

ARIZONA WATER BANKING AUTHORITY

WEDNESDAY, AUGUST 19, 1998

ARIZONA DEPARTMENT OF WATER RESOURCES

PLEASE PRINT

NAME		REPRESENTING
1 ✓	KEVIN ADAM	SENATOR McCAIN
2 ✓	HARRY RUZGERIAN	MWD, SO. CALIF.
3 ✓	LARRY DOZIER	CAP
4 ✓	ANDREW BURNS	COLORADO RIVER COMMISSION, NV
5 ✓	G.L. EDWARDS	COLORADO RIVER COMMISSION, NV
6 ✓	JEFF JOHNSON	SO. NEVADA WATER AUTHORITY
7 ✓	BOB McCAIN	AMWUA
8 ✓	LINDA JAMES/LYNCH	IEDA
9 ✓	BARBARA GERHART/LYNCH	IEDA
10	DAN SHEIN ✓	AZ HOUSE OF REPRESENTATIVES
11 ↓	CHRISTINE LOWE	CHEMEHUEVI INDIAN TRIBES
12 ✓	EDWARD D. SMITH	CHEMEHUEVI INDIAN TRIBES
13 ↓	JOHN NEWMAN	CAP
14 ↓	TOM HARBOUR	CAP
15 ↓	PAT DESCHAMPS	STANTECH CONSULTING
16 ↓	STEPHANIE GERLACK	STANTECH CONSULTING
17 ✓	JAN LANEY	ASCD
18	JOHN HETRICK ✓	SRP
19 ↓	DAVE IWANSKI	ABC
20 ↓	DAVID M. JOHNSON	BUREAU OF RECLAMATION
21 ✓	JAKE LOGAN	SENATOR KYL
22 ↓	SHEILA EHLERS	ADWR - PHX AMA
23 ↓	ROCK CRAMER	VICKSBURG FARMS
24	CHUCK CULLOM ✓	BOOKMAN-EDMONDS
25	DENNIS RULE ✓	TUCSON WATER
26 ↓	PAUL ORME	CAIDD/MSIDD
27 ↓	JAY MOYES	McMULLEN VWCCD/VICKSBURG
28 ↓	GEORGE ARTHUR	NAVAJO NATION W/R AZ
29 ↓	MARK MYERS	METRO WATER
30		



Summary of August 19, 1998 AWBA Meeting¹

I. Welcome/Opening Remarks

Tom Griffin, Vice-Chairman, chaired the meeting in Chairman Pearson's absence. All other AWBA members were present except the two *ex officio* members.

II. Minutes: The Authority approved the minutes from the July 15, 1998 Authority meeting.

III. Plan of Operation and Other Staff Activities

Deliveries for the Month of July

Tim Henley, Manager of the AWBA, explained that AWBA July deliveries were low (around 9800 af) due to a number of circumstances, mostly financial considerations and wet weather conditions. The AWBA has been informed that RWCD will not take any AWBA water for the rest of 1998. MWD may begin in-lieu recharge with the cities, and the AWBA may need to give up some MWD storage capacity. Tonopah Irrigation District will not be using the AWBA water it planned for the remainder of 1998. Several months of low deliveries combined with some irrigation districts' decision to rely on groundwater make it unlikely that the AWBA will meet its recharge goals for 1998.

Mr. Henley explained that the purpose for creating the AWBA was to maximize Arizona's use of its 2.8 million acre foot allotment of CAP water, and the AWBA should not impede efforts to accomplish this goal by other methods (e.g., if irrigation districts or cities find ways to accomplish this goal without the direct involvement of the AWBA). The public policy of the state can still be served even if the AWBA falls below its goals for one year. GRUSP deliveries may increase, and the AWBA may store more water at Pima Mine Road in the Tucson AMA. In addition, the AWBA is currently holding meetings with other potential partners: Vicksburg Farms and Vidler Water Company.

¹Please note that these are not formal minutes but a summary of discussion and action of the meeting. Official minutes are prepared prior the next month's Authority meeting and are approved at that meeting.

Other Issues

The CAWCD has formally notified the AWBA that it will make funds from the 4¢ tax available to the AWBA.

Kim Kunasek of the AWBA and Larry Dozier of CAWCD described the progress of the CAWCD-U.S. Bureau of Reclamation lawsuit. The first phase of the trial (contract interpretation) is complete, and both parties are awaiting disposition of this first phase before the trial proceeds to the next phase and expect a ruling by the end of August.

The Gila River Indian Community claims are being actively negotiated. The federal government (in trust relationship with Indian communities) may respond to the most recent state offer in early September. CAWCD-USBR lawsuit settlement negotiations are unlikely to proceed without a resolution of the Gila issues.

IV. Facility Plan

Mr. Henley walked the AWBA members through the Facility Plan for the Tucson AMA. Mr. Henley explained that the AWBA does not need to investigate new facilities. Rather, the AWBA needs increased capacity at existing or planned facilities. Over the next few years, there will not be much opportunity for expanded capacity, but the availability will pick up over the next 5-10 years, enabling the AWBA to firm approximately 350,000 acre feet. The AWBA may need to request additional general fund monies from the Legislature in the future. The AWBA will take the draft Facility Plan to the Tucson GUAC for its approval in early September.

V. CAWCD Facilities

Mr. Henley reported that the Pima Mine Road facility is recharging water more quickly than expected. The AWBA would like to recharge water at PMR by September. The PMR will charge the AWBA \$10 per acre foot, which the AWBA staff believes is a very good rate. The AWBA staff will seek approval from the Department of Administration's Risk Management Division for an indemnity provision contained in the PMR and Avra Valley Recharge Project draft agreements. The indemnity provision concerns the state's liability for any damage that arises out of commingling CAP water and groundwater. The agreement will be presented for formal approval at the September CAWCD Board meeting.

The AWBA approved the agreements for Chairman Pearson's signature contingent upon approval from Risk Management.

VI. Study Commission Activities

Mr. Henley summarized the recent Study Commission activities. The full Study Commission met on July 30 and reviewed the findings of two subcommittees (Inter & Intrastate Marketing and Banking and Outside CAP Service Area). The Commission has begun drafting the final recommendations and plans to meet again on August 25 to consider issues addressed in the other three subcommittees. The Commission plans to have a draft ready in late September and to finalize the report by mid-October for November submission to the Legislature. The Study Commission will recommend certain statutory changes that will give the AWBA added responsibilities.

VII. Interstate Discussions

Federal Rule Governing Interstate Water Banking

The federal rule governing interstate water banking has not yet been released. The rule was to have been finalized prior to the next water operating year, but that may not happen. The Department of the Interior plans to release the final rule some time in the next few weeks.

“4.4 Plan”

California is working toward finalizing the so-called “4.4 Plan.” Major financial issues are involved, including a \$1 billion bond issue to help restore the Delta and to encourage more recharge and improve infrastructure. Some related agreements include San Diego County Water Authority and the Imperial Irrigation District have an agreement in place to deliver 300,000 af of conserved agricultural water annually to San Diego County. Water watchers expect the bond issue to pass in the November election. Dennis Rule expressed some concern about the provision in the SDCWA-IID agreement that requires the USBR to guarantee a “full aqueduct” for 15 years.

VIII. Call to the Public

The next meetings are scheduled for **September 16** and **October 21**.

The meeting was adjourned at 10:45 a.m.

Arizona Water Banking Authority

500 North Third Street, Phoenix, Arizona 85004

Telephone 602-417-2418

Fax 602-417-2401

FINAL AGENDA

Wednesday, August 19, 1998

9:30 a.m.

Arizona Department of Water Resources

Third floor conference room

- I. Welcome / Opening Remarks
- II. Adoption of Minutes of July 15 Meeting
- III. Discussion of the 1998 Annual Plan of Operation and Staff Activities
- IV. Update on the Draft Facilities Plan
- V. Update on CAWCD Facilities and Agreements
- VI. Update on Study Commission Activities
- VII. Update on Interstate Discussions
- VIII. Call to the Public
- IX. Adjournment

Future Meeting Dates:

Wednesday, September 16, 1998

Wednesday, October 21, 1998

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the Arizona Water Banking Authority at (602) 417-2418 or (602) 417-2455 (T.D.Y.). Requests should be made as early as possible to allow time to arrange the accommodation.

ARIZONA WATER BANKING AUTHORITY
Draft Minutes

July 15, 1998
Arizona Department of Water Resources



AUTHORITY MEMBERS
Rita P. Pearson, Chairman
Joan Griffin, Vice-Chairman
Bill Chase, Secretary
Candy Gammage, Jr.
Richard S. Walden

EX OFFICIO MEMBERS
Senator Pat Cooney
Rep. Gail Griffin

Welcome / Opening Remarks

Chairman Rita Pearson opened the Arizona Water Banking Authority (Bank) meeting. All members of the Authority were present except Representative Gail Griffin.

Adoption of Minutes of June 17 Meeting

The June 17 meeting minutes were adopted as submitted.

Plan of Operation and Other Staff Activities

Tim Henley, Manager of the Water Banking Authority, discussed operation of the Bank and monthly water deliveries for June. Mr. Henley stated that because the irrigation districts are taking more water, June's deliveries have increased. The Bank is back on schedule for June.

Mr. Henley announced that Roosevelt Water Conservation District (RWCD) will not be taking any more Bank water this year. The result is a loss of 24,000 af from RWCD. Mr. Henley will begin talking with potential partners over the summer to see if there are any opportunities either through the in lieu process or if there are any opportunities at GRUSP for additional storage. The Bank is still looking into the opportunities for some demonstration facilities, where there could be some potential storage of water before the end of the year.

Mr. Chase inquired on the status of the Aqua Fria Recharge Site. John Newman from CAWCD stated that there will be a permit application filed for about 100,000 af with stipulations related to monitoring and some litigation issues that might preclude build up of water levels. CAWCD anticipates filing a permit application in approximately 30 days.

Correction to 1997 Annual Report

Mr. Henley provided a corrected version of the 1997 Annual Report referring to page 17, Table 1, *Monies Collected, Expended, and Available in Banking Fund*. The table was revised to more accurately reflect the funds expended to acquire the credits developed in 1997. In addition to the revisions made to the "expended" column, a change was made to reflect not only the funds remaining in the various accounts but also the credits available to the Bank from the CAWCD.

Update on the Draft Facilities Plan

Kathy Jacobs, Director of the Tucson AMA gave a presentation. She stated that the Institutional and Policy Advisory Group (IPAG) in the Tucson AMA had hosted two meetings in the last two weeks to provide input on the Draft Facility Plan. Some preliminary suggestions for the Facility Plan include expanding it to include substantially more background information and to indicate which of the many AWBA objectives could be met by each of the projects under consideration and having the AWBA extinguish credits to achieve water management goals and support Indian water rights settlements.

Copies of the Recharge Project Descriptions chart and letters from the Town of Marana and Tucson Water Department were provided.

John Newman, Assistant General Manager from CAWCD, stated that he believes the projected capacities at the state demonstration projects in Pima County are a bit conservative.

- The Avra Valley project has recently been permitted for a 20 year period at a capacity of 11,000 af per year. The only commitment at Avra Valley for CAWCD is a short term commitment to Metro Water District at 2,200 af per year.
- At the rate that the Pima Mine Road facility was recharging, CAWCD would have been exhausting its pilot capacity in 1998. At this time CAWCD has slowed its water deliveries to AVRFP and will be watching how the project is operating.
- The CAGRDR replenishment needs in Pima County are growing. An agreement commits CAGRDR to provide up to 12,500 af of recharge capacity in the Tucson AMA.
- The Lower Santa Cruz is nearing the final stages of negotiations of an IGA with Pima County Flood Control District. The expected recharge capacity at the site is 30,000 af.

Mr. Henley gave an overview of the draft Facility Plan and encouraged the Authority members to provide any comments and concerns.

Update of CAP/USBR Settlement Subcommittees

Larry Dozier, Deputy General Manager of CAWCD, stated Phase II of the trial has been delayed until mid-October.

Ms. Pearson stated that she and Sid Wilson attended a meeting in Washington, D.C. with representatives from the USBR. No agreements were reached. Senator Kyl and Secretary Babbitt will be meeting to see if there is any room for additional negotiations on some of the points that are in dispute.

Mr. Henley summarized two key allegations contained in the USBR's Motion to Amend the Counterclaim. The USBR sought to allege that:

- The Secretary possesses exclusive control over uncontracted water (paragraph 111; Joint Report, p. 37) and
- CAWCD lacks authority to deliver Colorado River Water to/for the benefit of the Arizona Water Banking Authority (paragraphs 118-20; Joint Report, p. 51)

Special Master L. Ray Haire issued a Report and Recommendation ("R&R") to deny the USBR's Motion to Amend its counterclaim with respect to these allegations be denied. This recommendation does not take effect unless Judge Carroll enters the R&R as a formal order.

Update on Study Commission Activities

The next Full Study Commission meeting is Thursday, July 30 at 10:00 a.m. at the ADWR third floor conference room.

Update on Interstate Discussions

Ms. Pearson stated that the state representatives met in Nevada regarding interstate banking. A report was given by David Kennedy, who is directly involved in negotiations between Metropolitan Water District (MWD) of Southern California and the San Diego Water Authority. They are attempting to resolve disagreements over the Imperial Irrigation District's delivery of water to San Diego. There appears to be a breakthrough as the two entities have a tentative agreement on a wheeling arrangement, but one of the key components is a \$100 million contribution from the state of California to help finance the wheeling arrangement. This will require a bond initiative, which is hoped to be on the fall ballot.

- **Wellton Mohawk** - Ms. Pearson explained that California agencies are trying to amend a bill currently working its way through Congress. They want to clarify the USBR's plans for utilization of the Yuma Desalter and how the Secretary accounts for the return flows from the Wellton-Mohawk Irrigation District. If the amendment is successful it will substantially affect Arizona's utilization of Colorado River water.
- **Salton Sea** - Ms. Pearson stated that California officials are holding "scoping hearings" (a public comment process provided for by the National Environmental Policy Act and its state counterpart). This issue relates to the Salton Sea Legislation that has been introduced in both the House and the Senate. A bill in the U.S. House of Representatives has a \$350 million federal appropriation and a state matching fund component. It includes use of flood flows on the Colorado River as a potential supply source for the Salton Sea restoration. The Senate Bill does not refer to Colorado River water. The bill has not yet been assigned to a committee.
- **Interstate Banking** - Herb Dishlip, an Assistant Director of the ADWR, explained that Nevada Interstate Water Banking meetings are moving slower than earlier anticipated. Federal regulations governing interstate banking should have been in the Federal Register the week of July 6. The goal is to publish the regulations in the Federal Register before Congress recesses in August.

On June 23, representatives from the ADWR, the AWBA, the Southern Nevada Water Authority, and the Colorado River Commission met in Nevada to discuss the implications of the draft interstate water banking regulations with respect to NEPA compliance. Southern Nevada suggested going through the "scoping" process, with public meetings to be held in Nevada and Arizona. These meetings would describe what the potential action is and try to frame the environmental studies around the scoping process.

Call to the Public

The meeting was adjourned at 11:10 a.m. The next meeting is scheduled for August 19, 1998.

Mr. Henley explained that the AWBA does not need to investigate new facilities. Rather, the AWBA needs increased capacity at existing or planned facilities. Over the next few years, there will not be much opportunity for expanded capacity, but the availability will pick up over the next 5 -10 years, enabling the AWBA to firm approximately 350,000 acre feet over a ten-year period. The AWBA may need to request additional general fund monies from the Legislature in the future.

Mr. Henley explained that in addition to the facilities identified in the draft Plan, several additional facilities could be available with appropriate agreements. The Cañada del Oro facility could be available for interstate banking after the year 2005, and the San Xavier Arroyos, the Santa Cruz River, and the Pascua Yaqui sites could be used for Indian water rights settlements. By 2002 an additional 65,000 af per year could be available to the AWBA. This capacity will most likely exceed the AWBA's funding capability for the Tucson area even if additional general funds are made available.

Update on CAWCD Facilities and Agreements

Mr. Henley reported that the Pima Mine Road (PMR) facility is recharging water more quickly than expected. The AWBA would like to recharge water at PMR by mid-September. PMR will charge the AWBA \$10 per acre foot, which the AWBA staff believes is a good rate. The AWBA staff will seek approval from the Department of Administration's Risk Management Division for an indemnity provision contained in the PMR and Avra Valley Recharge Project draft agreements. The indemnity provision concerns the state's liability for any damage that arises out of commingling CAP water and groundwater. The agreement will be presented for formal approval at the September CAWCD Board meeting.

The Authority approved the agreements for Chairman Pearson's signature contingent upon approval from Risk Management and by the CAWCD Board.

Update on Study Commission Activities

Mr. Henley summarized the recent Study Commission activities. The full Study Commission met on July 30 and reviewed the findings of two subcommittees (Interstate/Intrastate Marketing and Banking and Benefits Outside CAP Service Area). The Commission has begun drafting the final recommendations and plans to meet again on August 25 to consider some of the Indian Issues and the Finance & Tax Subcommittee issues. The Commission plans to have a draft ready in late September and to finalize the report by mid-October for November submission to the Legislature. The Study Commission will recommend certain statutory changes that will give the AWBA added responsibilities.

Update on Interstate Discussions

Federal Rule Governing Interstate Water Banking

The federal rule governing interstate water banking has not yet been released. The rule was to have been finalized prior to the next water operating year, but that may not happen. The Department of the Interior plans to release the final rule some time in the next few weeks.

Once the rule is published in final form in the Federal Register, the Congress cannot modify or amend it. Congress has the option of suggesting that the rule not be implemented.

If the rule is implemented, the AWBA would like Nevada to bring a proposed water storage agreement to an upcoming AWBA meeting. Mr. Henley hopes to see the negotiation process start in October with Nevada.

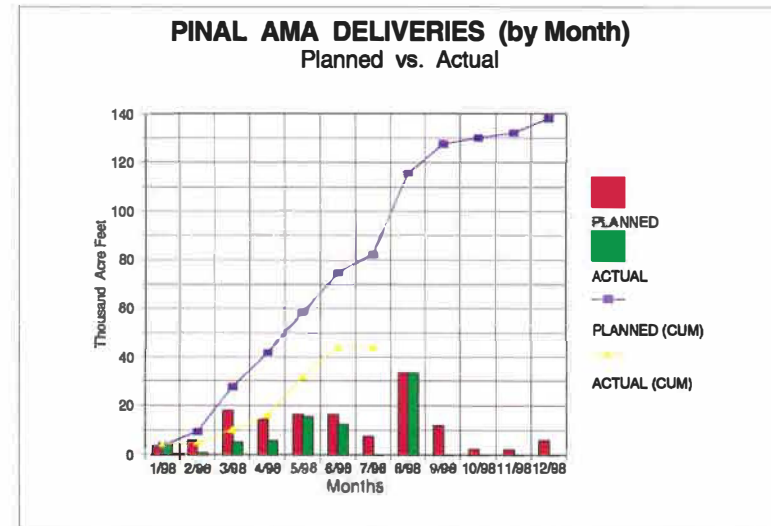
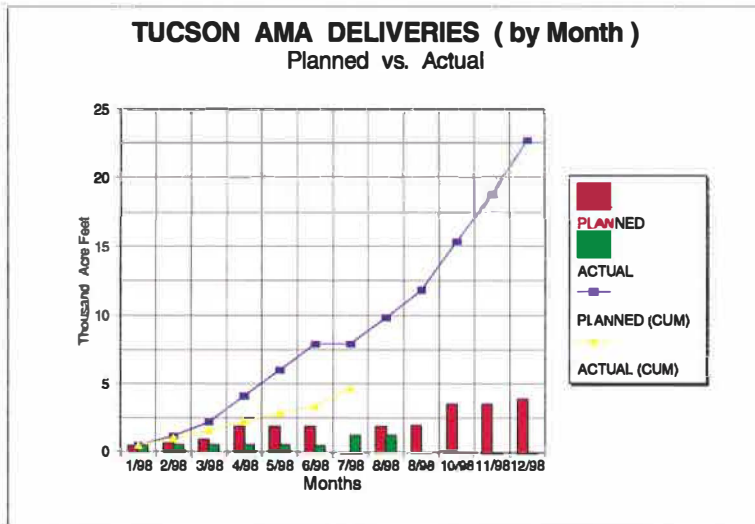
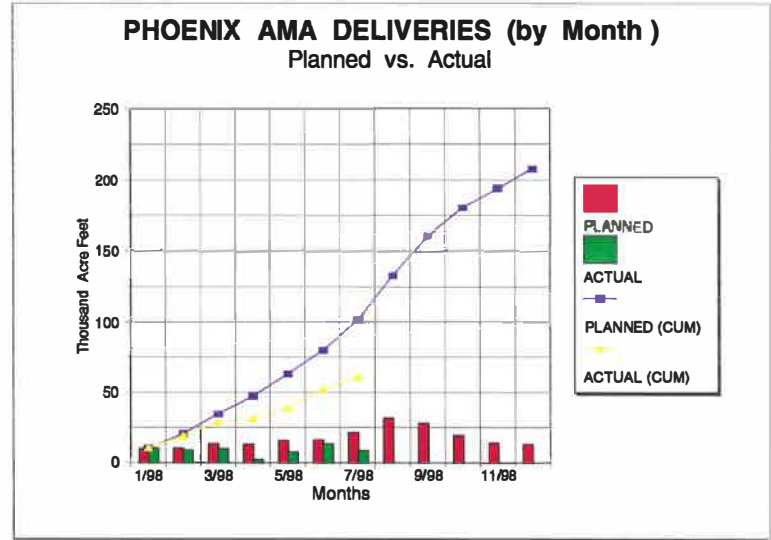
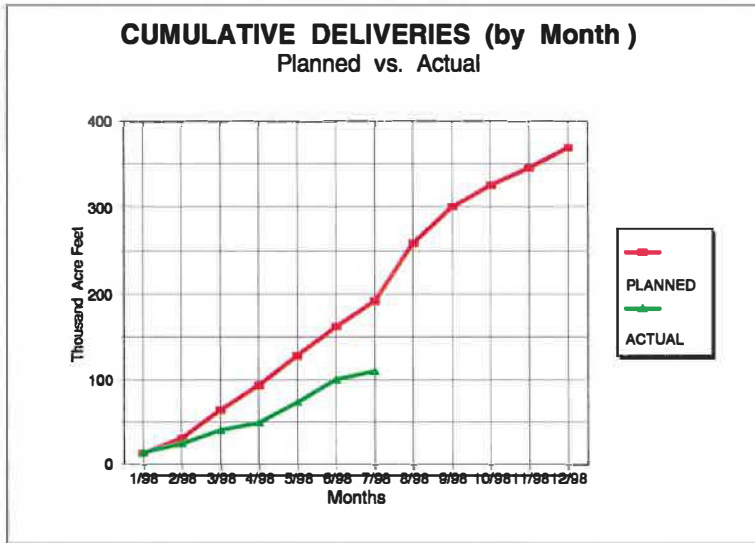
"4.4 Plan"

California is working toward finalizing the so-called "4.4 Plan." Major financial issues are involved, including a \$1 billion bond issue to help restore the Delta and to encourage more recharge and improve infrastructure. Some related agreements include a deal between San Diego County Water Authority and the Imperial Irrigation District to deliver 300,000 af of conserved agricultural water annually to San Diego County. Water watchers expect the bond issue to pass in the November election. Dennis Rule expressed some concern about the provision in the SDCWA-III agreement that requires the USBR to guarantee a "full aqueduct" for 15 years.

Call to the Public

The next meetings are scheduled for September 16 and October 21. The meeting was adjourned at 10:45 a.m.

1998 PLAN OF OPERATION



1998 PLAN OF OPERATION BY ENTITY

Actual deliveries updated 11-Aug-98

	jan	feb	mar	apr	may	jun	jul	aug	total	
Phoenix AMA										
GRUSP	8,032	8,551	5,284	0	5,237	5,904	5,595	7200	45,803	GRUSP
RWCD	0	0	0	0	0	0	0	0	0	RWCD
NMIDD	2,233	286	2,247	0	0	4,959	271	9,700	19,696	NMIDD
QCID	0	0	0	0	0	0	4,252	0	4,252	QCID
MWD	0	0	2,373	2,399	2,701	2,604	2,588	0	12,665	MWD
CHCID	0	0	0	0	22	0	35	50	107	CHCID
TID	0	0	0	0	0	0	0	150	150	
Subtotal	10,265	8,837	9,904	2,399	7,960	13,467	12,741	17,100	82,673	
Pinal AMA										
CAIDD	0	0	0	0	0	0	0	0	0	CAIDD
MSIDD	2,430	0	0	0	8,792	3,247	0	1,760	16,229	MSIDD
HIDD	1,819	708	5,284	5,905	6,901	9,302	0	10,300	<u>40,219</u>	HIDD
Subtotal	4,249	708	5,284	5,905	15,693	12,549	0	12,060	56,448	
Tucson AMA										
Avra Valley	0	0	0	0	0	0	708	850	1,558	Avra Valley
CAVSARP	531	579	576	597	600	537	420	0	3,840	CAVSARP
Pima Mine	0	0	0	0	0	0	0	0	0	Pima Mine
Lower Santa Cruz	0	0	0	0	0	0	0	0	0	L. Santa Cruz
Subtotal	531	579	576	597	600	537	1,128	850	5,398	
TOTAL	15,045	10,124	15,764	8,901	24,253	26,553	13,868	30,010	144,518	



CENTRAL ARIZONA PROJECT

P.O. Box 43020 • Phoenix, Arizona 85080-3020 • 23636 North Seventh Street (85024)
(602) 869-2333 • www.cap-az.com

CERTIFIED MAIL
No. P 443 000 421
RETURN RECEIPT REQUESTED

July 14, 1998

Ms. Lori Godoshian
Clerk of the Board
Pima County
130 W. Congress, 5th Floor
Tucson, Arizona 85701

Re: . Tax Levy for Water Storage for the 1998-99 Tax Year

Dear Ms. Godoshian:

Pursuant to A.R.S. § 48-3715.02, Subsections B and C, enclosed is a statement on behalf of the Central Arizona Water Conservation District ("District") certifying that the tax levy for water storage for the 1998-99 tax year has been set at four cents (04¢) per one hundred dollars (\$100) of assessed valuation. This rate applies to all taxable property within the District boundaries which include Maricopa, Pima, and Pinal Counties.

We request that this tax be levied and that the revenues therefrom be remitted to the State Treasurer for deposit in the Arizona Water Banking Fund established by A.R.S. § 45-2425.

Sincerely yours,

David S. "Sid" Wilson, Jr.
General Manager

S:\WILSON\TAXRATE.

Enclosure
cc: Tony West, Treasurer
Thomas House, Budget Manager, Pima County

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

1998-99 Tax Levy for Water Storage

The Central Arizona Water Conservation District, pursuant to A.R.S. § 48-3715.02, Subsection B, hereby establishes the tax levy for water storage for the 1998-99 tax year at four cents (04¢) per one hundred dollars (\$100) of assessed valuation. Said tax rate was approved by the Board of Directors of the Central Arizona Water Conservation District at the Regular Meeting held June 4, 1998, in Phoenix, Arizona as indicated in the official meeting transcript prepared by Atwood Reporting Service, certified court reporters.

CERTIFICATE

I hereby certify that the above statement is a true and correct statement of the referenced action.

DATED this 30th day of June, 1998.



George R. Renner, Secretary
Board of Directors
Central Arizona Water
Conservation District



CENTRAL ARIZONA PROJECT

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CERTIFIED MAIL
No. P 443 000 419
RETURN RECEIPT REQUESTED

July 14, 1998

Ms. Fran McCarroll
Clerk of the Board
Maricopa County
301 West Jefferson, 10th Floor
Phoenix, Arizona 85003

Re: Tax Levy for Water Storage for the 1998-99 Tax Year

Dear Ms. McCarroll:

Pursuant to A.R.S. § 48-3715.02, Subsections B and C, enclosed is a statement on behalf of the Central Arizona Water Conservation District ("District") certifying that the tax levy for water storage for the 1998-99 tax year has been set at four cents (04¢) per one hundred dollars (\$100) of assessed valuation. This rate applies to all taxable property within the District boundaries which include Maricopa, Pima, and Pinal Counties.

We request that this tax be levied and that the revenues therefrom be remitted to the State Treasurer for deposit in the Arizona Water Banking Fund established by A.R.S. § 45-2425.

Sincerely yours,

David S. "Sid" Wilson, Jr.
General Manager

S:WILSONTAXRATE.

Enclosure

cc: Tony West, Treasurer

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

1998-99 Tax Levy for Water Storage

The Central Arizona Water Conservation District, pursuant to A.R.S. § 48-3715.02, Subsection B, hereby establishes the tax levy for water storage for the 1998-99 tax year at four cents (04¢) per one hundred dollars (\$100) of assessed valuation. Said tax rate was approved by the Board of Directors of the Central Arizona Water Conservation District at the Regular Meeting held June 4, 1998, in Phoenix, Arizona as indicated in the official meeting transcript prepared by Atwood Reporting Service, certified court reporters.

CERTIFICATE

I hereby certify that the above statement is a true and correct statement of the referenced action.

DATED this 30th day of June, 1998.



George R. Renner, Secretary
Board of Directors
Central Arizona Water
Conservation District



CENTRAL ARIZONA PROJECT

P.O. Box 43020 • Phoenix, Arizona 85080-3020 • 23636 North Seventh Street (85024)
(602) 869-2333 • www.cap-az.com

CERTIFIED MAIL
No. P 443 000 423
RETURN RECEIPT REQUESTED

July 14, 1998

Mr. Stanley D. Griffis
Clerk of the Board
Pinal County
P.O. Box 827
Florence, Arizona 85232

Re: Tax Levy for Water Storage for the 1998-99 Tax Year

Dear Mr. Griffis:

Pursuant to A.R.S. § 48-3715.02, Subsections B and C, enclosed is a statement on behalf of the Central Arizona Water Conservation District ("District") certifying that the tax levy for water storage for the 1998-99 tax year has been set at four cents (04¢) per one hundred dollars (\$100) of assessed valuation. This rate applies to all taxable property within the District boundaries which include Maricopa, Pima, and Pinal Counties.

We request that this tax be levied and that the revenues therefrom be remitted to the State Treasurer for deposit in the Arizona Water Banking Fund established by A.R.S. § 45-2425.

Sincerely yours,

David S. "Sid" Wilson, Jr.
General Manager

S:WILSON:TAXRATE.

Enclosure
cc: Tony West, Treasurer

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

1998-99 Tax Levy for Water Storage

The Central Arizona Water Conservation District, pursuant to A.R.S. § 48-3715.02, Subsection B, hereby establishes the tax levy for water storage for the 1998-99 tax year at four cents (04¢) per one hundred dollars (\$100) of assessed valuation. Said tax rate was approved by the Board of Directors of the Central Arizona Water Conservation District at the Regular Meeting held June 4, 1998, in Phoenix, Arizona as indicated in the official meeting transcript prepared by Atwood Reporting Service, certified court reporters.

CERTIFICATE

I hereby certify that the above statement is a true and correct statement of the referenced action.

DATED this 30TH day of June, 1998.



George R. Renner, Secretary
Board of Directors
Central Arizona Water
Conservation District



CENTRAL ARIZONA PROJECT

P.O. Box 43020 • Phoenix, Arizona 85080-3020 • 23636 North Seventh Street (85024)
(602) 869-2333 • www.cap-az.com

CERTIFIED MAIL
No. P 332 850 182
RETURN RECEIPT REQUESTED

July 14, 1998

Tony West, State Treasurer
State of Arizona
1700 W. Washington
Phoenix, AZ 85007

Re: Central Arizona Water Conservation District; Tax Levy for Water Storage, Pursuant to
A.R.S. § 48-3715.02, Subsections B and C

Dear Mr. West:

Enclosed, pursuant to A.R.S. § 48-3715.03, is a certified copy of a resolution adopted by the Board of Directors of the Central Arizona Water Conservation District (District) to the effect that all taxes levied on behalf of the District for water storage pursuant to A.R.S. § 48-3715.02, Subsections B and C, in the 1998-99 tax year, shall be deposited in the Arizona Water Banking Fund established by A.R.S. § 45-2425. For the 1998-99 tax year, this tax has been established at the rate of four cents (04¢) per one hundred dollars (\$100) of assessed valuation on all taxable property situated within the District's boundaries, which include Maricopa, Pima, and Pinal Counties.

Taxes levied on behalf of the District pursuant to A.R.S. § 48-3715 should continue to be deposited in the District fund established pursuant to A.R.S. § 48-3712, Subsection A, paragraph 5. For the 1998-99 tax year, this tax has been established at the rate of ten cents (10¢) per one hundred dollars (\$100) of assessed valuation on all taxable property situated within the District's boundaries.

Also enclosed are copies of the correspondence that we recently transmitted to the Clerks of the Boards of Supervisors of Maricopa, Pima, and Pinal Counties regarding these tax levies.

Please contact us if you or your staff have any questions about this matter or about the enclosed resolution.

Sincerely yours,

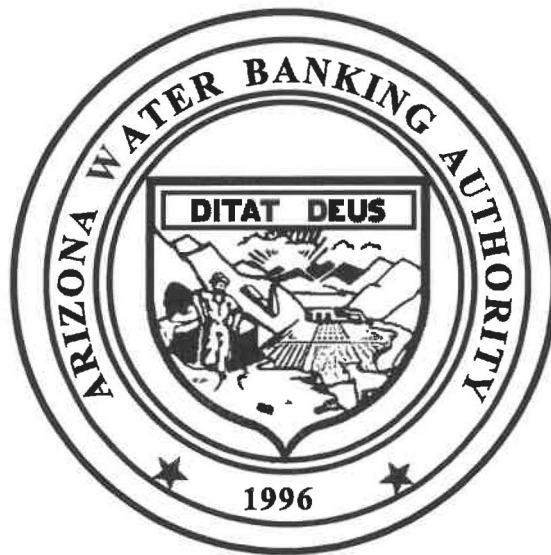
David S. "Sid" Wilson, Jr.
General Manager

S:\WILSON\WTRSTRG.TAX
Enclosures

Arizona Water Banking Authority

Facility Plan

Tucson Active Management Area



August 19, 1998

I. Introduction

Under Arizona law, the Arizona Water Banking Authority (“AWBA”) was required to complete a Facilities Inventory (“Inventory”) of water storage facilities in the state by March 1997. *See* A.R.S. § 45-2452.A. The Inventory was conducted to determine whether existing storage facilities were available to meet the AWBA’s needs for the following ten-year period.

The Inventory examined the three Active Management Areas (“AMAs”) and the remaining regions of the state. Each of the AMAs was examined for existing storage facilities that are physically capable of storing CAP water. That capacity was then compared to estimated AWBA storage needs for each area. The AWBA assumed that reevaluations of the storage facility inventory would be necessary more frequently than the statutory minimum of every five years, particularly in the early years of the AWBA’s operation.

To ascertain the quantities of water the AWBA needs to recharge in order to protect Arizona municipal and industrial water supplies in years when a drought occurs on the Colorado River, the AWBA used information developed by the Arizona Water Banking Authority Study Commission Subcommittee¹ Planning and Modeling subcommittee. The Planning and Modeling subcommittee examined growth, water supplies and demand assumptions. Using these assumptions, the subcommittee created a model of which examined future Colorado River operating scenarios. The Study Commission used this model to estimate potential water supplies and shortages over the next hundred years in the AMAs and other parts of Arizona. Based on the information developed by the subcommittee, the AWBA concluded that it must recharge approximately 750,000 acre feet (af) of water in the Tucson AMA to create sufficient long-term storage credits to firm municipal and industrial water supplies for the next 100 years.

Based upon a review of available facilities and consideration of certain institutional issues, the Inventory concluded that additional storage facilities are necessary to meet the needs of the AWBA for the next ten years in the Tucson AMA. Based on this determination, the AWBA is required by statute to develop a plan (“Facility Plan”) for additional storage facilities that specifies the type, location, date needed, and capacity of storage facilities necessary to meet the AWBA’s needs. *See* A.R.S. § 45-2453.A.

¹ The AWBA’s enabling legislation established a Water Banking Authority Study Commission (“Study Commission”) to examine potential future opportunities for the AWBA.

II. Facility Plan Development

By law, the AWBA must follow a specific process prior to developing its Facility Plan. The AWBA has completed several of these requirements but must complete them all prior to approving a final plan. In accordance with A.R.S. § 45-2453, the AWBA must do all of the following:

- 1) consider the amount of additional storage capacity needed to meet the AWBA's needs;
- 2) consult with ADWR with respect to where water storage would most contribute to meeting the water management objectives;
- 3) consider the advice of CAWCD regarding the feasibility of delivering and storing CAP water at any proposed storage facility;
- 4) seek the advice of the ADEQ regarding any potential adverse impacts from a proposed storage facility;
- 5) consider the potential costs to the AWBA of facilitating construction or development of a proposed storage facility and cost-effectiveness of any proposed storage facility;
- 6) ask the CAWCD whether it or other entities would be willing to construct, maintain, and operate any proposed storage facility;
- 7) consider the way in which water stored at a proposed storage facility could be used by the Authority to achieve policy goals; and
- 8) consider any other relevant factors.

This Facility Plan identifies the facilities in the Tucson area that could be available to the AWBA to meet its statutory objectives. When developing its annual Plan of Operation the AWBA will determine which facilities will actually be used and the quantity of water to be stored at those facilities in any given year. Based upon available funding and supply, some facilities included in the Facility Plan may not be included in the Plan of Operation.

III. Institutional and Financial Considerations

A. *The Regional Recharge Plan*

After the AWBA's March 1997 Facilities Inventory concluded that the Tucson AMA had insufficient recharge capacity for fulfillment of the AWBA's goals, the Tucson AMA Institutional and Policy Advisory Group (IPAG) and the Regional Recharge Committee (RRC) (a group of technical experts in fields related to recharge) completed a Regional Recharge Plan in November 1997 and presented its findings to the AWBA. The Regional Recharge Plan outlined recharge demand, potential project participants, circumstances that will affect water demand, sources of recharge water, and site assessment and capacity analysis. The Regional Recharge Plan then categorized recharge projects by feasibility, capacity, and groundwater management goals and included models showing varying demand scenarios. The Regional Recharge Plan did not contain specific recommendations to the AWBA but provided an overview of some of the benefits and drawbacks of recharging water in certain facilities (existing and planned) in different areas of the AMA.

In January 1998, the AWBA staff developed a proposed amendment to the Inventory that explained that the Authority would review the Tucson Regional Recharge Plan for guidance and would develop a Plan for additional facilities in the Tucson AMA based upon the process set forth in A.R.S. § 45-2453. The AWBA approved the amendment, which set forth the following approximate time line for completion of the Tucson AMA Facility Plan:

<u>February 1998:</u>	Initiate discussions with ADWR
<u>March 1998:</u>	Initiate discussions with CAWCD
<u>June 1998:</u>	Draft Facility Plan available
<u>August 1998:</u>	Facility Plan ready for Authority approval

In June 1998, the RRC and the IPAG updated the Regional Recharge Plan to include recharge project assessments. The Plan identified possible candidates for the development of additional capacity in the AMA and ranked those candidates based on feasibility, capacity, and ability to achieve groundwater management goals. The specific objectives identified by the Regional Recharge Plan process include maximizing use of renewable water supplies in the Tucson AMA, optimizing sharing of recharge, pumping and transmission facilities, expediting selection, testing, and construction of groundwater recharge facilities, and providing a background document for the Facility Plan that the AWBA must complete. The AWBA has incorporated those findings into this Facility Plan.

The Tucson AMA presents some unique issues for the AWBA. In 1995, Tucson citizens approved Proposition 200, the Water Consumer Protection Act, which limits the ways in which the City of Tucson's CAP allocation can be used. Proposition 200 prohibits delivery of CAP water to potable water customers unless the CAP water is treated to the same quality as Avra Valley groundwater (i.e., the same levels of water hardness, salinity, and dissolved organic material).

~~The City of Tucson is pursuing a recharge strategy that would allow it to comply with the provisions of Proposition 200 and meet the various water supply goals. This strategy would replace~~

pumping from the City's Central Well field with water recovered from the Central Avra Valley Storage and Recovery Project (CAVSARP), a large direct recharge facility. Because of the uncertainty as to the quantity of water Tucson needs to recharge in light of the legal requirements imposed by Proposition 200, the AWBA was required to find additional sites to accomplish its recharge without impinging upon Tucson's need to recharge water for current use. Other sites are being considered and developed, many of which will offer potential storage opportunities for the AWBA. Currently two other direct recharge facilities in the Tucson AMA (the Avra Valley Recharge Project (AVRP) and the Pima Mine Road facility (PMR)) are on-line and will help the AMA achieve its water management goals.

The AWBA is recharging as much water as possible at those three facilities and as other facilities become available, the AWBA will utilize those facilities to the extent that it is practicable, cost-efficient, and meets some or all of the groundwater management objectives.

B. *Financial Considerations*

In addition to determining where to recharge water for maximum benefit to the AMA and to fulfill the state's groundwater management objectives, the AWBA must also take into consideration the limited funding and the cost to recharge water in the Tucson AMA. Much of the AWBA's money comes from existing revenue sources and from fees that are charged to those benefiting directly from the stored water. The three sources of funding include:

- Fees for groundwater pumping are currently collected within the Phoenix, Pinal, and Tucson Active Management Areas (AMAs). For the Tucson AMA pumping fees for water banking purposes are \$2.50 per acre foot. The long-term credits developed by these fees may be distributed or extinguished to implement Indian settlements or to meet water management objectives. *Money from this source must be used for the benefit of the Active Management Area in which it was collected.*
- The CAWCD is authorized to levy a four-cent *ad valorem* property tax through 2016 in the CAP service area to pay for water storage. The long-term credits developed by the property tax must be distributed to CAWCD to meet the demands of CAWCD's municipal and industrial users during times of shortages to or disruptions of the Central Arizona Project. *Money from this source must be used to benefit the county in which it was collected.*
- A general fund appropriation in the amount the Arizona Legislature and Governor believe will allow the AWBA to fulfill its objectives. The 1997 appropriation amounted to \$2 million but none was expended in the Tucson area. The long-term credits developed with these funds may be used to assist communities along the Colorado River, meet the demands of CAWCD's municipal and industrial users during times of shortages to or disruptions of the CAP, to help the State meet its water management objectives or as a component of an Indian water rights settlement.

Based on funds collected for the Tucson AMA in 1997, the AWBA estimates that approximately \$1.9 million (\$1.2 million from the four-cent tax and \$700,000 from groundwater pumping fees) will be available annually for recharge. Based upon current CAP delivery rates of

approximately \$45 per acre foot and the average per acre foot recharge cost in the Tucson AMA of approximately \$15 per acre foot, the AWBA estimates that recharge in the Tucson AMA will cost approximately \$60 per acre foot annually. For purposes of determining annual estimated recharge capability based on the expected funding developed in the area, Tucson recharge activity could be limited to approximately 32,000 acre feet annually in the Tucson AMA. **Tables 1-3** show these findings. Based on this estimate, the AWBA will need to expend some general fund monies to meet its firming objectives.

Table 1

Available Arizona Water Banking Authority Funds	
Four-Cent Tax	\$1.2 million
Groundwater Pumping Fees	.7 million
Total	\$1.9 million

Table 2

Average Cost of Recharge in Tucson Area	
CAP Delivery Rate	\$45 per acre foot
Average Direct Recharge Facility Rate	\$15 per acre foot
Total	\$60 per acre foot

Table 3

Annual Capacity Capability	
Funds Available	\$1.9 million
Average Cost of Recharge in Tucson AMA	\$60 per acre foot
Total (in acre feet)	32,000 acre feet annually

IV. Available Facilities

In order to develop the Facility Plan, AWBA staff consulted CAWCD staff and representatives from the Tucson IPAG. The AWBA staff then relied in part on the Regional Recharge Plan when it considered potential recharge facilities including current estimates of capacity for water storage, and how the AWBA's objective would be achieved. **Table 4** contains a description of water storage facilities and discusses the applicability of the six factors that will determine the AWBA's level of participation: capacity, firming, groundwater management, Indian water rights settlement opportunities, Interstate storage opportunities, and ability to recover water. **Table 5** provides a shorthand chart showing the facilities' relative ability to meet the AWBA goals.

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Table 4

Project-by-Project Analysis of Water Storage Facilities

Project/Description	Status	Participants	Opportunity for Water Bank Participation
<p>Lower Santa Cruz Replenishment Project (USF) (State Demonstration Project)</p> <p>Located south of the Santa Cruz River between Sanders Road and Avra Valley Road.</p> <p>Direct recharge facility consisting of off-channel constructed shallow spreading basins.</p> <p>Facility life 20 years.</p>	<p>Permit found complete and correct and is being drafted.</p> <p>Phase 1 capacity is 12,000-13,000 acre feet (af). Full-scale design capacity is 30,000 acre feet per year (afa).</p> <p>Available for storage in 2000 for up to 12,000 af a year.</p> <p>The AWBA is not competing with other entities at this location.</p>	<p>Pima County Flood Control District (PCFCD) CAWCD (Operator) Town of Marana ADWR (funding) USBR (funding) Metropolitan Water District (Metro) (funding)</p> <p>Operating IGA CAWCD PCFCD Town of Marana</p>	<p><u>Capacity:</u> Most of the Phase 1 capacity would be available to the AWBA (12,000 af in 2000)</p> <p><u>Firming:</u> This facility is a good site for long-term carry over storage because water is likely to continue to be available for recovery in the future.</p> <p><u>Water Management:</u> Because of its location in the AMA this facility does not rank as high as others in its potential for addressing water management concerns.</p> <p><u>Indian Settlement:</u> Minimal opportunity for this facility to be used in Indian settlement</p> <p><u>Interstate:</u> Facility could be used for interstate banking. However, recovery could be an issue.</p> <p><u>Recovery:</u> Recovery most likely by direct pumping back to the aqueduct with minimal opportunity for exchange.</p>
<p>Cañada del Oro Recharge and Recovery Project (USF)</p> <p>Located in the vicinity of the confluence of the Cañada Del Oro and Big Wash north of Tucson.</p> <p>Direct recharge facility using spreading basins and a managed facility utilizing in-channel recharge.</p> <p>The project is one element of a Northwest Tucson AMA Replenishment Program.</p> <p>It would require CAP water to be pumped to two recharge areas and for direct use by golf courses.</p> <p>This project involves significant capital investment</p> <p>Facility life unknown.</p>	<p>Ongoing feasibility studies</p> <p>No permit application pending</p> <p>Pilot testing studies funded</p> <p>Funding required for construction</p> <p>Estimated capacity 30,000 af annually</p> <p>Available 2005</p>	<p>Town of Oro Valley (study funding) Metro (study funding) ADWR (study funding) USBR (study funding) PCFCD (land) Town of Marana (study funding)</p>	<p><u>Capacity:</u> Most of the capacity would be available in early years of project prior to sponsors' need to use facility (30,000 af in 2005). Could require funding assistance.</p> <p><u>Firming:</u> Because of high cost and the need for exchanges minimal opportunities.</p> <p><u>Water Management:</u> The facility is rated in the highest grouping for ability to meet water management objectives.</p> <p><u>Indian Settlement:</u> Minimal opportunity for this facility to be used in Indian settlement.</p> <p><u>Interstate:</u> Sponsors are interested in interstate participation especially in the ramp-up years when the facility capacity is much greater than expected demand.</p> <p><u>Recovery:</u> Sponsors will be able to exchange up to 10,000 af of CAP allocations and recover credits through existing wells. Direct pumping to the aqueduct is unlikely.</p>

Project-by-Project Analysis of Water Storage Facilities

Project/Description	Status	Participants	Opportunity for Water Bank Participation
<p>Avra Valley Recharge Project (USF) <i>(State Demonstration Project)</i></p> <p>Located to the northeast of the Avra Valley Airport, less than one mile south of Tangerine Road and about one mile east of Sanders Road.</p> <p>Direct recharge facility utilizing shallow spreading basins.</p> <p>Project life unknown.</p>	<p>Permit for a full scale project has been issued</p> <p>Permitted capacity is 11,000 afa</p> <p>Facility is fully operational and currently available</p>	<p>CAWCD (operator) Metro BKW Farms (conveyance system)</p>	<p><u>Capacity:</u> Metro has an agreement to store water at this facility. Approximately 50% of the facility capacity could be available (5,500 af in 1999). GRD will use this facility in the future.</p> <p><u>Firming:</u> This facility is a good site for long-term carry over storage because water is likely to continue to be available for recovery in the future.</p> <p><u>Water Management:</u> Because of its location in the AMA this facility does not rank as high as others in potential for addressing water management concerns.</p> <p><u>Indian Settlement:</u> Minimal opportunity for this facility to be used in Indian settlement.</p> <p><u>Interstate:</u> Minimal opportunity for this facility to be used for interstate banking.</p> <p><u>Recovery:</u> Recovery most likely by direct pumping back to the aqueduct with minimal opportunity for exchange. Facility is close to the aqueduct.</p>
<p>Pima Mine Road (USF) <i>(State Demonstration Project)</i></p> <p>Located to the north of Pima Mine Road along the Old Nogales Highway east of the Santa Cruz River and south of Tucson.</p> <p>Located near the end of the main CAP aqueduct.</p> <p>Direct recharge facility utilizing shallow spreading basins.</p> <p>Project life unknown.</p>	<p>Currently permitted as pilot project for 10,000 af over two years.</p> <p>Pilot facility is fully operational and currently available.</p> <p>As a full scale project existing facility capacity 15,000 af annually</p> <p>Full scale existing facility available in 2000</p> <p>Potential full scale permit capacity is 30,000 af annually.</p> <p>Full scale facility funded and should be available in 2001</p>	<p>CAWCD (operator) Tucson Water</p>	<p><u>Capacity:</u> Tucson Water has an agreement for 50% of the facility capacity with the first right of refusal for the other 50%. Currently 50% of the facility capacity is available. (7,500 af in 1999) Potential for additional capacity in 2003. GRD will use this facility in the future.</p> <p><u>Firming:</u> Because of its location south of Tucson, The major M&I subcontractor in the Tucson area it is an excellent facility for firming.</p> <p><u>Water Management:</u> This project rated in the second highest grouping for water management objectives, it is in a critical overdraft area, and could mitigate pumping in Central Well Field.</p> <p><u>Indian Settlement:</u> Because of its location, it could be useful from the perspective of the SAWRSA settlement.</p> <p><u>Interstate:</u> Because of its location at the end of the CAP and competing interest in its capacity, minimal opportunity to be used for interstate banking.</p> <p><u>Recovery:</u> Recovery most likely through exchange with Tucson Water, the holder of the largest CAP subcontract in the area. The City of Tucson may build well fields in the vicinity in the future to recover water in compliance with the SAWRSA settlement. Direct pumping back to the aqueduct not an option at this facility.</p>

Project-by-Project Analysis of Water Storage Facilities

Project/Description	Status	Participants	Opportunity for Water Bank Participation
<p>Upper Santa Cruz Phase 1</p> <p>Extension of the main aqueduct into Green Valley, located near the end of the main CAP aqueduct.</p> <p>Sahuarita GSF proposes recharging CAP water in lieu of pumping groundwater at the FICO-Sahuarita farm located west of the CAP terminus at Pima Mine Road.</p> <p>Potential for a direct recharge of CAP water in the Santa Cruz River channel.</p> <p>Project life unknown.</p>	<p>The project is not currently funded, though ADWR has funded a feasibility study that is near completion as of August 1998.</p>	<p>ADWR USCWUG FICO</p>	<p><u>Capacity:</u> Possible capacity of 20,000 afa at the FICO-Sahuarita GSF and 10,000 afa in the in-channel component.</p> <p><u>Firming:</u> Firming potential may be limited by location. No long-term CAP contracts in area, which limits potential for water exchanges.</p> <p><u>Water Management:</u> Ranks in second highest grouping for water management benefits with potential to positively impact groundwater declines.</p> <p><u>Indian Settlement:</u> Potential to positively impact SAWRSA settlement.</p> <p><u>Interstate:</u> Because of its location near the end of the CAP aqueduct minimal opportunity to be used for interstate banking</p> <p><u>Recovery:</u> Recovery most likely through exchange with Tucson Water. A well field would have to be built in the vicinity in the future to recover water. Direct pumping back to the aqueduct not an option at this facility. Endangered Species Act limitations could limit recharge and recovery. Recovery will likely take place downstream of actual recharge facility.</p>
<p>Central Avra Valley Storage and Recovery Project (CAVSARP)</p> <p>USF stores CAP water in off-channel shallow spreading basins. Located north of Mile Wide Road and one mile west of Sanders Road.</p> <p>Project life unknown.</p>	<p>Pilot phase of this facility is operating and is permitted for storage of 10,000 af over two years. An application for an extended pilot phase of five years for 15,000 afa has been submitted to the ADWR.</p> <p>Full scale capacity expected to be 60,000 afa in 2002.</p> <p>Facility is fully funded, but expansion to the 15,000 afa project and the full-scale project is dependent on results of pilot studies</p>	<p>Tucson Water (facility, storage)</p>	<p><u>Capacity:</u> Pilot phase permitted for storage of 10,000 af over two years. Extended pilot phase 15,000 afa. Full scale capacity, expected to be 60,000 afa. AWBA could recharge up to 7,500 afa for three years.</p> <p><u>Firming:</u> Excellent site for firming. Tucson is a major CAP M&I user.</p> <p><u>Water Management:</u> Highest ranking for water management objectives, contingent upon development of a full-scale project to offset the use of groundwater wells in the central well field.</p> <p><u>Indian Settlement:</u> Minimal potential for assistance with Indian water rights settlements. Would require a water exchange mechanism.</p> <p><u>Interstate:</u> While some opportunity may exist because of competing interest in its capacity, those opportunities are minimal.</p> <p><u>Recovery:</u> Highest ranking for recovery -- both recharge and recovery takes place on-site and can be accomplished with minimal disruption to Tucson Water.</p>

Project-by-Project Analysis of Water Storage Facilities

Project/Description	Status	Participants	Opportunity for Water Bank Participation
<p>San Xavier Arroyos</p> <p>USF stores CAP water by recharging through arroyos to the west of Interstate 10 and the main channel of the Santa Cruz River.</p> <p>The main purpose is to restore and create riparian habitat area on the Reservation.</p> <p>Project life unknown.</p>	<p>A short-term pilot was conducted at this facility in summer 1997.</p> <p>The project is partially funded, in that Tucson has supplied treated CAP water and CAWCD prepared blowouts.</p>	<p>San Xavier District (Water Protection Fund grant-funded study) CAWCD, Tucson, USBR (prepared blowouts)</p>	<p><u>Capacity:</u> Capacity is estimated at 9,000 afa for the four arroyos, but because the project is primarily for habitat restoration, actual recharge capacity is unknown</p> <p><u>Firming:</u> Ranks low for long-term drought protection because of capacity and location.</p> <p><u>Water Management:</u> Potential water management benefit ranked in second highest grouping</p> <p><u>Indian Settlement:</u> Potential for participation in SAWRSA settlement.</p> <p><u>Interstate:</u> Because of location and need for an IGA, not useful for interstate banking.</p> <p><u>Recovery:</u> For anything other than settlement, an IGA would be required for the State to recognize water stored on the Reservation.</p>
<p>San Xavier Santa Cruz River</p> <p>USF proposes to recharge CAP water in the main channel or on adjacent terraces of the Santa Cruz River from where it crosses Pima Mine Road, extending north to Valencia Road.</p> <p>Turnout facility currently exists.</p> <p>Project life unknown.</p>	<p>The San Xavier District Council has considered and approved this project, but the Tohono O'odham Nation has not formally considered this project or endorsed it. Facility is not funded.</p>	<p>San Xavier District Tucson Water</p>	<p><u>Capacity:</u> Proposed facility has a possible capacity of 10,000 afa.</p> <p><u>Firming:</u> Because it is located south of Tucson, there is an opportunity for firming. Could require additional IGA and exchange agreements with Tucson Water.</p> <p><u>Water Management:</u> Potential water management benefits ranked in the highest grouping.</p> <p><u>Indian Settlement:</u> Because of location on Reservation, strong potential for participation in the SAWRSA settlement.</p> <p><u>Interstate:</u> Because of location and need for an IGA, not useful for interstate banking.</p> <p><u>Recovery:</u> For anything other than settlement, an IGA would be required for the State to recognize water stored on the Reservation. Because of location on Reservation, Tucson Water would need to locate wells in the vicinity.</p>

Project-by-Project Analysis of Water Storage Facilities

Project/Description	Status	Participants	Opportunity for Water Bank Participation
<p>Cortaro Marana Irrigation District (CMID)</p> <p>Groundwater Savings Facility (GSF) receives CAP water in lieu of pumping groundwater. This facility is roughly located from Tangerine Road north to the Pima/Pinal county border and southwest of Interstate 10 to one mile west of Trico Road.</p> <p>Project life unknown.</p>	<p>Facility is currently operating.</p> <p>Facility is fully funded.</p> <p>For the ABWA to use this facility the AWBA needs to develop a new pricing concept.</p>	<p>CMID (facility) CAWCD (storage) Spanish Trail Water Co. (storage) Community Water Co. Of Green Valley (storage) City of Tucson (storage)</p>	<p><u>Capacity:</u> A permit to expand from 10,000 afa to 20,000 afa has been issued. Potential for all or some of expanded capacity may be available to AWBA.</p> <p><u>Firming:</u> This facility is a good site for long-term carry over storage because water is likely to continue to be available for recovery in the future.</p> <p><u>Water Management:</u> Somewhat low value for groundwater management objectives because of location in north end of AMA.</p> <p><u>Indian Settlement:</u> Because of location, not useful for Indian water rights settlement purposes.</p> <p><u>Interstate:</u> Opportunities for exchange are limited because CMID does not have a CAP subcontract.</p> <p><u>Recovery:</u> Water would be directly pumped into the CAP canal.</p>
<p>BKW Farms</p> <p>GSF receives CAP water in lieu of pumping groundwater. Roughly located south of the Santa Cruz River to Emigh Road between Trico Road and Silverbell Road.</p> <p>Project life unknown.</p>	<p>Currently operating.</p> <p>Permitted to store 8,800 afa. Application for expansion to 16,614 afa has been submitted and found incomplete and incorrect.</p> <p>Facility is fully funded.</p> <p>Tucson Water intends to store water here in 2002.</p> <p>For the ABWA to use this facility the AWBA needs to develop a new pricing concept.</p>	<p>CAWCD (facility, storage) Metro (storage) City of Tucson (storage) Community Water Co. of Green Valley</p>	<p><u>Capacity:</u> Existing storage capacity of 8,800 afa already committed to other participants; potential capacity for AWBA if facility expanded.</p> <p><u>Firming:</u> This facility is a good site for long-term carry over storage because water is likely to continue to be available for recovery in the future.</p> <p><u>Water Management:</u> Because of its location in the AMA this facility does not rank as high as others in its potential for addressing water management concerns.</p> <p><u>Indian Settlement:</u> Minimal opportunity for this facility to be used in Indian settlement</p> <p><u>Interstate:</u> Facility could be used for interstate banking.</p> <p><u>Recovery:</u> Minimal opportunity for recovery because an exchange with CAP subcontractors would be required. Direct pumping back to the aqueduct not likely.</p>

Project-by-Project Analysis of Water Storage Facilities

Project/Description	Status	Participants	Opportunity for Water Bank Participation
<p>Avra Valley Irrigation District (AVID)</p> <p>GSF receives CAP water in lieu of using groundwater between Trico and Sanders Roads on either side of Avra Valley Road west of the Santa Cruz River.</p> <p>Project life unknown.</p>	<p>Facility is permitted to store 12,513 afa.</p> <p>Facility is fully funded except for a conveyance ditch.</p> <p>For the ABWA to use this facility the AWBA need to develop a new pricing concept.</p>	<p>Herb Kai (facility) Metropolitan (Storage)</p>	<p><u>Capacity:</u> In 1999, 8,000 af available to AWBA.</p> <p><u>Firming:</u> This facility is a good site for long-term carry over storage because water is likely to continue to be available for recovery in the future.</p> <p><u>Water Management:</u> Because of its location in the AMA this facility does not rank as high as others in its potential for addressing water management concerns.</p> <p><u>Indian Settlement:</u> Minimal opportunity for this facility to be used in Indian water rights settlements.</p> <p><u>Interstate:</u> Facility could be used for interstate banking.</p> <p><u>Recovery:</u> Recovery most likely by direct pumping back to aqueduct with minimal opportunity for exchange.</p>
<p>ASARCO</p> <p>GSF proposes delivery of CAP water to the ASARCO water recycling pond at Pima Mine Road in lieu of pumping groundwater</p> <p>Project life unknown.</p>	<p>This project to store 5,000 afa is currently under investigation through an ADWR contract. Previously reviewed as part of ADWR study on CAP water use in mines.</p> <p>Facility is not funded</p>		<p><u>Capacity:</u> 5,000 af available to AWBA.</p> <p><u>Firming:</u> Not a likely candidate.</p> <p><u>Water Management:</u> Minimal opportunity for water management objectives.</p> <p><u>Indian Settlement:</u> Possibility for contribution to Indian water rights settlements.</p> <p><u>Interstate:</u> Minimal opportunity for interstate water banking.</p> <p><u>Recovery:</u> Would have to be accomplished by water exchanges.</p>





Project-by-Project Analysis of Water Storage Facilities

Project/Description	Status	Participants	Opportunity for Water Bank Participation
<p>KAI Farms at Picacho</p> <p>GSF receives CAP water in lieu of pumping groundwater. This facility is located in Pinal County east of the Town of Red Rock, south of Neuman Peak to Park Link Road, and between the Interstate 10 and Pecan Road.</p> <p>Project permitted through 2006.</p>	<p>The facility is operating and is permitted to store 11,231 afa.</p> <p>For the ABWA to use this facility the AWBA need to develop a new pricing concept.</p>	<p>Metro (storage) CAWCD (storage) Spanish T rail Water Co. (storage) Oro Valley (storage) Green Valley (storage) Tucson Water (storage)</p>	<p><u>Capacity:</u> 11,200 afa would be available to AWBA.</p> <p><u>Firming:</u> This facility is a good site for long-term carry over storage because water is likely to continue to be available for recovery in the future.</p> <p><u>Water Management:</u> Because of location, ranks low for addressing water management concerns.</p> <p><u>Indian Settlement:</u> Minimal opportunity for this facility to be used in Indian settlement</p> <p><u>Interstate:</u> Facility could be used for interstate banking.</p> <p><u>Recovery:</u> Recovery most likely by direct pumping back to aqueduct with minimal opportunity for exchange.</p>
<p>Pascua Yaqui</p> <p>USF proposes to store CAP water west of the CAP canal alignment in the western portion of the Pascua Yaqui Reservation using spreading basins.</p> <p>Project life unknown.</p>	<p>Proposed capacity if 10,000 afa.</p> <p>Potential for AWBA participation in this facility, but project is conceptual at this time.</p> <p>Facility is not funded.</p>		<p><u>Capacity:</u> 5,000 af available to AWBA.</p> <p><u>Firming:</u> Not a likely candidate.</p> <p><u>Water Management:</u> Minimal opportunity for water management objectives.</p> <p><u>Indian Settlement:</u> Possibility for contribution to Indian water rights settlements.</p> <p><u>Interstate:</u> Minimal opportunity for interstate water banking.</p> <p><u>Recovery:</u> Would have to be accomplished by water exchanges.</p>

Project-by-Project Analysis of Water Storage Facilities

Project/Description	Status	Participants	Opportunity for Water Bank Participation
<p>BKW Farms at Mile Wide</p> <p>GSF proposes to store CAP water in lieu of groundwater west of the CAP canal between Fort Lowell and Mile Wide Roads.</p> <p>Project life unknown.</p>	<p>Proposed capacity of this facility is 627.2 afa.</p> <p>An application has been received and is currently incomplete and incorrect.</p> <p>Facility is fully funded.</p> <p>For the ABWA to use this facility the AWBA need to develop a new pricing concept.</p>		<p><u>Capacity:</u> Existing storage capacity may already be committed to other participants.</p> <p><u>Firming:</u> Minimal opportunity for firming.</p> <p><u>Water Management:</u> Because of its location in the AMA this facility does not rank as high as others in its potential for addressing water management concerns.</p> <p><u>Indian Settlement:</u> Minimal opportunity for this facility to be used in Indian settlement</p> <p><u>Interstate:</u> Facility could be used for interstate banking.</p> <p><u>Recovery:</u> Minimal opportunity for recovery because exchanges with CAP subcontractor would be required. Direct pumping back to aqueduct not likely.</p>

Table 5

<p align="center">Opportunity to Meet AWBA Goals</p> <p align="center">     </p> <p align="center"> Excellent Good Minimal Not likely </p>															
	LSCRP	Cañada del Oro	AVRP	PMR	USC Phase 1	CAVSARP	San Xavier Arroyos	San Xavier SCR	CMID	BKW	AVID	ASARCO	KAI Picacho	Pascua Yaqui	BKW Mile Wide
Goal															
Firming M&I															
Groundwater Management															
Indian Settlements															
Interstate Storage															
Recovery															

V. Facility Plan

AWBA staff reviewed each facility identified by the IPAG and RRC members. AWBA staff then examined each site for its respective ability to fulfill the AWBA's goals (obtaining sufficient capacity, firming M&I supplies, managing groundwater supplies, helping to facilitate Indian water rights settlements, participating in interstate storage, and coordinating eventual recovery of banked water). The analysis indicates that the AWBA will not need to develop additional facilities in order to fulfill its policy goals because sufficient capacity will be available at facilities that other water entities will develop. Though sufficient storage capacity will not be available for several years, the AWBA is not likely to develop new direct recharge facilities in the near term to acquire additional capacity in the early years.

The AWBA could, however, increase the capacity available to it in the early years by modifying its participation in Groundwater Savings Facilities (GSF) in the Tucson area. In the Tucson area, the AWBA's ability to participate in GSFs has been limited because irrigators in the area can pump groundwater more cheaply than in other areas. Additionally, in order to develop a GSF in the Tucson area, additional infrastructure must be constructed to move the water from the CAP aqueduct to the farms. Because of these money-driven factors, some capacity is not being developed. If the AWBA could finance the development of the infrastructure needed, additional GSFs could be permitted and additional capacity could be made available to the AWBA in the near term. GSFs can generally be constructed and permitted more quickly than underground storage facilities.

Table 6 shows the storage capacities available to the AWBA for the next ten years and is based on information provided in the Regional Recharge Report and discussions with interested parties about capacity and expansion of the facilities.

Table 6

Storage Available to AWBA <i>in acre feet/year</i>						
Facility	1999	2000	2001	2002	2003	2004-2008
Avra Valley Recharge Project ¹	5,000	5,000	5,000	5,000	5,000	5,000
CAVSARP	7,500	7,500	7,500	15,000 ²	15,000 ²	15,000 ²
Pima Mine Road ¹	7,500	7,500	7,500	15,000	15,000	15,000
Lower Santa Cruz ¹	0	5,000	12,000	12,000	12,000	12,000
Avra Valley Irrigation District	8,000	8,000	8,000	8,000	8,000	0
Upper Santa Cruz Phase 1	0	0	0	10,000	10,000	10,000
Total Available Annually	28,000	32,000	40,000	65,000	65,000	57,000

¹ The amounts are conservative because partner participation is unknown at this time. Any remaining capacity would be available to the AWBA.

² This figure assumes CAVSARP's expansion to a 60,000 af facility.

In addition to the facilities identified in **Table 6**, several facilities could be available with appropriate agreements (such as Indian settlement agreements or interstate storage agreements). The Cañada del Oro facility could be available for interstate banking after the year 2005, and the San Xavier Arroyos, the Santa Cruz River, and the Pascua Yaqui sites could be used for Indian water rights settlements.

As shown in **Table 6**, by 2002 as much as 65,000 afa could be available to the AWBA. This capacity will most likely exceed the AWBA's funding capability for the Tucson area even if additional general funds are made available.

DRAFT

**AGREEMENT FOR STORAGE OF WATER
AT THE
PIMA MINE ROAD RECHARGE PROJECT**

1. PARTIES:

This Agreement is made and entered into the ____ day of _____, 1998, by and between the CENTRAL ARIZONA WATER CONSERVATION DISTRICT, hereinafter referred to as "CAWCD", and the ARIZONA WATER BANKING AUTHORITY, hereinafter referred to as the "Authority".

2. RECITALS:

- 2.1 CAWCD has constructed and is responsible for operating the Pima Mine Road Recharge Project ("PMRRP"), which is located approximately fifteen miles south of Tucson, north of Pima Road in sections 19 and 30 of Township 16 South, Range 14 East, Pima County, Arizona.
- 2.2 The Arizona Department of Water Resources has issued CAWCD a pilot underground storage facility permit for the PMRRP. The Permit authorizes the underground storage of 10,000 acre-feet of water at the PMRRP prior to the expiration date of the Permit, which is December 31, 1999. At the completion of the pilot recharge project, CAWCD intends to obtain a full-scale underground storage permit to store up to 30,000 acre-feet annually at the PMRRP for a period of 20 years.
- 2.3 The Arizona Legislature has declared that it is the public policy of the State of Arizona to use the Central Arizona Project to deliver Colorado River water that would otherwise be unused in Arizona for purposes specified in A.R.S. Section 45-2401.

- 2.4 The Arizona legislature has created the Authority to implement this policy.
- 2.5 CAWCD, the Authority and the Department of Water Resources have entered into an intergovernmental agreement providing for, among other things, the purchase of excess CAP water by the Authority for storage at permitted underground storage facilities.
- 2.6 The Authority desires to store excess CAP water at the PMRRP and CAWCD agrees to make available unused storage capacity at the PMRRP for such storage, in accordance with the provisions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing, the payments to be paid by the Authority, and the covenants and agreements contained in this Agreement, and other good and valuable consideration, CAWCD and the Authority agree as follows:

3. **DEFINITIONS:**

- 3.1 AUTHORITY WATER: Excess CAP water made available by CAWCD to the Authority for underground storage, which water would not otherwise have been used within Arizona.
- 3.2 AVAILABLE OPERATING CAPACITY: The annual amount of water, in acre-feet, that can be legally and physically stored in the PMRRP, as determined by CAWCD. The capability of the PMRRP to infiltrate water may change due to factors which may include, but are not limited to, operating conditions in the PMRRP and the CAP, the downtime necessary for maintenance and repairs of the PMRRP and operational requirements described in the Permit.
- 3.3 PMRRP TURNOUT: The point on the CAP aqueduct at which CAP water is diverted into the Pima Mine Road Recharge Project pipeline for delivery to the PMRRP.
- 3.4 CENTRAL ARIZONA PROJECT (CAP): The water delivery works

of the CAP including, but not limited to, the CAP canal, its turnout structures and associated measuring devices.

3.5 INTERGOVERNMENTAL AGREEMENT: The Intergovernmental Agreement among the Authority, the Arizona Department of Water Resources and CAWCD and any amendments or supplements thereto.

3.6 PARTY/PARTIES: Either one or both of the parties to this Agreement.

3.7 PERMIT: The Constructed Underground Storage Facility Permit issued by the Arizona Department of Water Resources for the PMRRP facility, permit no. 71-552809.

4. **THE INTERGOVERNMENTAL AGREEMENT:**

The Intergovernmental Agreement is incorporated into and made a part of this Agreement.

5. **SCOPE OF SERVICES:**

This Agreement is limited to the storage of Authority Water at the PMRRP by CAWCD for the benefit of the Authority. CAWCD shall deliver Authority Water, which is scheduled by the Authority for storage at the PMRRP in accordance with the IGA, to the PMRRP and CAWCD shall store such water underground at the PMRRP for the benefit of the Authority.

6. **TERM OF AGREEMENT:**

This Agreement shall become effective when executed by both Parties and shall remain in effect until its expiration on December 31, 2001, unless the Parties agree in writing to extend the term or unless it is sooner terminated or canceled in accordance with the provisions of this Agreement.

7. **CONDITIONS RELATING TO STORAGE:**

7.1 All storage of Authority Water at the PMRRP shall be consistent with Arizona water law.

times, comply with the Permit. CAWCD shall be responsible for filing annual reports as required by the Permit. If the Permit is canceled or expires for any reason, the Authority may terminate this Agreement.

8. PROCEDURE FOR SCHEDULING STORAGE CAPACITY:

8.1 As soon as practicable after the date of execution of this Agreement, the Authority shall submit to CAWCD a proposed schedule indicating the amount of AVRP storage capacity it desires to use during the year in which this Agreement is executed.

Thereafter, on or before October 1 of each year, the Authority shall submit to CAWCD a proposed schedule indicating the amount of AVRP storage capacity the Authority desires to use during the following year.

8.2 As soon as practicable after receipt of the Authority's proposed schedule following the execution of this Agreement, CAWCD shall return to the Authority the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of AVRP storage capacity that is available to the Authority for the year in which this Agreement is executed. Thereafter, on or before November 15 of each year, CAWCD shall return to the Authority the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of AVRP storage capacity that is available to the Authority for the following year.

9. WATER STORAGE RATE:

9.1 The estimated rate for water storage at the AVRP for 1998 is \$15.00 per acre-foot. This rate consists of the following components: a wheeling charge in the amount of \$7.50 per acre-foot, a land lease charge in the amount of \$1.50 per acre-foot, and an estimated operation and maintenance (O&M) charge in the amount of \$6.00 per acre-foot. The O&M component of the water storage rate consists of the costs of operating, maintaining and

\$2.50 per acre-foot and an estimated operation charge of \$7.50 per acre-foot. The maintenance component of the water storage rate consists of the costs of maintaining the facility, including but not limited to: scraping the basins, weed removal, miscellaneous berm and facility repairs. The operating component of the water storage rate consists of the costs of hydrologic monitoring, including but not limited to: water level measurements, water quality sampling and lab analysis costs, and data management and reporting. The water storage rate is an estimated cost. The actual cost for 1998 may be higher or lower. At the end of 1998, and each year thereafter if necessary, CAWCD will compute the actual costs of the PMRRP for the previous 12-month period. If the actual costs are higher than the estimated costs included in the water storage rate, CAWCD will bill the Authority for the difference in proportion to the amount of the PMRRP storage capacity utilized by the Authority during the year. The Authority shall pay CAWCD within 30 days of receipt of such bill. If the actual costs are lower than the estimated costs, CAWCD will either, at the Authority's election, pay the Authority the difference in proportion to the amount of the PMRRP capacity utilized by the Authority during the year, or credit such amount to the Authority's account for the following year.

- 9.2 The rate for water storage at the PMRRP may be adjusted annually by CAWCD. Notice of the adjusted rate shall be provided to the Authority by November 15 of the then current year. Such rate shall be effective January 1 of the following year and remain in effect until next adjusted.
- 9.3 The Authority shall pay the rate for water storage, as described in Section 9.1, for each acre-foot of excess CAP water delivered to the PMRRP on behalf of the Authority, as measured at the PMRRP Turnout. Payment of the rate for water storage, as described in

Section 9.1 is not related to and is not contingent on the Authority's accrual of long-term storage credits from water stored at the PMRRP.

9.4 If storage capacity becomes available at the PMRRP in any year during the term of this Agreement because a lessee decides not to store the full amount of water it had scheduled for storage during such year, and if the Authority desires to utilize this additional storage capacity, CAWCD shall use its best efforts to deliver Authority Water to the PMRRP during such year so that the Authority may utilize this additional storage capacity.

10. OPERATING AGENT:

10.1 CAWCD shall be responsible for operating the PMRRP.

10.2 CAWCD shall retain sole responsibility and authority for decisions relating to the PMRRP operating and maintenance practices, including maintenance scheduling and the selection of periods when maintenance will be done.

10.3 Whenever practicable, CAWCD shall inform the Authority ninety (90) days in advance of any matter which may substantially affect the PMRRP or the rights of the Authority.

11. DESTRUCTION/RECONSTRUCTION OF THE PMRRP:

In the event of destruction of all or part of the PMRRP, CAWCD may repair or reconstruct the PMRRP, but CAWCD shall not be obligated to do so.

12. WATER MEASUREMENT AND ACCOUNTING:

12.1 CAWCD shall base its accounting for water delivered to the PMRRP on actual measurements, methods required by the Permit and/or generally accepted accounting and engineering practices.

12.2 CAWCD shall install and maintain a flow measurement system to measure the amount of water diverted from the CAP into the PMRRP. CAWCD shall test and maintain the accuracy of this

system within plus or minus 5 percent of actual flows.

- 12.3 CAWCD shall determine evaporation losses representative of the conditions at or near the PMRRP using the method indicated in the Permit or using actual measurements, when available. Any other losses in the PMRRP shall be calculated using generally accepted engineering practices.
- 12.4 All losses that occur at the PMRRP, other than by evaporation, will be calculated using generally accepted engineering practices and water-level readings from the gages in the basins.
- 12.5 CAWCD shall prepare a monthly water accounting report of water stored at the PMRRP for the Authority. The report shall include the daily amount of water stored and the losses calculated as described in this Section.
- 12.6 CAWCD shall provide the Arizona Department of Water Resources with reports for the PMRRP as required by the Permit.
- 12.7 The water accounting reports prepared pursuant to this Section shall be sent to the Authority monthly and shall be retained by CAWCD for at least three years.

13. **WATER QUALITY:**

The Authority shall indemnify and hold harmless CAWCD against losses to third parties resulting from water quality degradation or harm to property caused by the Authority's water storage at the PMRRP, due to commingling of the Authority's infiltrating water with the groundwater or water flowing above or below the surface of the Santa Cruz riverbed. Further, the Authority waives any claim on its own behalf against CAWCD for water quality degradation or harm to property arising from such commingling, unless such claim is intended to enforce the indemnification provision of this Section; provided, however, that the Authority shall indemnify and hold harmless CAWCD only to the extent that indemnification is not provided to CAWCD by the State of Arizona

pursuant to A.R.S. Section 45-898.01; and provided further, however, that the Authority's indemnification shall only extend to the percentage of degradation attributable to the water stored on behalf of the Authority at the PMRRP under the terms of this Agreement. The Authority retains the right to claim over against any other entity, including CAWCD, storing water in the PMRRP in the amount proportionate to such amount stored by those other entities. In no event shall CAWCD assume liability for water quality degradation resulting from the storage of water in the PMRRP, solely due to its performance of obligations as the operating agent under this Agreement.

14. **BILLING AND PAYMENTS:**

14.1 On or before the 15th day of each month, CAWCD will submit a bill to the Authority for water storage charges for PMRRP capacity used by the Authority during the previous month. The Authority shall pay CAWCD within thirty (30) days of receipt of such bill.

14.2 If payment due under this Agreement remains unpaid more than sixty (60) days after its due date, CAWCD may terminate this Agreement effective upon written notice to the Authority. In the event CAWCD terminates this Agreement, the Authority shall remain obligated to pay any outstanding balance.

15. **AUTHORIZATIONS AND APPROVALS:**

The Authority shall be responsible for obtaining, at its own expense, any permits, authorizations and approvals required for the underground storage and recovery of water in the PMRRP or for the Authority's performance under this Agreement. The Authority shall keep CAWCD informed of its applications for such permits and authorizations. CAWCD will share information with the Authority to assist the Authority in its permit application. The Authority shall also be responsible for filing any annual reports or other documents necessary to maintain its right to store water at the PMRRP.

16. **LIABILITY:**

- 16.1 Each Party shall assume liability for its own negligence and shall indemnify the other against any damages the non-negligent Party incurs as a result of the negligent Party's action or inaction.
- 16.2 CAWCD shall assume no liability to the Authority for claims of damage resulting from CAWCD's decision to curtail or stop water flows to the PMRRP site during storm or emergency conditions.
- 16.3 CAWCD shall assume no liability to the Authority for quantities of recoverable or unrecoverable water stored underground or removed from underground storage; nor to replace water lost, misdirected or other failing to reach the underlying aquifer. CAWCD, the Authority and any other lessee shall share in any deficiency resulting from such lost, misdirected or otherwise unstored water in proportion to the amount of the PMRRP storage capacity utilized in any given year during the term of this Agreement.
- 16.4 Liability, as described in Section 12, related to water stored in the PMRRP by the Authority prior to termination of this Agreement shall remain with the Authority after termination of this Agreement. The obligations set forth in this Section shall survive expiration or termination of this Agreement, and shall remain in full force and effect.
- 16.5 In the event any third party institutes an action against CAWCD, the Authority or other lessees for claims arising from the activities undertaken pursuant to this Agreement, the parties named in the action shall meet to determine the procurement of legal counsel and the steps to take to defend against the action.

17. **DEFAULT:**

- 17.1 CAWCD and the Authority shall pay all monies and carry out all other performances, duties and obligations agreed to be paid

and/or performed by them pursuant to this Agreement. A default by CAWCD or the Authority in the covenants and obligations to be kept and performed by it shall be an act of default under this Agreement.

17.2 In the event of a default by CAWCD or the Authority, then, within thirty (30) days following notice of such default by the non-defaulting party, the defaulting party shall remedy such default either by advancing the necessary funds and/or rendering the necessary performance. Such notice shall specify the existence and nature of such default. If such default is not remedied within the time specified, the non-defaulting party may terminate this Agreement upon 24 hours written notice.

18. UNCONTROLLABLE FORCES:

Neither Party to this Agreement shall be considered in default in the performance of any of its obligations under this Agreement (other than obligations of the Authority to make payment for service hereunder) when a failure of performance shall be due to uncontrollable forces. The term "uncontrollable forces"; shall mean any cause beyond the control of the Party unable to perform such obligation, including, but not limited to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning, and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority, and action or nonaction by, or failure to obtain the necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. Nothing contained herein shall be construed to require either Party to settle any strike or labor dispute in which it is involved.

19. RESOLUTION OF DISPUTES:

19.1 A Party having a dispute under this Agreement that cannot be resolved by the Parties, may submit the dispute to arbitration. Arbitration shall be subject to the following provisions:

19.1.1 Arbitration shall be binding only upon the consent of the Parties.

19.1.2 A Party wishing to submit a dispute to arbitration shall provide thirty (30) day written notice to the other Party of its intent to pursue arbitration and shall name one arbitrator at that time. Within fifteen (15) days of receiving this notice, the other Party to the dispute shall name one arbitrator and give written notice to the other Party of its selection. The two selected arbitrators shall, within five (5) days of selection of the second arbitrator, jointly select a third arbitrator.

19.1.3 Within thirty (30) days from the selection of the third arbitrator, the arbitrators shall hold a hearing. Within thirty (30) days from the conclusion of the hearing the arbitrators shall render a decision on the dispute.

19.1.4 Arbitration shall be subject to the Arizona Arbitration Act, Arizona Revised Statutes, Title 12, Chapter 9, Article 1. In the event of a conflict between this Agreement and Act, the provisions of this Agreement shall prevail.

19.2 A Party that is dissatisfied with the results of non-binding arbitration may pursue any other legal or equitable remedy not expressly provided for in this Section 18 and available to resolve the dispute.

20. ACTION PENDING RESOLUTION OF DISPUTES:

Pending the resolution of a dispute pursuant to Section 19, each Party shall proceed, to the extent legally permissible, in a manner consistent with this Agreement, and shall make payments required in accordance with the applicable provisions of this Agreement. Any amount paid by a

Party pursuant to this Section 20 during the pendency of such dispute shall be subject to refund and adjustment upon a final resolution of any dispute involving an amount due.

21. GOVERNING LAW:

This Agreement shall be governed by the laws of the State of Arizona.

22. BINDING OBLIGATIONS:

All of the obligations set forth in the Agreement shall bind CAWCD and its successors and assigns. This Agreement shall not be assigned by the Authority or accrue to the Authority's successor, nor shall the PMRRP capacity use rights hereunder of the Authority be used by another party. This Agreement shall not be assigned by CAWCD or accrue to CAWCD's successor without the express written consent of the Authority.

23. NOTICES:

23.1 Notice, demand or request provided for in this Agreement shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by registered or certified mail, postage prepaid, to the persons specified below:

Central Arizona Water Conservation District
C/o General Manager
P.O. Box 43020
Phoenix, AZ 85080-3020

The Arizona Water Banking Authority
C/o Manager
500 N. Third Street
Phoenix, AZ 85004-3903

23.2 A Party may, at any time, by notice to the other Party, designate different or additional persons or different addresses for the giving of notices.

24. THIRD PARTY BENEFICIARIES:

This Agreement shall not be construed to create rights in, or to grant

remedies to, any third party as a beneficiary of this Agreement or of any duty, obligation or undertaking established herein.

25. **WAIVER:**

The waiver by either Party of a breach of any term, covenant or condition in this Agreement shall not be deemed a waiver of any other term, covenant or condition or any subsequent breach of the same or any other term covenant or condition of this Agreement.

26. **HEADINGS:**

Title and paragraph headings are for reference only and are not part of this Agreement.

27. **ENTIRE AGREEMENT:**

The terms, covenants and conditions of this Agreement constitute the entire agreement between the Parties relative to the use of PMRRP storage capacity, and no understandings or agreements not herein expressly set forth shall be binding upon them. This Agreement may not be modified or amended in any manner unless in writing and signed by both Parties.

IN WITNESS WHEREOF, this Agreement is executed by the Parties hereto.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

By: _____
Grady Gammage, Jr., President

Attest: _____
Secretary

ARIZONA WATER BANKING AUTHORITY

By: _____
Rita P. Pearson, Chairman

Attest: _____
Secretary

**AGREEMENT FOR STORAGE OF WATER
AT THE
AVRA VALLEY RECHARGE PROJECT**

1. PARTIES:

This Agreement is made and entered into the ____ day of _____, 1998, by and between the CENTRAL ARIZONA WATER CONSERVATION DISTRICT, hereinafter referred to as "CAWCD", and the ARIZONA WATER BANKING AUTHORITY, hereinafter referred to as the "Authority".

2. RECITALS:

- 2.1 CAWCD has constructed and is responsible for operating the Avra Valley Recharge Project ("AVRP"), which is located approximately one mile west of the CAP canal, near the Avra Valley Airport and the Santa Cruz River.
- 2.2 The Arizona Department of Water Resources has issued CAWCD a full-scale underground storage facility permit for the AVRP. The Permit authorizes the underground storage of 11,000 acre-feet of water annually at the AVRP and has a term of 20 years.
- 2.3 The Arizona Legislature has declared that it is the public policy of the State of Arizona to use the Central Arizona Project to deliver Colorado River water that would otherwise be unused in Arizona for purposes specified in A.R.S. Section 45-2401.
- 2.4 The Arizona legislature has created the Authority to implement this policy.
- 2.5 CAWCD, the Authority and the Department of Water Resources have entered into an intergovernmental agreement providing for, among other things, the purchase of excess CAP water by the Authority for storage at permitted underground storage facilities.

2.6 The Authority desires to store excess CAP water at the AVRP and CAWCD agrees to make available unused storage capacity at the AVRP for such storage, in accordance with the provisions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing, the payments to be paid by the Authority, and the covenants and agreements contained in this Agreement, and other good and valuable consideration, CAWCD and the Authority agree as follows:

3. **DEFINITIONS:**

- 3.1 AUTHORITY WATER: Excess CAP water made available by CAWCD to the Authority for underground storage, which water would not otherwise have been used within Arizona.
- 3.2 AVAILABLE OPERATING CAPACITY: The annual amount of water, in acre-feet, that can be legally and physically stored in the AVRP, as determined by CAWCD. The capability of the AVRP to infiltrate water may change due to factors which may include, but are not limited to, operating conditions in the AVRP and the CAP, the downtime necessary for maintenance and repairs of the AVRP and operational requirements described in the Permit.
- 3.3 AVRP TURNOUT: The point on the BKW Water Delivery System at which CAP water is diverted from the BKW Water Delivery System into the AVRP.
- 3.4 CENTRAL ARIZONA PROJECT (CAP): The water delivery works of the CAP including, but not limited to, the CAP canal, its turnout structures and associated measuring devices.
- 3.5 BKW WATER DELIVERY SYSTEM: The canal system, including pump stations, gates and measuring devices, owned by BKW Farms, Inc., which diverts water from the CAP canal at milepost 295.6 on the CAP canal.
- 3.6 INTERGOVERNMENTAL AGREEMENT: The Intergovernmental

Agreement among the Authority, the Arizona Department of Water Resources and CAWCD and any amendments or supplements thereto.

3.7 PARTY/PARTIES: Either one or both of the parties to this Agreement.

3.8 PERMIT: The Constructed Underground Storage Facility Permit issued by the Arizona Department of Water Resources for the AVRP facility, permit no. 71-564896.

4. **THE INTERGOVERNMENTAL AGREEMENT:**

The Intergovernmental Agreement is incorporated into and made a part of this Agreement.

5. **SCOPE OF SERVICES:**

This Agreement is limited to the transportation of Authority Water through the BKW Water Delivery System to the AVRP and storage of such water at the AVRP by CAWCD for the benefit of the Authority. CAWCD shall deliver Authority Water, which is scheduled by the Authority for storage at the AVRP in accordance with the IGA, to the AVRP and CAWCD shall store such water underground at the AVRP for the benefit of the Authority.

6. **TERM OF AGREEMENT:**

This Agreement shall become effective when executed by both Parties and shall remain in effect until its expiration on December 31, 2001, unless the Parties agree in writing to extend the term or unless it is sooner terminated or canceled in accordance with the provisions of this Agreement.

7. **CONDITIONS RELATING TO STORAGE:**

7.1 All storage of Authority Water at the AVRP shall be consistent with Arizona water law.

7.2 The Authority shall obtain a water storage permit from ADWR authorizing it to store Authority Water at the AVRP.

7.3 CAWCD's storage of Authority Water at the AVRP shall, at all

- 7.2 The Authority shall obtain a water storage permit from ADWR authorizing it to store Authority Water at the PMRRP.
- 7.3 CAWCD's storage of Authority Water at the PMRRP shall, at all times, comply with the Permit. CAWCD shall be responsible for filing annual reports as required by the Permit. If the Permit is canceled or expires for any reason, the Authority may terminate this Agreement.

8. PROCEDURE FOR SCHEDULING STORAGE CAPACITY:

- 8.1 As soon as practicable after the date of execution of this Agreement, the Authority shall submit to CAWCD a proposed schedule indicating the amount of PMRRP storage capacity it desires to use during the year in which this Agreement is executed. Thereafter, on or before October 1 of each year, the Authority shall submit to CAWCD a proposed schedule indicating the amount of PMRRP storage capacity the Authority desires to use during the following year.
- 8.2 As soon as practicable after receipt of the Authority's proposed schedule following the execution of this Agreement, CAWCD shall return to the Authority the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of PMRRP storage capacity that is available to the Authority for the year in which this Agreement is executed. Thereafter, on or before November 15 of each year, CAWCD shall return to the Authority the schedule, as adjusted by and acceptable to CAWCD, indicating the amount of PMRRP storage capacity that is available to the Authority for the following year.

9. WATER STORAGE RATE:

- 9.1 The estimated rate for water storage at the PMRRP for 1998 is \$10.00 per acre-foot. This rate consists of the following components: an estimated maintenance charge in the amount of

monitoring the facility, including but not limited to, scraping the basins, weed removal, miscellaneous berm and facility repairs, water level measurements, water quality sampling and lab analysis costs, and data management and reporting. The O&M component of the water storage rate is an estimated cost. The actual cost for 1998 may be higher or lower. At the end of 1998, and each year thereafter if necessary, CAWCD will compute the actual O&M costs of the AVRP for the previous 12-month period. If the actual O&M costs are higher than the estimated O&M costs included in the water storage rate, CAWCD will bill the Authority for the difference in proportion to the amount of the AVRP storage capacity utilized by the Authority during the year. The Authority shall pay CAWCD within 30 days of receipt of such bill. If the actual O&M costs are lower than the estimated O&M costs, CAWCD will either, at the Authority's election, pay the Authority the difference in proportion to the amount of the AVRP capacity utilized by the Authority during the year, or credit such amount to the Authority's account for the following year.

- 9.2 The rate for water storage at the AVRP may be adjusted annually by CAWCD. Notice of the adjusted rate shall be provided to the Authority by November 15 of the then current year. Such rate shall be effective January 1 of the following year and remain in effect until next adjusted.
- 9.3 The Authority shall pay the rate for water storage, as described in Section 9.1, for each acre-foot of excess CAP water delivered to the AVRP on behalf of the Authority, as measured at the AVRP Turnout. Payment of the rate for water storage, as described in Section 9.1 is not related to and is not contingent on the Authority's accrual of long-term storage credits from water stored at the AVRP.
- 9.4 If storage capacity becomes available at the AVRP in any year

during the term of this Agreement because a lessee decides not to store the full amount of water it had scheduled for storage during such year, and if the Authority desires to utilize this additional storage capacity, CAWCD shall use its best efforts to deliver Authority Water to the AVRVP during such year so that the Authority may utilize this additional storage capacity.

10. **OPERATING AGENT:**

10.1 CAWCD shall be responsible for operating the AVRVP.

10.2 CAWCD shall retain sole responsibility and authority for decisions relating to the AVRVP operating and maintenance practices, including maintenance scheduling and the selection of periods when maintenance will be done.

10.3 Whenever practicable, CAWCD shall inform the Authority ninety (90) days in advance of any matter which may substantially affect the AVRVP or the rights of the Authority.

11. **DESTRUCTION/RECONSTRUCTION OF THE AVRVP:**

In the event of destruction of all or part of the AVRVP, CAWCD may repair or reconstruct the AVRVP, but CAWCD shall not be obligated to do so.

12. **WATER MEASUREMENT AND ACCOUNTING:**

12.1 CAWCD shall base its accounting for water delivered to the AVRVP on actual measurements, methods required by the Permit and/or generally accepted accounting and engineering practices.

12.2 CAWCD shall install and maintain a flow measurement system to measure the amount of water diverted from the CAP into the AVRVP. CAWCD shall test and maintain the accuracy of this system within plus or minus 5 percent of actual flows.

12.3 CAWCD shall determine evaporation losses representative of the conditions at or near the AVRVP using the method indicated in the Permit or using actual measurements, when available. Any other losses in the AVRVP shall be calculated using generally accepted

engineering practices.

- 12.4 All losses that occur at the AVRPP, other than by evaporation, will be calculated using generally accepted engineering practices and water-level readings from the gages in the basins.
- 12.5 CAWCD shall prepare a monthly water accounting report of water stored at the AVRPP for the Authority. The report shall include the daily amount of water stored and the losses calculated as described in this Section.
- 12.6 CAWCD shall provide the Arizona Department of Water Resources with reports for the AVRPP as required by the Permit.
- 12.7 The water accounting reports prepared pursuant to this Section shall be sent to the Authority monthly and shall be retained by CAWCD for at least three years.

13. **WATER QUALITY:**

The Authority shall indemnify and hold harmless CAWCD against losses to third parties resulting from water quality degradation or harm to property caused by the Authority's water storage at the AVRPP, due to commingling of the Authority's infiltrating water with the groundwater or water flowing above or below the surface of the Santa Cruz riverbed. Further, the Authority waives any claim on its own behalf against CAWCD for water quality degradation or harm to property arising from such commingling, unless such claim is intended to enforce the indemnification provision of this Section; provided, however, that the Authority shall indemnify and hold harmless CAWCD only to the extent that indemnification is not provided to CAWCD by the State of Arizona pursuant to A.R.S. Section 45-898.01; and provided further, however, that the Authority's indemnification shall only extend to the percentage of degradation attributable to the water stored on behalf of the Authority at the AVRPP under the terms of this Agreement. The Authority retains the right to claim over against any other entity, including CAWCD, storing water in the

AVRP in the amount proportionate to such amount stored by those other entities. In no event shall CAWCD assume liability for water quality degradation resulting from the storage of water in the AVRP, solely due to its performance of obligations as the operating agent under this Agreement.

14. BILLING AND PAYMENTS:

14.1 On or before the 15th day of each month, CAWCD will submit a bill to the Authority for water storage charges for AVRP capacity used by the Authority during the previous month. The Authority shall pay CAWCD within thirty (30) days of receipt of such bill.

14.2 If payment due under this Agreement remains unpaid more than sixty (60) days after its due date, CAWCD may terminate this Agreement effective upon written notice to the Authority. In the event CAWCD terminates this Agreement, the Authority shall remain obligated to pay any outstanding balance.

15. AUTHORIZATIONS AND APPROVALS:

The Authority shall be responsible for obtaining, at its own expense, any permits, authorizations and approvals required for the underground storage and recovery of water in the AVRP or for the Authority's performance under this Agreement. The Authority shall keep CAWCD informed of its applications for such permits and authorizations. CAWCD will share information with the Authority to assist the Authority in its permit application. The Authority shall also be responsible for filing any annual reports or other documents necessary to maintain its right to store water at the AVRP.

16. LIABILITY:

16.1 Each Party shall assume liability for its own negligence and shall indemnify the other against any damages the non-negligent Party incurs as a result of the negligent Party's action or inaction.

16.2 CAWCD shall assume no liability to the Authority for claims of

damage resulting from CAWCD's decision to curtail or stop water flows to the AVRPP site during storm or emergency conditions.

16.3 CAWCD shall assume no liability to the Authority for quantities of recoverable or unrecoverable water stored underground or removed from underground storage; nor to replace water lost, misdirected or other failing to reach the underlying aquifer. CAWCD, the Authority and any other lessee shall share in any deficiency resulting from such lost, misdirected or otherwise unstored water in proportion to the amount of the AVRPP storage capacity utilized in any given year during the term of this Agreement.

16.4 Liability, as described in Section 12, related to water stored in the AVRPP by the Authority prior to termination of this Agreement shall remain with the Authority after termination of this Agreement. The obligations set forth in this Section shall survive expiration or termination of this Agreement, and shall remain in full force and effect.

16.5 In the event any third party institutes an action against CAWCD, the Authority or other lessees for claims arising from the activities undertaken pursuant to this Agreement, the parties named in the action shall meet to determine the procurement of legal counsel and the steps to take to defend against the action.

17. **DEFAULT:**

17.1 CAWCD and the Authority shall pay all monies and carry out all other performances, duties and obligations agreed to be paid and/or performed by them pursuant to this Agreement. A default by CAWCD or the Authority in the covenants and obligations to be kept and performed by it shall be an act of default under this Agreement.

17.2 In the event of a default by CAWCD or the Authority, then, within

thirty (30) days following notice of such default by the non-defaulting party, the defaulting party shall remedy such default either by advancing the necessary funds and/or rendering the necessary performance. Such notice shall specify the existence and nature of such default. If such default is not remedied within the time specified, the non-defaulting party may terminate this Agreement upon 24 hours written notice.

18. UNCONTROLLABLE FORCES:

Neither Party to this Agreement shall be considered in default in the performance of any of its obligations under this Agreement (other than obligations of the Authority to make payment for service hereunder) when a failure of performance shall be due to uncontrollable forces. The term "uncontrollable forces"; shall mean any cause beyond the control of the Party unable to perform such obligation, including, but not limited to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning, and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority, and action or nonaction by, or failure to obtain the necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. Nothing contained herein shall be construed to require either Party to settle any strike or labor dispute in which it is involved.

19. RESOLUTION OF DISPUTES:

19.1 A Party having a dispute under this Agreement that cannot be resolved by the Parties, may submit the dispute to arbitration.

Arbitration shall be subject to the following provisions:

19.1.1 Arbitration shall be binding only upon the consent of the

Parties.

19.1.2 A Party wishing to submit a dispute to arbitration shall provide thirty (30) day written notice to the other Party of its intent to pursue arbitration and shall name one arbitrator at that time. Within fifteen (15) days of receiving this notice, the other Party to the dispute shall name one arbitrator and give written notice to the other Party of its selection. The two selected arbitrators shall, within five (5) days of selection of the second arbitrator, jointly select a third arbitrator.

19.1.3 Within thirty (30) days from the selection of the third arbitrator, the arbitrators shall hold a hearing. Within thirty (30) days from the conclusion of the hearing the arbitrators shall render a decision on the dispute.

19.1.4 Arbitration shall be subject to the Arizona Arbitration Act, Arizona Revised Statutes, Title 12, Chapter 9, Article 1. In the event of a conflict between this Agreement and Act, the provisions of this Agreement shall prevail.

19.2 A Party that is dissatisfied with the results of non-binding arbitration may pursue any other legal or equitable remedy not expressly provided for in this Section 18 and available to resolve the dispute.

20. ACTION PENDING RESOLUTION OF DISPUTES:

Pending the resolution of a dispute pursuant to Section 19, each Party shall proceed, to the extent legally permissible, in a manner consistent with this Agreement, and shall make payments required in accordance with the applicable provisions of this Agreement. Any amount paid by a Party pursuant to this Section 20 during the pendency of such dispute shall be subject to refund and adjustment upon a final resolution of any dispute involving an amount due.

21. GOVERNING LAW:

This Agreement shall be governed by the laws of the State of Arizona.

22. BINDING OBLIGATIONS:

All of the obligations set forth in the Agreement shall bind CAWCD and its successors and assigns. This Agreement shall not be assigned by the Authority or accrue to the Authority's successor, nor shall the AVRP capacity use rights hereunder of the Authority be used by another party. This Agreement shall not be assigned by CAWCD or accrue to CAWCD's successor without the express written consent of the Authority.

23. NOTICES:

23.1 Notice, demand or request provided for in this Agreement shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by registered or certified mail, postage prepaid, to the persons specified below:

Central Arizona Water Conservation District
C/o General Manager
P.O. Box 43020
Phoenix, AZ 85080-3020

The Arizona Water Banking Authority
C/o Manager
500 N. Third Street
Phoenix, AZ 85004-3903

23.2 A Party may, at any time, by notice to the other Party, designate different or additional persons or different addresses for the giving of notices.

24. THIRD PARTY BENEFICIARIES:

This Agreement shall not be construed to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or of any duty, obligation or undertaking established herein.

25. WAIVER:

The waiver by either Party of a breach of any term, covenant or condition in this Agreement shall not be deemed a waiver of any other term, covenant or condition or any subsequent breach of the same or any other

term covenant or condition of this Agreement.

26. **HEADINGS:**

Title and paragraph headings are for reference only and are not part of this Agreement.

27. **ENTIRE AGREEMENT:**

The terms, covenants and conditions of this Agreement constitute the entire agreement between the Parties relative to the use of AVRP storage capacity, and no understandings or agreements not herein expressly set forth shall be binding upon them. This Agreement may not be modified or amended in any manner unless in writing and signed by both Parties.

IN WITNESS WHEREOF, this Agreement is executed by the Parties hereto.

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

By: _____
Grady Gammage, Jr., President

Attest: _____
Secretary

ARIZONA WATER BANKING AUTHORITY

By: _____
Rita P. Pearson, Chairman

Attest: _____
Secretary



GOVERNOR'S OFFICE

PR98:283

WILSON ANNOUNCES PROPOSED AGREEMENT BETWEEN
SAN DIEGO COUNTY WATER AUTHORITY AND
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

FOR IMMEDIATE RELEASE
Thursday, August 6, 1998

CONTACT: Sean Walsh
Ron Low
(916) 445-4571

SACRAMENTO – Governor Pete Wilson today announced that the San Diego County Water Authority and the Metropolitan Water District (MWD) of Southern California negotiating teams have reached a proposed agreement which they will be bringing to their boards of directors on Monday, August 10. The tentative accord will advance the transfer of conserved water from the Imperial Irrigation District to San Diego County.

"I'm pleased that the negotiations have progressed to the point where the framework of the agreement can be brought up for a vote by both boards," Wilson said. "The benefits of the agreement will provide Southern California residents with a reliable source of water from the Colorado River, while making the region less dependent on Northern California water.

"I want to thank Speaker Antonio Villaraigosa; Senators David Kelley, Steve Peace, Richard Polanco; and Assemblymembers Denise Ducheny, Robert Hertzberg and Howard Wayne for playing a key role in the crafting of this tentative agreement and bringing about the unanimous recommendation from the negotiators."

Under the agreement, the State would provide \$235 million in bond funds to pay for water conservation and groundwater storage activities associated with the Colorado River, including the All-American Canal and the Coachella Canal.

The framework is a key step in developing a plan to enable California to live within its allocation of 4.4 million acre-feet of Colorado River water. It has statewide significance because it helps ensure that MWD can keep its Colorado River Aqueduct full in dry years, making the region less dependent on diversions from Northern California.

The San Diego County Water Authority and the Metropolitan Water District of Southern California will vote on the proposal on Monday, August 10.



MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

NEWS

BOB GOMPERZ
OFFICE (714) 217-6666
FACILITY DEVELOPMENT

BOB MURF
OFFICE (714) 217-6030
WATER TREATMENT

BOB HALLMACKS
OFFICE (714) 217-6450
REGULATORY AFFAIRS

JOHN PARSONS
OFFICE (805) 326-1352
GENERAL MANAGER

August 10, 1998

METROPOLITAN BOARD PAVES WAY FOR WATER EXCHANGE AGREEMENT WITH SAN DIEGO

The foundation of a 30-year exchange agreement that offers the opportunity to keep the Colorado River Aqueduct brimming well into the 21st century while facilitating the largest farm-to-city water transfer in state history was approved today by Metropolitan Water District's board of directors.

"We have a chance to launch the biggest water conservation project in the history of California. But several crucial milestones must be reached before the deal becomes a reality," said MWD board Chairman John V. Foley. "If all the pieces fall into place, the entire course of water politics could be changed for the next century."

The complex agreement between Metropolitan and the San Diego County Water Authority includes a 200,000-acre-foot transfer of water from the Imperial Valley. The deal, however, is contingent on the settlement of several other issues, including the expectation of \$235 million in state funds for canal-lining and groundwater storage projects along the Colorado River.

The pact also hinges on the establishment of a process to quantify the amount of Colorado River water used by California agricultural water agencies. In addition, before a final contract is reached, the federal government must revise the manner in which it operates the Colorado River to assure a full aqueduct for at least 15 years. Following today's approval, Metropolitan and San Diego have until Nov. 1 to execute a final contract.

"If successful, this agreement offers something for everyone in the state. It would confirm Metropolitan's role as the regional water supplier, while offering San Diego its long-sought assurance of continued water supplies. More importantly, this deal could assure Southern California a reliable source of drinking water for up to 30 years by keeping our aqueduct full," Foley said.

more

"In turn, this could greatly reduce the need for increased supplies from Northern California and could provide greater protection for the natural resources of the San Francisco Bay/Sacramento-San Joaquin Delta."

Under the Memorandum of Understanding approved today during a special MWD board meeting, San Diego would acquire the conserved water each year from the Imperial Irrigation District and transfer the supplies to Metropolitan. In exchange, Metropolitan would deliver a like amount of water from its sources to San Diego (An acre-foot is nearly 326,000 gallons of water, about the amount used by two typical Southland families

in and around their homes in a year.)

For the agreement's first 20 years, San Diego would pay \$90 per acre-foot, increasing by 1.55 percent for every year after 1998. In the final 10 years, the price per acre-foot would be \$80 per acre-foot, increasing by 1.44 percent annually after 1998.

Among the contingencies is state money to provide \$200 million to concrete-line the All American Canal and its Coachella branch. The state funding, which could be generated through passage of a statewide bond issue in November, also would provide \$35 million for groundwater storage projects along the Colorado River.

The lining of the earthen canals is anticipated to save up to 97,000 acre-feet of water a year that otherwise would have been lost to seepage, which could be used to settle long-standing issues among Colorado River parties, including Metropolitan, agricultural interests in the Coachella and Imperial valleys, and the San Luis Rey Indians. Studies estimate the groundwater storage projects could yield up to 300,000 acre-feet during dry years.

The Imperial Valley transfer and canal-lining and groundwater storage projects are essential to meet the demands by the federal government and six other basin states that California reduce its reliance on the Colorado River, Foley said. He cautioned, however, that all of the contingencies must be met before the final deal is approved.

"In effect, we are closer to ending the debate over California's use of Colorado River water that has been raging over several decades," Foley said.

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The Metropolitan Water District of Southern California is a co-op comprised of 27 cities and water agencies serving 16 million people in six counties. The District imports water from the Colorado River and Northern California to supplement local supplies, and helps its members to develop increased water-recycling, desalination, conservation, storage, and other water-management programs.