carry substantially more flexibility.

Mr. Henley stated that some of the discussions were flowing into the storage site criteria agenda item, and felt that if the criteria would have been developed first it would have provided a greater degree of comfort. He stated that next year the Storage Site Criteria will be available to assist the Authority in choosing storage sites.

Chairman Pearson requested Authority staff draft a policy statement pertaining to this issue for review by Authority members in advance of the November meeting.

Chairman Pearson announced the three public meetings on the 1997 Plan of Operation - Pinal GUAC on Thursday, October 24; Tucson GUAC on Friday, October 25; and the Phoenix GUAC on Wednesday, November 6. She reminded the public that this was the time for comments, suggested changes and to ask any questions about the proposed Plan of Operation.

In addition to previous comments, Mr. Chase noted that he felt the Plan of Operation was put together well by the staff, but expressed concern over the recovery issue missing from the Plan. He stated that it is very difficult to make judgements on economic issues without the recovery portion of the program. In addition, Mr. Chase highlighted the fact that this money is meant to bring water off the Colorado River to store for Arizona's future needs that would normally not be delivered. He cited Pool 1 and 2 water made available to agricultural districts and the fact the cities greatly support the use of Pool water by agriculture at subsidized rate for purposes of figuring repayment obligations. Mr. Chase stated that at the time the prices were set for Pool 1 and Pool 2 water, there was an expectation that the combined pool would sell 400,000 af of water between 1993 - 2003 and districts should continue to be required to take Pool 1 and Pool 2 water.

Chairman Pearson stated two critical issues to be dealt with over the next year by the Authority - 1) CAWCD pricing policies in relation to the Authority; and 2) the need to address the issues surrounding recovery and possible development of a recovery plan.

Mr. Griffin moved the initial adoption of the Plan of Operation and the motion was passed unanimously.

Mr. Henley added that accounts for California and Nevada have been established, as reflected in Table 4, with the anticipation of any future interstate agreements. The Secretary of Interior must first promulgate rules and regulations that are acceptable to the Authority and the ADWR director before interstate banking agreements may be entered into.

In-lieu and Direct Recharge Water Pricing

Mr. Henley stated that the Authority will enter into agreements with its partners for use of capacities at their facilities, including associated costs. He noted that in-lieu projects have historically included a cost to the water user, in recognition of pumping costs that would have been incurred. In developing a recommendation, AWBA staff examined several options, including: a percentage split, such a 50/50 cost share of CAP water costs; and charging districts slightly less than their actual pumping costs. Pumping costs are varied among different districts and require extensive data collection, with the actual pumping costs of different districts being very hard to determine.

Mr. Henley recommended the Authority adopt a 45/55 percent split, or \$15 per af for the Authority and \$21 per af for any partner. It was noted to be a slight change from the figures included in the Plan, but a \$36 figure has since been recommended by the CAWCD Board. Ms. Pearson inquired of Mr. Larry Dozier as to why the price changed and Mr. Dozier responded that the price established by the Board for 1997-1998 is pumping energy plus \$5.00. Mr. Dozier stated that CAWCD was developing a budget that included many factors, including: the total amount of water moved by CAP and the amount of energy available from Hoover, Navajo Generating Station and how much extra CAWCD will have to buy. He noted that the Board is expected to adopt a postage stamp energy rate of \$31.00 at the November meeting, making a \$36 cost to the Authority. Mr. Dozier further stated that the "postage stamp" rate was for 1997 regardless of ultimate energy costs.

Ms. Pearson asked Mr. Dozier whether the board adopts a budget every November and whether the CAWCD Board intended to honor a two-year price, as previously discusses. Mr. Dozier responded that the Board attempts to adopt a final budget by November of each year for the following calendar year and that a two-year price of energy plus \$5.00 was adopted their October meeting for 1997 and 1998, with review prior to 1999.

Mr. Henley noted that AWBA had visited with every irrigation district included in the Plan on at least two occasions and that the \$21.00 is on the margin for many of these districts, is a good deal for some and substantially over energy costs of others. However, the Authority seems to have some flexibility in 1997 due to the interest expressed by potential partners.

Mr. Chase commented that the \$14 to \$15 per af price change would roughly translate to a 7% reduction in the amount of water with available monies. He noted that under the current Plan, all Pima and Pinal monies are going into in-lieu programs and that the only surplus monies are in the Phoenix area, so the numbers are going to change somewhat. Mr. Henley responded that an extra dollar translates to an additional \$200,000 needed for Maricopa County, about \$180,000 in Pinal County and about \$180,000 in Pima County. This would mean smaller carry-forward amounts in Maricopa and Pima Counties and slightly more General Fund monies going to Pinal County.

Mr. Walden stated that the current situation seems somewhat like power - the consumer does not care where it comes from, as long as they have power in their home. Ms. Pearson asked Mr. Mike Pearce, AWBA Legal Counsel for a report to the Authority next month in respect to the necessary steps for any modifications to be made to the Plan once adopted, such as formal amendments and impact on the GUAC public meeting process.

Chairman Pearson noted the Authority was ready to adopt a pricing policy for in-lieu water for 1997 and the staff recommendation is 55/45 split. Mr. Griffin moved for the adoption of the staff recommendation.

Mr. Chase stated that he felt the price was appropriate for the first year and was willing to support it, but felt CAWCD and AWBA pricing issues still remained unresolved and that additional attention was needed in the future. He did not wish to leave the impression that the Authority will always be paying a 45% cost share forever or that the Authority believes that \$21.00 is a magic number.

Mr. Griffin expressed his feeling that a subcommittee should be set up to further examine the pricing issue and come back to the Authority with a recommendation, but supported this as a way to get things moving.

Ms. Pearson felt that this first year was largely an aberration and feels that as the Authority gets more experience and spends more time with users and CAWCD, they will get a better understanding of the impact of price. The Authority could then be in a position to consider a much firmer pricing policy, with some greater clarity as to how the numbers are obtained. Mr. Griffin's motion for adoption of the staff recommendation for 1997 in-lieu water pricing was passed unanimously by the Authority.

Presentation of Proposed Storage Site Criteria / Facilities Inventory

Jimmy Jayne, Technical Administrator, noted that the proposed Storage Site Criteria has been an evolving document over the last two months that has been modified after extensive consultation and input from the Phoenix, Pinal and Tucson AMA's, especially in the area of water management objectives.

Mr. Jayne noted that the first page of the Storage Site Criteria is simply an overview of the criteria and the legislative charge that the Bank has in reviewing the criteria and the second page refers to the ranking of the facilities. He stated that the Authority will largely not be using the criteria for the selection of facilities for calendar year 97, due to timing issues, but have begun development in preparation for 1998.

Based on input received from the public the AMA's, six major criteria have thus far been chosen: cost; water management objectives; Indian Water Rights settlements; Western Arizona objectives; environmental issues; and regulatory issues. Informational factors include additional issues which have come to the attention of the Authority from the public and the AMA's.

Mr. Chase felt the criteria was appropriate in relation to funding sources and asked Mr. Jayne if the Bank anticipated developing a separate set of criteria when it comes time for doing recharge on behalf of California and Nevada, feeling that some of the criteria may be applicable, but others may not be. Mr. Jayne responded by saying that a more detailed discussion on interstate banking now beginning and that the issue will be addressed by the Study Commission on October 31st. He added that along with separate criteria, separate facilities may be constructed for interstate banking. Mr. Chase felt that interstate banking would have separate objectives then for the Water Bank, and therefore felt that there would be a particular negotiated agreement with each of the states that would involve various specific sets of circumstances and that decision there may be other criteria factored in.

Mr. Jayne stated that these issues will be discussed in the upcoming GUAC meetings over the next month and AWBA staff was looking for public comments.

Representative Aldridge requested an opportunity to provide in relating to rural areas, feeling that most discussion has focused on Maricopa and Pima Counties. He felt that the public in the rural areas of Arizona were not interested in California and Nevada, but did comment that California has been robbing the Colorado River blind for years. Rep. Aldridge stated that he has been informed that San Diego is paying a tremendous price for water and does not feel that Arizona water should be going to California. He felt that as long as California is using Arizona water, that the rural areas could not do anything about it. With the issues taking place in Maricopa and Pima Counties, we are creating another Los Angeles basin, referring to problems associated with the air quality and others. Rep. Aldridge stated that the rural communities want to spread the distribution of credits, but felt that communities along the Colorado River have no viable way of attracting industries along the River because assured water supply issues. There has been no mention of putting a water storage facility in Bullhead City of Lake Havasu City that he knows of and feels that it is very important. When distributing benefits, the Authority should give consideration to rural areas outside of the Phoenix and Tucson Metro areas.

Ms. Pearson thanked Rep. Aldridge for his comments and mentioned the \$2 million General Fund monies that is currently scheduled to be used to store 116,000 af of water in 1997 for the benefit of the Western parts of the State. She further stated that the Authority wants to find a mechanism for the Western cities to participate in the program and takes this task very seriously. Rep. Aldridge responded that when it takes seven years to obtain 130 af of water for Lake Havasu, he is not very confident in how serious the matter is to the Authority. He feels there should be a plan developed to benefit River communities, even if it means the communities on the Colorado River paying for a water storage area for the Water Bank or developing their own. Mr. Aldridge commented that California can withdraw 500,000 af and not pay for it, but cities along the Colorado do not enjoy the same access.

Discussion of Issue Paper Concerning the Mohave County Water Authority, RWCD, City Of Mesa Proposal

Chairman Pearson noted the issue was held on a prior agenda and AWBA staff was asked to look into a number of issues raised at the time the proposal was originally presented.

Mr. Henley began the discussion stating that the Proposal has raised several issues and concerns, which has brought forward many other issues, including potential recovery. Some legal concerns have been expressed, including how the four cent taxes are used, the development and assigning of credits, the requirement for the Authority to make water available under long-term agreements, the definition of drought and availability in shortages.

Mr. Henley feels the proposal has raised some major issues, with recovery being one such issue that needs to be addressed by the Authority. He stated that recovery is a long-term offer in most situations and feels, that through the legislation, a recovery plan could be developed that could be satisfactory. It has become apparent that the need to know about recovery, the certainty, the procedure and cost, are not future decisions, but ones that need to be made today. Mr. Henley stated that paying for future recovery is an issue and whether the four cent tax monies could be utilized to help support recovery in the future. He recommended that the Authority consider appointing a subcommittee that could save the Authority time and address recovery in greater detail, possibly developing a recommendation for a recovery plan that would put forth certainty, talk about costs, where it might happen, how it might happen, and who would get the benefit of the water. The Study Commission could also begin to address some of the broader state issues raised by the Proposal, including how to use State taxes and the possible establishment of a recovery fund.

Ms. Pearson inquired of Mr. Griffin how he felt about the progress the Authority was making in understanding the issues associated with the Proposal. Mr. Griffin stated that the issues presented are the issues they are looking at right now, but felt the issue of forbearance was not covered strongly and would like to see it covered more.

Chairman Pearson stated that she felt that the subcommittee structure creates the greatest opportunity for public discourse and to develop these issues and to make recommendations back to the Authority as to the how this proposal fits into the overall water banking program. Mr. Griffin and Mr. Chase volunteered to serve on a recovery subcommittee and Chairman Pearson volunteered Grady Gammage, in his absence, recognizing CAWCD's role in this program. In addition, Ms. Pearson volunteered herself due to impact that this issue has on groundwater management policies.

Chairman Pearson stated that it will be noted in the records that a four member subcommittee has been created to begin working on the issues associated with the Mohave County Water Authority Proposal and suggested that the subcommittee look to the Study Commission for input into the recovery issues associated with the Bank. Ms. Pearson suggested that the recommendation to obtain a consultant to advise the Commission on various recovery options be deferred to the subcommittee and allow them to make the recommendation to the Authority.

Mr. Jay Moyes was recognized and stated that he wanted to follow-up on the point made by Mr. Chase regarding the 1997 Plan of Operation and concerns about recovery and credits. He agrees with Mr. Chase concerning the placement of water and the feasibility of that water eventually being used by an entity that may be in need. He feels the Authority is correct in its decision to proceed with a plan of operation to store the water, recognizing that not all the answers are available yet and not all of issues have been resolved. Mr. Moyes stated that they have been told to-date that the Proposal is premature due to the many unresolved issues, but asked that the Mohave County proposal be considered when solutions are being considered. Questions still remain over the pre-allocation of credits, as well as other legal concerns associated with the Proposal. Mr. Moyes expressed concern that somehow they were asking the Authority to do something that is illegal, and requested the Authority staff develop specific responses of exactly where the Authority sees the illegalities or the precise legal impediments of what they are asking for in order for them to make any necessary changes that will allow the proposal to go forward. He feels there to be legal issues that really are policy determinations and feels it would be appropriate to proceed with the proposal the same as the Authority is proceeding with other numerous proposals. He stated his appreciation for the treatment of the recovery issue and feels that the forbearance issue is important for River communities and would like a timetable on when they can expect an answer on both the issues.

Mr. Chase stated that Mr. Moyes' statement regarding long-term certainty is of some concern to Maricopa County because he is asking that a substantial portion of the Authority resources be earmarked for a single project. Mr. Chase likes the Proposal in being able to see how parties would participate, the specifics of what water is going where, and how it is expected to be recovered. One troubling aspect is the "moving to the head of the line" aspect that would require earmarking of a substantial portion of resources.

(Ms. Pearson introduced Mr. Jack Foley, Chairman of the Metropolitan Water District of Southern California, and his associate, Mr. Jack Maloy)

Interstate Banking

Mr. Herb Dishlip gave an update on the progress of interstate banking and the discussions that have taken place thus far with California and Nevada regarding the implementation of HB 2494 as it relates to interstate banking. Discussions thus far have been on a preliminary basis and the Study Commission has yet to implement any kind of plans or programs.

Mr. Dishlip stated that shortly after HB 2494 was enacted, it was made clear to the other basin states that ADWR does have the opportunity to do off-stream banking on behalf of other states. An explanation on the limitations that the statutes set forth and how the bill works mechanically and legally have been discussed, but questions remain on the implementation of interstate banking. The overall management and operation of the River within the construct of the Law of the River must be discussed by all seven basin states, providing sufficient security to the Authority, while not opening a Pandora's box. Over the past four months, a small, technical group has been meeting periodically with California and Nevada entities that may be interested in the Bank and the implementation of the legislation.

The statute specifically states that the ADWR Director must feel comfortable with any regulations adopted by the Secretary and that agreements must be entered into with the interstate parties. Mr. Dishlip referred to the concept paper developed on recharge mechanisms and how to get water back under Article 2B6 of the Arizona vs. California decision, in addition to discussing the fundamentals critical for interstate banking to work.

Recovery is the second half of the equation and shares similarities to the issues of the Mohave County Water Authority, that someone has to be willing to take the recovered groundwater and leave the Colorado River water available for diversion. The Secretary would have to provide certainty that the unused water is directed back to particular states and not be circumvented by somebody else who may have an unused contract.

Mr. Dishlip stated that separate recharge sites for interstate banking had some benefits, recognizing that at the time of forbearance, the River may be short and well capacity may not exist. An isolated sight in Western Arizona where the recovery wells are independent of a distribution system and the water can be pumped out and put it back in the CAP would be transparent to end users.

Mr. Dishlip gave an overview of the sections of HB 2494 dealing with interstate banking and the being sure the required regulations will work and are the appropriate tool to implement interstate banking. A *draft* of what the regulations could look like is not available for public review at this time, but the concept flows from the regulations for ordinary unused apportioned water.

Mr. Dishlip noted that Arizona has never used its 2.8 maf, and the concern that this water may be referred to as natural unused apportionment at some point in the future. There is a feeling that any regulations must go through the steps of identifying how the Secretary of the Interior would differentiate between water that was unused within a state's entitlement in a particular year and water that was created particularly through banking activity.

According to Mr. Dishlip, water created through the Authority needed be identified and the probability of needing a three party agreement between the Authority, the Secretary of Interior and the state entity was recognized. The Water Banking Authority is trying to follow the Law of the River in the banking and recovery of water. Mr. Dishlip stated that any water the State of Arizona is entitled to in any given year, whether it be basic apportionment or in surplus years, becomes Arizona's entitlement for that particular year, and that the Banking Authority can enter agreements to have Arizona's water that is unused by other people banked on behalf of Arizona or another state with an interstate agreement. According to Mr. Dishlip, 1997 should be a surplus declaration year and extra Colorado

River water will be available and the state of Arizona should be entitled to about 46% of that water. He stated that the state of Nevada is not currently using all of their entitlement, and have indicated they would like to have some of that unused apportionment be used for water banking in Arizona. Mr. Dishlip noted that many feel such an action takes regulations from the Secretary to direct unused apportionment to a particular state.

Several issues have yet to be resolved, including how much water can be banked off-stream and who is really entitled to unused apportionment. Mr. Dishlip stated that preliminary discussions with the Bureau of Reclamation of how they would view adopting regulations have indicated that they support the Authority's activities and the notion of interstate banking, if it can be worked out and would prefer that the tough issues be worked out prior to the rule-making process. The Bureau of Reclamation would like to see additional regulations be adopted with regards to management to the Colorado River, but have not ruled out the idea of having a single regulation dealing with interstate banking.

Mr. Dishlip feels additional efforts should be placed on the definition of surplus criteria and when can surpluses be declared on the River. The Authority intends to carry on those discussions on an informal basis and will move forward towards a regulation where the Authority will pick up a role in what interstate agreements should look like because the Authority must be clearly comfortable with the interstate agreements. He also noted that the Department will continue to work on the regulatory structure to make sure that state issues and state perspectives are carried out in the implementation of regulations.

Mr. Chase inquired as to any sense of timing of when an agreement may be reached. Mr. Dishlip stated that the surplus criteria includes reservoir management, river operations, the fact that 1996 and 1997 were declared surplus by the Bureau of Reclamation without any criteria, therefore there is no timing at this time as to when these issues would be resolved. Ms. Pearson commented that this surplus, shortage criteria will force continuing discussions about interstate banking as well and as Arizona's increased utilization of its Colorado River water. This will cause both California and Nevada to look seriously at the issue of interstate banking for their purposes as try to supplement their water needs with this source of water.

Chairman Pearson acknowledged the presence of two Mayors who had joined the meeting: Mayor Hicks from Bullhead City, and Mayor Byrums from Kingman, she also recognized Mr. Bill Martin from the Bureau of Reclamation.

Ms. Pearson recognized Mr. Jerry Edwards, Chief Engineer of the Colorado River Commission of Nevada. Mr. Edwards addressed the interstate banking issue from Nevada's perspective. He noted that the AWBA brings a great amount of expertise and have been very innovative in attempting to reconcile the issues on the river and wanted to extend Nevada's appreciation for the discussions. Mr. Edwards stated the importance of keeping a narrow perspective with regards to regulations, with some of the big issues to them being forbearance, the idea that 2B6 may work, and realizing they will have to pay their own way. He noted that he Mr. Dishlip had covered the issues well.

Mr. Bill Chase asked Mr. Edwards about the quantity or volume Nevada was interested in on an annual basis and over what period of time. Mr. Edwards stated they were interested in banking large quantities of water, such as 50,000 - 100,000 af per year, and would like to begin storing ASAP and to continue as long as necessary.

Update on Arizona Water Banking Authority Study Commission

Mr. Dishlip stated that the Study Commission has moved along well in identifying priority issues they feel should be looked at first. The Commission has appointed an agenda subcommittee to recommend issues for consideration at the next two meetings, currently scheduled for November 18 and December 16. Some priority issues for discussion thus far

have been: Indian uses and participation of the Bank; the need to equalize members knowledge bases for the same level of understanding about what the Banking Authority can and can't do under current law; a presentation of what are the overall supplies / demands / shortages with regard to Colorado River, who are the users, how much water do they use, how does the priority system work, and when do shortages and surpluses occur.

Other issues important to the members: a briefing on the legal parameters for protecting Arizona's 2.8 maf allocation, a background on the Law of the River, how the Decree works, priority issues with regard to CAP legislation, and a presentation by California and Nevada to provide more information of what their needs might be with regard to interstate banking.

Mr. Chase asked if there were any agreements in place where one state is banking water in another state and Mr. Dishlip responded that he was not aware of any such agreements. Idaho has both a state bank and an Indian bank, a bank exists in Texas and a couple of examples of drought banks exist in California, but Arizona is unique in banking on behalf of another state.

Next Meeting Date

Jimmy Jayne noted the next meeting date on Wednesday, November 20 at ADWR. The Authority is tentatively scheduled to adopt a 1997 Plan of Operation. He noted that AWBA and CAP staffs are working on an agreement between the Central Arizona Project and the Department of Water Resources and the Water Banking Authority and hope to have a draft for review and possible adoption at the November 20 meeting, in addition to a draft partner agreement between the irrigation districts and the Authority. The staff will be mailing the Plan of Operation and the draft Storage Site Criteria to the mailing list in the next few days.

Ms. Pearson asked Mr. Jayne to work with the Recovery Subcommittee to schedule a time for their first meeting to begin work on the recovery issues as soon as possible.

Mr. Henley briefly spoke about the possible legislative changes to be considered by the Authority at the November meeting and the inclusion of the proposed changes in the Department's omnibus bill process. Changes in the law would involve moving the Annual Report date to July 1 for the previous calendar year, opposed to the current August 1 date for the previous fiscal year. The second change would move the Plan of Operation deadline from December 1 to January 1 to allow for more certainty in dollars and capacities.

Call to the Public

Chairman Pearson opened the floor for comments or questions from the public.

Mr. Jim Sweeney from the Central Arizona Irrigation and Drainage District (CAIDD) was recognized by the chairman. His comments focused on two perspectives he wanted to make the Authority aware of from the perspective of CAIDD. Mr. Sweeney complimented the AWBA staff on the prior meetings they had and the work of the Authority, noting that many of the decisions being made now by the Authority will be critical to the decisions made by CAIDD concerning budgeting for 1997, sources of water they will be using and what their cost of water will be to their users. Mr. Sweeney mentioned the issues of price and the certainty that credits will be granted for any water that they will take as being of concern. He stated that CAIDD supports the goals of the Authority and are hopeful they will be able to take a substantial portion of water from the bank, and if no other affordable sources of water were available to CAIDD, they would use their groundwater. Mr. Sweeney noted that the district would pump early in the year because that is their cheapest source of water. He wanted to stress the price sensitivity of the decision that the Authority is making, stating that the price that is being discussed today is on their margin.

The second concern expressed by CAIDD pertained to the high degree of certainty needed by districts at the beginning of the year that credits are going to be granted. CAIDD has strong concerns about taking the chance that at the end of the year they could be paying more for the water.

Mr. Sweeney thanked the Authority for the chance to comment. Ms. Pearson stated that the Authority is aware of the issues of concern and has asked Mr. Henley to work with the recharge staff at ADWR to work out a program by which districts can have a better sense of storage credits that will accrue to the Bank with the program.

Beth Miller, City of Mesa thanked the Authority for the opportunity to attend the meetings and stated the City of Mesa's interest in what the Banking is doing. Ms. Miller stated that the concerns of the City of Mesa involve how credits are for the benefit of an AMA or county where the monies were generated, stating the importance of monies primarily being used for the purpose of shoring up future supplies in the AMA or county where collected. She expressed concern over the Maricopa monies that are not being spent and noted her support for the suggestion made by Mr. Chase that the Authority look at opportunities for additional storage in Maricopa County to the extent that funding's available.

Mr. Bill Allen, Water Conservation Coordinator for Cibola Valley Irrigation District asked to comment on banking along the Colorado River. Mr. Allen offered general comment on recharge opportunities along the Colorado River and the importance of the River communities be given an opportunity to bank along the River itself. He stated the risk that the River communities face in times of shortage, with some entities being drastically effected. Mr. Allen pointed out that three years ago Cibola Valley Irrigation & Drainage District filed a plan to bank water in their district. In addition, two years ago the district filed an application with the Department of Water Resources for the recharge and recovery of water that they are still working on with the Department. His main point is that the river communities have rights to approximately 50% of Arizona's entitlement, but that 50% is not always utilized. If river communities had the opportunity to economically bank the water along the river, they could do so independently and would not have to rely on funds provided by the Banking Authority. The actual economics of putting the water in the ground along the river and being able to withdraw it at a later point in time are very favorable and he would like for the Authority to understand that it is important that the river communities not be neglected in their times of need and the time of need is now.

Adjournment

Chairman Pearson thanked everyone for their attendance.

III. Presentation of comments received on 1997 Plan of Operation

Common Comments

Three common issues were raised at Phoenix, Pinal and Tucson GUAC meetings:

- Development of a Recovery Plan is very important, addressing potential recovery mechanisms and costs. Recovery was important to those cities dependent on CAP supplies and concern expressed over the uncertainty of recovery in Pinal County.
- AWBA should expend all monies in AMA/county of generation whenever capacities exist before going to another AMA/county or expending general fund dollars.
- Allow for maximum flexibility in Plan of Operation to allow for changes in demand and deliveries by Authority to interested parties.

Specific Comments

In addition to the similar comments received, several specific issues were mentioned at the three GUAC public meetings:

Phoenix GUAC Meeting:

- An appropriate share of General Fund monies should be spent in Maricopa County because that is where most GF monies are generated.
- The AWBA should expend all remaining Maricopa and Phoenix AMA monies to make full use of capacities at GRUSP.
- Indian water rights claims and the uncertainty of future recovery in Pinal County.
- The AWBA should spread recharge around an AMA whenever possible.

Pinal GUAC Meeting:

- Issuing of credits must be dealt with from the beginning.
- The method used for allocation of capacities to partners by the AWBA.

Tucson GUAC Meeting

- Suggested delay using Pima County / Tucson AMA monies for AWBA recharge program until facilities are available for recharge in the Tucson area.
- If Plan continues as is for 1997, use Pima monies last in Pinal County.
- Concern expressed over proposed sites in Phoenix AMA being considered, where similar facilities were not considered in Pima County.

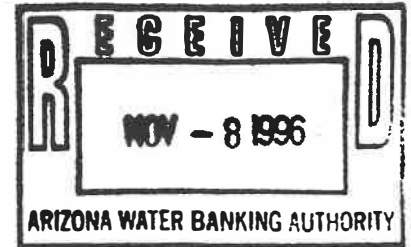
Written Comments received by AWBA from four entities are attached.

SALT RIVER PROJECT

P. O. Box 52025
Phoenix, AZ 85072-2025
(602) 236-5812
Fax (602) 236-4350

JOHN F. SULLIVAN
Associate General Manager
Water Group

November 6, 1996



Mr. Tim Henley
Manager
Arizona Water Banking Authority
500 North 3rd Street
Phoenix, Arizona 85004-3903

RE: Draft Plan of Operation for 1997

Dear Tim:

Thank you for the opportunity to comment on the draft 1997 Annual Plan of Operation (Plan) for the Arizona Water Banking Authority (Water Bank). We appreciate the work you and your staff have done in putting together this proposed Plan. We have also appreciated the opportunity to meet with you and Jimmy Jayne to provide the Water Bank with information about SRP's Groundwater Savings Facility (GSF) and the Granite Reef Underground Storage Project (GRUSP), which we operate on behalf of, and own jointly with, the cities of Chandler, Gilbert, Mesa, Phoenix, Scottsdale and Tempe.

As you know, SRP has been, and continues to be, very supportive of the mission of the Water Bank. Additionally, SRP shareholders contribute more than one-half of the funds available to the Water Bank in Maricopa County to help the Water Bank meet its goals. We believe storing unused Colorado River water in central and southern Arizona now will further help ensure a reliable water supply to sustain Arizona's economic well-being into the future. To further assist the Water Bank in meeting its goals, we have developed the state's largest GSF within the SRP water service area and, on behalf of the GRUSP participants, have offered to make this recharge site available to the Water Bank. These two facilities combined are permitted to store up to 400,000 acre feet of Colorado River water per year.

We are very supportive of the Plan's goal to recharge 436,000 acre feet of Colorado River water in 1997. However, we believe two elements of the Plan

need to be evaluated further before it can be finalized. These elements include 1) the price for Colorado River water proposed to be offered to prospective GSF participants and 2) the proposed amounts of water to be stored at various recharge sites in Arizona.

With respect to the pricing of Colorado River water, we are concerned that the price of \$21 per acre foot proposed by the Water Bank will very likely result in much less recharge than anticipated. Currently, SRP and its partners in its GSF share equally in the \$34 per acre foot cost of Colorado River water offered by CAP as part of the Incentive Recharge Program. The \$17 per acre foot price which SRP pays is slightly above the variable cost for SRP to pump groundwater. In the first half of 1997, SRP plans to operate its GSF with its current partners at this rate; during the latter half of 1997, SRP anticipates operating the GSF at a rate commensurate with its variable cost to pump groundwater, or about \$15 per acre foot. The additional \$4 to \$6 per acre foot cost for water being offered by the Water Bank will very likely result in SRP choosing to pump groundwater rather than to purchase Colorado River water. We believe the cost to operate other GSFs in the state are comparable to SRP's costs. As such, we believe many of the potential partners identified in Tables 1 and 2 of the Plan may elect not to participate as much, or at all, with the Water Bank in 1997.

Another concern we have with the draft Plan relates to the selection of the amounts of water proposed to be recharged at the various sites listed in Table 1. The draft Plan indicates that the available recharge capacity at various sites in Arizona (579,560 acre feet) far exceeds the amount of water proposed to be recharged by the Water Bank in 1997. Since the available recharge sites in the Tucson AMA are already fully subscribed with other sources or other partners, and no other recharge sites have been developed in other parts of Arizona that can utilize Colorado River water directly, the Water Bank proposes to recharge water only in the Phoenix and Pinal AMAs in 1997. Furthermore, the Plan suggests that the funds generated from the four cent tax in Pima County be used to recharge water in the Pinal AMA and that the General Fund appropriation of \$2,000,000 be used proportionately to recharge water in the Phoenix and Pinal AMAs.

While we agree that the funds available to the Water Bank be used to purchase water for recharge purposes, we disagree that the funds generated in Pima County be used solely to recharge water in the Pinal AMA and that the General Fund moneys be divided proportionately between the two AMAs. It is our understanding that the funds generated by the four cent tax are to be used to benefit the county of origin. Further, we understand from talking to you and your staff that the water recharged in the Pinal AMA from the four cent tax will be used to benefit Pima County water users.

It is uncertain exactly how that will occur, but presumably recharged water would be recovered from the Pinal AMA and be transported to the Tucson AMA or would be left in storage as a contribution by Pima County water users to the settlement of the water rights claims of the Gila River Indian Community and the Chuichu area of the Sif Oidak District of the Tohono O'Odham Nation (Chuichu Area). If the benefit to Pima County is to arise from the former, then we believe such a program could be adopted in the Phoenix AMA just as easily as it could in the Pinal AMA. We believe many more water users, facilities (distribution, recharge and recovery), and therefore, opportunities, exist in the Phoenix AMA than in the Pinal AMA to facilitate the recovery or exchange of Pima County's Colorado River water for the benefit of Pima County water users.

Moreover, we believe the water rights claims of the Gila River Indian Community and the Chuichu Area once adjudicated, may effectively preclude the recovery of Pima County's water and water stored with money from the General Fund from the Pinal AMA. As a result, we strongly recommend that the Water Bank consider recharging water developed from funds from Pima County and the General Fund in the Phoenix AMA.

Additionally, in considering where to recharge water within a particular AMA, while the Storage Site Criteria (Criteria) have not been adopted by the Water Bank's Commissioners, we believe strong consideration should be given to the Draft Criteria, currently out for public review, for selecting recharge sites in 1997. The Criteria suggest that sites which 1) are lower in cost, both from a recharge and recovery perspective, 2) can be used to facilitate the state's water management objectives, 3) can be used to facilitate resolution of Indian water rights claims, 4) can be used to meet the water management objectives of western Arizona, and 5) are environmentally sound, should receive the highest priority.

In evaluating various recharge sites against these criteria, we believe there are several sites encompassing the Phoenix metropolitan area that are superior to others in the Phoenix AMA and other groundwater basins in the state. Sites, such as SRP's GSF, GRUSP and RWCD's GSF, provide the greatest opportunity for the Water Bank to facilitate the state's water management objectives including those of the Water Bank and those contained in the Groundwater Code. These sites are in the center of the AMA with the largest groundwater overdraft and encompass the largest Municipal and Industrial (M&I) demand for Colorado River water in the state.

Of these sites, however, SRP's GSF is the best site for two reasons. First, we believe SRP's GSF will be one of the lowest cost sites, if not the lowest, in the AMA since a large number of recovery facilities (wells) already exist within the SRP water service area and the fact that many of these are already used by many of the largest CAP M&I subcontractors in the state. Second, given that most of

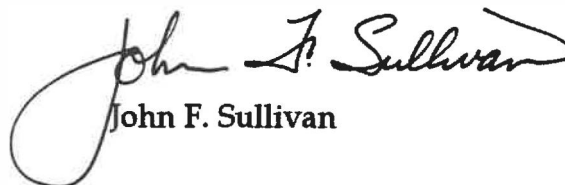
the remaining unresolved water rights claims of various Indian Communities and Tribes in Arizona, including those of the White Mountain Apache Tribe, the San Carlos Apache Tribe, the Tonto Apache Tribe, the Camp Verde Apache Tribe and the Gila River Indian Community, claim water from the Salt and Verde watershed or water in close proximity to SRP's water service area, we believe water stored in SRP's GSF could be used much more effectively, via water exchanges or other arrangements, to facilitate the resolution of these claims.

While SRP's GSF is large and is ideally situated to facilitate achievement of the Water Bank's goals, its ability to recharge water is limited to years when surface water supplies normally available to SRP shareholders are limited and groundwater pumping is increased substantially. SRP's variable surface water supply dictates that it may only participate with the Water Bank periodically. Therefore, in years like 1997, in which SRP's surface water supply is expected to be limited and groundwater pumping is expected to be as much as 325,000 acre feet, we would hope that the Water Bank would strongly consider storing as much CAP water in SRP's GSF as possible.

In addition to these concerns, we want to again reiterate our interest, on behalf of the GRUSP participants, to enter into a long-term arrangement with the Water Bank to recharge water in GRUSP. We believe that a long-term commitment by the GRUSP participants and the Water Bank will further enhance achievement of the Water Bank's goal of firming the CAP water supply for M&I subcontractors in Maricopa County. If such an arrangement can be put together, the GRUSP participants and SRP are willing to offer the Water Bank a substantially reduced rate on the use of facilities to recharge water in GRUSP.

Again, we appreciate the opportunity to comment on the Water Bank's 1997 draft Plan. We hope these comments provide you with some additional thoughts to consider in finalizing the Plan. If you have any questions about our comments or wish to discuss any aspects of SRP's GSF or GRUSP, please contact either Karen Smith at 236-4205 or Dave Roberts at 236-2343.

Sincerely,



John F. Sullivan

cc: Mr. Dave Roberts
Ms. Karen Smith

Arizona Department of Water Resources
GROUNDWATER USERS ADVISORY COUNCIL

Tucson Active Management Area
Katharine L. Jacobs, Director



FRISCILLA ROBINSON
Chair

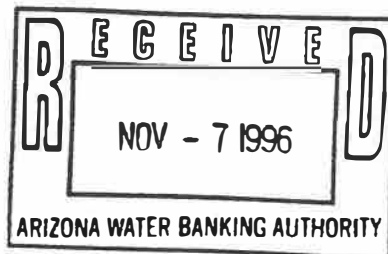
ALAN LURIE
Vice-Chair

JOHN JONES

CHUCK SWEET

DAVID WONG

November 1, 1996



Rita Pearson, Chairman
Arizona Water Banking Authority
500 N. Third Street
Phoenix, AZ 85003

Dear Rita,

The Arizona Water Banking Authority Proposed 1997 Annual Plan of Operation was discussed at the Tucson AMA Groundwater Users Advisory Council meeting on October 25, 1996. It is clear that a great deal has been accomplished in the few short months since the Authority was created, and the GUAC appreciated the opportunity to have the Water Bank staff present the Plan for comment. It was also noted by the audience that they appreciated the fact that the Water Bank has made their meeting materials generally available, since it is not possible to attend all the meetings in person.

A number of questions were asked of the Water Bank staff prior to the comment period, and six members of the audience commented on the Plan. Two entities submitted copies of written comments that were sent to you directly. In general, the GUAC concurs with the statements made by members of the public. They include:

- 1) A general level of discomfort with spending property tax money collected in Pima County on recharge in other AMAs. Although there is recognition that wet water could be delivered in the future to benefit the Tucson AMA as a result of credits accrued elsewhere, the mechanisms for doing so have not been identified. In the absence of a recovery plan, the costs and physical capacity to deliver water to Pima County are unknown. Mr. Henley indicated that some Pinal County farmers are not comfortable with the concept of having to pump their groundwater for delivery to Pima County in the future. This makes the proposed development of TAMA credits in the Pinal AMA even more tenuous.
- 2) It was suggested that the Plan remain flexible, in order to consider the possibility that recharge projects may be on-line in 1997 that have not yet been considered by the Water Bank. They include: the Lower Santa Cruz River Recharge Project, various projects in cooperation with the Tohono O'odham/San Xavier District, the Picacho Pecans in-lieu project, and a potential project on the Pasqua Yaqui Reservation. It was noted that the Agua Fria project was included as

- The Plan should show the number of credits that are to be accrued on behalf of the Tucson area, rather than showing zeros across the board. There must be a direct correlation between the local contributions of money and the benefits that accrue.
- The Tucson area would greatly appreciate assistance from the Water Bank in getting recharge facilities moving from a financial perspective.
- The Tucson area's commitment to the CAP is absolute; the CAP is our future.

We hope that you will support changes in the Plan of Operation to resolve the concerns expressed by water users at our hearing. We look forward to continuing to work with you and the Water Bank staff towards mutually beneficial solutions.

Sincerely,



Priscilla Robinson, Chair



Chuck Sweet



Alan Lurie, Vice-Chair



David Wong



John Jones

cc: Tim Henley
Jimmy Jayne
Herb Dishlip
Bill Chase
Dick Walden
Grady Gammage
Tom Griffen
Stan Barnes
Sharon Megdal
Dennis Rule
Marybeth Carlile
Alan Forrest
Mike Block
Mark Myers
Mark Killian



COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
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(520) 740-8661 FAX (520) 740-8171

C. H. HUCKELBERRY
County Administrator

October 25, 1996

Rita Pearson, Chairman
Arizona Water Banking Authority
500 North Third Street
Phoenix, Arizona 85003

Re: **Arizona Water Banking Authority Proposed 1997 Annual Plan of Operations**

Dear Ms. Pearson:

Pima County thanks you for the opportunity to comment on the recently released Arizona Water Banking Authority proposed 1997 Annual Plan of Operations (Plan). We have the following comments.

1. **Pima County appreciates the efforts the Arizona Water Banking Authority (AWBA) has made to disseminate materials and information, including meeting minutes, to the public.** The materials and your staff's accessibility have been helpful in developing an understanding to the AWBA approach to carrying out its legislated responsibilities.
2. **Pima County regrets that there is no recharge in the Tucson Active Management Area (AMA) included in the Plan and would like to bring to your attention a Tucson AMA project with available capacity that is expected to be operational in 1997.** While we understand that there is limited capacity currently available in the Tucson AMA, we question the manner in which recharge at unpermitted sites has been included in the Plan. For example, recharge in the unpermitted Agua Fria Project in the Phoenix AMA is included in the Plan. Yet, when representatives of the Pima County Flood Control District recently met with AWBA staff to discuss a direct recharge project under development in the Tucson AMA (the Lower Santa Cruz Flood Control and Replenishment Project), they were advised to return after the project is permitted. They were also advised that the 1997 Plan would include the flexibility to add recharge in the Tucson AMA in the second half of 1997 if recharge capacity were to become available.

Rita Pearson

Arizona Water Banking Authority Proposed 1997 Annual Plan of Operations

October 25, 1996

Page 2

Pima County and the Pima County Flood Control District would like to understand the difference in approach between the Phoenix and Tucson AMAs. If the commitment of State Demonstration Tax funds to the construction of the Agua Fria site is the rationale for scheduling recharge at a site that is not yet permitted in the Phoenix AMA, please so advise. The Pima County Flood Control District plans to apply by early 1997 for a full-scale underground storage facility permit (30,000 acre feet of annual recharge) for the Lower Santa Cruz site. This site, which is in close proximity to the canal, is expected to benefit from certain cost advantages as it is developed in conjunction with the construction of a flood control levee. In addition, the Flood Control District has been working and continues to work with the CAP, with the goal of developing the site as a State Demonstration Recharge facility. Our efforts to obtain State Demonstration Tax funds have been hampered by the uncertainty regarding funding availability due to the escalation in costs at the Pima Mine Road site and the nature of the IGA that is in place between the City of Tucson and the CAP.

Unlike many of the projects developed or under development in the Tucson AMA, capacity at the Lower Santa Cruz Project would be readily available to the AWBA. Flood Control District staff are continuing to work with the CAP on this site. **Because it would benefit the Tucson AMA to have CAP water recharged by the AWBA in the AMA, we request that the AWBA take another look at the potential for recharge in the Tucson AMA before finalizing the 1997 Annual Plan of Operation.**

3. **The statutory requirement that distribution of long-term storage credits accrued with money generated from an AMA or County should be only for the benefit of the County or AMA in which the monies were collected is not fully addressed in the Plan.** (See A.R.S. § 2457.B.6 and B.7.) While as the credits accrued as a result of Pima County funded recharge in the Pinal AMA are to accrue to a Pima County account, the Plan includes no discussion of recovery. Pima County understands the time requirements faced by the AWBA and the need to recharge significant quantities of CAP water quickly. Pima County supports your efforts. However, without addressing the technical and cost elements of recovery, it is difficult to demonstrate fully how storing water in the Pinal AMA is to the benefit of Pima County. What facilities and funds will be used for recovery? I am aware you intend to look at these issues in the near future, but the answers to these questions are related to the actions contemplated in the proposed Plan and could affect the ability of the Tucson AMA to optimize the benefits from its tax dollars.
4. **Pima County recommends including sufficient flexibility in the plan so that the AWBA can expeditiously take advantage of recharge capacity developed in Pima County and the Tucson AMA.** Representatives of Pima County and the Pima County Flood Control District stand ready to work with AWBA staff in order to ensure that information on the development of recharge capacity is readily and fully available.

Rita Pearson
Arizona Water Banking Authority Proposed 1997 Annual Plan of Operations
October 25, 1996
Page 3

In closing, it is exciting to see the Arizona Water Banking Authority operational and ready to meet its mandates. Pima County would like to work with you to ensure that our region participates fully in your activities.

Sincerely,



C.H. Huckelberry
County Administrator

CHH/jj



October 25, 1996

Rita Pearson, Chair
Arizona Water Banking Authority
500 N. Third Street
Phoenix, Arizona 85004-3903

Re: Proposed 1997 Annual Plan of Operation

Dear Ms. Pearson:

Thank you for providing an opportunity to comment regarding the proposed 1997 Annual Plan of Operation for the Arizona Water Banking Authority (the Authority). As a water provider in the Tucson Active Management Area that supported the formation of the Authority, Metropolitan Domestic Water Improvement District recognizes the Authority's efforts to fulfill its legislative mandate, but we are concerned about the Authority failing to address specifically how its annual plan will benefit each of the active management areas. Our most significant concerns are the following:

1. Of an estimated \$1.4 million in Pima County property taxes dedicated to the Authority in 1997, \$1.25 million is scheduled to be spent purchasing almost 89,000 acre-feet of CAP water for Pinal County farmers. We assume the remainder of the property taxes will be carried forward to next year. Thus, the economic benefits of the proposed expenditure of Pima County property tax dollars, which until now have been dedicated to project construction in the Tucson AMA, will accrue in a different AMA.
2. From the general fund appropriation of \$2 million, roughly twenty percent of which originated from Pima County revenue sources, \$1 million will be spent in Maricopa County and \$1 million will be spent in Pinal County thus resulting in none of the funds being sent in Pima County. Furthermore, it is unclear if these Pima County's share of monies would be made available in 1998 or later years.
3. The District understands that the Authority is setting up an accounting system that will indicate that the storage credits generated from Tucson AMA dollars were in fact generated from that source, but the statutory requirement to spend the monies "for the benefit of" the Tucson AMA is not addressed in the plan. In particular, the issue of how the water would be recovered from Pinal County to Pima County (and at whose cost) during a time of shortage (when, presumably, Pinal farmers would be making full use of their pumping capacity) is ignored. The inevitability of a shortage in the future was one of the primary selling points for the Authority to be created.

Furthermore, the District strongly believes the plan is inconsistent with Tucson AMA's Second Management Plan. Therefore, the benefit of having real water to recover, not credits, is a legitimate concern that needs to be addressed with the Tucson area stakeholders.

4. The background information states that in developing the annual operation plan that the Authority determined interest in participating in the water bank. However, based on the report given in the annual plan reveals that the attention paid to finding recharge opportunities in the Tucson area was cursory at best. The Authority staff met with virtually every permit holder in Pinal and Maricopa, but only met with Cortaro-Marana Irrigation District in the Tucson AMA.

5. The Authority plans to pay Salt River Project \$22 per acre-foot for recharging water at GRUSP. It may be that, with an efficient pump station and construction economies, the Lower Santa Cruz Project and/or an expansion of the Avra Valley Recharge Project could be implemented at that cost per acre-foot.

6. A currently non-operational project in the Phoenix area is budgeted to receive the Authority water beginning in September 1997, but prospective projects in the Tucson area were ignored. The Authority is planning on recharging water at the Agua Fria Project in Maricopa County, although that project is not planned for operation until September 1997. It is reasonably likely that the Lower Santa Cruz Recharge Project, an expanded Avra Valley Recharge Project, or another project could be operational about that same time.

If relatively no monies are to be spent in the Tucson AMA, the Authority must address this inequity within the plan. Perhaps one alternative approach is that the monies generated by Pima County be temporarily spent in 1997 proportionally by Phoenix and Pinal AMAs while more permitted projects are constructed in the Tucson AMA so that in 1998 that amount is not used in Maricopa and Pinal. Metropolitan Domestic Water Improvement District recognizes that the Authority is trying to recharge as much water as soon as possible; however, the Authority cannot ignore issues that are important to taxpayers in the Tucson AMA who contribute financially to the operation of the Authority and want to understand how its annual plan benefits them. Again, thank you for the opportunity comment regarding the annual operation plan.

Sincerely,



Mark R. Stratton, P.E.
General Manager

ARIZONA WATER BANKING AUTHORITY

1997 PLAN OF OPERATION

DRAFT



Rita P. Pearson, Chairman

Updated as of
November 14, 1996

INTRODUCTION

The Arizona Water Banking Authority (Authority) was created with the passage of HB 2494 by the 1996 Legislature. The Authority consists of the following 7 members, 5 of whom are voting and two of whom are non-voting ex officio: the Director of the Arizona Department of Water Resources, who serves as chairman of the Authority (Rita P. Pearson); the President, or his designee, of the Central Arizona Water Conservation District Board (Grady Gammage); a representative of an entity with an M&I subcontract (Bill Chase); a representative of the Colorado River communities (Tom Griffin); and a person knowledgeable in water management (Richard S. Walden). A member of the Senate appointed by the President of the Senate (Stan Barnes) and a member of the House appointed by the Speaker of the House (Mark Killian) serve as the two ex officio nonvoting members of the Authority.

The Authority was created with a mission to take the currently unused portion of Arizona's Colorado River allotment and recharge the water in Arizona to develop long-term storage credits for future use. Recharge by the Authority is not meant as a substitute for existing uses or storage of Colorado River water by entities in Arizona, but as a means of utilizing Colorado River water that would otherwise have gone unused by Arizona.

The Authority has approximately \$10 million in calendar year 1997 for direct (underground storage) and in-direct (groundwater savings) recharge, including all pump tax, 4 cent property tax and general fund revenues. Based on available funds and requests, recharge opportunities for 1997 are only limited by capacities in the CAP aqueduct.

OVERVIEW

Total estimated use on the Colorado River for 1996 and 1997 will exceed the 7.5 million acre feet (maf) allotted to the Lower Basin states of Arizona, California and Nevada (see Figure 1). The 1996 surplus declaration and the expected declaration of a surplus for 1997 have and will provide for delivery to the Lower Basin an amount greater than the 7.5 maf.

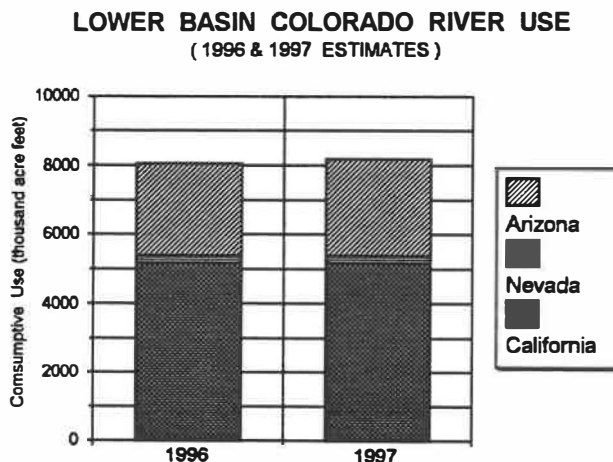


Figure 1

However, total Colorado River consumptive use by the State of Arizona for 1997 is estimated to be 2.7 maf (see Figure 2), still under the allotted 2.8 maf allowed to be diverted by Arizona under *Arizona vs. California*.

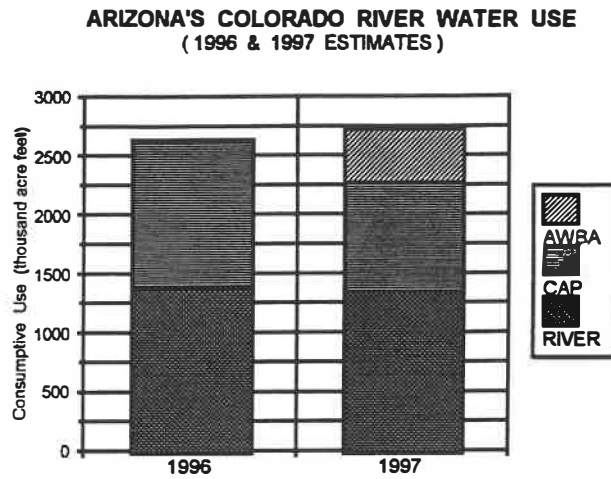


Figure 2

Figure 3 further itemizes Arizona's estimated 2.7 maf of Colorado River use by month, including projected Colorado River uses along the River in Arizona of 1.38 maf; CAP

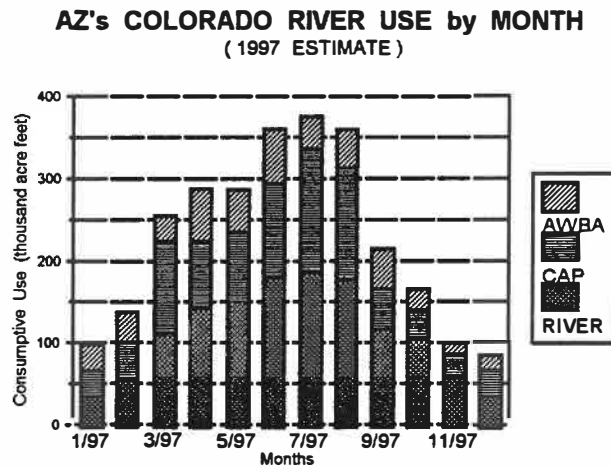


Figure 3

subcontractor deliveries of an estimated 905,000 af, including M&I, Indian, Agriculture Pool 1, 2, and 3, and incentive recharge water; and approximately 436,000 af for recharge by the Authority.

Only permitted facilities have been included in this Plan. However, several potential facilities have been identified for possible use by the AWBA in calendar year 1997, including the CAWCD Agua Fria site; the Pima Mine Road project being developed by CAWCD and the City of Tucson; the Lower Santa Cruz River Project being proposed by Pima County and the Picacho Reservoir direct recharge site in Pinal County.

The Authority's policy for adopting this Plan of Operation provides the flexibility to accommodate changes, such as including additional facilities. Based on this policy, if a facility or facilities receive the necessary permits from the Arizona Department of Water Resources and aqueduct capacity and funds are available, this Plan could be modified at a later date to include those facilities.

Table 1 reflects estimated delivery of water by the CAWCD on behalf of the Arizona Water Banking Authority for banking in Arizona. Total deliveries to the Authority in calendar year 1997 will be constrained by CAP aqueduct capacity remaining after the CAP has scheduled its deliveries. It is the intention of the Authority to optimize, on a monthly basis, deliveries of Colorado River water in order to maximize the development of credits for the Authority.

In developing Table 1, the AWBA/CAWCD staff's developed a percent for each potential partner based on permitted capacities and the total amount of potential capacity for the AWBA. This method for the distribution of capacities evolved out of comments made at meetings of the Groundwater User Advisory Councils (GUAC's).

TABLE 1
ARIZONA WATER BANKING AUTHORITY
CAP Water Delivery Schedule for AWBA Recharge
 (Monthly Adjusted AWBA Volumes based on CAP Capacity Values)
 Calendar Year 1997
 (ACRE-FEET)

REVISED 11/19/1996)

			January	February	March	April	May	June	July	August	September	October	November	December	Total		
Estimated CAP Deliveries: (M&I, Indian, Ag Pools 1, 2 & 3, Incentive Recharge)			32,891	46,973	112,046	83,566	85,167	111,964	150,844	135,829	52,411	34,582	29,790	29,378	905,441		
Available Excess CAP Capacity for AWBA:			27,000	30,000	26,000	54,000	46,000	59,000	33,000	39,000	39,020	22,000	10,000	15,000	436,000		
AWBA - Recharge Sites:		Permitted Capacity															
Phoenix AMA:		Available to AWBA															
Direct >	GRUSP	200,000	8,000	10,000	10,000	10,000	10,000	10,000	10,000						60,000		
	FOR MARICOPA COUNTY			0	0	0	0	0	0	0	0	958	1,616	1,432	1,178	5,184	
	FOR PIMA COUNTY (1)													10,000	10,000	20,000	
Indirect >	CHANDLER HGTS CID	3,000	500				80	80	100	90	80				500		
	MWD	30,000	20,000		630	570	3,000	3,320	2,830	2,010	1,980	2,230	1,430	630	330	20,000	
	NEW MAGMA	40,000	40,000		2,500	2,000	2,500	2,100	2,100	3,700	9,700	9,700	1,400	1,200	1,000	40,000	
	QUEEN CREEK	28,000	28,000		1,000	1,000	0	1,300	1,300	1,600	3,600	1,500	1,000	500	2,200	16,000	
	RWCD	100,000	95,000		4,000	8,000	4,000	8,000	8,000	4,000	5,000	8,000	5,000	3,000	2,000	67,000	
	SRP (2)	200,000	0		0	0	0	0	0	0	0	0	0	0	0	0	
	TONOPAH ID (3)	15,000	0		0	0	0	0	0	0	0	0	0	0	0	0	
PINAL AMA:																	
Direct >																	
Indirect >	CAIDD	110,000	35,000		1,600	2,000	2,500	5,000	4,500	6,000	4,000	4,000	3,000	1,100	100	600	35,000
	HOHOKAM	40,000	28,000		0	0	1,400	3,300	3,300	6,300	5,400	5,700	1,300	1,300	0	0	28,000
	MSIDD	120,000	65,000		4,000	5,000	5,000	11,000	11,000	13,000	7,000	6,000	6,800	3,200	1,200	3,800	77,000
TUCSON AMA:																	
Direct >	CENTRAL AVRA VALLEY(4)	60,000	5,000							900	900	900	900	900	900	4,500	
	AVRA VALLEY	5,000	2,100		0	210	210	210	210	210	210	210	210	210	0	210	
	PIMA MINE ROAD (4)	10,000	2,500		0	0	0	0	0	0	600	600	650	650	2,500		
	LOWER SANTA CRUZ (4)	30,000	10,000								2,800	2,800	1,600	2,800	10,000		
Indirect >	CORTARO MARANA ID (3)	10,000	0		0	0	0	0	0	0	0	0	0	0	0	0	
	BKW FARMS (2)	9,000	0		0	0	0	0	0	0	0	0	0	0	0	0	
	KAI FARMS (2)	11,000	0														
TOTAL :		1,021,000	370,100		23,100	28,840	26,180	43,980	43,810	50,560	28,620	37,180	37,120	18,940	9,990	14,280	436,000
Remaining CAP Capacity:					5,900	3,160	1,820	10,020	2,190	8,440	4,380	1,820	1,880	3,060	10	720	0

Note: Agua Fria Siphon Outage (June 16 - September 15, 1997) The HAV through HSV Pumping Plant Capacity will not be available for recharge downstream of the Waddell Turnout during this period.
 (1) - Capacity Utilize Only if Pima County Facilities Not Permitted
 (2) - \$21.00 Cost Prohibitive
 (3) - Capacity Committed to Other Partners
 (4) - Currently Not Permitted

BACKGROUND

Absent any existing Storage Site Criteria for selection of potential recharge sites or a facilities inventory of all existing facilities and available capacities, the Authority began putting together a proposed detailed plan for determining the cost and location for storing water in 1997.

The Authority staff made initial visits to virtually all permitted facilities in the three county CAWCD service area of Maricopa, Pinal and Pima counties that currently held Groundwater Savings Facility permits or Underground Storage Facility permits, as in the case of Salt River Project (SRP) at their Granite Reef Underground Storage Project (GRUSP) facility. In the Tucson AMA, the staff met with Cortaro-Marana. In the Pinal AMA, the Authority staff visited with Central Arizona Irrigation and Drainage District (CAIDD), Maricopa-Stanfield Irrigation and Drainage District (MSIDD), Hohokam Irrigation District, and San Carlos Irrigation District, which has yet to apply for a Groundwater Savings Facility permit. In the Phoenix AMA, the staff met with Roosevelt Water Conservation District (RWCD), Queen Creek Irrigation District (QCID), Salt River Project (SRP), New Magma Irrigation and Drainage District (NMIDD), Chandler Heights Citrus Irrigation District (CHCID), Maricopa Water District (MWD) and Tonopah Irrigation District. Through these meetings, the Authority was able to gain a better perspective of the potential in-lieu and direct recharge opportunities for 1997 and to help address some concerns and questions raised by districts.

Attachments were developed out of the initial meetings with the districts, reflecting the potential in-lieu demand of each district and direct capacities at GRUSP. The CAWCD staff, in conjunction with the Arizona Water Banking Authority staff, then compared all potential recharge amounts provided by the individual districts with the monthly delivery capacities of the CAP and developed Table 2.

The CAWCD and ADWR have made the determination that all Pool 1 and Pool 2 water taken the previous year by irrigation districts must be taken in calendar year 1997 prior to credits being awarded to the Authority for water delivered to a district in-lieu. Because of this determination, the capacity to deliver Arizona Water Banking water assumes full utilization of historical Pool 1 and Pool 2 water in calendar year 1997. The Authority quickly learned, as shown in Table 2, that the demand for AWBA water was greater than the capacity of CAP to deliver that water to the Arizona Water Banking Authority. **Table 1 and 2 reflect deliveries at the CAP turnouts and do not account for losses incurred between these turnouts and the actual points of use. When those losses are taken into account, the actual credits developed by the Authority will be less than the total deliveries shown in Table 1.**

The following steps were taken in developing this Plan of Operation:

- Step 1: Determined interest in participating in the Water Bank (acre feet)
 Determined CAP capacity constraints
 (Results shown on Table 2)

TABLE 2
ARIZONA WATER BANKING AUTHORITY
 Potential CAP Water Delivery Schedule for AWBA Recharge
 (Maximum Potential Deliveries for Direct and Indirect Recharge with AWBA Based on User's Requests)
 Calendar Year 1997
 (ACRE-FEET)

(PRELIMINARY 10/11/1996)

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Estimated CAP Deliveries: (M&I, Indian, Ag Pools 1, 2 & 3, Incentive Recharge)	32,891	46,973	112,046	83,566	85,167	111,964	150,844	135,829	52,411	34,582	29,790	29,378	905,441
Available Excess CAP Capacity for AWBA:	29,000	32,000	28,000	59,000	50,000	63,000	37,000	44,000	45,000	23,000	10,000	16,000	436,000
AWBA - Recharge Sites:													
Phoenix AMA:													
Direct > GRUSP	9,000	9,000	9,000	9,000	9,000	2,000	0	0	0	0	4,000	9,000	60,000
AGUA FRIA (1)	0	0	0	0	0	0	0	0	1,000	2,000	2,000	2,000	7,000
Indirect > CHANDLER HGTS CID	0	0	0	30	36	36	42	40	36	0	0	0	220
MWD	2,000	2,000	3,000	3,000	4,000	4,000	4,000	4,000	3,000	2,000	2,000	1,000	34,000
NEW MAGMA	2,000	1,800	7,700	0	0	0	7,040	17,000	10,200	1,800	800	1,500	49,840
QUEEN CREEK	0	0	0	0	0	1,000	3,000	6,000	1,000	1,000	500	2,000	14,500
RWCD	3,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	3,000	0	0	70,000
SRP	0	0	2,502	21,166	22,168	17,166	7,168	1,168	12,666	10,666	660	670	96,000
TONOPAH ID (2)	0	0	0	0	0	0	0	0	0	0	0	0	0
PINAL AMA:													
Direct > (3)													
Indirect > CAIDD	5,000	3,000	10,000	12,000	12,000	14,000	15,000	15,000	4,000	3,000	2,000	5,000	100,000
HOHOKAM	0	0	3,000	2,000	2,000	5,000	8,000	8,000	0	0	0	0	28,000
MSIDD	6,000	8,000	13,000	14,000	13,000	16,000	17,000	13,000	7,000	5,000	2,000	8,000	120,000
TUCSON AMA:													
Direct > AVRA VALLEY (2)	0	0	0	0	0	0	0	0	0	0	0	0	0
PIMA MINE ROAD (2)	0	0	0	0	0	0	0	0	0	0	0	0	0
Indirect > CORTARO MARANA ID (2)	0	0	0	0	0	0	0	0	0	0	0	0	0
BKW FARMS (2)	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL SYSTEM (DIRECT & INDIRECT):	27,000	31,800	56,202	69,196	70,202	67,202	69,248	72,206	46,902	28,466	13,966	27,170	679,560
Remaining CAP Capacity:	2,000	200	(28,202)	(10,196)	(20,202)	(4,202)	(32,248)	(28,206)	(1,902)	(5,466)	(3,966)	(11,170)	(143,560)

Note: Agua Fria Siphon Outage (June 16 - September 15, 1997)

The HAV through HSV Pumping Plant Capacity will not be available for recharge downstream of the Waddell Turnout during this period.

(1) - Not Available for Direct Recharge until Fall 1997. (2) - Capacity Committed to Other Partners. (3) - No Direct Facilities Currently Permitted.

- Step 2: General Fund monies divided between Phoenix and Pinal AMA's because of lack of facilities in Tucson AMA in 1997.
- Step 3: Calculate the amount of recharge potential in each AMA/county by funds allocated to AMA. Again, because of lack of facilities in Tucson AMA, their recharge was scheduled to occur in Pinal AMA .
- Step 4: Adjusted monthly delivery amounts based on available CAP monthly capacities (Table 1).

PRICING

The total cost to the AWBA to store approximately 436,000 acre feet of water is \$8,653,000 including the delivery rate, cost recovery from the in-lieu user, and a direct facility use fee.

Table 3 reflects the water rates the Central Arizona Water Conservation District (CAWCD) will charge the Authority for the delivery of Colorado River water, the Authority will charge irrigation districts for in-lieu water, the rate the Salt River Project (SRP) is expected to charge the Authority for the use of the Granite Reef Underground Storage Project (GRUSP) and an estimated rate for the Agua Fria River facility currently under construction by the CAWCD.

Table 3 WATER RATES For Calendar Year 1997	
CAP delivery rate to AWBA	\$36 per acre foot
AWBA rate to In-Lieu User	\$21 per acre foot
SRP rate to AWBA for Direct Recharge	\$22 per acre foot
CAWCD rate to AWBA for Direct Recharge	\$10 per acre foot (estimate)

ACCOUNTING

A.R.S. § 45-2457 stipulates that the Authority shall develop an accounting system for the long-term storage credits accrued by the Authority. The accounting system shall be designed to allow the Authority to determine which funding source of the banking fund paid for each long-term storage credit accrued by the Authority.

The Arizona Department of Water Resources has set-up the accounts per A.R.S. § 45-2457 for both funding and credits. Table 4 reflects estimates of the 1997 funding and credits, which will accrue to those accounts based on this Operating Plan.

Table 4
FUNDING AND CREDIT ACCOUNTING
For Calendar Year 1997

DESCRIPTION	FUNDING		CREDITS	
	AVAILABLE	EXPENDED	AMOUNT	LOCATION
<u>Withdrawal Fee</u>				
Phoenix AMA	(not available)			
Tucson AMA	(not available)			
Pinal AMA	(not available)			
<u>Four Cent Tax</u>				
Maricopa County	\$5,700,000	\$5,032,000	216,000 acre feet	Phoenix AMA
Pima County	\$1,400,000	\$1,321,000	88,100 acre feet	Pinal AMA
Pinal County	\$ 300,000	\$ 300,000	20,000 acre feet	Pinal AMA
<u>Other</u>				
General Fund	\$2,000,000	\$2,000,000	111,900 acre feet	
		(\$900,000)	(38,600 acre feet)	(Phoenix AMA)
		(\$1,100,000)	(73,300 acre feet)	(Pinal AMA)
California	(not applicable)			
Nevada	(not applicable)			
TOTAL	\$9,400,000	\$8,653,000	436,000 acre feet	

11/11/96

AGREEMENT

AMONG THE

ARIZONA WATER BANKING AUTHORITY (AWBA)
ARIZONA DEPARTMENT OF WATER RESOURCES (ADWR)
CENTRAL ARIZONA WATER CONSERVATION DISTRICT (CAWCD)

The Arizona Water Banking Authority (AWBA), an agency of the State of Arizona, the Arizona Department of Water Resources, an agency of the State of Arizona, and the Central Arizona Water Conservation District, a political subdivision of the State of Arizona, pursuant to A.R.S. § 11-951 *et seq.*, enter into this Intergovernmental Agreement (IGA).

The purpose of this IGA is to facilitate the goals of the AWBA in purchasing, storing and recovering Colorado River water, in accordance with A.R.S. §§ 45-2401 *et seq.*, by promoting cooperation among AWBA, ADWR and CAWCD. This IGA shall have a term of five years, commencing on the _____ day of _____, 1996 and ending on the _____ day of _____, 2001, unless sooner terminated according to the provisions set forth below.

CONTRACTUAL OBLIGATIONS

1.1 [CAWCD shall treat all water delivered under this contract as excess water pursuant to section 8.7(e) of the Master Repayment Contract -- CAWCD to provide specific wording]

TERMINATION OF CONTRACT

2.1 This contract may be terminated upon 60 days written notice by any party.

COSTS OF SERVICES

3.1 ADWR is required by A.R.S. § 45-2424(A) to provide administrative, technical and legal support to AWBA to the extent requested by AWBA. CAWCD is required by A.R.S. § 45-2424(D) to provide technical support to AWBA to the extent requested by AWBA. This agreement establishes the manner in which the services will be requested by AWBA, the manner in which those services will be rendered, and the manner in which the cost of those services to AWBA shall be determined.

3.2 By May 1 of each calendar year, AWBA shall submit a written Request for Cost of Services to ADWR and CAWCD. ADWR and CAWCD shall respond to the request by June 1 of that calendar year with a detailed estimate of the costs of the services requested, and the manner in which those services shall be rendered, consistent with this IGA. AWBA shall either adopt the proposed costs of services submitted by ADWR and CAWCD, or it shall modify its request for

11/11/96

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ARIZONA DEPARTMENT OF WATER RESOURCES (ADWR)
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services to add or delete requested services, or modify the manner in which services are provided. Response by the AWBA to the proposals of ADWR and CAWCD shall be specific, and AWBA, ADWR and CAWCD shall meet to reconcile the request and proposal. Upon reconciliation, ADWR, CAWCD and AWBA shall finalize the cost of services no later than July 1. The agreed upon cost of services shall be based upon services to be rendered during the upcoming state fiscal year, July 1 through June 30.

3.3 Administrative Support. Administrative support shall be provided by the Arizona Department of Water Resources. All expenses, including office space and support, vehicle expenses, daily supplies, and normal postage will be charged to the Arizona Water Banking Fund by ADWR at an indirect rate of 12% of the personal services budget of the AWBA staff. AWBA staff salaries and employee related expenses, including the Manager, Technical Administrator and Administrative Assistant are charged to the Arizona Water Banking Fund by ADWR at the rate determined by ADWR. In addition to the standard 12%, the Arizona Water Banking Fund account will be charged by ADWR for bulk mailing, including mailing associated with monthly meetings of the AWBA. Bulk mailing shall be defined as any project with a distribution list exceeding 15 addresses. ADWR shall charge AWBA actual postage costs for bulk mailing.

3.4 Legal Support. Legal support of the AWBA shall be provided by the Arizona Department of Water Resources. Legal services will be charged at the rate of ½ of a full-time Attorney IV. Legal services will include but are not limited to: assistance in preparing the written agreements of the AWBA, including intergovernmental agreements, water purchase contracts, water storage contracts and facility leases; preparation of the Storage Site Criteria and Facilities Inventory; review and drafting of any AWBA official business, such as resolutions or issue papers; and general legal guidance and advice as requested by the AWBA members and staff.

3.5 Technical Support. Technical support will be provided by ADWR and CAWCD as requested in the Annual Cost of Services by the AWBA.

3.5.1 The following technical services shall be provided by ADWR at the request of AWBA. ADWR shall provide hydrologic analysis and feasibility studies for storage of water at any facility under consideration by AWBA. ADWR shall also provide investigative analysis of the history of any such facility, including the history of storage credits earned, but shall not be required to provide analysis of any such facility's future ability to earn credits pursuant to Arizona's Underground Water Storage, Savings and Replenishment Act, A.R.S. §§ 45-801.01 *et seq.*

3.5.2 The following technical services shall be provided by CAWCD at the request of AWBA. CAWCD shall provide long range projections of Central Arizona Project canal capacity and water demand and shall update such projections on a yearly basis, as requested. CAWCD shall also provide hydrologic analysis and feasibility studies to AWBA for storage of water any facility upon which CAWCD has conducted such analysis. [CAWCD to suggest additions here]

3.6 ADWR and CAWCD agree that certain technical services shall be made available

to AWBA in the normal course of operation, without being included in the annual Cost of Services proposal and without additional charge. These services are recognized as services provided to the general public and/or customers of ADWR and CAWCD and include, without limitation:

3.6.1 ADWR shall assist AWBA in filing applications for water storage permits and shall attend preapplication conferences with AWBA and the storage facility owner, notwithstanding the fact that the AWBA may elect to have its own representative from ADWR staff participate; ADWR shall make its public records available to AWBA in the same manner, and at the same charge, as any other member of the public. ADWR shall issue a determination of credits earned by AWBA for underground water storage projects in the same manner and at the same time as any other facility owner or water storage permit holder. ADWR shall provide historical analysis of groundwater withdrawal fees paid in the Tucson, Pinal and Phoenix Active Management Areas, and shall provide complete accounting to AWBA of all funds collected for the benefit of AWBA by August 1 of each year.

3.6.2 CAWCD will provide full and complete water delivery accounting to AWBA for all contracts relating to the purchase and delivery of water between AWBA and CAWCD, in the same manner and at the same time as other customers of CAWCD. [CAWCD to provide additions here]

3.7 Services provided by either ADWR or CAWCD under this IGA are subject to adjustment as needed, with notification of the AWBA within a reasonable amount of time. In the event that a dispute arises over the provision of services, or the cost therefor, such dispute shall be settled in accordance with the arbitration provisions set forth in this IGA.

PAYMENT FOR SERVICES

4.1 Payment for services rendered to AWBA under the terms of this IGA shall be made on a quarterly basis, in accordance with the financial provisions of this IGA set forth in paragraph 7. Unless otherwise agreed in advance, each quarterly payment shall be an equal one-fourth of the total cost of services agreed upon for the fiscal year, plus incidental costs incurred during the preceding quarter, such as the bulk mailing costs described in this IGA.

PAYMENT FOR WATER DELIVERED

5.1 All monies owed to CAWCD from AWBA for water delivered or to be delivered under the terms of this agreement and any other agreement to which AWBA is a party shall be paid in advance in accordance with standard CAWCD billing practices. The invoice for the upcoming month shall be mailed approximately by the 10th day of the current month. Payment for the upcoming month shall be due by approximately the 20th day of the current month, and shall be past due on the first day of the upcoming month.

5.2 AWBA and CAWCD agree that the monthly installments due for water delivered shall be invoiced and paid on a levelized basis. By November 15 of each calendar year, CAWCD shall provide AWBA with an estimated cost for all water to be delivered for AWBA's benefit in the upcoming year. The total estimate shall be divided by 12, yielding an equal sum to be paid by AWBA as a levelized monthly payment for the upcoming calendar year. At the end of each calendar year, and no later than January 30 of the next year, CAWCD shall provide AWBA with a year end account reconciliation showing water delivered in excess of the levelized payments, if any, and any payment in excess of the amount owed for water delivered in the calendar year. If additional funds are owed to CAWCD, they shall be paid no later than February 15 of the year following the accounting year. If funds are due to AWBA, they may be applied to AWBA's account for the current calendar year and reduce the monthly levelized payments at the direction of AWBA, or, at AWBA's option, be paid to AWBA by negotiable instrument no later than February 15 of the year following the accounting year.

DETERMINATION OF CREDITS

6.1 Issuance of long-term storage credits by ADWR to the AWBA shall be accomplished in a reasonable amount of time, so as to not infringe on the operations of the AWBA. AWBA shall not be entitled to preferential treatment from ADWR either in the timing of issuing credits or in the method by which entitlement to such credits are analyzed, but ADWR shall bear in mind the goals of the AWBA at all times when considering the credits due AWBA.

6.2 AWBA recognizes that long-term storage credits are limited to the amounts allowed by state statute (A.R.S. § 45-851.01 *et seq.*) AWBA shall reserve the right, in all contracts for the storage of water on behalf of AWBA, to terminate delivery of water under such contract if it appears, in the sole discretion of AWBA, that the operator of the underground storage facility or groundwater savings facility is operating the facility in a manner contrary to law, or in a manner likely to jeopardize the ability of AWBA to earn long term storage credits for the water delivered to the facility for the benefit of AWBA.

6.3 For deliveries to groundwater savings facilities, AWBA shall have the right to confer with ADWR and determine, at any time, whether the groundwater savings facility is operating in accordance with its approved plan of operation for reductions in groundwater usage. AWBA may terminate the incentive pricing arrangement established under this IGA between AWBA and CAWCD if AWBA believes, in its sole discretion, that the groundwater savings facility is being operated in a manner likely to jeopardize the ability of AWBA to earn long term storage credits for the water delivered to the facility for the benefit of AWBA. This right of termination shall be reserved to AWBA in the terms of the individual contracts between AWBA and the groundwater savings facility owner. If AWBA elects to exercise the power of termination described in this paragraph, CAWCD agrees that all water delivered to the recipient after the effective date of such termination shall be charged to the recipient, and AWBA shall no longer be responsible for payment for such water under the terms of this IGA. CAWCD further agrees that it shall not deliver any additional incentive priced water to the groundwater savings facility

without consultation between CAWCD and ADWR and notification by ADWR to the potential participants in the incentive pricing concerning the ability to earn long term storage credits at the groundwater savings facility. The power of termination provided in this paragraph may be exercised by AWBA by written notice of termination to CAWCD identifying the recipient that is the subject of the termination. The termination shall be effective 10 business days after completion of the notice in accordance with paragraph 13 of this agreement.

FINANCIAL ACCOUNTING

7.1 CAWCD agrees to maintain separate financial accounts for AWBA for water purchased for delivery to underground storage facilities and for water purchased for delivery to groundwater savings facilities. Within each account, CAWCD agrees to maintain individual sub-accounts for each contract entered into between AWBA and a recipient. CAWCD shall present AWBA with an itemized statement for water delivered during the preceding month no later than 5 business days before the monthly meeting of the AWBA board. Such statement shall also include the amount of water delivered in the calendar year to the end of the preceding month.

7.2 For purposes of determining whether water purchased by AWBA with money from the state general fund is subject to Water Protection fund in-lieu tax, AWBA agrees that it shall notify CAWCD 30 days before it reserves any particular water delivery for an entity that would be required to pay the fee in lieu of property tax described in A.R.S. § 48-3715(B). CAWCD agrees that it shall consult with AWBA before charging AWBA such an in lieu fee.

7.3 Payment for water delivered by CAWCD for the benefit of AWBA shall be made by warrant drawn by the AWBA and made payable to CAWCD.

INTERRUPTIONS AND/OR REDUCTIONS IN DELIVERIES

8.1 [CAWCD to provide suggested wording]

LEVY OF 4 CENT *ad valorem* PROPERTY TAX (A.R.S. § 48-3715.03(a))

9.1 During the month of May each year, AWBA and CAWCD shall jointly develop a tentative delivery schedule and budget for the upcoming calendar year. By May 30, AWBA shall make a request to CAWCD for levy, if any, of the 4 cent *ad valorem* property tax authorized by A.R.S. § 48-3715.03(a). This tentative budget shall show the use to which the proceeds of the tax would be put, if levied.

9.2 By August 1 of each year, the CAWCD Board shall determine their need for the proceeds of the 4 cent *ad valorem* property tax authorized by A.R.S. § 48-3715.03(a). If CAWCD decides that it will levy the tax and retain the proceeds for the benefit of CAWCD, the reasons supporting such decision shall be stated in the determination issued August 1.

9.3 If the AWBA budget supports the use of the proceeds of the 4 cent *ad valorem* tax, and CAWCD does not decide to retain the proceeds for the benefit of CAWCD, then CAWCD shall levy the tax for the benefit of AWBA and shall direct the county treasurer, to the extent necessary, to remit the proceeds of that levy to AWBA for that tax year.

ORDERING WATER BY AWBA FROM CAWCD

10.1 Commencing in calendar year 1997 and in each year thereafter for the duration of this IGA, CAWCD shall, no later than October 15, determine the amount of water available for delivery for the benefit of AWBA. Upon receipt of this information, AWBA shall have 20 days to place water orders to CAWCD for the next calendar year. By November 15, CAWCD shall respond with a complete water delivery schedule for deliveries for coming year.

10.2 AWBA agrees that CAWCD shall not be required to make long-term commitments for delivery of water for the benefit of AWBA, and AWBA acknowledges that water delivered for the benefit of AWBA is intended to be only excess water after all other customer orders have been placed.

10.3 Notwithstanding any other provision of this IGA, AWBA shall not be liable for payment for any water not actually delivered for the benefit of AWBA, nor shall AWBA be required to take delivery of water not actually ordered by AWBA, or approved for delivery by AWBA. [Intent here is no "take or pay" obligation on part of AWBA -- Doug may suggest wording]

WATER STORAGE ANNUAL REPORT

11.1 AWBA agrees that it shall timely file reports with ADWR of all water purchased and delivered by CAWCD for the benefit of AWBA in each calendar year by March 31 of the following year. AWBA and CAWCD shall cooperate in the preparation of such reports, and shall agree upon the accuracy of the report before it is filed.

DISPUTES UNDER THIS IGA

12.1 AWBA, CAWCD and ADWR acknowledge that this IGA is a cooperative agreement, and each of the parties owes the duty of good faith and fair dealing to each of the other parties in carrying out the terms and intent of this agreement. In the event of a dispute over the terms of this IGA or the obligations arising under those terms, the parties agree that they shall forthwith meet and discuss their differences and attempt to resolve them informally. If the dispute cannot be resolved informally, the manager of the AWBA, the director of ADWR and the president of CAWCD shall meet at least once to discuss the dispute and attempt resolution.

12.2 In the event that a dispute arises over the payment of money under the terms of

this IGA, the parties agree that, to the extent possible, payment should be made in timely fashion, but may be made under protest. That protest shall then be resolved according to this IGA dispute resolution process.

NOTICE

13.1 All notice required or allowed under the terms of this agreement may be given in the following manner:

13.1.1 Notice may be given by facsimile transmission from AWBA or ADWR to CAWCD at facsimile number ***-**** and shall be deemed complete upon occurrence of two conditions: AWBA or ADWR shall call the administrative offices of CAWCD and advise the staff that such transmission is being sent; and AWBA or ADWR shall transmit the written message and shall obtain a receipt from the sender's facsimile machine indicating that the transmission was satisfactorily completed.

13.1.2 Notice may be given by facsimile transmission from CAWCD to AWBA at facsimile number ***-**** and shall be deemed complete upon the occurrence of two conditions: CAWCD shall call the administrative offices of AWBA and advise the staff that such transmission is being sent; and CAWCD shall transmit the written message and shall obtain a receipt from the sender's facsimile machine indicating that the transmission was satisfactorily completed.

13.1.3 Notice may be given by facsimile transmission from CAWCD to ADWR at facsimile number 417-2415 and shall be deemed complete upon the occurrence of two conditions: CAWCD shall call the administrative offices of ADWR and advise the staff that such transmission is being sent; and CAWCD shall transmit the written message and shall obtain a receipt from the sender's facsimile machine indicating that the transmission was satisfactorily completed.

13.1.2 Notice between AWBA and ADWR shall be accomplished by hand delivery within the Phoenix offices of the agencies.

10. Legal basis for acquiring and using each source of water proposed to be stored underground (cite right number, law, court decree, contract or other basis) Contracts with the Central Arizona Water Conservation District for the delivery of Central Arizona Project water to this storage facility that are included with this application or that will be submitted to the Department prior to water storage

I (We), Tim Henley for the Arizona Water Banking Authority, the applicant(s) named in this application, do hereby certify under the penalty of perjury, that the information contained and statements made herein are to the best of my (our) knowledge and belief true, correct and complete.

602/417-2418
Telephone

Signature of owner or authorized agent

Arizona Water Banking Authority Manager
Title

500 N. Third Street, Fourth Floor
Mailing Address

Phoenix
City

Arizona
State

85004
Zip

STATE OF ARIZONA)
) §.
County of _____)

Subscribed and sworn to before me this _____ day of _____, 19_____.

Notary Public

My commission expires:

Addendum to Water Storage Permit Application

Response to Question 9.

A description and documentation of the applicant's right to use the proposed source of water:

Pursuant to A.R.S. § 45-2104(B), the Arizona Water Banking Authority is specifically authorized to "obtain for storage Colorado River water delivered through the central Arizona project" and to "store Colorado River water at permitted facilities." The Authority is in the process of entering into water contracts with the Central Arizona Water Conservation District ("CAWCD"), the operating agency of the Central Arizona Project, for the delivery of water to the storage facility with which this water storage permit will be affiliated.

The contracts between the Authority and CAWCD will be submitted to the Department after they are executed and before any water storage occurs.

Proof that the applicant has applied for any required ADEQ water quality permit:

The water stored pursuant to this permit will be Central Arizona Project water and stored at a groundwater savings facility. Therefore, no ADEQ water quality permit is required. See A.R.S. § 49-250(B)(6), (12) and (14).

If long-term storage credits are to be accrued, proof that the water cannot reasonably be used directly by the applicant:

Pursuant to A.R.S. § 45-802.01(21)(e), all Central Arizona Project water acquired by the Arizona Water Banking Authority is "water that cannot reasonably be used directly."

If storage will occur at a groundwater savings facility, a written agreement to comply with the plan by which the quantity of groundwater saved at the groundwater savings facility will be proved each year:

See Exhibit A, attached.

EXHIBIT A

Agreement to Comply with Plan to Prove Groundwater Savings

I, Tim Henley, Manager of the Arizona Water Banking Authority, agree on behalf of that Authority that in any year in which the Authority stores water at Groundwater Savings Facility, Permit No. 72-_____, the Authority will comply with the plan by which the quantity of groundwater saved at the facility will be proved during that year.

Date

Tim Henley
Manager
Arizona Water Banking Authority

Consent to Water Storage

Pursuant to A.R.S. § 45-871.01(E)(1), I, _____, duly
authorized by the _____ Irrigation & Drainage District and on behalf of
that District, consent to water storage by the Arizona Water Banking Authority at the District's
Groundwater Savings Facility, Permit No. 72-_____.

Date

Title: _____

ARIZONA DEPARTMENT OF WATER RESOURCES
Groundwater Mgmt. Support - 500 North Third Street
Phoenix, Arizona 85004
Phone (602) 417-2470

DRAFT

APPLICATION FOR WATER
STORAGE PERMIT (§ 45-831.01)

APPLICATION FEE \$ 250.00 DUE UPON FILING.

PERMIT FEE OF \$ 100.00, PLUS NOTICE AND
PUBLICATION FEES TO BE DETERMINED,
ARE DUE PRIOR TO ISSUANCE OF PERMIT.

FOR OFFICE USE ONLY

Application No. _____

1. Name of Permittee Arizona Water Banking Authority
500 N. Third Street, Fourth Floor Phoenix Arizona 85004
Mailing Address City State Zip
Contact Person Tim Henley, Manager Telephone 602/417-2418
2. Name and permit number of storage facility where water storage will occur XXXXXXXXXXXXXX
Underground Storage Facility, Permit No. 71-XXXXXX
3. The maximum annual amount of water that may be stored at the facility [Insert Maximum Storage Amount from Facility Permit] Acre Feet
4. The maximum annual amount of water proposed for storage pursuant to this water storage permit 1 Acre Feet
5. Description of type(s) and source(s) of water to be stored Central Arizona Project Water
6. Do you wish this water storage permit to be designated as storing non-recoverable water pursuant to A.R.S. § 45-833.01?
No
7. Proposed duration of the permit [Length of corresponding facility permit]
8. If the water to be stored is appurtenant to a place of use, the legal description of the location of that use
Not Applicable
(quarter/quarter/quarter/section, township and range)
9. Please attach the following:
 - A description and documentation of the applicant's right to use the proposed source of water.
 - Proof that the applicant has applied for any required ADEQ water quality permit
 - If long-term storage credits are to be accrued, proof that the water cannot reasonably be used directly by the applicant.
 - If storage will occur at a groundwater savings facility, a written agreement to comply with the plan by which the quantity of groundwater saved at the groundwater storage facility will be proved each year.

Addendum to Water Storage Permit Application

Response to Question 9.

A description and documentation of the applicant's right to use the proposed source of water:

Pursuant to A.R.S. § 45-2104(B), the Arizona Water Banking Authority is specifically authorized to "obtain for storage Colorado River water delivered through the central Arizona project" and to "store Colorado River water at permitted facilities." The Authority is in the process of entering into water contracts with the Central Arizona Water Conservation District ("CAWCD"), the operating agency of the Central Arizona Project, for the delivery of water to the storage facility with which this water storage permit will be affiliated.

The contracts between the Authority and CAWCD will be submitted to the Department after they are executed and before any water storage occurs.

Proof that the applicant has applied for any required ADEQ water quality permit:

The water stored pursuant to this permit will be Central Arizona Project water. Therefore, no ADEQ water quality permit is required. See A.R.S. § 49-250(B)(6) and (12).

If long-term storage credits are to be accrued, proof that the water cannot reasonably be used directly by the applicant:

Pursuant to A.R.S. § 45-802.01(21)(e), all Central Arizona Project water acquired by the Arizona Water Banking Authority is "water that cannot reasonably be used directly."

If storage will occur at a groundwater savings facility, a written agreement to comply with the plan by which the quantity of groundwater saved at the groundwater savings facility will be proved each year:

Not Applicable.

Consent to Water Storage

Pursuant to A.R.S. § 45-871.01(E)(1), I, _____, duly
authorized by _____, consent to water storage by the Arizona
Water Banking Authority at Underground Storage Facility, Permit No. 71-_____.

Date

Title: _____

Arizona Water Banking Authority
500 North Third Street, Phoenix, Arizona 85004
Telephone 602-417-2418
Fax 602-417-2401



AUTHORITY MEMBERS
Rita P. Pearson, Chairman
Tom Griffin, Vice-Chair
Bill Chase, Secretary
Grady Gammage
Richard S. Walden

EX OFFICIO MEMBERS
Senator Stan Barnes
Speaker Mark Killian

DRAFT

POSITION STATEMENT

MODIFICATION OF A PLAN OF OPERATION

November 20, 1996

Introduction

At the October 16, 1996 meeting of the Arizona Water Banking Authority in Lake Havasu City, the proposed 1997 Plan of Operation was presented to the Authority for comment. A question was raised concerning the potential need for modification of the Plan midyear and concern expressed about the delays that might result from repeating the public comment process that is required for the original adoption of the Plan.

This paper analyzes the requirements outlined in A.R.S. § 45-2456 for the modification of an adopted Plan of Operation. The paper also explains the policy of the Arizona Water Banking Authority regarding the modifications of the Plan within the parameters of the relevant statute.

Background

The enabling statute of the Arizona Water Banking Authority, as passed by HB 2494, requires that "by December 1 of each year, the Authority shall adopt a Plan of Operation for the following calendar year." The statute goes on to say that "the Authority may modify an adopted plan of operation." A.R.S. § 45-2456.

A Plan of Operation is adopted each year by the Authority to direct the operations of the Authority during the following year. It may be anticipated that some modifications of the Plan may be necessary during the year due to unexpected climatic changes, changes in the permit status of a facility, changes in cropping patterns, infrastructure problems, etc. The AWBA staff shall provide an update on the current status of the Plan at each meeting, including the previous month, current month and the expected delivery for the next month.

Statement of Position

At the direction of the Arizona Water Banking Authority, AWBA staff has developed the following proposed position statement. The statement will clarify the process for modifying an adopted Plan of Operation.

A.R.S. § 45-2456(C) specifies that, prior to the Arizona Water Banking Authority adopting a Plan of Operation, the Authority shall solicit public comment on a draft Plan at meetings of the groundwater users advisory councils for the Tucson, Phoenix and Pinal AMAs. The Authority is also to seek public comment at the meetings of the County Board of Supervisors from any county in which water may be stored if storage is to occur outside of an AMA. After receiving public comment, the Plan of Operation must be adopted by December 1 each year for the following year.

The statute does not require a public comment process for the modification of the Plan. It should be noted that in A.R.S. § 45-2453, the Legislature specified a process for adoption by the Authority of a Plan for Additional Storage Facilities. That process includes the same public process required by A.R.S. § 45-2456 for the adoption of the Plan of Operation. In A.R.S. § 45-2453(F), the statute specifies that the Plan for Additional Storage Facilities may be modified "after soliciting comment on the modification in accordance with subsection C of this section." In comparison, A.R.S. § 45-2456 states only that "The authority may modify an adopted plan of operation." It may be inferred from the difference in language used in these statutes that the Legislature did not intend to require a public process before the AWBA modifies an adopted Plan of Operation.¹ In addition, it is reasonable to conclude that the Legislature recognized the potential need for the Authority to adjust quickly its operations during a year to reflect changing conditions, and therefore, did not require the public comment process be repeated for modifications to the Plan.

IT IS THEREFORE THE POSITION OF THE ARIZONA WATER BANKING AUTHORITY:

- 1) That the AWBA will adopt a Plan of Operation as specified in A.R.S. § 45-2426(A), including the public comment process specified in A.R.S. § 45-2456(C) for adoption of the Plan.
- 2) That the AWBA staff shall at each regularly scheduled monthly meeting of the AWBA provide an update on the current status of deliveries made under the Plan for the previous, current and next month.
- 3) That the AWBA staff, when they deem it appropriate, may propose to the AWBA a modification to an adopted Plan of Operation. Any proposed modification to a Plan of Operation shall be presented to the AWBA at a public meeting of the AWBA for consideration and action on the proposed modification.

¹"Where the legislature has specifically used a term in certain places within a statute and excluded it in another place, courts will not read that term into the section from which it was excluded." *Board of Regents v. Public Safety Retirement Fund Manager*, 160 Ariz. 150, 157, 771 P.2d 880, 887 (App. 1989).

4) That, after a presentation at a public meeting of the AWBA, the Authority may adopt modifications to an adopted Plan of Operation without any additional public comment process.

Arizona Water Banking Authority
500 North Third Street, Phoenix, Arizona 85004
Telephone 602-417-2418
Fax 602-417-2401



DRAFT

POSITION STATEMENT

EXPENDITURE OF MONIES IN AMA/COUNTY OF GENERATION

November 20, 1996

AUTHORITY MEMBERS
Rita P. Pearson, Chairman
Tom Griffin, Vice-Chair
Bill Chase, Secretary
Grady Gammage
Richard S. Walden

EX OFFICIO MEMBERS
Senator Stan Barnes
Speaker Mark Killian

Introduction

In developing the proposed 1997 Plan of Operation, several questions have been raised concerning the expenditure of groundwater withdrawal fees and four cent property taxes "for the benefit of" the active management area (AMA) or county where the taxes were levied.

A formal request was made by members of the Authority at the October 16, 1996 meeting of the Arizona Water Banking Authority in Lake Havasu City to develop an official position statement for possible adoption at the November 20 meeting of the Authority.

The following serves as an analysis by the Arizona Water Banking Authority of A.R.S. § 45-2457(B)(6) and (7) and addresses the meaning of the term "for the benefit of." The primary issue that has been raised regarding this term is whether it requires the Authority to store the water that will "benefit" the AMA or county in that AMA or county. The position proposed by staff is that the statute need not be read narrowly so as to require physical storage of the water in the AMA or county that is to benefit from the credit, so long as that credit is ultimately used to provide benefits to that AMA or county. Further, while storing the water in the area that is to benefit from the credit should be the preferred action of the AWBA, the staff proposes that the Authority retain the flexibility provided by the statute to store water outside of the area of benefit when the Authority finds it is advisable to do so.

Background

In creating the Arizona Water Banking Authority, the Arizona Legislature decided that it was in the best interest of the State to use the Central Arizona Project to take otherwise unused Arizona entitlement to Colorado River water and store it in Central Arizona to meet future needs.

When storing this water, the statute states that the Authority shall distribute or extinguish long-term storage credits accrued by the collection of the groundwater withdrawal fees *for the benefit of* the Active Management Area in which the monies were collected. A.R.S. § 45-2457(B)(6). Likewise, the statute states that the Authority shall distribute or extinguish long-term storage credits accrued by the collection of the four cent ad valorem tax *for the benefit of* the county in which the monies were collected. A.R.S. § 45-2457(B)(7).

The Authority recognizes the statutory charge to bring as much currently unused Colorado River water into Arizona as possible, so long as such an excess supply exists. In addition, the Authority is cognizant of the statute calling for monies to be expended *for the benefit of the AMA* or county where they are generated.

Statement of Position

There is no express provision in the statutes of the Authority that requires the Authority to store the water that is to benefit an AMA or county in that area, and the language "for the benefit of" would seem clearly designed to provide the Authority with the flexibility to decide where water can be stored that will benefit a given area. Had the Legislature intended that the water be stored in those particular areas, it must be assumed the Legislature would have chosen different language.¹

Thus, it would appear that the Legislature intended to provide the Authority with flexibility when deciding where water can be stored, only limiting the Authority to use long-term storage credits procured by local funds "for the benefit of" the local area.

Although the Legislature provided flexibility to the Authority on this issue, the AWBA recognizes the logic and advisability of storing water in the area that is to benefit from the credit under most circumstances. Attempting to store the water in the area that is to benefit from the credit will be the guiding principle of the AWBA. The Authority will retain the flexibility provided by the Legislature, however, and may choose to store water away from those areas if the AWBA determines that it is advisable to do so. Situations may be encountered, such as the current lack of storage facility capacity in the Tucson area, that may lead the Authority to conclude that it is advisable to store water in an area outside of the area that will benefit from the credit.

IT IS THEREFORE THE POSITION OF THE ARIZONA WATER BANKING AUTHORITY:

- 1) That the language "for the benefit of" in A.R.S. § 45-2457(B)(6) and (7) does not require the Authority to store water that will eventually benefit an active management area or county in that active management area or county;
- 2) That the guiding principle of the AWBA will be to attempt to store the water that is to benefit an area in that area;

¹"The legislature is presumed to express its meaning as clearly as possible and therefore words used in a statute are to be accorded their obvious and natural meaning. . . . Had the legislature intended such a limitation, we presume it would have used language expressing this intent." *Deatherage v. Deatherage*, 140 Ariz. 317, 320, 681. P.2d 469, 472 (App. 1984).

3) That situations may arise in which the Authority will determine that it is advisable to store water outside of the area it will eventually benefit from the credit and that the Authority will retain the flexibility provided it by the Legislature to do so.

VII. Recommended changes for inclusion in 1997 ADWR Omnibus Bill

Each year the Arizona Department of Water Resources proposed modifications to Title 45 and water related titles of the Arizona Revised Statutes. These omnibus modifications correct errors, clarify existing provisions, streamline administrative processes or address relatively minor issues with widespread support.

Proposals for inclusion in the Omnibus Bill are screened through an Ad Hoc Advisory Committee process. The Ad Hoc Committee is open to any interested party. There is an extensive mailing list to notify the public about meetings. The Omnibus Ad Hoc Committee has been meeting since September and is expected to finalize their deliberations by mid-November.

As directed at the October meeting of the Authority, AWBA staff has recommend the changes outlined on the attached sheet to be included in the ADWR Omnibus Bill. There is still time for modification of the proposed changes in the 1997 Omnibus Bill.

Arizona Water Banking Authority Annual Report and Annual Plan of Operation

- a. Amend A.R.S. § 45-2426(A) to change the annual report date from August 1 of each year for the preceding fiscal year to July 1 of each year for the preceding calendar year and to remove the general fund appropriation request from the annual report

45-2426. Annual report

A. The commission shall make and submit to the governor, president of the senate and speaker of the house of representatives on or before ~~August~~ JULY 1 of each year a report containing a full and complete account of its transactions and proceedings for the preceding ~~fiscal~~ CALENDAR year. ~~The authority may submit with the report a request for a general fund appropriation for the following fiscal year:~~

* * *

~~C. If the authority submits a request for a general fund appropriation with its annual report, it shall include with the request a budget detailing how the appropriation would be used and justifying the need for the appropriation:~~

* * *

45-2242. Functional powers of the board

* * *

B. The board may:

* * *

6. SUBMIT A REQUEST FOR A GENERAL FUND APPROPRIATION TO THE LEGISLATURE EACH YEAR. A REQUEST SHALL BE ACCOMPANIED BY A BUDGET DETAILING HOW THE APPROPRIATION WOULD BE USED AND JUSTIFYING THE NEED FOR THE APPROPRIATION.

- b. Amend A.R.S. § 45-2456 to change the date on which the Authority's annual plan of operation is due from December 1 of each year to January 1 of each year

45-2456. Annual plan of operation

A. By ~~December~~ JANUARY 1 of each year, the authority shall adopt a plan of operation for the following THAT calendar year.

* * *

MEMO

To: Arizona Water Banking Authority Interested Parties
From: Tim Henley, AWBA Manager
Subject: AWBA - Recovery Subcommittee
Date: November 13, 1996

As Authority members and staff have met with various individuals and entities concerning the implementation of the AWBA, the issue of recovery has continually been an issue of concern and one many felt needed to be dealt with now. In an attempt to address the concerns raised, the Authority appointed a Recovery Subcommittee at their October meeting. The Subcommittee consists of Rita Pearson, Tom Griffin, Bill Chase and Grady Gammage.

The first meeting of the newly created Recovery Subcommittee occurred on Thursday, October 31 at the Arizona Department of Water Resources. At the meeting, the Subcommittee asked staff to create a working group to begin to develop various recovery scenarios. This memo is an attempt to seek interest in participating on the work group and what December meeting dates would work best. If you are interested in participating on the working group of the Recovery Subcommittee, please contact Nannette Flores, Administrative Asst. for the AWBA at (602) 417-2418 and give her your availability for December. All interested parties will be notified when a date is set for the first work group meeting.

To begin thinking about work group activities, the following are several examples of the types of recharge scenarios the work group could begin to evaluate:

- 1) AWBA may be given the Authority to recover water in the future, including the ability to develop new wells (statutory change required) or contract with a specific entity to provide recovery.
- 2) AWBA may enter into agreements with several entities for future recovery:
 - Direct Recovery (water physically returned to CAP)
 - a) use of existing wells
 - b) development of additional well capacity by entity
 - Exchange Agreements
 - a) agreement with entity willing to exchange their CAP delivery for groundwater credits
 - Fallowing Agreements (statutory changed required)
 - a) agreement to forgo CAP delivery for considerations other than groundwater credits

Arizona Water Banking Authority Interested Parties

Page 2

November 13, 1996

It is my hope that the group can develop the scenarios in some detail so please bring any information you might already have concerning the development of costs or potential locations, comments and potential alternatives to the December meeting or feel free to send them to: Arizona Water Banking Authority, 500 North 3rd Street, Phoenix, AZ 85004 or fax at (602)417-2401.

REMINDER:

- next two regularly scheduled monthly meetings of the Arizona Water Banking Authority:

November Wednesday, November 20, 9:30 a.m. - 12:30 p.m.
Arizona Department of Water Resources

December Tuesday, December 17, 2:30 - 4:30 p.m.
Yuma City Council Chambers

- next meeting of the Arizona Water Banking Authority Study Commission:

Monday, November 18, 1:30 p.m. at the Arizona Department of Water Resources
(agenda enclosed)

**ARIZONA WATER BANKING AUTHORITY
STUDY COMMISSION**

Monday, November 18, 1996

1:30 p.m. - 3:30 p.m.

**Arizona Department of Water Resources
500 North 3rd Street
3rd Floor Conference Room A
Phoenix, Arizona**

AGENDA

- | | | |
|------|----------------------------------|-----------------|
| I. | Introduction | Rita Pearson |
| II. | AWBA Status Report | Tim Henley |
| III. | Basin State Presentations | |
| | A. Nevada | Jerry Edwards |
| | B. California | Jerry Zimmerman |
| IV. | Process for Discussion of Issues | Herb Dishlip |

If, because of a disability, you need a reasonable accommodation to participate equally in this program, activity, or service, please contact the Arizona Water Banking Authority Study Commission at (602) 417-2440 or (602) 417-2455 (TDD) with your needs. Many accommodations, such as auxiliary aids and services, alternate format material, or changing facilities, require in excess of 72 hours to arrange. In order for this department to provide timely accommodation, please notify us as far in advance as possible.

ARIZONA WATER BANKING AUTHORITY MEETING

Tuesday, December 17, 2:30 p.m

Yuma City Council Chambers

Tentative Agenda Items

- Authority consideration and possible approval of partner agreements
- Yuma area water resource overview
- Presentation by Consolidated/Geare on Cibola Valley Irrigation and Drainage District
- Discussion on Interstate Water Banking

KEY DATES / TIME LINE

(updated 11/13/96)

1996

April 30

HB 2494 - Chapter 308 signed by Governor Symington

July 9

Appointments made to the Arizona Water Banking Authority and Study Commission

July 31

Annual Reports hand-delivered to Governor, President, Speaker

August 30

FY 98 General Fund appropriation request submitted to Governor, President and Speaker

November 20

AWBA Meeting - AZ Department of Water Resources
Adoption of Minutes of October 16 Meeting
Presentation of comments received on 1997 Plan of Operation
- final Adoption by Authority
Presentation of draft Agreement between AWBA, ADWR and CAWCD
Presentation of sample partner agreements / AWBA water storage permits
- approval of draft agreement / permits
- authority to expend monies for permit fees
Presentation of draft Position Statements
- Modification of an Annual Operating Plan
- Expenditure of Monies in AMA/County of Generation
Recommended changes for inclusion in 1998 ADWR Omnibus Bill
Update on AWBA Recovery Subcommittee

November 21

Presentation of draft Agreement to CAWCD Water Planning and Policy Committee

December 1

ANNUAL PLAN OF OPERATION (45-2456 p.37 lines 25-43, p.38 lines 1-39)
1997 Plan of Operation submitted to Governor, President and Speaker

December 2

Mailing of December 17 tentative agenda and finalized meeting minutes from October 16 meeting to AWBA members, Study Commission members and mailing list

KEY DATE / TIME LINE

Page 2

December 5

Consideration of draft Agreement by CAWCD Board for recommendation and approval

December 9

Deadline for materials for December 17 meeting

December 10

Mailing of materials for December 17 to Authority members

December 17

AWBA Meeting - Yuma

Authority consideration and possible approval of partner agreements

Presentation by Consolidated/Geare on Cibola Valley Irrigation and Drainage District

Discussion on Interstate Water Banking

1997

March

General Fund appropriation for Authority determined by Legislature

March 1

INVENTORY OF EXISTING STORAGE FACILITIES DUE

(45-2452 p.34 lines 41-44, p.35 lines 1-31)

Determination if existing facilities meet Authority's needs for next 10 years

If Facilities Inventory concludes additional facilities are needed - the Authority must develop plan for the development of additional storage facilities

(45-2453 p.35 lines 33-42, p.36 lines 1-41)

May 1

Any additional requests or changes in Cost of Services budgets submitted by Authority to DWR and CAWCD for FY 98

June 1

DWR/CAWCD submit Cost of Services budget proposals for FY 98 to Authority

Revised Cost of Services budget proposals approved by Authority (if necessary)

FY 98 Annual Operating Budget preliminarily reviewed by Authority

June

FY 98 Annual Operation Budget adopted by Authority

KEY DATE / TIME LINE

Page 3

July 1

TARGET TO STORE 100,000 AF OF COLORADO RIVER WATER

(45-2451 p.34 lines 31 - 39)

Fiscal Year 1998 begins - General Fund appropriations available

August 1

ANNUAL REPORT DUE TO GOVERNOR, PRESIDENT, SPEAKER

(45-2426 p.33 lines 38-44 p.34 lines 1-15) Submit to Governor, President and Speaker

Possible inclusion of request for General Fund appropriation for FY 99

Report amount of water stored / state reasons if not 100,000 acre feet

(45-2451 p.34 lines 31-39)

November 1

STUDY COMMISSION INTERIM REPORT DUE

Interim report developed by Study Commission to be filed with the legislature

December 1

ANNUAL PLAN OF OPERATION (45-2456 p.37 lines 25-43, p.38 lines 1-39)

Authority shall adopt a plan for calendar year 1998

1998

November 1

STUDY COMMISSION FINAL REPORT DUE

Final report must be filed with the legislature