

ARIZONA WATER BANKING AUTHORITY

WEDNESDAY, OCTOBER 20, 1999
ARIZONA DEPARTMENT OF WATER RESOURCES

PLEASE PRINT

	NAME	REPRESENTING
1	Kurt Fritsch	Colorado River Commission of NV
2	Jack Gracie	ASARCO
3	TOM McLEAN	CH2M Hill
4	Teresa Hovey	City of Mesa
5	Maub Myers	Metro Water
6	Kathy Jacob	ADWR
7	Jim Peterson	Duo Valley
8	Harold Goodman	City of Glendale
9	BARBARA GERHART FOR BOB LYNCH	IEDA
10	Richard Siegel	SRP
11	Steve Mene	State Agencies
12	DAVE CROCKETT	Flowing Wells Irrigation District
13	Harry Ruzgerian	MWOSC
14	Floyd March	City of Scottsdale
15	Alan Forrest	Community Water Co.
16	Jeff Johnson	SNWA (Nacunda)
17	Deanna Ikeya	ADWR
18	DAN SHAW	ADWR STAFF
19	DON POPE	Yuma County Water Users Association
20	Levi ESQUIERRE	AI Commission of Indian Affairs
21	K. Lee	" " "
22	S. Butler	FWID
23	Chuck Cullom	Navigant Consulting Inc.
24	Andre R. Newcomb	citizen/friend
25	Paul Orme	CAPDD/MSDD
26	Rock Cramer	MWOCDO
27	Laura Chavez	ADWR-AWS
28	Larry Dzier	CAD
29	Hub Dizio	ADWR

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WEDNESDAY, OCTOBER 20, 1999
ARIZONA DEPARTMENT OF WATER RESOURCES

PLEASE PRINT

	NAME	REPRESENTING
30	MARKUS S. COLTER	Some SOUTH SIDE PINAL COUNTY LANDOWNERS
31	Susan Goodwin	Holtzman WSD
32	Dr. Craig Tunney	Wetland Resources
33	Tom Harbour	CAWCD
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Arizona Water Banking Authority

500 North Third Street, Phoenix, Arizona 85004

Telephone 602-417-2418

Fax 602-417-2401

Web Page: www.awba.state.az.us

FINAL AGENDA

Wednesday, October 20, 1999

10:00 a.m.

Arizona Department of Water Resources

Third floor conference room

- I. Welcome/Opening Remarks
- II. Approval of Minutes of June 16 Meeting
- III. Water Banking Staff Activities
 - Introduction of new Water Banking staff member
 - Deliveries
 - Development of Water Banking Newsletter
 - HB 2463 update
 - CAP Recharge Status Report
- IV. Update on Water Bank Participation in Indian Settlements
- V. Recovery Update
- VI. Annual Plan of Operation
 - Partner meetings
 - Proposed Policy Governing In-Lieu Deliveries
 - Public meetings
- VII. Update on Bureau of Reclamation Proposed Rule Governing Offstream Storage of Colorado River Water
- VIII. Interstate Issues
- IX. Call to the Public

Future Meeting Dates:

Wednesday, December 15, 1999

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. Requests should be made as early as possible to allow time to arrange the accommodation.

ARIZONA WATER BANKING AUTHORITY
Draft Minutes
June 16, 1999

Arizona Department of Water Resources



AUTHORITY MEMBERS
Rita P. Pearson, Chairman
Tom Griffin, Vice-Chairman
Bill Chase, Secretary
George Renner
Richard S. Walden

EX OFFICIO MEMBERS
Representative Gail Griffin
Senator Ken Bennett

Welcome/Opening Remarks

All members of the Authority were present except Tom Griffin and Bill Chase.

Minutes

The May 19 minutes were approved as submitted.

Plan of Operation and Other Staff Activities

Tim Henley, Manager of the AWBA, reviewed May 1999 delivery figures. He explained that the AWBA is just about on target for May water delivery projections.

A revised schedule for the SRP groundwater facility was presented to the AWBA staff. The change was from 66,000 af of water to 22,000 af of water for the remainder of 1999.

Approval of FY 2000 Budget

Mr. Henley provided an overview of the fiscal year 2000 Water Banking Authority budget. Mr. Henley explained that the AWBA would be 'under' the budget stating that various bills for services provided by other entities were much lower than projected in 1999. The recharge figures for water are budgeted for potentially about 345,000 af of recharge. The recharge budget is approximately \$12,000,000.00. The overall FY 2000 budget is anticipated to be \$12.3 million dollars.

The Authority adopted the Bank's budget as presented.

Annual Report Overview

Tim Henley gave an overview of the structure of the 1998 Annual Report. By statute, it must be submitted by July 1, 1999. There was a heavy emphasis on the activities of the Study Commission. Mr. Henley stated that the draft Annual Report was made available for comment to the public but none were received.

The Authority approved the Annual Report as submitted with any minor changes.

General Fund Appropriations Subcommittee Update

Ms. Pearson stated the newly formed subcommittee met on May 28th. The subcommittee discussed what the plans are for the AWBA with respect to meeting its obligations to provide water supplies for Colorado River communities. It was also discussed that 420,000 af has been identified as the amount of long-term storage credits that would be appropriate for the river communities. The subcommittee reviewed whether or not it needed to begin to identifying specific amounts of general fund monies that should be committed for Indian water settlements. At this time the discussions are on-going and the subcommittee is not prepared to comment on the level of the AWBA's commitment.

Ms. Pearson stated that the Authority has prepared a resolution which basically acknowledges the obligations of the AWBA to store for municipal and industrial users with Colorado River contracts during times of shortage. The Authority adopted the resolution as submitted.

Discussion of Role of AWBA in Indian Settlements

Herb Dishlip gave an overview of the background of one of the authorized functions of the AWBA, which would be to provide assistance to Indian water rights settlements. Mr. Dishlip discussed Central Arizona Project (CAP) water being pledged to help assist in the Indian water rights settlements and what could be done in times of shortages.

Mr. Marvin Cohen, attorney with Sacks Tierney, gave an overview of two specific concepts he is concerned about; Gila River Indian settlement and the Southern Arizona Water Right Settlement Act (SAWRSA). He stated the Gila Indian Community has a concern about potential residential development (M&I development) south of their reservation. One of the concerns is that potential residential development could affect the tribes' use of groundwater. Mr. Cohen stated that they are looking at establishing a credit account of 1,000 af that the AWBA could develop using withdrawal fees. The credits would be used to compensate the tribe in the event of excess use of water by new industries. The concept would be to have the AWBA use its withdrawal fees to provide water for recharge. Central Arizona Irrigation and Drainage District (CAIDD) and Maricopa Stanfield Irrigation & Drainage District (MSIDD) do not have a problem with the use of withdrawal fees for this purpose.

In reference to SAWRSA, Mr. Cohen stated that the AWBA could be of assistance financially by providing the recharge facilities. The Secretary of the Interior would then provide the effluent to use in these recharge facilities.

Tim Henley gave an overview of the demands that are currently being discussed: the M&I demands, Indian lease demands, and subcontract demands. The AWBA's main obligation is to firm the water supplies of the M&I subcontractors and the outside CAP contractors. There will be some opportunities to firm other supplies in the Phoenix AMA area. In the Tucson AMA the \$.04 tax would generate approximately 400,000 af of credits, but there is a need for at least 900,000 af of credits for this purpose. In the Tucson AMA, the AWBA will have to use other revenues (such as general funds or withdrawal fees) to develop the credits needed for firming. This might not leave funds for Indian Settlement in the Tucson AMA. In the Pinal AMA area, it will be possible to use withdrawal fees for Indian Settlements and still maintain a program for in-lieu recharge.

Future Meeting Schedule

The Authority agreed to reduce the monthly AWBA meetings to quarterly meetings, effective with the meeting scheduled for September 15th. Future AWBA meetings are potentially scheduled for December 1999, March 2000, June 2000 and September 2000. The AWBA staff will prepare monthly newsletters containing updates pertaining to the AWBA. The web page will also serve as a tool for monthly updates, notices, and news releases.

Interstate Issues

Herb Dishlip stated that the USBR held meetings on the surplus criteria in Phoenix, AZ, and Ontario, CA. Two additional meetings are scheduled to take place in Las Vegas, NV and Denver, CO. The "scoping" meetings have considered who will benefit and who will be impacted by declaring a surplus on the Colorado River. The AWBA could be the primary beneficiary and user of surplus water in Arizona.

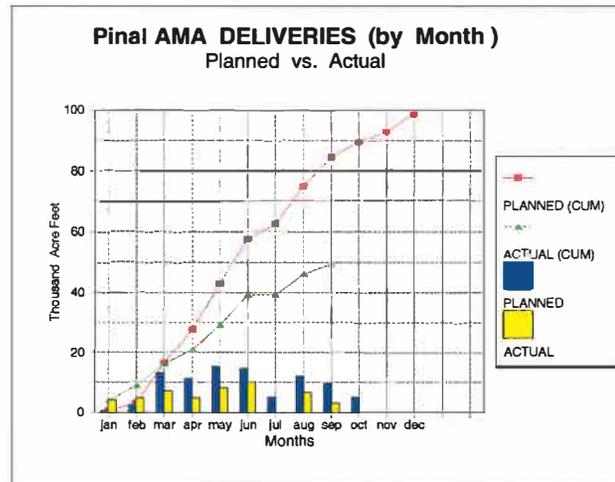
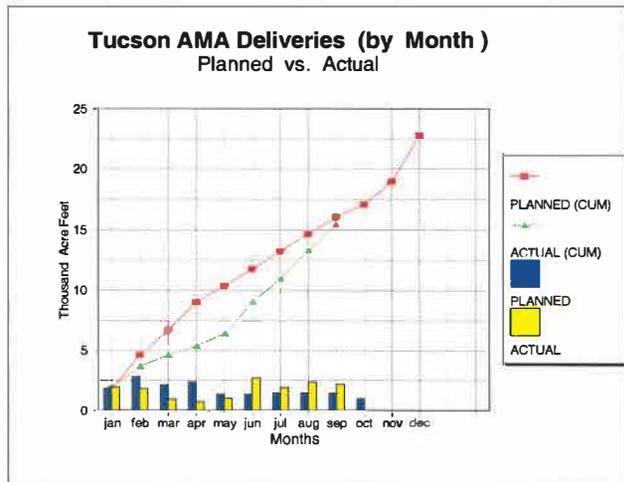
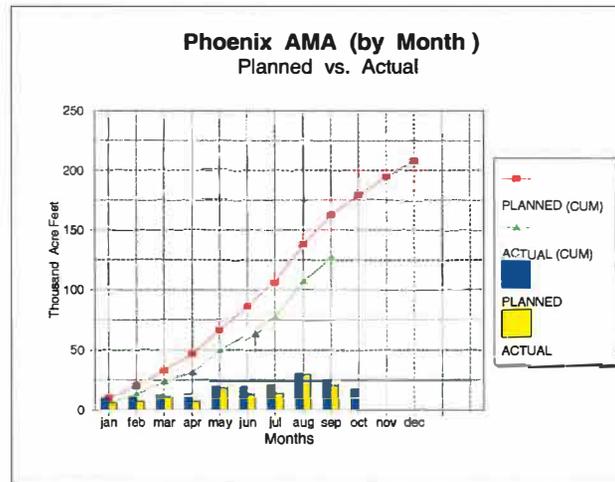
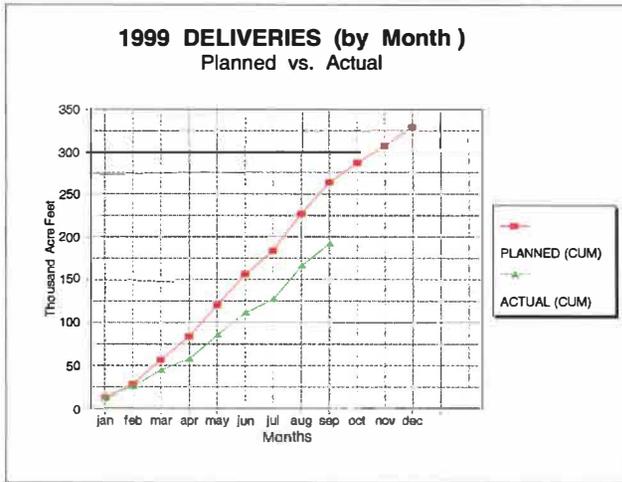
California would like a liberal surplus declaration surplus policy while the other six basin states are firmly opposed to this request, unless California adopts a "4.4 Plan". Absent a "4.4 Plan" the other six states favor a more conservative policy governing the declaration of surplus.

The AWBA will submit comments pertaining to the policy governing surplus declaration by June 30, 1999.

Call to the Public

The next meeting will be September 15, 1999. The meeting was adjourned at 12:00 p.m.

1999 Plan of Operation



Actual deliveries updated 18-Oct-99
 Modified Plan of Operation April 1999

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total	
Phoenix AMA														
GRUSP	3,822	4,706	5,125	3,496	4,449	4,689	5,755	7,001	6,205	7,500	7,500	7,500	67,748	GRUSP
	<i>7,500</i>	<i>7,500</i>	<i>7,500</i>	<i>7,500</i>	<i>7,500</i>	<i>7,500</i>	<i>7,500</i>	<i>7,500</i>	<i>7,500</i>	<i>7,500</i>	<i>7,500</i>	<i>7,500</i>	<i>90,000</i>	
NMIDD	2,034	2,778	3,894	1,097	4,766	164	1,892	12,059	8,129	3,500	2,500	2,000	44,813	NMIDD
	<i>2,000</i>	<i>2,000</i>	<i>3,200</i>	<i>2,500</i>	<i>3,000</i>	<i>3,500</i>	<i>3,700</i>	<i>9,700</i>	<i>9,600</i>	<i>3,500</i>	<i>2,500</i>	<i>2,000</i>	<i>47,200</i>	
QCID	0	0	0	0	0	0	1,145	5,193	2,118	1,600	1,050	2,460	13,566	QCID
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>3,946</i>	<i>7,270</i>	<i>3,720</i>	<i>1,600</i>	<i>1,050</i>	<i>2,460</i>	<i>20,046</i>	
MWD	0	0	1,766	2,944	2,944	2,993	2,961	2,976	1,789	1,765	0	0	20,138	MWD
	<i>0</i>	<i>588</i>	<i>1,765</i>	<i>2,941</i>	<i>2,941</i>	<i>2,941</i>	<i>2,941</i>	<i>2,941</i>	<i>1,765</i>	<i>1,765</i>	<i>0</i>	<i>0</i>	<i>20,588</i>	
TID	0	0	0	0	0	0	0	0	0	0	0	1,000	1,000	TID
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2,000</i>	<i>1,000</i>	<i>3,000</i>	
SRP	0	0	0	0	6,281	5,327	2,292	2,234	2,299	1,785	1,845	0	22,063	SRP
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,500</i>	<i>10,000</i>	<i>15,000</i>	<i>10,000</i>	<i>10,000</i>	<i>10,000</i>	<i>5,000</i>	<i>5,000</i>	<i>66,500</i>	
VIDLER MBT	0	0	0	0	0	0	0	0	0	0	410	410	820	VIDLER MBT
	<i>410</i>	<i>410</i>	<i>410</i>	<i>410</i>	<i>410</i>	<i>410</i>	<i>410</i>	<i>410</i>	<i>410</i>	<i>410</i>	<i>410</i>	<i>410</i>	<i>4,920</i>	
Subtotal	5,856	7,484	10,785	7,537	18,440	13,173	14,045	29,463	20,540	16,150	13,305	13,370	170,148	
Total to date	5,856	13,340	24,125	31,662	50,102	63,275	77,320	106,783	127,323	143,473	156,778	170,148	170,148	
Projected total to date	<i>9,910</i>	<i>20,408</i>	<i>33,283</i>	<i>46,634</i>	<i>61,985</i>	<i>86,336</i>	<i>119,833</i>	<i>157,654</i>	<i>190,649</i>	<i>215,424</i>	<i>233,884</i>	<i>252,254</i>	<i>252,254</i>	
Pinal AMA														
CAIDD	0	0	0	0	0	0	0	0	0	3,580	1,289	1,299	6,168	CAIDD
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>4,325</i>	<i>3,428</i>	<i>3,080</i>	<i>2,233</i>	<i>1,934</i>	<i>15,000</i>	
MSIDD	1,906	1,475	372	0	4,126	5,794	0	0	0	520	1,040	2,730	17,963	MSIDD
	<i>730</i>	<i>2,600</i>	<i>8,530</i>	<i>5,300</i>	<i>7,800</i>	<i>9,770</i>	<i>5,100</i>	<i>1,140</i>	<i>3,430</i>	<i>520</i>	<i>1,040</i>	<i>2,730</i>	<i>48,690</i>	
HIDD	2,274	3,429	6,793	4,890	4,080	4,278	0	6,780	3,294	1,500	100	1,200	38,618	HIDD
	<i>0</i>	<i>0</i>	<i>4,581</i>	<i>6,000</i>	<i>7,500</i>	<i>4,800</i>	<i>0</i>	<i>6,600</i>	<i>2,800</i>	<i>1,500</i>	<i>100</i>	<i>1,200</i>	<i>35,081</i>	
Subtotal	4,180	4,904	7,165	4,890	8,206	10,072	0	6,780	3,294	5,600	2,429	5,229	62,749	
Total to date	4,180	9,084	16,249	21,139	29,345	39,417	39,417	46,197	49,491	55,091	57,520	62,749	62,749	
Projected total to date	<i>730</i>	<i>3,330</i>	<i>16,441</i>	<i>27,741</i>	<i>43,041</i>	<i>57,611</i>	<i>62,711</i>	<i>74,776</i>	<i>84,434</i>	<i>89,534</i>	<i>92,907</i>	<i>98,771</i>	<i>98,771</i>	
Tucson AMA														
Avra Valley	0	0	0	0	407	712	408	460	276	400	400	400	3,463	Avra Valley
	<i>0</i>	<i>0</i>	<i>0</i>	<i>750</i>	<i>750</i>	<i>750</i>	<i>750</i>	<i>750</i>	<i>750</i>	<i>400</i>	<i>750</i>	<i>750</i>	<i>6,400</i>	
CAVSARP	678	633	811	727	620	785	650	585	657	600	600	600	7,946	CAVSARP
	<i>600</i>	<i>600</i>	<i>600</i>	<i>600</i>	<i>600</i>	<i>600</i>	<i>700</i>	<i>700</i>	<i>700</i>	<i>600</i>	<i>600</i>	<i>600</i>	<i>7,500</i>	
Pima Mine	1,248	1,145	129	8	0	1,198	849	1,297	1,241	1,300	1,300	1,300	11,015	Pima Mine
	<i>1,200</i>	<i>1,200</i>	<i>500</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>500</i>	<i>3,400</i>	
Lower Santa Cruz	0	0	0	0	0	0	0	0	0	0	0	0	0	L. Santa Cruz
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>500</i>	<i>2,000</i>	<i>2,500</i>	
Kai/Avra	0	0	0	0	0	0	0	0	0	0	0	0	0	
	<i>0</i>	<i>1,000</i>	<i>1,000</i>	<i>1,000</i>	<i>0</i>	<i>3,000</i>								
Subtotal	1,926	1,778	940	735	1,027	2,695	1,907	2,342	2,174	2,300	2,300	2,300	22,424	
Total to date	1,926	3,704	4,644	5,379	6,406	9,101	11,008	13,350	15,524	17,824	20,124	22,424	22,424	
Projected total to date	<i>1,800</i>	<i>4,600</i>	<i>6,700</i>	<i>9,050</i>	<i>10,400</i>	<i>11,750</i>	<i>13,200</i>	<i>14,650</i>	<i>16,100</i>	<i>17,100</i>	<i>18,950</i>	<i>22,800</i>	<i>22,800</i>	
TOTAL	11,962	14,166	18,890	13,162	27,673	25,940	15,952	38,585	26,008	24,050	18,034	20,899	255,321	
Total to date	11,962	26,128	45,018	58,180	85,853	111,793	127,745	166,330	192,338	216,388	234,422	255,321	255,321	
Projected total to date	<i>12,440</i>	<i>28,338</i>	<i>56,424</i>	<i>83,425</i>	<i>115,426</i>	<i>155,697</i>	<i>195,744</i>	<i>247,080</i>	<i>291,183</i>	<i>322,058</i>	<i>345,741</i>	<i>373,825</i>	<i>373,825</i>	

**NEW LANGUAGE APPEARS LIKE THIS***Stricken language appears like this*Remaining language appears like this

Chapter 16 - 441R - I Ver of HB2463**Reference Title: water banking amendments****AN ACT****AMENDING SECTIONS 45-2401, 45-2402, 45-2423, 45-2425, 45-2426, 45-2427, 45-2456 AND 45-2457, ARIZONA REVISED STATUTES; AMENDING TITLE 45, CHAPTER 14, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 45-2458; AMENDING SECTION 48-3715, ARIZONA REVISED STATUTES; RELATING TO THE ARIZONA WATER BANKING AUTHORITY.**

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 45-2401, Arizona Revised Statutes, is amended to read:

45-2401 . Declaration of policy and purpose

A. The legislature finds that this state is currently and temporarily underutilizing both the entitlement to Colorado river water confirmed to it by the United States supreme court in Arizona v. California, 373 U.S. 546 (1963), and the central Arizona project, which has the capacity to divert into this state a significant portion of this state's entitlement to Colorado river water. The legislature further finds that, due to the low priority on the Colorado river of the central Arizona project and other Arizona Colorado river water users, the susceptibility of this state to future shortages of water on the Colorado river is a threat to the general economy and welfare of this state and its citizens.

B. THE LEGISLATURE FURTHER FINDS THAT WATER USERS WITHIN THE CENTRAL ARIZONA PROJECT SERVICE AREA ALSO RELY ON OTHER SURFACE WATER SUPPLIES, THAT THESE SUPPLIES ARE SUSCEPTIBLE TO FUTURE SHORTAGES OF WATER AND THAT THESE SHORTAGES ARE A THREAT TO THE GENERAL ECONOMY AND WELFARE OF THIS STATE AND ITS CITIZENS.

B. C. The legislature further finds that future water needs in the states of California and Nevada could exceed the entitlements of those states to Colorado river water. Those future water needs could thereby affect the general economy and welfare of this state and its citizens because of the close economic ties among Arizona, California and Nevada.

D. THE LEGISLATURE FURTHER FINDS THAT ARIZONA WATER USERS COULD MORE EFFICIENTLY MANAGE, DISTRIBUTE AND USE AVAILABLE WATER RESOURCES THROUGH THE STORAGE OF WATER SUPPLIES AND THROUGH

STORED WATER LENDING ARRANGEMENTS, BUT THAT NOT ALL OF THESE ARIZONA WATER USERS HAVE THE OPPORTUNITIES OR RESOURCES NEEDED TO STORE WATER OR ENTER INTO STORED WATER LENDING ARRANGEMENTS.

C. E. The legislature further finds that for the purposes of this chapter diverting Colorado river water for storage off of the Colorado river system is a consumptive use of that water.

D. F. The legislature further finds that water banking is complimentary and compatible with existing water management efforts. The Arizona water banking authority will compliment and assist the activities of the central Arizona water conservation district in its mission to provide a dependable and cost-effective water supply.

E. G. The legislature therefore finds that it is in the best interest of the general economy and welfare of this state and its citizens to:

1. Use the central Arizona project to store otherwise unused Arizona entitlement to Colorado river water within this state to meet future water needs within this state.
2. Provide the opportunity to the states of California and Nevada to store currently unused Colorado river water in Arizona to meet future needs in those states.

3. PROVIDE THE OPPORTUNITY TO FACILITATE THE STORAGE OF WATER AND STORED WATER LENDING ARRANGEMENTS BY ENTITIES IN ARIZONA THAT MAY NOT HAVE THE OPPORTUNITIES OR RESOURCES NEEDED TO STORE WATER.

F. H. The public policy and general purposes of this chapter are to:

1. Increase utilization of Arizona's Colorado river entitlement that was confirmed to Arizona by the United States supreme court in article ii (b) (1), (2) and (6) of the decree entered at Arizona v. California, 376 U.S. 340 (1964), and that would otherwise be unused in Arizona, by delivering that water into this state through the central Arizona project aqueducts.
2. Store water brought into this state through the central Arizona project to protect Arizona municipal and industrial water users against future water shortages on the Colorado river and disruptions of operation of the central Arizona project.
3. Store water brought into this state through the central Arizona project to fulfill the water management objectives of this state set forth in chapter 2 of this title.
4. Provide the opportunity for storing water brought into this state through the central Arizona project to be available to implement the settlement of water right claims by Indian communities within Arizona.
5. Provide the opportunity to authorized agencies in the states of California and Nevada to store otherwise unused Colorado river water in Arizona to assist those states in meeting future water needs.

6. PROVIDE THE OPPORTUNITY TO FACILITATE THE STORAGE OF WATER AND STORED WATER LENDING ARRANGEMENTS BY ENTITIES IN ARIZONA THAT MAY NOT HAVE THE OPPORTUNITIES OR RESOURCES NEEDED TO STORE WATER.

Sec. 2. Section 45-2402, Arizona Revised Statutes, is amended to read:

45-2402. Definitions

Unless the context otherwise requires, the terms defined in sections 45-101, 45-402 and 45-802.01 have the same meaning in this chapter and for purposes of this chapter:

1. "Authority" means the Arizona water banking authority.
2. "Banking fund" means the Arizona water banking fund.
3. "Central Arizona water conservation district" or "CAWCD" means the multi-county water conservation district established under title 48, chapter 22.
4. "Commission" means the Arizona water banking authority commission.
5. "Decree" means the decree entered by the United States supreme court in Arizona v. California, 376 U.S. 340 (1964).
6. **"WATER BANKING SERVICES" MEANS SERVICES PROVIDED BY THE AUTHORITY TO PERSONS AND INDIAN COMMUNITIES IN THIS STATE TO FACILITATE FOR THOSE PERSONS AND INDIAN COMMUNITIES STORAGE OF WATER AND STORED WATER LENDING ARRANGEMENTS. WATER BANKING SERVICES INCLUDE ONLY ARRANGEMENTS BY WHICH WATER WILL BE MADE AVAILABLE FOR USE IN THIS STATE. WATER BANKING SERVICES DO NOT INCLUDE INTERSTATE WATER BANKING UNDERTAKEN BY THE AUTHORITY PURSUANT TO ARTICLE 4 OF THIS CHAPTER. WATER BANKING SERVICES MAY INCLUDE:**
 - (a) **STORAGE OF WATER.**
 - (b) **OBTAINING WATER STORAGE PERMITS.**
 - (c) **ACCRUING, EXCHANGING AND ASSIGNING LONG-TERM STORAGE CREDITS.**
 - (d) **LENDING AND OBTAINING REPAYMENT OF LONG-TERM STORAGE CREDITS.**
7. **"WATER BANKING SERVICES AGREEMENT" MEANS AN AGREEMENT ENTERED INTO BETWEEN THE AUTHORITY AND A PERSON OR INDIAN COMMUNITY IN THIS STATE UNDER WHICH THE AUTHORITY WILL PROVIDE WATER BANKING SERVICES TO THAT PERSON OR INDIAN COMMUNITY.**

Sec. 3. Section 45-2423, Arizona Revised Statutes, is amended to read:

45-2423. Powers and duties of authority

A. The authority, acting through its commission, shall:

1. Administer the Arizona water banking fund in accordance with this chapter.
2. Coordinate its staffing needs with the director and CAWCD.
3. Coordinate the storage of water and distribution and extinguishment of long-term storage credits with the director in accordance with this chapter and the water management objectives set forth in chapter 2 of this title.
4. Coordinate with CAWCD for the purchase, delivery and storage of Colorado river water delivered through the central Arizona project in accordance with this chapter.
5. Coordinate and confer with state agencies, municipal corporations, special districts, authorities, other political subdivisions, private entities, Indian communities and the United States on matters within their jurisdiction relating to the policy and purposes of this chapter.
6. Determine, on an annual basis, the quantity of Colorado river water to be stored by the authority and where that storage will occur.
7. Account for, hold and distribute or extinguish long-term storage credits in accordance with this chapter.
8. Comply with all aspects of chapter 3.1 of this title.
9. Adopt an official seal for the authentication of its records, decisions and resolutions.
10. Keep the minutes of its meetings and all records, reports and other information relating to its work and programs in permanent form, systematically indexed and filed.

B. The authority, acting through its commission, may:

1. Apply for and hold water storage permits.
2. Accrue, exchange , **ASSIGN, LEND** and hold long-term storage credits in accordance with this chapter.
3. Exchange Colorado river water for any type of water in accordance with chapter 4 of this title.

4. ENTER INTO WATER BANKING SERVICES AGREEMENTS.

5. CHARGE FEES FOR WATER BANKING SERVICES.

6. APPLY FOR AND HOLD ANY WATER QUALITY PERMIT REQUIRED FOR WATER STORAGE BY THE DEPARTMENT OF ENVIRONMENTAL QUALITY UNDER TITLE 49, CHAPTER 2, ARTICLE 3 OR BY FEDERAL LAW.

4. 7. Make and execute all contracts, including intergovernmental agreements pursuant to title 11, chapter 7, article 3, that shall be signed by the chairperson, or in the chairperson's absence the vice-chairperson, and attested by the secretary, necessary to:

(a) Obtain for storage Colorado river water delivered through the central Arizona project. Agreements by which the authority obtains Colorado river water are exempt from the requirements of title 41, chapter 23.

(b) OBTAIN EFFLUENT FOR STORAGE BUT ONLY AFTER THE AUTHORITY HAS STORED ALL AVAILABLE EXCESS CENTRAL ARIZONA PROJECT WATER OR WHEN CENTRAL ARIZONA PROJECT WATER IS OTHERWISE UNAVAILABLE OR UNDELIVERABLE.

(b) (c) Affiliate water storage permits held by the authority with storage facility permits.

(c) (d) Store Colorado river water at permitted storage facilities.

(d) (e) Distribute long-term storage credits earned by the authority to make water available to municipal and industrial users of Colorado river water in this state that are inside or outside of the CAWCD service area, in accordance with the provisions of this chapter.

(e) (f) Store Colorado river water in Arizona on behalf of appropriately authorized agencies in California and Nevada.

(f) (g) Cause a decrease in Arizona diversions from the Colorado river, ensuring that Arizona will use less than its full entitlement to Colorado river water in years in which California and Nevada agencies are contractually authorized to call on the water stored on their behalf by the authority.

(g) (h) Distribute long-term storage credits earned by the authority on behalf of agencies in California and Nevada to Colorado river water users in Arizona to use in place of Colorado river water that would have otherwise been used by those Arizona users.

5. 8. Sue and be sued.

6. 9. Perform all other acts necessary for the authority to carry out its purposes, powers and duties in accordance with this chapter.

7. 10. Submit a request for a general fund appropriation to the legislature each year. A request shall be accompanied by a budget detailing how the appropriation would be used and justifying the need for the appropriation.

11. FORM TEMPORARY COMMITTEES AS DEEMED NECESSARY BY THE AUTHORITY TO PROVIDE THE AUTHORITY WITH ADVICE ON ISSUES IDENTIFIED BY THE AUTHORITY. ADVISORY COMMITTEES MAY CONSIST OF MEMBERS OF THE PUBLIC SELECTED BY THE AUTHORITY, MEMBERS OF THE AUTHORITY AND AUTHORITY STAFF.

Sec. 4. Section 45-2425, Arizona Revised Statutes, is amended to read:

45-2425 . Arizona water banking fund

A. The Arizona water banking fund is established. The state treasurer shall establish subaccounts of

the banking fund based on funding sources. The authority shall administer the **BANKING** fund in accordance with this chapter.

B. The banking fund consists of all of the following:

1. Monies appropriated from the state general fund by the legislature.
2. Reimbursement for the distribution of long-term storage credits, collected by the authority in accordance with section 45-2457, subsection B, paragraph 2.
3. Monies paid to the authority by the recipients of in lieu water at a groundwater savings facility, in accordance with section 45-2455, subsection C.
4. Monies collected in accordance with section 45-611, subsection C, paragraph 3.
5. Monies deposited in the **BANKING** fund in accordance with section 48-3715.03, subsection B.
6. Monies paid to the authority by agencies that have entered into interstate **WATER** banking agreements with the authority in accordance with section 45-2471.

7. MONIES PAID TO THE AUTHORITY BY PERSONS AND INDIAN COMMUNITIES IN THIS STATE THAT HAVE ENTERED INTO WATER BANKING SERVICES AGREEMENTS WITH THE AUTHORITY IN ACCORDANCE WITH SECTION 45-2458.

C. In addition to the monies prescribed in this section, the authority may accept any gifts, grants or donations and deposit those monies in the banking fund.

D. Monies in the banking fund are exempt from lapsing under section 35-190. Interest earned on monies in the banking fund shall be credited to the banking fund.

E. The authority may use the banking fund to pay all reasonable expenses incurred in carrying out its duties and responsibilities in accordance with this chapter.

Sec. 5. Section 45-2426, Arizona Revised Statutes, is amended to read:

45-2426 . Annual report

A. The commission shall make and submit to the governor, president of the senate and speaker of the house of representatives on or before July 1 of each year a report containing a full and complete account of its transactions and proceedings for the preceding calendar year.

B. The report shall contain all of the following:

1. An accounting of all monies expended from the banking fund.
2. An accounting of all monies in the banking fund remaining available to the authority.
3. The amount of water stored by the authority.

4. The number of long-term storage credits distributed or extinguished by the authority.
5. The purposes for which long-term storage credits were distributed or extinguished by the authority.

6. A DESCRIPTION OF THE WATER BANKING SERVICES AND INTERSTATE WATER BANKING TO BE UNDERTAKEN BY THE AUTHORITY DURING THE FOLLOWING TEN YEAR PERIOD, AND A PROJECTION OF THE CAPACITY OF THE AUTHORITY DURING THAT PERIOD TO UNDERTAKE THOSE ACTIVITIES IN ADDITION TO STORING COLORADO RIVER WATER BROUGHT INTO THE STATE THROUGH THE CENTRAL ARIZONA PROJECT FOR ALL OF THE FOLLOWING PURPOSES:

(a) PROTECTING THIS STATE'S MUNICIPAL AND INDUSTRIAL WATER USERS AGAINST FUTURE WATER SHORTAGES ON THE COLORADO RIVER AND DISRUPTIONS OF OPERATION OF THE CENTRAL ARIZONA PROJECT.

(b) FULFILLING THE WATER MANAGEMENT OBJECTIVES OF THIS STATE AS SET FORTH IN CHAPTER 2 OF THIS TITLE.

(c) MAKING WATER AVAILABLE TO IMPLEMENT THE SETTLEMENT OF WATER RIGHTS CLAIMS BY INDIAN COMMUNITIES WITHIN THIS STATE.

6. 7. Any other matter determined by the authority to be relevant to the policy and purposes of this chapter.

Sec. 6. Section 45-2427, Arizona Revised Statutes, is amended to read:

45-2427 . Limitation on powers

- A. This chapter does not authorize the authority to exercise any right of eminent domain.
- B. The authority shall not store Colorado river water that would otherwise have been used in this state.
- C. The authority shall not enter into contracts with agencies in California and Nevada for the storage of water on their behalf until both of the following occur:
 1. Regulations are in effect, promulgated by the secretary of the interior of the United States, that facilitate and allow the contractual distribution of unused entitlement under article II(b)(6) of the decree.
 2. The director finds that the rules promulgated by the secretary of the interior adequately protect this state's rights to Colorado river water, as those rights are defined by the decree.

D. THE AUTHORITY SHALL NOT ENTER INTO WATER BANKING SERVICES AGREEMENTS THAT WILL PROVIDE WATER FOR USE OUTSIDE THIS STATE. THE AUTHORITY MAY CANCEL ANY WATER BANKING SERVICES AGREEMENT WITHOUT PENALTY OR FURTHER OBLIGATION IF AFTER ENTERING INTO A WATER BANKING SERVICES AGREEMENT, THE AUTHORITY FINDS THAT THE

AGREEMENT WILL PROVIDE WATER FOR USE OUTSIDE OF THIS STATE. NOTICE OF THIS SUBSECTION SHALL BE INCLUDED IN EVERY WATER BANKING SERVICES AGREEMENT ENTERED INTO BY THE AUTHORITY. THE CANCELLATION UNDER THIS SUBSECTION SHALL BE EFFECTIVE WHEN WRITTEN NOTICE FROM THE AUTHORITY IS RECEIVED BY ALL OTHER PARTIES TO THE WATER BANKING SERVICES AGREEMENT.

Sec. 7. Section 45-2456, Arizona Revised Statutes, is amended to read:

45-2456 . Annual plan of operation

A. By January 1 of each year, the authority shall adopt a plan of operation for that calendar year.

B. In developing the plan of operation, the authority shall consider all of the following:

1. The amount of Colorado river water available for storage.
2. The advice of the department of water resources regarding where water storage would most contribute to fulfilling the water management objectives set forth in chapter 2 of this title.
3. The advice of CAWCD regarding the amount and location of water delivery and storage that is feasible.
4. The respective costs of storing water at available storage facilities.
5. The amount of storage allowed by water storage permits held by the authority.
6. The monies available from the banking fund.
7. The way in which water stored could be used by the authority to achieve the policy and purposes of this chapter.

8. THE OBLIGATIONS OF THE AUTHORITY UNDER ANY WATER BANKING SERVICES AGREEMENT INTO WHICH THE AUTHORITY HAS ENTERED.

8. 9. Any other factor the authority determines to be relevant.

C. The authority shall prepare a draft plan of operation each year. The authority shall solicit public comment on the draft plan of operation by presenting the draft plan of operation:

1. To the groundwater users advisory councils for the Tucson, Phoenix and Pinal active management areas. The presentation shall be made at publicly noticed open meetings of each advisory council at which members of the public shall be allowed to comment on the draft plan of operation.
2. If any water storage during the year is to occur outside of an active management area, to the county board of supervisors for each county in which the storage is to occur. The presentation shall be made at a publicly noticed open meeting of the county board of supervisors at which members of the public shall be allowed to comment on the draft plan of operation.

D. The authority may revise the draft plan of operation based on the public comment received.

E. An adopted plan of operation shall include all of the following:

1. A projection of expenditures for acquiring water.

2. A projection of the amount of water to be acquired each month by the authority.

3. A projection of the cost of delivering that water through the central Arizona project to a storage facility, including fees for the operation, maintenance, pumping energy and capital costs of the central Arizona project as established by CAWCD.

4. A projection of expenditures for water storage.

5. A projection of water storage permits to be obtained and a projection of with which storage facility permit each water storage permit will be affiliated.

6. A projection of the amount of water to be stored, accounted for by active management area, and if water storage will occur outside of an active management area, by groundwater basin or subbasin.

7. A projection of long-term storage credits that will be distributed or extinguished, accounted for by location where the long-term storage credits were stored, the purpose for which the distribution or extinguishment will occur and the persons to whom the long-term storage credits will be distributed.

8. A PROJECTION OF LONG-TERM STORAGE CREDITS THAT WILL BE STORED, LOANED, REPLACED OR DISTRIBUTED PURSUANT TO ANY WATER BANKING SERVICES AGREEMENT INTO WHICH THE AUTHORITY HAS ENTERED.

8. 9. Any other matter determined to be relevant by the authority.

F. The authority may modify an adopted plan of operation.

G. The authority shall operate in accordance with its adopted or modified plan of operation.

Sec. 8. Section 45-2457, Arizona Revised Statutes, is amended to read:

45-2457 . Accounting; rules of operation

A. The authority shall develop an accounting system for the long-term storage credits accrued by the authority. The accounting system shall be designed to allow the authority to determine which funding source of the banking fund paid for each long-term storage credit accrued by the authority.

B. The authority shall operate in accordance with all of the following rules of operation:

1. The authority shall reserve a reasonable number of long-term storage credits accrued with general fund appropriations for the benefit of municipal and industrial users of Colorado river water in this state that are outside of the service area of CAWCD.

2. The authority may distribute long-term storage credits accrued with general fund appropriations for both of the following:

(a) To make water available to a municipal and industrial user of Colorado river water in this state that is outside of the service area of CAWCD, if both of the following apply:

(i) The municipal and industrial user would otherwise suffer a water shortage. The authority may distribute long-term credits to the extent reasonably necessary to offset the water shortage.

(ii) The authority collects reimbursement for the cost to the authority of replacing the long-term storage credits distributed. **THE AUTHORITY MAY REPLACE THE LONG- TERM STORAGE CREDITS IN ANY YEAR IT DEEMS APPROPRIATE BUT SHALL USE GOOD FAITH EFFORTS TO REPLACE THE LONG- TERM STORAGE CREDITS AT A REASONABLE COST TO THE PERSON WHO IS RESPONSIBLE FOR REIMBURSING THE AUTHORITY FOR THE CREDITS DISTRIBUTED.**

(b) To make water available to CAWCD to the extent necessary for CAWCD to meet the demands of its municipal and industrial subcontractors, if all of the following apply:

(i) CAWCD's normal diversions from the Colorado river have been or will be disrupted by shortages on the river or by disruptions in the operation of the central Arizona project.

(ii) The authority does not distribute for this purpose the long-term storage credits reserved in accordance with paragraph 1 *of this subsection* .

(iii) The authority collects reimbursement from CAWCD for the cost to the authority of replacing the long-term storage credits distributed. **THE AUTHORITY MAY REPLACE THE LONG-TERM STORAGE CREDITS IN ANY YEAR IT DEEMS APPROPRIATE BUT SHALL USE GOOD FAITH EFFORTS TO REPLACE THE LONG- TERM STORAGE CREDITS AT A REASONABLE COST TO CAWCD.**

3. The authority may distribute or extinguish long-term storage credits accrued with general fund appropriations to implement the settlement of water right claims by Indian communities in this state.

4. On request from the director, the authority may extinguish long-term storage credits accrued with general fund appropriations to fulfill the water management objectives set forth in chapter 2 of this title.

5. The authority may exchange long-term storage credits accrued with general fund appropriations for long-term storage credits held by other persons if the long-term storage credits received by the authority were stored in a location that better enables the authority to fulfill the purposes and policies of this chapter than were the long-term storage credits exchanged by the authority. For the purposes of this paragraph, the authority may make exchanges of long-term storage credits stored in one active management area for long-term storage credits stored in a different active management area or of long-term storage credits stored in one groundwater basin for long-term storage credits stored in a different groundwater basin.

6. The authority shall distribute or extinguish long-term storage credits accrued with monies collected

in accordance with section 45-611, subsection C, paragraph 3 only for the benefit of the active management area in which the monies were collected. The authority may distribute or extinguish these long-term storage credits to implement the settlement of water right claims by Indian communities in this state or, on request from the director, to meet the water management objectives set forth in chapter 2 of this title.

7. The authority shall distribute long-term storage credits accrued with monies deposited in the fund in accordance with section 48-3715.03, subsection B only for the benefit of the county in which the monies were collected. The authority shall distribute these long-term storage credits to CAWCD to the extent necessary to meet the demands of CAWCD's municipal and industrial subcontractors during times in which CAWCD's diversions from the Colorado river have been or will be disrupted by shortages on the Colorado river or by disruptions in operation of the central Arizona project.

8. FOR EACH COUNTY WITHIN THE CAWCD SERVICE AREA, ON A DETERMINATION BY THE AUTHORITY THAT THE NUMBER OF LONG-TERM STORAGE CREDITS ACCRUED WITH MONIES DEPOSITED IN THE FUND IN ACCORDANCE WITH SECTION 48-3715.03, SUBSECTION B EXCEEDS THE NEEDS SPECIFIED IN PARAGRAPH 7 FOR THAT COUNTY, THE AUTHORITY SHALL DISTRIBUTE THOSE EXCESS LONG-TERM STORAGE CREDITS TO MUNICIPAL WATER PROVIDERS WITHIN THAT COUNTY THAT ARE AT THE TIME OF DISTRIBUTION EXPERIENCING SURFACE WATER SUPPLY SHORTAGES NOT ASSOCIATED WITH THE CENTRAL ARIZONA PROJECT. THE AUTHORITY SHALL DISTRIBUTE TO EACH SUCH MUNICIPAL WATER PROVIDER THE LESSER OF THE FOLLOWING NUMBER OF LONG-TERM STORAGE CREDITS:

(a) THE TOTAL NUMBER OF CREDITS DETERMINED TO BE AVAILABLE BY THE AUTHORITY UNDER THIS PARAGRAPH MULTIPLIED BY THE PERCENTAGE PRODUCED BY DIVIDING A NUMERATOR EQUALING THE AMOUNT OF REVENUES PAID PURSUANT TO SECTION 48-3715.02, SUBSECTIONS B AND C BY TAXPAYERS THAT ARE WITHIN BOTH THE BOUNDARIES OF THE MUNICIPAL PROVIDER THAT IS EXPERIENCING THE SHORTAGE AND THE BOUNDARIES OF THE SURFACE WATER SUPPLY SYSTEM THAT IS EXPERIENCING THE SHORTAGE BY A DENOMINATOR EQUALING THE TOTAL REVENUES PAID PURSUANT TO SECTION 48-3715.02, SUBSECTIONS B AND C BY ALL TAXPAYERS THAT ARE LOCATED WITHIN BOTH THE BOUNDARIES OF A MUNICIPAL WATER PROVIDER AND THE BOUNDARIES OF A SURFACE WATER SUPPLY SYSTEM IN THE COUNTY. IN MAKING THESE COMPUTATIONS, THE AUTHORITY SHALL USE THE AMOUNTS OF REVENUE PAID BY TAXPAYERS DURING THE MOST RECENT TAX YEAR FOR WHICH THIS INFORMATION IS AVAILABLE.

(b) TWENTY PER CENT OF THE TOTAL SURFACE WATER SHORTAGE THAT THE MUNICIPAL AND INDUSTRIAL WATER PROVIDER IS EXPERIENCING.

9. THE AUTHORITY SHALL DISTRIBUTE OR REPLACE LONG-TERM STORAGE CREDITS ACCRUED WITH MONIES COLLECTED PURSUANT TO WATER BANKING SERVICES AGREEMENTS IN ACCORDANCE WITH THE TERMS OF THOSE AGREEMENTS.

C. Any other long-term storage credits accrued by the authority may be distributed or extinguished by

the authority in accordance with the policy and purposes of this chapter.

D. Except as provided by subsection B, paragraph 7 of this section and except as provided by agreements entered into by the authority, the decision to distribute or extinguish any long-term storage credit accrued by the authority is at the complete discretion of the authority.

Sec. 9. Title 45, chapter 14, article 3, Arizona Revised Statutes, is amended by adding section 45-2458, to read:

45-2458 . Water banking services agreements

A. THE AUTHORITY MAY ENTER INTO A WATER BANKING SERVICES AGREEMENT UNDER WHICH THE AUTHORITY WILL LOAN LONG- TERM STORAGE CREDITS TO A PERSON OR AN INDIAN COMMUNITY IN THIS STATE IF ALL OF THE FOLLOWING APPLY:

1. THE PERSON OR INDIAN COMMUNITY COULD HAVE LEGALLY OBTAINED THE WATER THAT WAS STORED TO ACCRUE THE LONG-TERM STORAGE CREDITS THAT WILL BE LOANED UNDER THE AGREEMENT, COULD HAVE ACCRUED, IN ACCORDANCE WITH CHAPTER 3.1 OF THIS TITLE, THE LONG-TERM STORAGE CREDITS THAT WILL BE LOANED AND COULD OTHERWISE LEGALLY STORE WATER IN ACCORDANCE WITH THE LAWS OF THIS STATE.

2. THE AGREEMENT REQUIRES THE PERSON OR INDIAN COMMUNITY TO PAY THE AUTHORITY ALL COSTS INCURRED BY THE AUTHORITY IN ACCRUING THE LONG-TERM STORAGE CREDITS TO BE LOANED UNDER THE AGREEMENT.

3. THE AGREEMENT REQUIRES THAT THE COSTS PRESCRIBED BY PARAGRAPH 2 OF THIS SUBSECTION FOR EACH LONG-TERM STORAGE CREDIT TO BE LOANED UNDER THE AGREEMENT ARE TO BE PAID TO THE AUTHORITY BEFORE THE AUTHORITY DISTRIBUTES THE CREDITS PURSUANT TO THE AGREEMENT.

4. THE AGREEMENT REQUIRES THE PERSON OR INDIAN COMMUNITY TO REIMBURSE THE AUTHORITY FOR THE COSTS OF REPLACING EACH LONG-TERM STORAGE CREDIT LOANED UNDER THE AGREEMENT, TO THE EXTENT THAT COST EXCEEDS THE AMOUNT PAID IN ACCORDANCE WITH PARAGRAPH 3 OF THIS SUBSECTION.

5. THE AGREEMENT REQUIRES THE AUTHORITY TO USE GOOD FAITH EFFORTS TO REPLACE THE LONG-TERM STORAGE CREDITS AT A REASONABLE COST TO THE PERSON OR INDIAN COMMUNITY.

6. THE AGREEMENT REQUIRES THAT IF THE AUTHORITY IS UNABLE TO REPLACE THE LONG-TERM STORAGE CREDITS FOR ANY REASON DURING THE TEN YEARS FOLLOWING THE DISTRIBUTION OF THE CREDITS, THE PERSON OR INDIAN COMMUNITY SHALL NOT BE EXCUSED FROM REIMBURSING THE COSTS SPECIFIED IN PARAGRAPH 4 OF THIS SUBSECTION, AND THE PERSON OR INDIAN COMMUNITY SHALL PAY TO THE AUTHORITY AT THE END OF THAT TEN YEAR PERIOD THE APPROXIMATE COST THE AUTHORITY WILL EXPEND IN REPLACING

THE CREDITS DISTRIBUTED, LESS THE AMOUNT PAID PURSUANT TO PARAGRAPH 2 OF THIS SUBSECTION.

7. THE AGREEMENT MAY PROVIDE THAT, SUBJECT TO APPROVAL BY THE AUTHORITY, THE OTHER PARTY TO THE AGREEMENT MAY ASSIGN TO THE AUTHORITY THE NUMBER OF LONG-TERM STORAGE CREDITS LOANED TO THE PARTY IN LIEU OF THE PARTY PAYING THE COSTS REQUIRED BY PARAGRAPHS 4, 5 AND 6 OF THIS SECTION.

B. THE AUTHORITY MAY ENTER INTO A WATER BANKING SERVICES AGREEMENT WITH A PERSON OR INDIAN COMMUNITY TO STORE WATER ON BEHALF OF THE PERSON, INDIAN COMMUNITY OR OTHER BENEFICIARY NAMED IN THE AGREEMENT, IF ALL OF THE FOLLOWING APPLY:

1. THE PERSON, INDIAN COMMUNITY OR NAMED BENEFICIARY COULD LEGALLY OBTAIN THE WATER THAT THE AUTHORITY WILL STORE UNDER THE AGREEMENT, COULD ACCRUE LONG-TERM STORAGE CREDITS IN ACCORDANCE WITH CHAPTER 3.1 OF THIS TITLE FOR THE WATER TO BE STORED AND COULD OTHERWISE LEGALLY STORE WATER IN ACCORDANCE WITH THE LAWS OF THIS STATE.

2. THE AGREEMENT REQUIRES THE PERSON OR INDIAN COMMUNITY ENTERING INTO THE AGREEMENT TO PAY TO THE AUTHORITY ALL COSTS THAT ARE OR WILL BE INCURRED BY THE AUTHORITY IN ENTERING INTO AND EXECUTING ITS OBLIGATIONS UNDER A WATER BANKING SERVICES AGREEMENT.

C. IN DETERMINING COSTS OF PERFORMING WATER BANKING SERVICES PURSUANT TO SUBSECTIONS A AND B, THE AUTHORITY MAY INCLUDE THE FOLLOWING COSTS:

1. THE COST OF ACQUIRING WATER.

2. THE COST OF DELIVERING THAT WATER TO A STORAGE FACILITY, INCLUDING FEES FOR THE OPERATION, MAINTENANCE, PUMPING ENERGY AND CAPITAL COSTS OF THE CENTRAL ARIZONA PROJECT, AS ESTABLISHED BY THE CAWCD, AND OTHER AQUEDUCTS.

3. THE COST OF STORING WATER, INCLUDING CONSTRUCTION, OPERATION AND MAINTENANCE COSTS ASSOCIATED WITH USING A STORAGE FACILITY.

4. A FEE EQUIVALENT TO THE APPROXIMATE AMOUNT OF ADMINISTRATIVE, LEGAL AND TECHNICAL EXPENSES INCURRED BY THE AUTHORITY IN ENTERING INTO AND EXECUTING ITS OBLIGATIONS UNDER A WATER BANKING SERVICES AGREEMENT.

5. ANY ADDITIONAL COSTS THE AUTHORITY DEEMS NECESSARY TO ENTER INTO AND EXECUTE ITS OBLIGATIONS UNDER A WATER BANKING SERVICES AGREEMENT.

D. A WATER BANKING SERVICES AGREEMENT SHALL REQUIRE A PERSON ENTERING INTO THE AGREEMENT TO OBTAIN A PERFORMANCE BOND TO ENSURE PAYMENT TO THE AUTHORITY OF ALL MONIES OWED TO THE AUTHORITY UNDER THE AGREEMENT, UNLESS THE PERSON IS AN INDIAN COMMUNITY IN THIS STATE OR A GOVERNMENT ENTITY, POLITICAL SUBDIVISION OR MUNICIPAL CORPORATION ORGANIZED UNDER OR SUBJECT TO THE CONSTITUTION AND LAWS OF THIS STATE. IF THE PERSON ENTERING INTO THE WATER BANKING SERVICES AGREEMENT IS AN INDIAN COMMUNITY IN THIS STATE OR A GOVERNMENT ENTITY, POLITICAL SUBDIVISION OR MUNICIPAL CORPORATION ORGANIZED UNDER OR SUBJECT TO THE CONSTITUTION AND LAWS OF THIS STATE, THE BANKING SERVICES AGREEMENT MAY REQUIRE THAT PERSON TO OBTAIN A PERFORMANCE BOND TO ENSURE PAYMENT TO THE AUTHORITY OF ALL MONIES OWED TO THE AUTHORITY UNDER THE AGREEMENT.

Sec. 10. Section 48-3715, Arizona Revised Statutes, is amended to read:

48-3715 . Tax levy

A. On or before the second Monday in August of each year, the clerk of the county board of supervisors of each county within the district shall certify to the district board the total assessed valuation of all taxable property in the county. On or before the third Monday in August of each year, the district board shall fix the amount to be raised by direct taxation for the purpose of carrying out the provisions of this chapter , and shall levy a tax sufficient to raise such amount. Such tax shall not exceed ten cents on each one hundred dollars of assessed valuation in the district. The district board shall forthwith certify such tax rate to the board of supervisors of each county within the district, which boards at the time of levying general county taxes shall levy and cause to be collected taxes on the taxable property within such county at the tax rate fixed by the district board. The tax when collected shall be paid to the state treasurer and be credited to the district fund to be expended by the district only for purposes authorized by this chapter, which shall include costs and expenses of administration.

B. The district board shall charge and collect a fee in lieu of taxes paid pursuant to subsection A for each acre-foot of central Arizona project water purchased or leased and delivered to or credited to a purchaser or lessee. The amount of this fee shall be computed by dividing the sum of the taxes levied in each county within the district pursuant to subsection A in the **PREVIOUS** year in which the fee is charged by the **AVERAGE ANNUAL** amount of Colorado river water *available for diversion into the central Arizona project as determined by the secretary during that year* **DELIVERED THROUGH THE CENTRAL ARIZONA PROJECT SYSTEM FOR NONFEDERAL MUNICIPAL AND INDUSTRIAL AND AGRICULTURAL USE OVER THE PREVIOUS THREE YEARS** . This fee does not apply to:

1. Indian tribes with respect to water used directly on Indian reservation land in this state or on land owned in this state by the Indian tribe.
2. Water service providers whose customers are real property owners within the service area of the district and who pay the tax levied pursuant to subsection A. For purposes of this paragraph, "water service provider" means any person that has any obligation or duty of any nature to deliver water

within the district's service area.

3. Persons who have entered into a contract with the district under which they agree to make payments in lieu of the tax levied pursuant to subsection A.

4. Persons that are real property owners within the service area of the district and that will use the water within the district's service area.

5. The Arizona water banking authority if that authority is acquiring water that will be used for the benefit of those persons prescribed in this subsection.

APPROVED BY THE GOVERNOR APRIL 1, 1999.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 2, 1999.

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ARIZONA WATER BANKING AUTHORITY
ANNUAL PLAN OF OPERATION

2000



Rita P. Pearson, Chairman

INTRODUCTION

The Arizona Water Banking Authority (AWBA) was created to store Arizona's unused Colorado River water entitlement in western, central and southern Arizona to develop long-term storage credits to: (1) firm existing water supplies for municipal and industrial users during Colorado River shortages or Central Arizona Project (CAP) service interruptions; (2) help meet the water management objectives of the Arizona Groundwater Code; and (3) assist in the settlement of American Indian water rights claims.

In addition to these functions, which were set forth in the AWBA's enabling legislation, the AWBA can now undertake some additional water banking activities. The Arizona Water Banking Authority Study Commission, created in 1996 to consider and recommend possible additional roles for the AWBA in carrying out Arizona's water policy, proposed a series of water banking amendments during the 1999 legislative session, all of which were approved by the Arizona Legislature and signed into law in April 1999 by Governor Hull. These statutory amendments include provisions to allow the AWBA to perform water banking services for specific entities in Arizona and create a mechanism for distribution of long-term storage credits earned on behalf of specific Arizona entities; to permit the AWBA to store effluent for the same purposes allowed for CAP water but only when all available excess CAP water has been stored or when excess CAP water is not available to the AWBA; to protect non-CAP surface water supplies; and to create a mechanism for long-term storage credit lending.

The AWBA is required by statute to approve an annual Plan of Operation by January 1 of each year. The Plan of Operation is intended to govern the operations of the AWBA over the course of the entire calendar year. During the course of the year, changing circumstances may present limitations or provide new opportunities not contemplated in the adopted Plan, which could affect the overall delivery projections. In such circumstances, the AWBA may choose to modify its adopted Plan. If such modifications are required, the proposed modifications will be discussed and, if acceptable, approved at a public meeting of the AWBA.

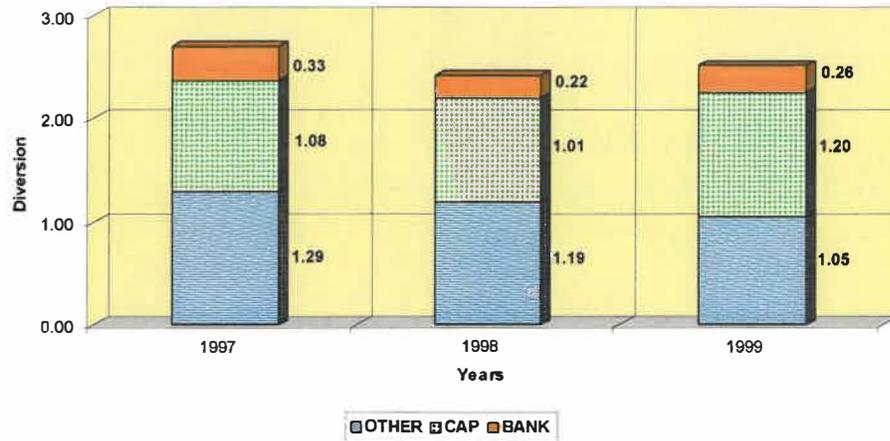
The AWBA recognizes that day-to-day adjustments in the normal operations of the CAP or the individual storage facilities caused by maintenance and fluctuations in the weather may affect the actual monthly deliveries made on behalf of the AWBA. If the adjustments do not impact the overall annual delivery projections contained in the Plan, they will not be deemed modifications to the Plan and will be addressed by staff and reported to the AWBA members on an as-needed basis.

1999 PLAN OF OPERATION

In 1999, the AWBA's second full year of operation, the AWBA recharged approximately 260,000 acre feet of Colorado River water, bringing Arizona's total use of Colorado River water close to its normal year entitlement of 2.8 million acre feet (see Figure 1).

Figure 1

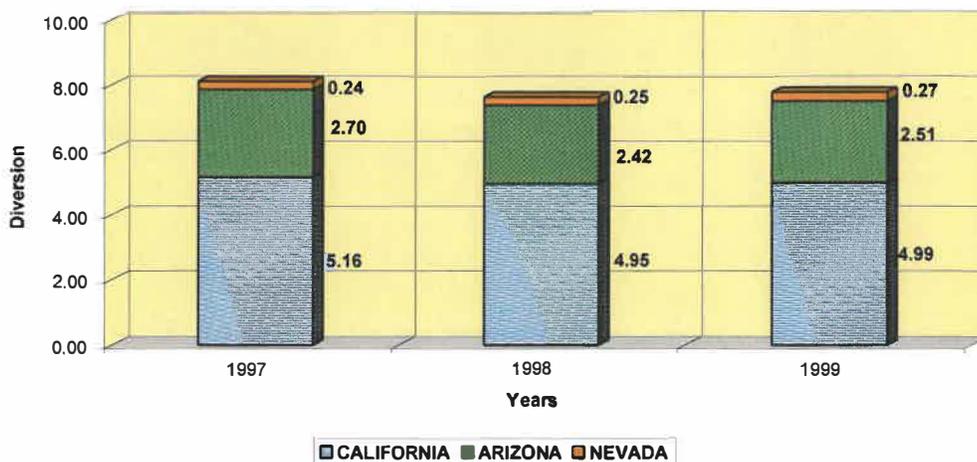
ARIZONA DIVERSIONS
Million Acre Feet



Because the Secretary of the Interior declared that the Colorado River was in surplus in 1999, the increased use by Arizona did not impact the other Lower Basin states' uses. Total estimated use of Colorado River water in the Lower Basin will be approximately 7.8 million acre feet in 1999 (see Figure 2).

Figure 2

LOWER BASIN DIVERSIONS
Million Acre Feet



The AWBA recharged water at underground storage facilities (USF) and groundwater savings facilities (GSF) in 1999. Table 1 lists the AWBA's recharge partners for 1999, the amount of water that can be stored under each AWBA water storage permit, and the amount estimated to be recharged by the AWBA at each facility in 1999. Final figures generally become available in the middle of the following year (in this case, mid-2000). The amount of water stored is always greater than the amount of long-term storage credits earned by the AWBA because credits are computed by subtracting approximately 3-5% for losses and 5% for a "cut to the aquifer" from the total annual deliveries.

Table 1

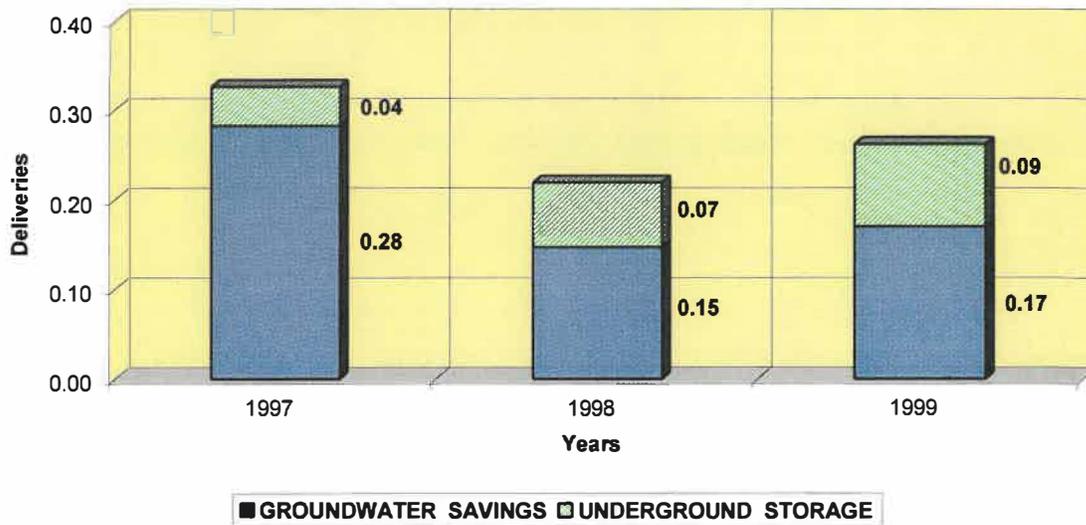
AMA	Facility	Type	Permit Capacity	Amount Recharged
Phoenix	GRUSP	USF	200,000	69,043
	Queen Creek ID	GSF	28,000	15,168
	New Magma IDD	GSF	54,000	46,284
	SRP	GSF	200,000	22,064
	Maricopa Water District	GSF	18,000	20,114
Pinal	MSIDD	GSF	120,000	21,393
	CAIDD	GSF	110,000	8,000
	Hohokam ID	GSF	55,000	38,124
Tucson	Avra Valley (CAP)	USF	11,000	3,587
	Pima Mine Road (CAP)	USF	10,000 ¹	11,074
	CAVSARP (Tucson)	USF	10,000	7,989
Total				262,840

¹ In 1999, Pima Mine Road Recharge Facility operated under a pilot permit for storage of up to 10,000 acre feet of water. In mid-1999, the pilot permit was extended to allow storage of an additional 10,000 acre feet.

Though the Amended 1999 Plan of Operation scheduled approximately 370,000 acre feet of water to be recharged around the state, the amount of water recharged amounted to approximately 262,840 acre feet. Several GSFs requested a reduction in water deliveries, and the AWBA recharged less water at GRUSP than originally anticipated. Figure 3 shows the acre foot break down between GSFs and USFs for 1999 and a comparison between 1999 and previous years.

Figure 3

RECHARGE by TYPE
Million Acre Feet



2000 PLAN OF OPERATION

When developing the 2000 Plan, the AWBA evaluated four critical factors: (1) the amount of unused water available to the AWBA for delivery, (2) the CAP capacity available to the AWBA for the delivery of unused water, (3) the funds available and the costs required to deliver the unused water, and (4) the capacity available for use by the AWBA at the various recharge facilities.

For water year 2000, the Secretary of the Interior has declared that the Colorado River is in a surplus condition. A surplus declaration means that surplus water would be available to the AWBA as a source of unused water. Therefore, water availability will not be a limiting factor for the AWBA in 2000.

The Central Arizona Project (CAP) 2000 Operating Plan accommodates the delivery of approximately 1.6 million acre feet of water. CAP's plan delivers approximately one million acre feet to its subcontractors, which leaves approximately 600,000 acre feet of capacity available for the AWBA. Based on this available capacity, the CAP's operations will not be a limiting factor for the AWBA in 2000.

The funding available to the AWBA from its three sources (county *ad valorem* property tax revenues, groundwater pumping fees, and general funds) to pay for the delivery of water in 1999 will be approximately \$20 million including the carryover from the previous years. Given the costs associated with the delivery of water and the fact that the GSF operators continue to pay \$21 of that cost when the water is delivered to their facilities, the \$20 million is adequate to fund the AWBA Plan and is not a limiting factor in 2000. For more information about the cost of the plan, please refer to the pricing section, *infra*.

To assist in developing the 2000 Plan, each facility operator submitted an annual delivery schedule to the CAP. (The CAP schedules the AWBA's deliveries for those USFs it will be operating.) The CAP staff utilized these schedules to compile an annual schedule for the CAP, including municipal and industrial (M&I) water, water for Indian tribes, incentive recharge water, agricultural pool water, and AWBA water. As discussed previously, this integrated schedule was developed to conform to a 1.6 million acre foot delivery year. Concurrently, the AWBA staff met with the facility operators to discuss their delivery schedules and confirm their continued interest in participating with the AWBA. These discussions confirmed the availability of substantial permitted recharge capacity but also that limited capacity is available to the AWBA. Some of the GSF availability was limited by delivery cost, and other facilities were limited by operational issues. Operational constraints or previous commitments to other partners limited the availability of USFs to the AWBA.

Based on its adopted Plan, the AWBA anticipates recharging approximately 290,000 acre feet of Colorado River water in 2000. The Plan was developed utilizing facilities that have already been permitted or are anticipated to be permitted in 2000 and are located in Maricopa, Pinal, and Pima Counties. The Plan attempts to optimize, on a monthly basis, the delivery of Colorado River water to meet the AWBA's objectives. The Plan is flexible, and if additional recharge capacity can be identified and funding remains available, the Plan can be modified in the future to include additional facilities.

Based on projected uses, Arizona's use of Colorado River water in 2000 will be approximately 2.60 million acre feet (see Figure 4), which will be slightly greater than Arizona's 1999 use. The overall Lower Basin use is projected to be approximately 7.8 million acre feet (see Figure 5).

Figure 4

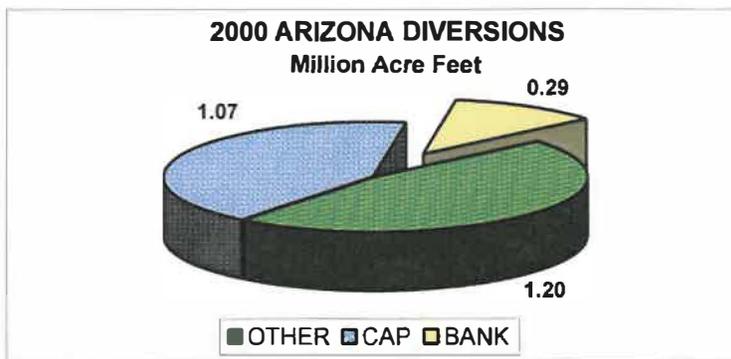
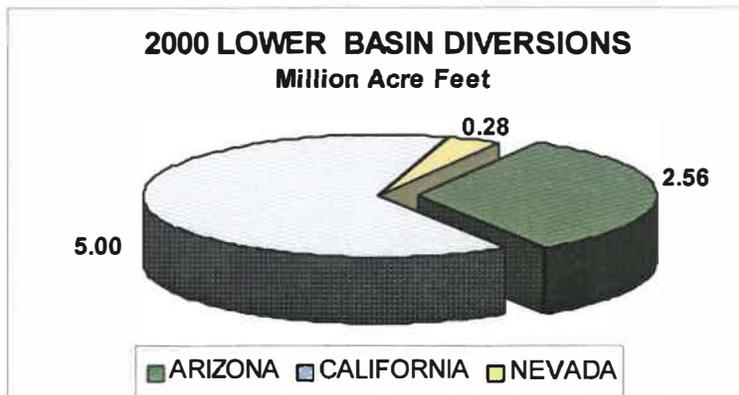


Figure 5



The CAWCD has proposed a policy for allocating excess water.² The policy establishes criteria for eligibility for a particular pool and establishes a pricing strategy for those pools.

The first pool of excess water would be full price, including any capital charge, and would be available for sale to any Arizona user (municipalities, agricultural entities, water companies, private entities, Indians, or federal agencies). The first pool may be limited by the CAWCD Board at its discretion. The second pool is the Agricultural Pool priced at “energy rate 1.” This pool would be limited beginning at 400,000 acre feet and declining to 225,000 acre feet. The second priority pool is for non-Indian agricultural users only. The third pool would be incentive recharge at the “energy rate 2” plus other costs as set by current policy (approximately five dollars). This third priority pool is primarily for the AWBA, but cities or other municipal and industrial (M&I) entities could participate. If the federal government wanted to develop recharge credits, it could participate through the AWBA. Federal water banking efforts would be accomplished in a manner similar to that outlined in the proposed Interstate Water Banking rules first published in draft form in December 1997 and not yet finalized. Finally, the fourth pool would consist of any remaining available water for any use including non-Indian agricultural, Indian, federal, and recharge at the price set by the CAWCD Board each year. The fifth pool is for the AWBA for interstate storage purposes.

Table 2 shows the AWBA’s 2000 delivery schedule. Line One of this table provides estimates of the CAP’s monthly deliveries to its M&I, agricultural, incentive recharge, and Indian customers. These deliveries have a scheduling priority over the AWBA’s deliveries. These estimates do not include deliveries to New Waddell Dam.

Line Two shows the capacity available to the AWBA after the CAP makes its priority deliveries and its deliveries to New Waddell Dam. The CAP is capable of delivering approximately 180,000 acre feet of water each month. The AWBA’s capacity is determined by subtracting customer deliveries from the available capacity. The available capacity does not always total 180,000 acre feet/month because of unique situations such as the filling of Lake Pleasant in the winter months, deliveries to the western portion of the aqueduct, New Waddell Dam releases to the aqueduct in the summer months and scheduled maintenance. During the fall and winter months, the capacity available to the AWBA is constrained because the CAP is making deliveries to Lake Pleasant.

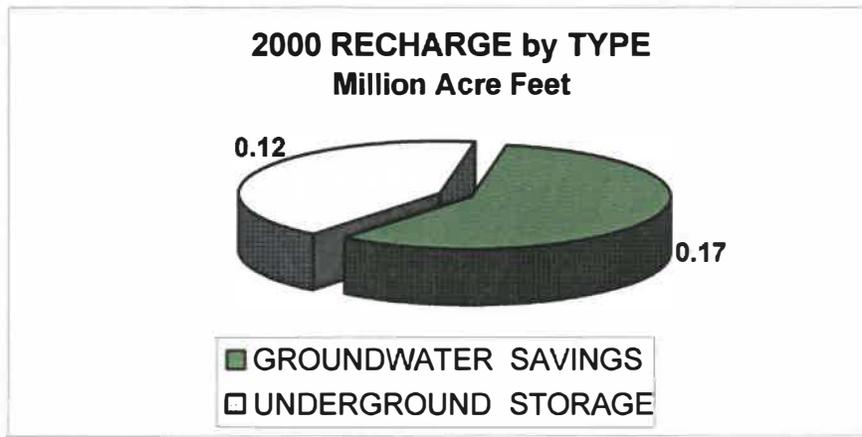
Lines Three through Twenty represent the AWBA’s 2000 Plan of Operation. This section identifies the AWBA’s partners for 2000 and the amount of water scheduled to be recharged. The second column in this section identifies the AWBA’s water storage permit capacities for each facility and the amount of that capacity that is available to the AWBA in 2000. The capacity available does not always equal the storage permit capacity because the storage facility operators may have agreements with other storage partners.

² Excess Water is all Colorado River water available for delivery through the CAP under normal, shortage, or surplus conditions on the Colorado River that is in excess of the amounts scheduled for delivery under long-term contracts and subcontracts.

Line Twenty-two lists the CAP capacity remaining after the AWBA's deliveries are scheduled. The amount in parentheses in the month of July represents an over-commitment of capacity in that month. The CAP has shown in the past that there is some operational flexibility to help meet deliveries in that month. The AWBA staff will work closely with the CAP staff and our partners in an attempt to meet the scheduled deliveries during that month.

In 2000, GSFs and USFs will comprise somewhat equal portions of the AWBA's water deliveries. Figure 6 shows the break down between GSF and USF water storage for 2000.

Figure 6



The values in Table 2 reflect the delivery amounts at the CAP turnout and do not account for losses incurred between the turnout and the actual point of use. Those losses must be calculated and deducted from the deliveries to determine the actual credits earned by the AWBA.

No recovery is anticipated in 2000. The AWBA began developing recovery concepts in 1999 to ensure that the benefit of the credits developed will be realized by the area in which the funds are collected. An environmental consulting firm hired by the AWBA completed much of its work in 1999 and received input from various water entities in a series of meetings held in April and May 1999. The process resulted in the production of a CD containing water data for the Pinal, Phoenix, and Tucson AMAs. The AWBA will continue to pursue recovery concepts in 2000 and beyond.

Table 2
ARIZONA WATER BANKING AUTHORITY
Water Delivery Schedule
Calendar Year 2000
(ACRE-FEET)

1999
Deliveries
(ACRE-FEET)

			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total		
1	Estimated CAP Deliveries + Losses : (M&I, Indian, Ag Pools 1, 2 & 3, Incentive Recharge)		39,200	45,700	101,100	105,400	123,000	188,900	170,000	130,400	61,600	41,500	28,400	32,000	1,067,200		
2	Available Excess CAP Capacity for AWBA :		90,000	75,000	47,000	56,000	37,000	11,000	36,000	60,000	55,000	58,000	28,000	31,000	584,000		
	AWBA – Recharge Sites :	Permitted Capacity (AF)	Requested Capacity (AF)														
	LA PAZ COUNTY :																
3	USF VIDLER WATER / MBT	10,000	?												?	0	
	PHOENIX A M A :																
4	USF GRUSP	200,000	85,000	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	79,200	69,043	
5	AGUA FRIA	100,000	15,000	0	0	0	0	0	0	2,500	2,500	2,500	2,500	2,500	15,000	0	
6	GSF CHCID	3,000	900	50	50	50	100	100	100	100	100	100	50	0	900	0	
7	MWD	30,000	20,000	0	0	0	0	0	0	2,733	2,353	2,353	0	0	7,439	20,114	
8	NEW MAGMA	50,000	47,200	2,000	2,000	3,200	2,500	3,000	3,500	3,700	9,700	9,600	3,500	2,500	2,000	47,200	46,284
9	QUEEN CREEK	28,000	20,000	0	0	0	0	0	0	3,946	7,270	3,720	1,600	1,050	2,460	20,046	15,168
10	RWCD	100,000	?												?	0	
11	SRP	200,000	15,000	0	0	0	2,500	2,500	0	2,500	2,500	2,500	2,500	0	0	15,000	22,064
12	TONOPAH ID	15,000	3,000	0	0	0	0	0	0	0	0	0	0	1,000	2,000	3,000	0
	P I N A L A M A :																
13	GSF CAIDD	110,000	15,000	0	0	0	0	0	0	1,451	8,606	4,184	482	377	15,100	8,000	
14	HOHOKAM	55,000	46,000	2,300	3,500	6,500	6,000	7,500	4,500	0	7,600	3,500	2,000	800	2,000	46,200	38,124
15	MSIDD	120,000	15,000	530	0	320	0	320	2,000	4,620	3,260	1,370	110	110	1,580	14,220	21,393
	T U C S O N A M A :																
16	USF Avra Valley	11,000	3,000	275	275	275	275	275	275	0	250	275	275	275	275	3,000	3,587
17	CAVSARP	15,000	7,500	500	500	500	500	500	500	500	500	500	500	500	500	6,000	7,989
18	Pima Mine Road	10,000	12,000	800	700	0	0	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	11,900	11,074
19	Lower Santa Cruz	30,000	10,000	0	0	0	0	0	0	1,000	1,800	1,800	900	1,800	1,800	9,100	0
20	GSF Kai AVRA	11,000	?												?	0	
21	T O T A L (USF + GSF) :		314,150	13,055	13,625	17,445	18,475	22,095	18,775	26,766	47,564	44,724	28,422	18,967	23,392	293,305	262,840
	Remaining CAP Capacity :		76,945	61,375	29,555	37,525	14,905	(7,725)	9,234	12,436	10,276	29,578	9,033	7,608	290,695		

NEW PARTNERS

In 2000, the Annual Operating Plan anticipates recharging water at two new USFs: Agua Fria Recharge Facility in the Phoenix AMA and the Lower Santa Cruz Recharge Facility in the Tucson AMA.

Agua Fria Recharge Project

CAWCD is developing the Agua Fria Recharge Project as a Maricopa County State Demonstration Project. It will be the first recharge project in Arizona to incorporate a combination of streambed recharge and infiltration basins in a single recharge facility. The Agua Fria Recharge Project is located in the Agua Fria River channel within the Salt River Valley groundwater basin of the Phoenix AMA. As of Fall 1999, several outstanding issues remain before the Agua Fria may operate.

- (1) *Federal Environmental Laws.* The CAWCD submitted a Clean Water Act Section 404 Permit Application and supporting documents to the U.S. Army Corps of Engineers (COE) on November 20, 1998. The COE is expected to rule on the permit application in the near future. In addition, the CAWCD submitted a Clean Water Act 401 permit application and supporting material to ADEQ for approval on April 22, 1999. The 401 Certification provides conditions for compliance with surface water quality standards that are incorporated into the Section 404 Permit issued by the COE.
- (2) *Land Acquisition.* CAWCD must obtain legal access to private and state owned land located in the Agua Fria River channel before beginning construction of the Agua Fria Recharge Project via easement purchases and right of way applications.

The Agua Fria Recharge Project is expected to be available to the AWBA for recharge in July 2000.

Lower Santa Cruz Recharge Project

CAWCD and the Pima County Flood Control District (PCFCD) are jointly developing the Lower Santa Cruz Recharge Project. PCFCD is the lead agency in the permit process, design and construction of the facility. CAWCD will be the owner and operator after the facility is constructed. The Lower Santa Cruz Recharge Project is located about one quarter mile northwest of the Avra Valley Recharge Project along the Santa Cruz River. As of Fall 1999, land acquisition issues remain but are expected to be resolved before the end of 1999.

Scheduled project completion and final acceptance is May 2000, and the facility should be available to the AWBA for recharge in June 2000.

INTERSTATE WATER BANKING

The Secretary of the Interior has not yet promulgated rules governing the interstate banking of Colorado River water. Until the Secretary promulgates such rules and the Director of the Department of Water Resources deems them acceptable, no interstate banking will be included in the Plan of Operations. These rules are expected to be finalized some time in Fall 2000. If the rules are finalized and released, if the AWBA determines that interstate banking is appropriate during 2000, and if appropriate agreements with entities in the other Lower Basin states can be negotiated, the AWBA could amend its Plan of Operation to reflect additional water banking for interstate purposes. Any amendment of the Annual Plan would take place after public notice and opportunity for public comment.

PRICING

For 2000, the CAWCD Board adopted a rate for the delivery of the AWBA's water of the pumping Energy Rate 2 component plus ten percent of fixed operation and maintenance cost of the CAP system plus a component to compensate for lost revenues for a total cost of \$44 per acre foot. The AWBA's policy of recovering \$21 from its groundwater savings facility partners will continue for 2000. Table 3 reflects the water delivery rate the CAP will charge the AWBA, the rate the GSF operators will pay for use of the AWBA's water, and the various rates the AWBA will be charged to utilize the different USFs.

Table 3

2000 Water Rates	
CAP's delivery rate to AWBA	\$44 per acre foot
Groundwater Savings Facility operator portion of delivery rate	\$21 per acre foot ¹
Underground Storage Facility rate paid by AWBA	
GRUSP (SRP)	\$14 per acre foot
Avra Valley (CAP)	\$15 per acre foot (estimate)
Pima Mine Road (CAP)	\$10 per acre foot (estimate)
Central Avra Valley (Tucson Water)	\$14 per acre foot (estimate) ²
Lower Santa Cruz (CAP/Pima County)	Not available
Agua Fria Recharge Project	Not available

¹ This rate is paid directly to CAP by the GSF operators and is not available as revenue to the AWBA. The AWBA's rate for delivery of in lieu water is thus reduced to \$22/af.

² In 1999, the rate was actually lower because of favorable energy costs.

The CAWCD has established a subcommittee to review the existing delivery rate for the AWBA's water. Two members of the AWBA (Tom Griffin and Bill Chase) sit on this subcommittee. In 1999, the subcommittee analyzed long-term delivery rates of the AWBA's water for inclusion in the CAWCD's pricing policy. The subcommittee agreed to continue to offer incentive recharge water (which includes the AWBA) in 2000 to M&I subcontractors at a delivery rate of \$44 per acre foot for the year 2000. The CAWCD will likely revisit that rate in the coming year.

The estimated total cost of the AWBA's 2000 Plan of Operation is approximately \$11 million which includes the USF use fees and the CAP delivery rate minus cost recovery from the GSF operator by the CAWCD.

ACCOUNTING

The AWBA's enabling legislation required the development of an accounting system that allows the tracking of all long-term storage credits accrued by the AWBA and the funding sources from which they were developed. The Arizona Department of Water Resources has established accounts that track both credits and funds.

Table 4 provides estimates of the funds available including funds carried over from previous years, the funds to be expended, and the credits that will accrue to those accounts based on the 2000 Plan.

Table 4 here

¹ Does not include groundwater savings facility partners' payment. The AWBA's partners make payments directly to the CAWCD.

² Estimate based on annual deliveries (annual delivery - 5% losses - 5% cut to the aquifer).

Table 5 provides an estimate of the funds expended and the credits that will accrue to various accounts based on the AWBA's recharge activities since its inception.

Table 5

Cumulative Totals (1997-1999)			
	Funds	Credits ¹	
	Expended	Amount	Location
<u>Withdrawal Fee</u>			
Phoenix AMA	\$0	0	
Tucson AMA	\$0	0	
Pinal AMA	\$280,000	13,000	Pinal AMA
<u>Four Cent Tax</u>			
Maricopa County	\$7,700,000	231,000	Phoenix AMA
Pima County	\$720,000	13,000	Tucson AMA
Pinal County	\$370,000	2,000	Pinal AMA
<u>Other</u>			
General Fund	\$4,190,000	212,000	
<i>Phoenix AMA</i>	<i>\$990,000</i>	<i>34,000</i>	<i>Phoenix AMA</i>
<i>Tucson AMA</i>	<i>\$0</i>	<i>0</i>	
<i>Pinal AMA</i>	<i>\$3,200,000</i>	<i>178,000</i>	<i>Pinal AMA</i>
Total	\$13,260,000	489,000	

¹ Estimate based on annual deliveries (annual delivery - 5% losses - 5% cut to the aquifer).

PUBLIC REVIEW AND COMMENT

The AWBA staff held a public meeting in conjunction with the Groundwater User Advisory Councils (GUACs) for the Phoenix, Tucson, and Pinal AMAs as required by the AWBA's enabling legislation. In general, the GUACs were supportive of the AWBA's efforts to date. Some of the specific concerns expressed by these entities appear below.

A.R.S. § 45-2456.C(1) provides that the authority must adopt a plan of operation for the following calendar year. In developing the plan of operation, the authority must prepare a draft plan of operation each year. The authority must solicit public comments on the draft plan of operation by presenting the draft plan of operation to the groundwater users advisory councils (GUAC) for the Tucson, Phoenix and Pinal active management areas. The presentation is made at publicly noticed open meetings of each advisory council at which time members of the public are allowed to comment on the draft plan of operation.

The following are tentative dates that the authority proposes to present a draft plan of operation for public comment.

***Tucson Active Management Area**

Friday, November 19, 1999 at 9:00 a.m.

***Phoenix Active Management Area**

Wednesday, November 3, 1999 at 9:30 a.m.

***Pinal Active Management Area**

Thursday, November 18, 1999 at 2:00 p.m.

*Standing meeting dates are subject to change.



Central Arizona Project MEMO

DATE: September 30, 1999

WORK/STUDY ISSUE #2

TO: Interested Parties

FROM: Larry Dozier

SUBJECT: Excess Water Pools and Pricing 2004-2030

Attached is the latest version of the CAP Excess Water Pools and Pricing 2004-2030 Discussion Paper. It has been revised to consider comments from CAP Ag and M&I users received through September 29, 1999.

As previously discussed, some program of this type will be essential for the GRIC Settlement and the overall settlement of CAP water issues.

Attachment

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CAP EXCESS WATER POOLS AND PRICING - 2004-2030

Summary

This discussion paper describes a proposal for setting priorities for pools of Excess Water, with particular eligibility criteria and prices for each pool. The first pool of Excess Water is set at full price, including any capital charge, and is available for sale to any user: cities, Ag entities, water companies, private entities, Indians, or federal. The Board may, at its discretion, limit the size of this pool after taking into account commitments to non-Indian agricultural (NIA) users in Pool 2 and the AWBA in Pool 3. The second pool is the Ag pool priced at energy rate 1. It is a limited pool beginning at 400,000 acre-feet (af) and declining to 225,000 af, and ending in 2030. This is for NIA users only. The third pool is incentive recharge at energy rate 2 plus other costs as set by current policy (about \$5). This is primarily for the AWBA, but cities or other M&I entities do participate. If the U.S. wanted to develop recharge credits, they would participate through the AWBA much as Nevada or California would. The fourth pool would be any remaining available water for any use including NIA, Indian, federal, and recharge at the price set by the Board in each year. The fifth pool is the last priority and is to be used by the AWBA for interstate storage purposes.

Excess Water is all Colorado River water available for delivery through the CAP under normal, shortage, or surplus conditions on the Colorado River that is in excess of the amounts scheduled for delivery under long-term contracts and subcontracts. The pools and pricing discussed apply only to Excess Water; all long-term contract and subcontract orders will be scheduled ahead of

Excess Water. Monthly capacity limitations on those orders will be as established by contract or agreement.

Discussion

CAWCD will establish a pool of water for Agricultural use available at a reasonable price through the year 2030 in order to facilitate several important purposes. Most importantly, a CAP objective was and is to replace Agricultural groundwater use with CAP water use to preserve groundwater resources. The use of significant amounts of CAP water for Ag use supports our repayment position that much of the reimbursable debt must be non-interest bearing.

Agricultural use is a must if we intend to bring most or all of our Colorado River allocation into Arizona. In the past few years, use of Ag pool water has exceeded 500,000 af per year, about 35% to 50% of total CAP use. In addition, Ag has participated through in-lieu recharge for an additional 200,000 af to 350,000 af. Also, as a part of the GRIC settlement, the GRIC insists that certain irrigation districts have a reasonably priced long-term Ag pool available so that the irrigation districts will use CAP water instead of pumping groundwater which contributes to groundwater moving away from the GRIC reservation area.

The U.S. has insisted that, under certain conditions, Indian tribes or the U.S. must have some opportunity to purchase Excess Water. CAWCD believes there are situations where it is rational and equitable to allow the U.S. or Indians to purchase Excess Water under the same terms and conditions as non-Indians. Those terms and conditions could include paying a capital charge or agreeing to comply with certain groundwater management goals. The pools and priorities are developed in consideration of these issues.

AG POOL ALLOCATIONS
2004 - 2030

CAWCD will establish an incentive price Ag water pool for the period 2004-2030 as discussed in the companion document entitled CAP Excess Water Pools and Pricing 2004-2030. Attached are some examples of how this pool might be allocated.

The initial pool will consist of 400,000 af. Allocation of the pool among users will be based on CAP eligible, irrigable acres that are RRA eligible. If any entity has a surface water supply, the eligible acreage will be reduced to represent only the acreage that is dependent on a groundwater supply. Eligible acreage will be determined by CAWCD after consultation with the Ag users and the DWR. Information regarding RRA eligibility must be consistent with information provided by the USBR. Also, the conditions of the Groundwater Savings Facility permit will be considered.

As a part of the GRIC Settlement, it is desirable that those irrigation districts that border the reservation or potentially impact groundwater levels within the reservation boundaries, be allocated a significant amount of CAP Ag water. Therefore, MSIDD, CAIDD, Hohokam ID, and NMIDD were allocated 1.3 af/acre. The HVID has a history of purchasing substantial amounts of Ag water and have not been used as a Groundwater Savings Facility with in-lieu partners. To help support their historic demand, HVID was allocated 1 af/acre. The remaining irrigation

districts were allocated .5 af/acre. Under most circumstances, this will not fully allocate the 400,000 af pool. Any amount remaining will be offered to the participating districts and if necessary, will be prorated based on the eligible acres of those districts requesting additional water. If any pool water remains unscheduled, it may be offered to other CAP eligible Ag users who did not elect to participate in the pool.

It is possible that some entities may desire Ag pool water only if surplus conditions on the Colorado River result in waiver of certain RRA eligibility requirements. CAWCD will consider expanding the size of the Ag pool under surplus conditions or will make the additional water available to Ag users as priority 4 excess water..

Attachments

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CAWCD recognizes it is desirable that Ag pool water be available to all pool participants at the same price, regardless of whether or not the irrigation district has or had a subcontract or federal distribution system debt.

As part of CAP's role in helping to manage central Arizona's groundwater resource, it is important that we continue to have direct Agricultural use of CAP water in addition to in-lieu recharge. We recognize that as a result of cost sharing with the AWBA or other incentive recharge partners, the price of the Ag pool water, at variable cost (energy rate 1), will probably be more expensive for the agricultural entity than in-lieu recharge water. In order to ensure continued Ag use, CAWCD will require the use of Ag pool water as a condition of participating in in-lieu arrangements with purchasers of CAP water at the incentive recharge rate, or in the alternative, the in-lieu partner will leave an additional 10% for a total of 15% of the recharged water as a "cut for the aquifer." More specifically, M&I entities who purchase CAP water at the incentive recharge rate for long-term underground storage will have the following options if using an agricultural user for an in-lieu partner, i.e., a groundwater savings facility (GSF):

1. The Ag user must use all of its allocated share of the Ag pool water, then it can take as much incentive-priced in-lieu water as is consistent with need and the GSF permit. Ag pool and in-lieu water can be delivered concurrently for RRA or other reasons, but end of calendar-year total use must account for all Ag pool usage.
2. If the Ag user does not participate in the Ag pool or does not use all of its share of the Ag pool, then incentive priced in-lieu water will be available at one af of in-lieu for each af

of Ag water purchased. Ag water may be available for Ag pool non-participants if not all of the water is ordered by the participants or if other Ag water is available at a later priority and/or different price.

3. If the Ag user does not order Ag water due to pricing, RRA ineligibility, or any other reason, the M&I partner may purchase Excess Water at the incentive recharge rate, but will be required to accept a lesser credit for later recovery. Current state law requires a 5% reduction in stored water as a “cut for the aquifer” to help meet overall groundwater management goals. In recognition of these goals and the lower cost incentive recharge rate, the M&I partner will leave an additional 10% “cut for the aquifer” for a recovery right of 85% of the stored water. [A proposed variation would allow the additional “10% cut” credits to be dedicated to offsetting shortages in surface water supplies other than CAP water, for example, the Salt River, Gila River, or Agua Fria River.]
4. If the M&I partner and the Ag user (GSF operator) do not wish to participate under any of the above conditions, the M&I entity may purchase full cost Excess Water or regular subcontract water for in-lieu recharge.

Attached is a set of tables that illustrates some options of allocations of Ag pool water to agricultural entities.

We believe that customers for Excess Water at the full OM&R plus capital rate, such as CAGR, should have the opportunity to purchase Excess Water before the lower cost incentive

rate customers. However, it will be necessary to make certain commitments to the NIA users who relinquish their subcontract allocations. In addition, it is important that a reasonable supply of water be available for the AWBA in order to meet shortage protection goals.

In consideration of the principles stated above, CAWCD proposes to establish the following categories of Excess Water:

Pool 1- Contracts for Excess Water for direct M&I, recharge, Ag, Indian, federal, or any other use at the full OM&R and capital cost or at the rate established by the CAWCD Board if different from full cost recovery. The Board may, at its discretion, limit the size of the pool after taking into account commitments to deliver water to NIA in Pool 2 and the AWBA in Pool 3 and in consideration of the available supply.

Pool 2 - For the period 2004 through 2030, an Ag pool beginning at 400,000 af, declining to 300,000 af beginning in 2017, and further declining to 225,000 af in 2024. All irrigation districts and other Ag user entities who do not have a long-term subcontract for CAP water or who have ordered all water available under that long-term contract would be given an opportunity to elect to participate in the pool. The level of participation (water share) will be based on the CAP eligible irrigable acres within the entity's service area. The acreage included to determine the proportionate share will be CAP eligible acres that are capable of receiving CAP water service and are dependent on a groundwater supply. If eligible acres convert to M&I use, the

proportionate share for the participant will be recalculated. Such review and recalculation will be done every three (3) years. If the initial allocation does not require the entire available pool or if in any year a participant does not elect to schedule its full share, the remaining amount will be offered to other pool participants pro rata until it is fully scheduled or remains unscheduled. Participants should keep in mind the requirement to use the Ag pool water as one of the prerequisites to in-lieu participation with incentive recharge partners.

The price for this Ag pool shall be the energy rate 1 as established by the CAWCD Board of Directors.

Pool 3 - The remaining available water supply after scheduling uses under Pools 1 and 2 will be made available for purchase by the AWBA and other incentive recharge customers. The eligibility and price shall be as established by the CAWCD Board of Directors. Current Board policy has established the price at energy rate 2, plus 10% of the fixed OM&R rate component, and a component for lost revenues.

Pool 4 - The remaining available water supply after meeting the orders in Pools 1, 2 and 3 will be available for other Ag use, Indian use, miscellaneous use, federal use, or underground storage by Arizona entities who do not have long-term contracts or subcontracts or who have used all water available under such contracts. The price will be as established by the Board of Directors, but is expected to be no less than incremental delivery cost - energy rate 2, an OM&R component and a lost revenue component.

Pool 5 - Any remaining Excess Water may be marketed to the AWBA for interstate storage and other purposes. The price will be as established by the Board of Directors and, for interstate purposes, will include full OM&R, energy rate 2, a capital charge, an in-lieu tax charge, and an administrative charge.

Attachments

G:\data\gm\dozier\agwtrpool2003-2030opts.rdr.wpd
September 30, 1999 (3:41PM)

CAP 2000 Ag Pool

(Option 1: Subcontractors only)

	Eligible Acres	Acre-feet per Acre	Initial Volume
Central Arizona	85,979	1.3	111,773
Chandler Heights	1,119	0.5	560
Harquahala	33,007	1.0	33,007
Hohokam	26,356	1.3	34,263
Maricopa-Stanfield	85,994	1.3	111,792
New Magma	27,310	1.3	35,503
Queen Creek	18,112	0.5	9,056
Roosevelt WCD	18,000	0.5	9,000
San Carlos	25,884	0.5	12,942
San Tan	2,826	0.5	1,413
Tonopah	3,470	0.5	1,735
Total	328,057		361,043

CAP 2000 Ag Pool

(Option 2: RRA-eligible entities only)

	Eligible Acres	Acre-feet per Acre	Initial Volume
Central Arizona	85,979	1.3	111,773
Chandler Heights	1,119	0.5	560
Cortaro-Marana	11,500	0.5	5,750
Harquahala	33,007	1.0	33,007
Hohokam	26,356	1.3	34,263
Maricopa-Stanfield	85,994	1.3	111,792
New Magma	27,310	1.3	35,503
Queen Creek	18,112	0.5	9,056
Roosevelt WCD	18,000	0.5	9,000
SRP	12,000	0.5	6,000
San Carlos	25,884	0.5	12,942
San Tan	2,826	0.5	1,413
Tonopah	3,470	0.5	1,735
Total	351,557		372,793

CAP 2000 Ag Pool

(Option 3: All non-Indian agricultural entities)

	Eligible Acres	Acre-feet per Acre	Initial Volume
BKW	5,000	0.5	2,500
Central Arizona	85,979	1.3	111,773
Chandler Heights	1,119	0.5	560
Cortaro-Marana	11,500	0.5	5,750
FICO	6,194	0.5	3,097
Harquahala	33,007	1.0	33,007
Hohokam	26,356	1.3	34,263
Kai	2,000	0.5	1,000
Maricopa-Stanfield	85,994	1.3	111,792
MWD	8,000	0.5	4,000
New Magma	27,310	1.3	35,503
Queen Creek	18,112	0.5	9,056
Roosevelt ID	19,130	0.5	9,565
Roosevelt WCD	18,000	0.5	9,000
SRP	12,000	0.5	6,000
San Carlos	25,884	0.5	12,942
San Tan	2,826	0.5	1,413
Tonopah	3,470	0.5	1,735
Total	391,881		392,955

Tuesday, October 19, 1999
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An agreement concerning the use of Colorado River water meets guarded praise from Southern Nevada.

By Michael Weissenstein
Review-Journal

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The agreement was met with guarded praise by officials in Nevada who have long chafed at California's use of more than its share of the river.

"We're very pleased to hear that they finally have come to an agreement," said David Donnelly, deputy general manager of the Southern Nevada Water Authority. "I think that's a huge step in the right direction."

The deal was approved Monday by the boards of the Imperial Irrigation District, the Metropolitan Water District and the Coachella Valley Water District. Still subject to months of public comment and environmental review, it would transfer water from Imperial, which serves thousands of farmers in California's arid Imperial Valley, to urban water users in San Diego and other coastal cities. The plan, potentially years away from going into effect, requires state and federal approval.

California officials said the transfer will allow the state annually to conserve up to 400,000 acre-feet of river water, bringing the state closer to the 4.4 million acre-foot allocation set by Congress and the Supreme Court.

An acre-foot is about 326,000 gallons, enough to serve a family of four for a year. The state has in recent years used as much as 5.2 million acre-feet a year.

Observers of water politics said the settlement could set a precedent for water deals in growing Western states, where urban demand often conflicts with established agricultural water rights. The deal is crafted to last 75 years and contains few provisions for early termination, said officials in California.

Proposed transfers from agriculture to cities have generated numerous lawsuits among California districts. That state's Colorado River overuse has generated anger at California from Nevada, Arizona, New Mexico, Colorado, Utah and Wyoming.

"If it succeeds ... it will change western water policy for the 21st century," said Barton Thompson, a professor of natural resources law at Stanford. "This is the first situation where an agricultural district is voluntarily agreeing to save sizable quantities of water and transfer them on a long-term basis to an urban area."

A reduction in demand by California could free surplus Colorado River water for Southern Nevada, which is expected to be using more than its allotment of 300,000 acre-feet in eight years.

Southern Nevada considers surplus water the resource of first resort after that allocation is used. The Department of Interior has announced that it will begin developing long-term guidelines for surplus use, and weaning Southern California off of surplus is widely seen as a necessary precursor to that process.

The settlement runs dozens of pages and consists of a complex set of payments for water rights and conservation measures to satisfy the competing interests of the involved water districts.

It would allow 200,000 acre-feet to be transferred from Imperial to San Diego, which would pay for the agricultural district to conserve the water. The deal is expected to end lawsuits filed against Imperial by the Metropolitan and Coachella districts, which tried to stop the transfer.

An additional 200,000 acre-feet would be saved through a variety of conservation measures and water transfers to the Metropolitan and Coachella districts, who would pay for the water, said Sue Giller, a spokeswoman for Imperial. Her district's 6,200 agricultural customers have long balked at relinquishing water rights.

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Southern California agencies have been under state and federal pressure to reduce their consumption. The deal allows them to slowly move toward their allocation of 4.4 million acre-feet a year, according to Metropolitan Water District General Manager Ron Gastelum.

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It also guarantees water to the Coachella district, which has in the past depended on water that is not used by Imperial and has sued to prevent Imperial transferring water to San Diego.

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This story is located at:

http://www.lvrj.com/lvrj_home/1999/Oct-19-Tue-1999/news/12178014.html

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Water deal's key terms

ASSOCIATED PRESS

October 19, 1999

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- Metropolitan's basic annual apportionment would remain at 550,000 acre-feet and, combined with the related water transactions, would receive as much as 651,000 acre-feet annually.
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- The agreement would go into effect when the Imperial-San Diego transfer begins and for the same duration of 75 years.

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Agencies will divide water from Colorado

Historic agreement ratified; S.D. can buy excess from Imperial

By Michael Gardner

COPLEY NEWS SERVICE

October 19, 1999

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The pact, which still faces about two years of scrutiny and public hearings, also would free the San Diego County Water Authority to buy water from Imperial Valley farmers.

"There's a great deal that needs to be done, but all of the really important issues are settled. We're more optimistic than we've been," said Joe Parker, chairman of the water authority board.

Good for up to 75 years, the agreement was unanimously approved by each California agency with legal rights to

Colorado River water: the Metropolitan Water District of Southern California, the Coachella Valley Water District and the Imperial Irrigation District.

"This is a truly major milestone," said Ronald Gastelum, Metropolitan's general manager. "It sends a signal that we're going to meet expectations."

As part of the deal, Imperial Valley farmers would be paid to conserve water. A combination of water swaps, savings and sales would protect Metropolitan and Coachella from any losses.

"There is the realization that life as we've known it can't go on. The pressures on our water are too great," said Sue Giller, speaking for Imperial.

■ [Water deal's key terms](#)

But will the savings be enough? This agreement would lower California's diversions out of the river from 5.2 million acre-feet a year to 4.8 million acre-feet. That's still 400,000 acre-feet short of the goal.

"This is the foundation. There's clearly going to have to be more (savings)," said David Hayes, who negotiated for the Clinton administration.

Watched from Las Vegas to Los Angeles, from Salt Lake City to San Diego, the accord plots a new political course for the Colorado River that has been pretty much unchanged since the 1930s.

As a result, Las Vegas could continue to sprout homes as well as casinos, Denver's mushrooming suburbs could push farther into the Rockies, and Arizona could grow more than cactus in its parched outback.

The deal also may have implications beyond river water users.

It can't be overstated "that peace in this area of the water world is of value to all of us," said Tom Hannigan, California's lead negotiator.

The deal should comfort farmers and cities north of the Tehachapis. Failure in the Colorado River talks might have forced quick, deep cuts in Southern California supplies. As a result, politically powerful Metropolitan, which serves 16 million users, could have demanded more water from the north.

A much-maligned, joint state-federal agency dubbed Calfed is developing statewide water policy. Much like the Colorado River negotiators, CalFed has been hamstrung by internal feuding.

"I don't see why the same (approach) couldn't help Calfed," Hayes said.

The sale of up to 200,000 acre-feet of water from Imperial Valley farmers to urbanized San Diego "has been a real trailblazer" and could serve as a model for how the state moves water from agricultural interests to urban areas during shortages, Hayes said.

The San Diego County Water Authority would buy water in increments of 10,000 acre-feet a year, up to 200,000 acre-feet annually. The new source would serve growth and buffer a drought. An acre-foot is 326,000 gallons, or enough for two families of four for a year.

Those transfers would begin no sooner than 2005. Currently, the county water authority relies on Metropolitan for nearly all of its water.

The basic water agreement between Metropolitan, Imperial and Coachella was reached in August, but haggling over details delayed ratification until yesterday.

Both Gov. Gray Davis and the Clinton administration had threatened to impose a deal upon the water agencies if they could not agree among themselves.

For nearly 70 years, California and its neighbors honored an uneasy truce over river allocations. But as growth began to consume more water, states like Arizona, Colorado and Nevada clamored for Interior Secretary Bruce Babbitt to slow the flows to California.

In Colorado, the Denver Water Department will need 100,000 additional acre-feet by 2040 to serve anticipated growth, according to Chips Barry, its general manager. This early sign from California that it can adjust "is a real positive," Barry said.

In the gambling mecca of the country, Nevada is creeping closer to needing its full share.

"We use a little more each year," said David Donnelly, deputy general manager of the Southern Nevada Water Authority that serves Las Vegas. "We'll be using our full entitlement by 2007."

Donnelly does not expect California's spigot on the Colorado to be quickly turned down. "We've all talked about a soft landing," he said.

The agreement's timetable runs well into the next century. The environmental work and public hearings, a prerequisite to signing a final pact, will take nearly two years.

Hannigan said funds are included for environmental studies and protection.

But Tom Graff, an attorney for the Environmental Defense Fund, wonders whether the agreement does much.

"Environmental issues were ignored," said Graff, noting that environmentalists were locked out of the talks.

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**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA



METROPOLITAN BOARD APPROVES PROVISIONS OF COMPLICATED COLORADO RIVER SETTLEMENT

October 18, 1999 -- Terms of a complex, 75-year settlement that divides California's share of the Colorado River's bounty among the state's water users and clears the way for the largest water transfer in the nation's history were approved today by Metropolitan Water District's board of directors.

"This is not only a good deal for Metropolitan and 16 million Southern California consumers, but for the entire state as well," said MWD board Chairman Phillip J. Pace.

"These settlement terms meet the policy objectives established by the Metropolitan board by keeping our Colorado River Aqueduct full at the lowest possible cost," Pace said. "They also reinforce our policy principle supporting the transfer of 200,000 acre-feet of water from the Imperial Valley to San Diego by facilitating our water exchange agreement with the San Diego County Water Authority."

Tom Hannigan, director of the state Department of Water Resources, who along with David Hayes, acting deputy secretary of the U.S. Interior Department, facilitated the settlement, today lauded Metropolitan's board and its six-member negotiating committee for the role they played in forging the terms.

"Metropolitan has been absolutely sterling during the time I have been involved in negotiations," Hannigan said in a telephone address broadcast to Metropolitan directors during today's special MWD board meeting. "Without Metropolitan's help, we wouldn't be making the progress that we have . . . If this peace is as long-standing as we hope it will be, it will be of value to all of us in the state."

Following more than 1 1/2 years of discussions, negotiators for Metropolitan, Imperial Irrigation District, Coachella Valley Water District and San Diego County Water Authority finalized key terms of a long-awaited quantification settlement during meetings over three days last week (Oct. 13-15).

The proposed settlement quantifies the amount of Colorado River water used by IID and Coachella within agriculture's 3.85 million acre-foot entitlement to river water. It allows the state to maximize its water resources through the San Diego-IID water transfer as well

as a number of other inter-agency transfers. The settlement terms also address the state's position on a proposed Interior Department regulation on the reoperation of the Colorado River, which would help keep Metropolitan's aqueduct full for at least 15 more years.

These elements form the foundation of a California Plan, which will ultimately enable the state to live within its basic 4.4 million-acre-foot apportionment of Colorado River water. (An acre-foot of water is nearly 326,000 gallons, about the amount used by two typical Southland families in and around their homes in a year.)

The governing boards of IID and Coachella also are expected to consider the terms of the settlement during separate meetings today. If approved by the three water agency boards, a new quantification agreement is expected to be completed by the agencies within the next six months.

The Metropolitan Water District is a regional water agency that imports water from Northern California and the Colorado River, and delivers it on a wholesale basis to the coastal plain of Southern California. Through its 27 member public agencies, the district provides almost 60 percent of the water used by nearly 16 million people living in portions of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura counties.

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Comments or Questions - send email to [Garry Hofer](mailto:Garry.Hofer@MWD.net), Acting Director, Media Outreach

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Los Angeles, CA 90054-0153*

Tuesday, October 19, 1999

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Agencies will divide water from Colorado

Historic agreement ratified; S.D. can buy excess from Imperial

By Michael Gardner

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"I don't see why the same (approach) couldn't help Calfed," Hayes said.

The sale of up to 200,000 acre-feet of water from Imperial Valley farmers to urbanized San Diego "has been a real trailblazer" and could serve as a model for how the state moves water from agricultural interests to urban areas during shortages, Hayes said.

The San Diego County Water Authority would buy water in increments of 10,000 acre-feet a year, up to 200,000 acre-feet annually. The new source would serve growth and buffer a drought. An acre-foot is 326,000 gallons, or enough for two families of four for a year.

Those transfers would begin no sooner than 2005. Currently, the county water authority relies on Metropolitan for nearly all of its water.

The basic water agreement between Metropolitan, Imperial and Coachella was reached in August, but haggling over details delayed ratification until yesterday.

Both Gov. Gray Davis and the Clinton administration had threatened to impose a deal upon the water agencies if they could not agree among themselves.

For nearly 70 years, California and its neighbors honored an uneasy truce over river allocations. But as growth began to consume more water, states like Arizona, Colorado and Nevada clamored for Interior Secretary Bruce Babbitt to slow the flows to California.

In Colorado, the Denver Water Department will need 100,000 additional acre-feet by 2040 to serve anticipated growth, according to Chips Barry, its general manager. This early sign from California that it can adjust "is a real positive," Barry said.

In the gambling mecca of the country, Nevada is creeping closer to needing its full share.

"We use a little more each year," said David Donnelly, deputy general manager of the Southern Nevada Water Authority that serves Las Vegas. "We'll be using our full entitlement by 2007."

Donnelly does not expect California's spigot on the Colorado to be quickly turned down. "We've all talked about a soft landing," he said.

The agreement's timetable runs well into the next century. The environmental work and public hearings, a prerequisite to signing a final pact, will take nearly two years.

Hannigan said funds are included for environmental studies and protection.

But Tom Graff, an attorney for the Environmental Defense Fund, wonders whether the agreement does much.

"Environmental issues were ignored," said Graff, noting that environmentalists were locked out of the talks.

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**MWD****METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

METROPOLITAN BOARD APPROVES PROVISIONS OF COMPLICATED COLORADO RIVER SETTLEMENT

October 18, 1999 -- Terms of a complex, 75-year settlement that divides California's share of the Colorado River's bounty among the state's water users and clears the way for the largest water transfer in the nation's history were approved today by Metropolitan Water District's board of directors.

"This is not only a good deal for Metropolitan and 16 million Southern California consumers, but for the entire state as well," said MWD board Chairman Phillip J. Pace.

"These settlement terms meet the policy objectives established by the Metropolitan board by keeping our Colorado River Aqueduct full at the lowest possible cost," Pace said. "They also reinforce our policy principle supporting the transfer of 200,000 acre-feet of water from the Imperial Valley to San Diego by facilitating our water exchange agreement with the San Diego County Water Authority."

Tom Hannigan, director of the state Department of Water Resources, who along with David Hayes, acting deputy secretary of the U.S. Interior Department, facilitated the settlement, today lauded Metropolitan's board and its six-member negotiating committee for the role they played in forging the terms.

"Metropolitan has been absolutely sterling during the time I have been involved in negotiations," Hannigan said in a telephone address broadcast to Metropolitan directors during today's special MWD board meeting. "Without Metropolitan's help, we wouldn't be making the progress that we have . . . If this peace is as long-standing as we hope it will be, it will be of value to all of us in the state."

Following more than 11/2 years of discussions, negotiators for Metropolitan, Imperial Irrigation District, Coachella Valley Water District and San Diego County Water Authority finalized key terms of a long-awaited quantification settlement during meetings over three days last week (Oct. 13-15).

The proposed settlement quantifies the amount of Colorado River water used by IID and Coachella within agriculture's 3.85 million acre-foot entitlement to river water. It allows the state to maximize its water resources through the San Diego-IID water transfer as well

as a number of other inter-agency transfers. The settlement terms also address the state's position on a proposed Interior Department regulation on the reoperation of the Colorado River, which would help keep Metropolitan's aqueduct full for at least 15 more years.

These elements form the foundation of a California Plan, which will ultimately enable the state to live within its basic 4.4 million-acre-foot apportionment of Colorado River water. (An acre-foot of water is nearly 326,000 gallons, about the amount used by two typical Southland families in and around their homes in a year.)

The governing boards of IID and Coachella also are expected to consider the terms of the settlement during separate meetings today. If approved by the three water agency boards, a new quantification agreement is expected to be completed by the agencies within the next six months.

The Metropolitan Water District is a regional water agency that imports water from Northern California and the Colorado River, and delivers it on a wholesale basis to the coastal plain of Southern California. Through its 27 member public agencies, the district provides almost 60 percent of the water used by nearly 16 million people living in portions of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura counties.



Comments or Questions - send email to Garry Hofer, Acting Director, Media Outreach

*Mailing Address:
P.O. Box 54153
Los Angeles, CA 90054-0153*

MEMORANDUM



To:

From: AWBA Staff

Subject: September 15 Meeting

Date: September 14, 1999

AUTHORITY MEMBERS
Rita P. Pearson, Chairman
Tom Griffin, Vice-Chairman
Bill Chase, Secretary
George Renner
Richard S. Walden

EX OFFICIO MEMBERS
Representative Gail Griffin
Senator Ken Bennett

Due to lack of quorum, the AWBA meeting scheduled for Wednesday, September 15, 1999 has been *postponed*. We apologize for the late notice. The meeting has tentatively been rescheduled for Wednesday, October 20, 1999 at 10 a.m. We will send a notice confirming this meeting date as soon as possible.