

ARIZONA WATER BANKING AUTHORITY

Wednesday, September 10, 2003

No.	NAME (Please print)	Phone No.
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2	Tom Maher	702-862-3702
3	Jim Davenport	702-486-2689
4	Elizabeth Stony	623-386-4066
5	ROB EMMETT	623-932-1909
6	JACINDA DENISON	623-932-1909
7	Maria Myers	520-747-0416
8	Mary Reece	602-216-3884
9	BARBARA GERHART	602-604-2129
10	Gregg Houtz	602-417-2920
11	William VanAllen	480-987-3461
12	Gregg Capps	480-782-3585
13	Larry Dozier	623-869-2377
14	Kathie Knox - Flake	602 542 5480
15	Kerri Moray - Binder	602 542 3171
16	Harry Ruzgerian	213 217 6082
17	BRIAN HENNING	623 869-2547
18	MARJORIE HABERMAN	602-262-5351
19	DAVE CROCKATT	520 887 4192
20	Beth Miller	480-312-5009
21	Dale Ensminger	702-293-8659
22	DENNIS KIMBERLIN	520 836 4857
23	Paul Li	602-254-5908
24	Gary Given	623 869-2158

No.	NAME (Please Print)	Phone No.
25	Kathryn Sorenzen	4806442947
26	Steve Rossi P/W	602 495 3669
27	Kam Kolkoff	602 522 7412
28	Richard Siegel	236-2277
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30	Dennis Rile	520 791-2665
31	Geo Renner	
32	John Donahue	
33	Chuck Carey	
34	Herb Green.ther	
35	Maureen George	
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Arizona Water Banking Authority
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PLEASE POST

NOTICE OF PUBLIC MEETING

Pursuant to A.R.S. § 38-431.02, notice is hereby given that there will be a meeting of the Arizona Water Banking Authority Commission on September 10, 2003 at 10:00 a.m. at the Arizona Department of Water Resources, 500 North Third Street, Phoenix, Arizona 85004, third floor conference room. The meeting is open to the general public. A copy of the agenda for the meeting is posted below.

Dated this 9th day of September, 2003

FINAL AGENDA
Arizona Water Banking Authority Commission Meeting

- I. Welcome/Opening Remarks
- II. Approval of Minutes of June 11, 2003 AWBA Meeting
- III. Water Banking Staff Activities
 - Deliveries
 - Update Regarding Indian Firming Committee
 - Funding Issues
 - Web Updates
- IV. Discussion Regarding Letters to SNWA Waiving Three-Year Time Frame for Development of Intentionally Created Unused Apportionment (ICUA) and the Bureau of Reclamation Certifying ICUA
- V. Discussion Regarding the Amended 2003 Annual Plan of Operation
 - Discussion Regarding Inclusion of 10,000 acre feet of ICUA for Southern Nevada Water Authority
 - Approval of Amended 2003 Annual Plan of Operation
- VI. Draft 2004 Annual Plan of Operation
 - Water Availability
 - Partner Meetings
 - Public Meetings
- VII. Interstate Issues
 - Status of QSA Discussions
 - Nevada and California Requests for ICUA in 2004
- VIII. Call to Public

Future Meeting Date:
Wednesday, December 17, 2003

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Nan Flores 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 11, 2003
Arizona Department of Water Resources**



AUTHORITY MEMBERS
Herbert R. Guenther, Chairman
George R. Renner, Vice-Chairman
Charles L. Cahoy, Secretary
Maureen R. George
John Mawhinney

EX OFFICIO MEMBERS
Representative Jake Flake
Senator Linda Binder

Welcome/Opening Remarks

All members of the Authority were present except Rep. Linda Binder.

Approval of Minutes of May 7, 2003 AWBA Meeting and May 30, 2003 Indian Firming Workshop

The Authority approved the minutes from the May 7, 2003 meeting and the May 30, 2003 workshop.

Water Banking Staff Activities

Tim Henley reviewed water deliveries and stated that deliveries are slightly ahead of schedule to date because deliveries were made to the underground storage facilities earlier than projected as water became available. Pinal County deliveries were slightly below projected due to March being a wet month. John Mawhinney asked if CAP produced a monthly schedule for AWBA deliveries. Mr. Henley replied that the deliveries are based on the plan of operation that was approved in December and that CAP attempts to deliver to the plan. However, modifications can occur within each month if the water supply changes. Brian Henning, from CAP, commented that all deliveries and operations are based on CAP trying to come in at 2.8 million acre feet (MAF). Mr. Henley stated that Tom Carr, from ADWR, also closely monitors on-river use to coordinate with CAP to manage uses to 2.8 MAF.

Mr. Henley provided an update on the status of interstate discussions with California. He noted that he had received a letter in May from Metropolitan Water District (MWD) of Southern California asking for recovery in 2004 of any long-term storage credits developed in the demo project with CAWCD that may be remaining. The AWBA currently does not have the authority to create ICUA for MWD and is currently working on the necessary agreement. He did not think the agreement would be executed in time to permit recovery in 2003. Chuck Cahoy asked how many credits MWD had and Mr. Henley said about 81,000 or so; CAWCD is still looking at the actual number of credits. George Renner asked about the obligation of the AWBA to MWD. Mr. Henley stated that the AWBA is under no obligation because there is no agreement, however, CAWCD does have an obligation to MWD. They do not, however, have the authority to create ICUA.

Mr. Henley discussed the GUAC's request last December for the AWBA to participate in recharge and recovery planning with the AMA's. Mr. Henley stated that it is his perception that the AWBA's interest lies in development of a matrix to rate facilities and provide guidance during development of future plans of operation. He noted that both ADWR and CAP should be involved in the process. Maureen George stated that she would like the river communities involved due to the large number of credits stored on their behalf.

Discussion Regarding Development of ICUA for Nevada in 2003

Mr. Henley noted that a copy of a letter from Larry Dozier to MSIDD and CAIDD was included in the handouts. The actual development of ICUA is the responsibility of CAP but the AWBA is providing assistance as needed. The AWBA will be required to amend the 2003 Annual Plan of Operation to include transfer of credits for development of ICUA. The amendment will be forthcoming. Additionally, the AWBA will be required to make certifications to the Bureau and deal with the Nevada agreements to permit recovery in 2003. Mr. Henley stated that the Authority would need to authorize staff to take these actions. The Authority approved a motion to direct staff to take the steps necessary to amend the 2003 Annual Plan of Operation and develop ICUA.

Jim Davenport, Colorado River Commission of Nevada, stated that Nevada is very appreciative of the AWBA's commitment to this process and the forbearance on the 3-year requirement for requests for development of ICUA. Chuck Cahoy stated that the 3-year timeline for development of ICUA was contractually required and that he would feel more comfortable if it was recognized that any waivers of that time frame were for one year only. Mr. Mawhinney asked Mr. Davenport when the water would be needed. Mr. Davenport replied that the water would need to be available by December 31 when the end of year accounting on the river takes place. He later noted that, although the water wouldn't need to be available until then, Nevada would need to know sooner (June or July) if it was going to be possible to create ICUA. Mr. Mawhinney and Ms. George agreed that development of ICUA will help bring recovery to the forefront. Mr. Renner asked about the revised Southern Nevada Water Resources Plan. Mr. Davenport replied that SNWA is in the middle of adopting their drought plan; consequently their water resources plan will also change. He said that they could provide additional information to the Authority in the September time frame. Mr. Mawhinney asked whether a similar request for development of ICUA had been made for 2004. Mr. Henley replied that it had but the situation would be different because development of ICUA would be incorporated into the 2004 Annual Plan of Operation. Mr. Henley stated that the AWBA needs to inform the Bureau about development of ICUA in the next month or so. Mr. Mawhinney noted that action would then need to be taken before the next regularly scheduled Authority meeting. Mr. Henley said that it would. It was his opinion that staff could get everything in place in July and then the Authority could meet via teleconference with development of ICUA for Nevada being the only agenda item. Mr. Cahoy noted that he would like to have more information on the issue before the next meeting.

2002 Annual Report and Ten-Year Plan

Gerry Wildeman briefly reviewed the report. Sandy Fabritz briefly reviewed the Ten Year Plan and informed the Authority that comments had been received from Tucson and that she had been coordinating with Marvin Cohen to address Tucson's comments. Ms. Fabritz noted that the Ten Year Plan was developed looking at water availability, water management objectives, canal and facility capacity and available funds. Mr. Renner asked whether the AWBA adopted ADWR's water management objectives. Mr. Henley replied that the AWBA doesn't develop water management objectives; instead the AWBA depends on ADWR to determine what is important and provide that information to the AWBA. Mr. Mawhinney asked whether the Third Management Plan had entered into the AWBA's planning process. Mr. Henley replied that it had not, except for 2003 when the Phoenix AMA asked the AWBA to focus on storage in the west Salt River valley.

Mr. Henley then moved into a discussion of the state's general fund budget and impacts to the AWBA. He informed the Authority that the bill proposing the general fund budget for FY 2004 included a \$9 million fund sweep from the AWBA. He stated that it was his opinion the money could not come from the 4¢ *ad valorem* tax revenues so it would have to come from the withdrawal fees. Mr. Henley stated that \$9 million in today's dollars is approximately 200,000 acre feet of credits that could have been used for firming the state's obligation under the Indian settlements. Nonetheless, since the bill just passed the House and Senate on Monday, the loss of the \$9 million had not been incorporated into the Ten Year Plan. Consequently, the Ten Year Plan would require modification and would not be ready for submittal to the governor by the July 1, 2003 deadline. He suggested that the Authority approve the Annual Report portion and inform the governor that the Ten Year Plan portion would be forthcoming.

Mr. Mawhinney asked whether the Authority had requested an opinion from someone regarding whether or not the 4¢ *ad valorem* tax revenues were protected from sweeping. Mr. Guenther replied that he would examine the issue further. Mr. Renner reminded the Authority that the 4¢ *ad valorem* tax dollars are passed on to the AWBA only if CAWCD does not use them. He said that the

CAWCD board would be addressing this issue on Thursday and he stated that he doesn't know what will happen because there is some concern that the funds can be swept. A motion was made that the Authority approve the Annual Report portion and transmit it to the required entities with the comment that the Ten Year Plan portion is being modified and will be forwarded at a later date. The motion was adopted.

Marvin Cohen, representing the City of Tucson, addressed the Authority. He thanked Ms. Fabritz and stated that there will be some differences in Tucson when updated revenues are used. However, it is apparent that the Tucson firming goals will not be met. To that end, Tucson requested that the Authority dedicate 50% of future general fund appropriations (after the on-river needs have been met) to assist Tucson reach its firming target. Mr. Cohen also requested that the Authority consider storing 80% of the firming water in the CAVSARP and Pima Mine Road facilities and utilizing withdrawal fees to help meet the firming goal.

FY 2004 Operating Budget

Mr. Henley reviewed the budget stating that for 2004 there was a summary sheet and back-up sheets with additional information. He informed the Authority that the numbers are an average between 2003 and 2004 because the Authority operates on a calendar year for water deliveries, etc. The actual FY 2003 administrative budget was less than projected primarily because there was less activity than anticipated in conducting interstate negotiations with California thus there were less consultant fees than anticipated. He noted that interstate money is not included in the budget because it is a direct pass through. Additionally, the \$9 million sweep recently discussed is not reflected in any of the carryover numbers presented.

Mr. Henley noted an addition to the FY 2004 budget that has never been included before, specifically the \$1.83 million listed as ADWR Budget Support. As ADWR staff support the AWBA, it was believed reasonable to provide support to the ADWR to maintain critical staffing functions. Absent this \$1.83 million "bridge", ADWR staff would be laid off due to the current budget situation. ADWR staff identified to benefit from this money are entities that provide services to the AWBA and AWBA's constituents (those entities that pay withdrawal fees). Mr. Henley stated that this was a one-time occurrence and he believed it could only be done through expenditure of withdrawal fees. Ms. George asked if this \$1.83 million had been considered in light of the \$9 million and what the potential impacts to the AWBA could be. Mr. Henley replied that the \$1.83 million had not been viewed in light of the \$9 million; however, the combination of the two could expend all of the available withdrawal fees. He stated that he thought it was achievable with some minimal reassignment of water to other funds, however, the withdrawal fee accounts would be very close to empty at the beginning of 2004. Mr. Renner stated that he was uncomfortable with the idea. He stated that he, too, wants it noted that this is a one-year deal and that ADWR should realize that the AWBA anticipates receiving services for this money. Mr. Guenther stated that it was a difficult decision to attempt to address ADWR's problems in this manner. He also stated that he views the \$1.83 million as a loan and guarantees the AWBA recognition and compensation for it. Ms. George also stated that she anticipates receiving some services for the money and questioned whether it could be on a conditional basis. Mr. Guenther responded that he did not believe that it could be conditional or you would undermine the purpose of the bridge. Mr. Cahoy questioned whether ADWR legal counsel agreed that this was a legal expenditure of funds. Mr. Guenther affirmed that they had. Mr. Mawhinney stated that he did not think it should be conditional, however, he also had concerns as well. He stated that he recognized the need for the bridge but doesn't really like it. Mr. Cahoy stated that, being a former ADWR employee, he knows the level of support provided to the AWBA and feels comfortable that services will be rendered appropriately. He stated that he is also hesitant but believes it should be done. Ms. George asked that some attempt be made to identify

the benefit to the AWBA and Mr. Mawhinney asked that staff also track how much water was not being put into the ground as a result of this.

The Authority approved the FY 2004 budget as presented with the note that the \$1.83 million bridge to ADWR was a one time only distribution of funds.

Discussion Regarding Indian Firming Workshop

Ms. Fabritz reviewed the statutory objectives of the AWBA and informed the Authority that it was staff's recommendation that a technical committee be formed to identify options to assist the state in meeting future obligations. She stated that it was not a recommendation that this be a role the Authority assumes but a recommendation that the issue be examined. Ms. Fabritz provided information regarding the proposed structure and composition of the technical committee, presented some possible objectives of the committee and provided a proposed schedule. She stated that the schedule, which runs from July to December, is optimistic but possible with ADWR and CAWCD staff support. She also noted that some factors that affect timing would be the status of both federal and state legislation and the state budget cycle.

Mr. Henley briefly discussed that at the time the AWBA was created the Study Commission was created to look at many of the same things this technical committee will be looking at. It was the expectation that a similar group would meet periodically to reevaluate and address issues. Mr. Henley stated that it was his belief that this technical committee could meet this need by reexamining firming, the status of the CAGR and their long range plan, the Bureau's era of limits and modeling on the river and Indian firming. He thinks that such a group would provide beneficial information, however, he does not think that it needs to be as formal as the Study Commission process. Therefore, staff are asking for approval from the Authority to initiate this process.

Mr. Renner asked who would chair this group and the process for determining who is invited to participate. Mr. Henley stated that Ms. Fabritz would chair the group and will use ADWR staff to identify the appropriate entities, however, all meetings will be open to the public and publicly noticed. Mr. Mawhinney noted that it appeared that the group will now be looking at broader issues. Mr. Henley replied that the initial recognition was that Indian firming was an issue that was out there but after the May workshop, it appeared that the Authority was hesitant to look at Indian firming ahead of the state and federal legislation. However, some of the related issues are broader and can be reexamined to insure the Authority has the most up to date information in addition to benefiting the Indian firming process. Mr. Mawhinney also asked what tribal entities had been involved thus far and stated a concern that a really large study may be unfocused. Mr. Guenther noted that he sees two legislative packages coming out of this: (1) enabling legislation and (2) legislation for funding.

The motion to create the technical committee was approved. Mr. Renner asked that the Authority members be kept informed as the participant list was being developed.

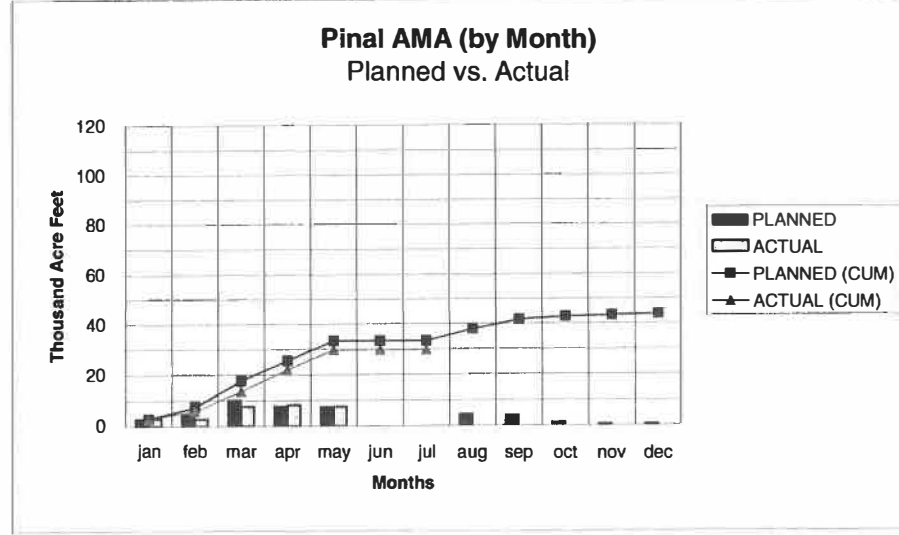
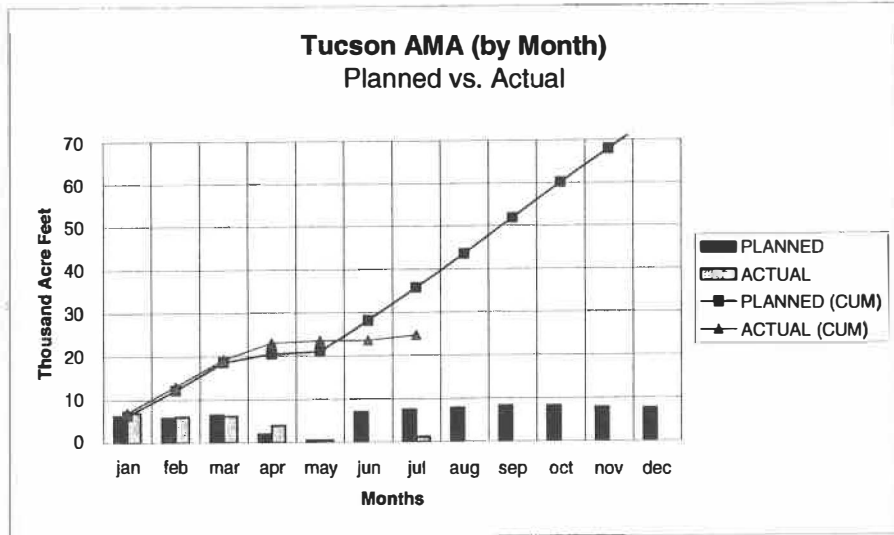
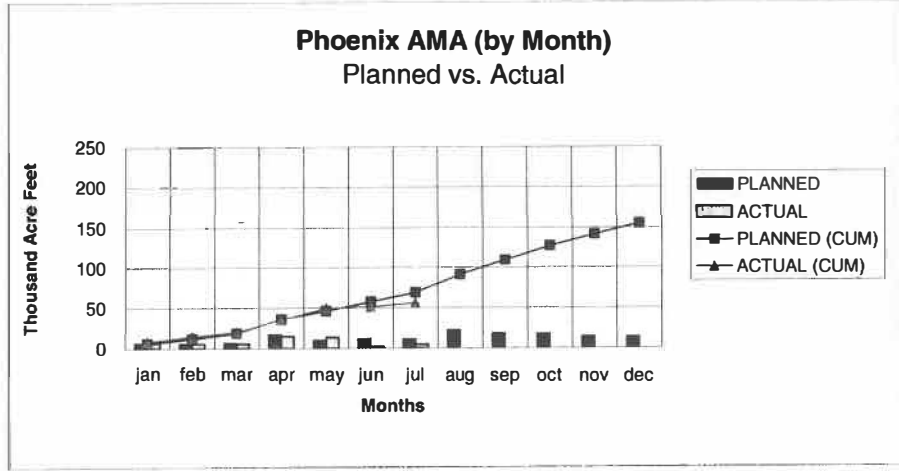
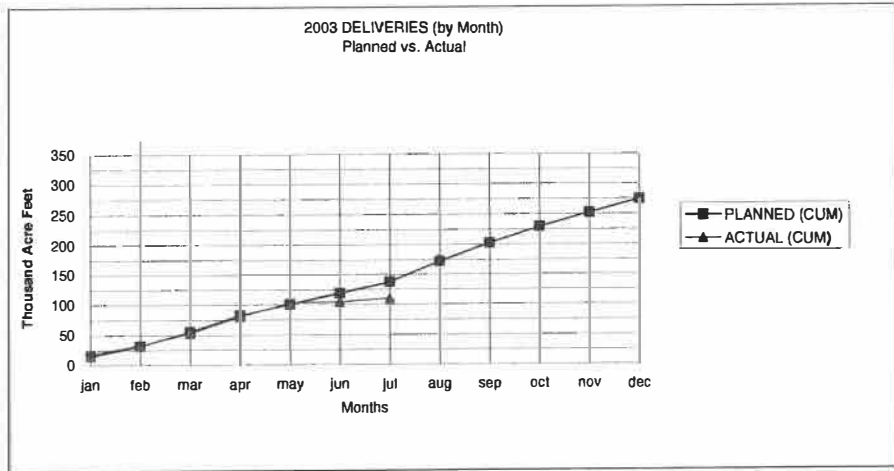
Call to the Public

There were no questions from the public.

The next AWBA meeting is scheduled for Wednesday, September 17, 2003.

The meeting concluded at 12:25 p.m.

2003 Plan of Operation



Actual deliveries updated Plan of Operation	05-Sep-03 1-Jan-03	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
Phoenix AMA														
GRUSP	0	0	0	188	0	0	0	1,639						1,827
	0	0	0	0	0	0	3,800	3,800	3,800	3,800	3,800	3,800	3,100	25,900
AGUA FRIA	2,523	1,040	2,252	2,816	1,569	0	0	0						10,200
	1,500	500	500	2,000	2,250	4,250	4,250	4,250	4,250	4,000	4,000	4,250	4,250	36,000
CHCID	0	59	0	250	0	0	0	248						557
	50	100	140	100	100	152	125	125	125	100	0	0	0	1,117
MWD	0	0	0	0	0	0	0	0						0
	0	0	0	0	0	0	0	0	0	2,050	2,550	0	0	4,600
NMIDD	2,262	1,402	0	0	6,486	0	0	0						10,150
	1,800	1,800	0	7,500	4,000	0	0	5,500	4,300	3,500	2,500	2,000	2,000	32,900
QCID	0	0	0	0	0	0	0	0						0
	0	0	0	0	0	0	0	0	2,091	0	0	0	752	2,843
TID	0	0	0	0	0	0	0	0						0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SRP	1,019	1,100	813	1,100	1,100	1,100	0	0						5,132
	1,100	1,100	1,100	1,100	1,100	1,100	0	0	1,100	1,100	1,100	1,100	1,100	11,000
RWCD	0	0	0	7,500	5,000	0	0	0						12,500
	0	0	2,500	5,000	2,500	0	0	2,500	0	0	0	0	0	12,500
HIEROGLYPHIC	2,666	2,540	2,802	3,202	0	1,647	2,807	0						15,664
	2,000	2,500	2,500	1,500	0	3,000	3,000	3,000	3,000	2,750	2,650	2,500	2,500	28,400
Subtotal	8,470	6,141	5,867	15,056	14,155	1,647	4,694	0	0	0	0	0	0	56,030
Total to date	8,470	14,611	20,478	35,534	49,689	51,336	56,030	56,030	56,030	56,030	56,030	56,030	56,030	56,030
Projected total to date	6,450	12,450	19,190	36,390	46,340	57,542	68,717	91,083	109,458	127,258	141,558	155,260	155,260	155,260
Pinal AMA														
CAIDD	0	0	0	0	0	0	0	0						0
	0	0	0	0	0	0	0	0	500	3,000	1,000	500	500	5,500
MSIDD	1,120	1,130	2,320	2,570	2,000	0	0	0						9,140
	1,120	1,130	2,320	2,570	2,000	0	0	1,030	780	0	0	0	0	10,950
HIDD	1,876	1,647	5,557	5,781	5,712	0	0	0						20,573
	1,700	3,475	8,000	5,300	5,600	0	0	3,000	0	0	0	0	0	27,075
Subtotal	2,996	2,777	7,877	8,351	7,712	0	0	0	0	0	0	0	0	29,713
Total to date	2,996	5,773	13,650	22,001	29,713	29,713	29,713	29,713	29,713	29,713	29,713	29,713	29,713	29,713
Projected total to date	2,820	7,425	17,745	25,615	33,215	33,215	33,215	37,745	41,525	42,525	43,025	43,525	43,525	43,525
Tucson AMA														
Avra Valley	0	0	0	0	0	0	0	129						129
	0	0	0	0	0	0	600	600	600	600	670	600	600	4,270
Clearwater	0	0	0	0	0	0	0	0						0
	0	0	0	0	0	0	1,000	1,500	1,500	1,500	1,500	1,500	1,500	10,000
Pima Mine	2,578	2,120	2,212	0	0	0	0	272						7,182
	2,600	2,025	2,600	0	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	28,225
Lower Santa Cruz	3,346	3,658	3,977	3,677	0	0	815	0						15,473
	3,500	3,500	3,500	1,955	0	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	29,955
BKW Farms	694	156	0	0	0	0	0	0						850
	200	250	400	0	0	0	0	0	0	200	100	50	50	1,250
Kai Red Rock	370	45	0	250	500	0	0	0						1,165
	0	0	0	0	500	0	0	250	500	500	250	0	0	2,000
Subtotal	6,988	5,979	6,189	3,927	500	0	1,216	0	0	0	0	0	0	24,799
Total to date	6,988	12,967	19,156	23,083	23,583	23,583	24,799	24,799	24,799	24,799	24,799	24,799	24,799	24,799
Projected total to date	6,300	12,075	18,575	20,530	21,030	28,130	35,730	43,580	51,880	60,150	68,050	75,700	75,700	75,700
TOTAL														
TOTAL	18,454	14,897	19,933	27,334	22,367	1,647	5,910	0	0	0	0	0	0	110,542
Total to date	18,454	33,351	53,284	80,618	102,985	104,632	110,542	110,542	110,542	110,542	110,542	110,542	110,542	221,084
Projected total to date	15,570	31,950	55,510	82,535	100,585	118,887	137,662	172,408	202,863	229,933	252,633	274,485	274,485	274,485

INDIAN FIRING TECHNICAL COMMITTEE MEETING SUMMARY¹

Meeting Date: August 11, 2003

I. Introduction/Purpose

Sandy Fabritz welcomed attendees.

II. Committee Structure/Objectives

Ms. Fabritz reviewed the four objectives of the committee, to:

- 1) Identify the specific volume of water needed to be firmed to meet the obligations of the Act;
- 2) Identify the water supply available to meet the firming obligation and the Southside Replenishment Bank obligation;
- 3) Identify funding sources; and
- 4) Identify a list of recommended approaches, including method, costs, water supplies, and institutional challenges, that can be considered by staff in developing a recommendation that will provide the State with an efficient and economically feasible approach in meeting its obligations under the Arizona Water Settlement Act and the Gila River Indian Community Water Right Settlement Agreement

III. Overview of Firming Obligations and Southside Replenishment Obligation

Herb Dishlip provided a brief overview of the Arizona Water Settlements Act (Act) and the potential for a legal obligation by the state to firm a quantity of water pursuant to that Act. The obligation does not yet exist as the Act has not yet passed Congress or been approved by the Arizona legislature. However, this committee has been initiated to address the issue pro-actively.

Under the proposed Act, the state and federal governments each have a portion of the obligation for firming 60,648 acre feet of lower priority non-Indian agricultural (NIA) water to the level of higher priority municipal & industrial (M&I) water, during times of shortage within the following 100 year period. This is necessary because NIA water is the first water cut back or eliminated when there is a shortage on the Colorado River system. Consequently, the firming under the Act provides a more secure supply to the Indian entities during shortages.

The state's obligation takes the form of two blocks of water: (1) 15,000 acre feet toward the GRIC settlement; and (2) 8,724 acre feet dedicated for future settlements.

Mr. Dishlip noted that at the Indian Firming Workshop in May there was discussion that focused on the role the AWBA could play in helping the state meet this obligation. The AWBA was perceived to be a potential mechanism due

¹ This document was prepared as a summary of the meeting for informational purposes only. Official minutes will not be prepared. All handouts provided at the meeting are available upon request or can be accessed on the AWBA web page.

to the M&I firming function already being carried out. The Authority agreed that the AWBA was a probable entity and authorized staff to organize this committee.

Marvin Cohen provided a brief overview of the Southside Replenishment Program contained in the Gila River Indian Community Water Rights Settlement Agreement (Settlement) and described how it came about due to concerns of the GRIC over additional M&I development and groundwater use along the reservation boundaries. He explained that the proposed Southside Replenishment Program concept: (1) identifies three Protection Zones along the southern boundary of the GRIC; (2) established the development of a Southside Replenishment Bank; and (3) limits groundwater pumping for new M&I purposes above a certain level within each of the Protection Zones. The first component of meeting the state's obligation under the Southside Replenishment Program would entail storage of 1,000 acre feet per annum for 15 years to establish a Southside Replenishment Bank (SRB). Secondly, if groundwater pumping within the Protection Zones exceeds an identified acre foot per acre limit the SRB would be debited with the State required to replenish the SRB if the amount debited causes the SRB to go below 5,000 acre feet. Also included in the proposed concept is a prohibition on exportation of groundwater from the Protection Zones, which would require legislative action.

Dennis Rule noted that the committee could complete its evaluation and make a recommendation to the AWBA and the AWBA could ultimately choose to not participate in assisting the state in meeting its obligation. Mr. Dishlip replied that the legislature could decide to force the AWBA to take on this role, or could identify another entity within the state. Mr. Henley noted that, regardless of who the entity is, legislative change is needed so it could be change to the AWBA's statutes or someone else's.

IV. Review Schedule/Tasks

Ms. Fabritz reviewed the tasks and proposed schedule for their completion. The tasks were itemized on a handout provided at the meeting. Under Task 1: Quantify Firming Goals, Ms. Fabritz stated that the Colorado River system model currently utilized by ADWR would be utilized in this process. The committee would be reviewing the assumptions included in the model with the goal of reaching consensus on what the model parameters would be. Mr. Dishlip noted that this is important because the AWBA Study Commission found that there is a wide range of firming volumes based on what model levels are utilized. Mr. Henley noted that this review would prove valuable to the AWBA even if they were not the entity ultimately identified to meet the state's obligation. Bob McCain questioned whether the AWBA firming could be evaluated for 50 years (instead of 100) and then re-evaluated at a later date. Mr. Henley replied that it could be looked at in this way. Under Task 2: Identify Water Supply, Dorothy Palmer asked if the committee would be looking at all water supplies. Ms. Fabritz replied that the AWBA can currently only utilize CAP and effluent water, however, others could be possible with statutory changes. Larry Dozier

questioned at what stage evaluation of options other than delivery and storage would occur, for example, land fallowing. Ms. Fabritz replied that it would occur within Task 4.

Mr. Rule asked if there was some prediction of the probability of the Southside Replenishment Program's initial 15,000 acre foot volume dropping below 5,000 acre feet and triggering a subsequent need for more storage. Mr. Dishlip said that it had not yet been estimated but could perhaps be done so through use of aerial photography or evaluation of zoning records. However, while those things could give some idea about the extent of planned development, the question of when the zone limits would be violated would still be somewhat unknown. Mr. Cohen noted that the only real risk would be a large industrial use coming in that required a large quantity of water. He stated that the goal would be to have legislation such that any industrial user would be fully cognizant of their obligation for water uses in excess of specific defined levels. There was a question concerning the use of existing credits to meet this obligation. Mr. Cohen replied that he believed there was a time limit on the use of credits previously developed.

Ms. Fabritz noted that a structure for the committee needs to be developed, i.e. should the larger group break into subgroups or work groups. She noted that of specific importance is identifying an individual to head up the group looking at funding sources. She requested that anyone with input regarding structure or interested in volunteering to lead a work group contact her over the next month.

V. Review of Current Statutory Authorities

A handout was provided detailing the AWBA's current statutory authorities. Mr. Dishlip noted that firming for Indian water rights settlements was perceived to be a role of the AWBA when it was established.

VI. Discussion for Next Meeting

Ms. Fabritz asked all entities in attendance to review the hand out that discussed the model prior to the next meeting. As previously discussed, the first task will be to identify the assumptions that will be used in the modeling process. Mike Brophy asked a question pertaining to federal demand levels. Mr. Dishlip replied that the state has historically disagreed with the federal government over the level of Upper Basin demand.

VII. Schedule of Upcoming Meetings

A tentative date of Monday, September 15, 2003 was identified as the next meeting date.

THIS CHAPTER HAS LINE ITEM VETOED MATERIAL

Line item vetoed material shown **BOLDED**, *ITALICIZED* and underlined.

CORRECTED TITLE

Senate Engrossed House Bill

State of Arizona
House of Representatives
Forty-sixth Legislature
First Regular Session
2003

CHAPTER 262

HOUSE BILL 2531

AN ACT

MAKING APPROPRIATIONS FOR THE DIFFERENT DEPARTMENTS OF THE STATE, FOR STATE INSTITUTIONS AND FOR PUBLIC SCHOOLS; MAKING A SUPPLEMENTAL APPROPRIATION TO THE DEPARTMENT OF EDUCATION; AMENDING LAWS 2002, CHAPTER 327, SECTION 120; PROVIDING FOR CERTAIN REPORTING REQUIREMENTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Subject to applicable laws, the sums or sources of revenue set forth in this act are appropriated for the fiscal years indicated for the purposes and objects specified and the performance measures are indicated as legislative intent.

Sec. 2. BOARD OF ACCOUNTANCY

Notwithstanding any other law, on or before June 30, 2004, the following amounts from the following funds or sources are transferred to the state general fund for the purposes of providing adequate support and maintenance for agencies of this state:

1. Technology and telecommunications fund (ADA 4201) \$4,000,000.

2. Motor vehicle pool revolving fund (ADA 4204) \$1,000,000.

3. Emergency telecommunications services revolving fund (ADA 2176) \$3,000,000.

4. Arizona arts endowment expendable trust fund (HUA 3106) \$7,000,000.

5. Arizona job training fund (EPA 1237) \$2,500,000.

6. Arizona correctional industries revolving fund (DCA 4002) \$1,000,000.

7. Telecommunication fund for the deaf (DFA 2047) \$1,000,000.

8. Water quality assurance revolving fund (EVA 2221) \$5,000,000.

9. Arizona exposition and state fair fund (CLA 4001) \$1,000,000.

10. Game and fish commission heritage fund (GFA 2295) \$4,000,000.

11. Watercraft licensing fund (GFA 2079) \$1,000,000.

12. Industrial commission administrative fund (ICA 2177) \$2,000,000.

13. Defensive driving fund (SPA 2247) \$1,000,000.

14. State lottery fund (LOA 2122) \$2,500,000.

15. Off-highway vehicle recreation fund (PRA 2253) \$2,000,000.

16. State parks board heritage fund (PRA 2296) \$4,000,000.

17. State lake improvement fund (PRA 2105) \$6,800,000.

18. Arizona water banking fund (WCA 2110) \$9,000,000.

Sec. 109. Transfer of fund monies to the Arizona highway patrol fund; fiscal year 2003-2004

Notwithstanding any other law, on or before June 30, 2004, the sum of \$1,000,000 is transferred from the transportation department equipment fund established by section 28-7006, Arizona Revised Statutes, to the Arizona highway patrol fund established by section 41-1752, Arizona Revised Statutes.

Sec. 110. Transfer of fund monies to the water quality assurance revolving fund; fiscal year 2003-2004

Notwithstanding any other law, on or before June 30, 2004, the sum of \$2,500,000 is transferred from

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



June 30, 2003

The Honorable Janet Napolitano
Governor of the State of Arizona
1700 West Washington
Phoenix, Arizona 85007

AUTHORITY MEMBERS
Herbert R. Guenther, Chairman
George R. Renner, Vice Chairman
Charles L. Cahoy, Secretary
Maureen R. George
John Mawhinney

EX OFFICIO MEMBERS
Senator Linda Binder
Representative Jake Flake

Dear Governor Napolitano:

This letter is written to express my deep concern over action recently taken by the legislature pursuant to House Bill 2531, the General Appropriations Act. Specifically, I am referring to the \$9 million fund transfer from the Arizona Water Banking Fund listed in line 2, page 95 of the bill. I feel strongly that the potential long-term ramifications of this action have not been given due consideration.

As you are aware, the Arizona Water Banking Authority (Authority) was established by the 42nd legislature in 1996 with clearly defined goals and funding sources. The goals of the Authority include providing a secure water supply for the tri-county Central Arizona Project (CAP) service area and the on-river communities, meeting water management objectives of the state and assisting the state with settlement of water rights claims by Indian communities. Further, the funding sources are statutorily limited in the manner in which they can be utilized dependent on type and location. It is the Authority's opinion that the \$9 million identified for transfer could only come from one funding source; the groundwater withdrawal fees collected by the Authority pursuant to A.R.S. § 45-611. The groundwater withdrawal fees and annual general fund appropriations to the Authority are the only revenues available to store water to assist the state in settlement of water rights claims by Indian communities.

Under Senator Kyl's Arizona Water Settlement Act, Arizona is poised to settle the long-standing water rights dispute with the Gila River Indian Community and finalize the settlement with the Tohono O'odham Nation. Authorization of the Act will obligate the State of Arizona to provide water to the tribal entities in times of water shortage and the Authority is being evaluated as the entity that will allow the state to meet its obligation. Loss of \$9 million in withdrawal fee revenues will seriously impact the Authority's ability to assist the state. Based on an average annual cost per long-term storage credit, the \$9 million would have purchased more than 200,000 acre-feet of credits that will now be lost.

While the Authority recognizes the financial struggle being faced by the State, continued dependence on the Arizona Water Banking Fund is not a valid solution. To date, approximately \$4 million has already been withheld or transferred from it. Additionally, attempting to balance the budget utilizing funds collected for the Authority in specific geographic locations for specific purposes could ultimately undermine the vision held by the 42nd legislature when the Authority was created.

Sincerely,

Herbert R. Guenther, Chairman
Arizona Water Banking Authority

The Honorable Janet Napolitano

June 30, 2003

Page 2

cc: Governor Janet Napolitano
George R. Renner, Vice-chairman, Arizona Water Banking Authority
Charles L. Cahoy, Secretary, Arizona Water Banking Authority
Maureen R. George, Arizona Water Banking Authority
John Mawhinney, Arizona Water Banking Authority
David S. "Sid" Wilson, General Manager, Central Arizona Project
Lisa Atkins, CAWCD Board Member
Frank M. Barrios, CAWCD Board Member
Susan Bitter-Smith, CAWCD Board Member
Mike Boyd, CAWCD Board Member
Daniel J. Donohoe, CAWCD Board Member
Grady Gammage, Jr., CAWCD Board Member
Samuel P. Goddard, Jr., CAWCD Board Member
James A. Hardtegan, CAWCD Board Member
Diana Kai, CAWCD Board Member
Mark Lewis, CAWCD Board Member
David V. Modeer, CAWCD Board Member
William K. Perry, CAWCD Board Member
Carol E. Zimmerman, CAWCD Board Member

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
CENTRAL ARIZONA WATER CONSERVATION DISTRICT
REGARDING AD VALOREM TAX FOR WATER STORAGE

(August 7, 2003)

WHEREAS, House Bill 2494 adopted by the Arizona Legislature in 1996 (Chapter 308, Laws of Arizona 1996, Forty-second Legislature, Second Regular Session) established the Arizona Water Bank and amended A.R.S. § 48-3715.02 relating to the tax levy for water storage; and

WHEREAS, A.R.S. § 48-3715.02, subsection B, provides that the Board of Directors (the "Board") of the Central Arizona Water Conservation District (the "District") shall fix the amount to be raised by direct taxation pursuant to its provisions, which amount shall not exceed four cents per one hundred dollars of assessed valuation; and

WHEREAS, the Board by separate action has fixed the tax rate pursuant to A.R.S. § 48-3715.02, subsection B, for the 2003-2004 tax year at four cents per one hundred dollars of assessed valuation; and

WHEREAS, A.R.S. § 48-3715.03 further provides that the Board shall determine annually by resolution whether any or all of the tax levied pursuant to A.R.S. § 48-3715.02, subsections B and C, shall be applied to the repayment of the construction costs of the Central Arizona Project ("CAP" or the "Project") or to the annual operation, maintenance, and replacement costs of the Project; and

WHEREAS, A.R.S. § 48-3715.03 further provides that those monies specified in such resolution for repayment of the construction costs or payment of the annual operation, maintenance, and replacement costs of the Project shall be deposited in the District fund established pursuant to A.R.S. § 48-3712, subsection A, paragraph 5; and

WHEREAS, A.R.S. § 48-3715.03 further provides that a certified copy of such resolution shall be delivered to the Arizona Department of Water Resources;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Central Arizona Water Conservation District, as follows:

1. That all of the taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, in the 2003-2004 tax year shall be applied to the annual operation, maintenance, and replacement costs of the Project; and
2. That all taxes levied pursuant to A.R.S. § 48-3715.02, subsections B and C, in the 2003-2004 tax year be deposited in a designated District account in the District fund established pursuant to A.R.S. § 48-3712, subsection A, paragraph 5, to be used by the District to defray the annual operation, maintenance, and replacement costs associated with the purchase of Project water by the Arizona Water Banking Authority for the purpose of firming CAP municipal and industrial water supplies and related administrative costs; and
3. That a certified copy of this resolution be delivered to the Arizona Department of Water Resources.

I, the undersigned, as Secretary of the Central Arizona Water Conservation District, hereby certify that the foregoing is a true and correct copy of the resolutions duly adopted by the Board of Directors of the Central Arizona Water Conservation District at a meeting thereof, duly called and held on August 7, 2003, at which a quorum was present and acting throughout. I further certify that said resolutions have not been modified or revoked since their adoption and are still in full force and effect.

SIGNED THIS 7th day of August, 2003.

By: 
Daniel J. Donahoe
Secretary



SOUTHERN NEVADA
WATER AUTHORITY

Administrative Office
1001 S. Valley View Blvd.
Las Vegas, Nevada 89153
Telephone: (702) 258-3939
Fax: (702) 258-3268

Project Office
1900 E. Flamingo, Ste. 170
Las Vegas, Nevada 89119
Telephone: (702) 862-3400
Fax: (702) 862-3470

Southern Nevada Water System
243 Lakeshore Road
Boulder City, NV 89005
Telephone: (702) 564-7697
Fax: (702) 564-7222

March 20, 2003

Mr. Tim Henley
Manager
Arizona Water Banking Authority
500 N. 3rd Street
Phoenix, AZ 85004

Dear Tim:

As requested in your March 11, 2003 letter, the Southern Nevada Water Authority (SNWA) requests that Section 3.1 of the Agreement for Interstate Water Banking be waived to allow the creation of up to 10,000 acre-feet (AF) of intentionally created unused apportionment (ICUA) for Nevada in 2003. As outlined in your letter and discussed with my staff, the ICUA would be created between the months of July 2003 and December 2003. It is also our understanding the SNWA can, at any time; request to cease the development of ICUA if supply or demand varies.

We certainly appreciate your efforts to help southern Nevada meet our 2003 water needs as efficiently as possible.

Sincerely,

Patricia Mulroy
General Manager

PM:KB:df

cc: Mr. Larry Dozier - Central Arizona Water Conservation District
Mr. Jim Davenport - Colorado River Commission

BOARD OF DIRECTORS

Amanda M. Cyphers, Chair
Henderson Councilman

Shari Buck
North Las Vegas Councilman

Oscar Goodman
Las Vegas Mayor

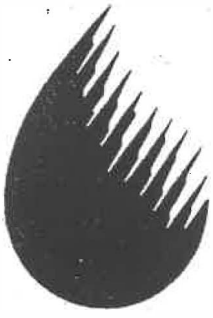
Mark James
County Commissioner

Patricia Mulroy
General Manager

Rory Reid
County Commissioner

Brian Nix, Vice Chair
Boulder City Councilman

Myrna Williams
County Commissioner



COPY

Administrative Office
1001 S. Valley View Blvd.
Las Vegas, Nevada 89153
Telephone: (702) 258-3939
Fax: (702) 258-3268

Project Office
1900 E. Flamingo, Ste. 170
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Telephone: (702) 862-3400
Fax: (702) 862-3470

Southern Nevada Water System
243 Lakeshore Road
Boulder City, NV 89005
Telephone: (702) 564-7697
Fax: (702) 564-7222

SOUTHERN NEVADA
WATER AUTHORITY

August 1, 2003

Robert Johnson, Regional Director
U.S. Department of Interior
Bureau of Reclamation
Lower Colorado Regional Office
P.O. Box 61470
Boulder City, NV 89006

Dear Mr. Johnson:

SUBJECT: REQUEST FOR RELEASE OF INTENTIONALLY CREATED UNUSED
APPORTIONMENT (ICUA) FOR USE IN NEVADA DURING 2003

Pursuant to Article 5.1 of the Storage and Interstate Release Agreement (SIRA), the Southern Nevada Water Authority (SNWA) requests the Secretary release up to 10,000 acre-feet of ICUA for consumptive use in Nevada during calendar year 2003. Furthermore, the SNWA certifies copies of this request have been mailed to the States of Arizona, California, and Nevada in accordance with Article 5.1 of the SIRA (distribution list attached).

This request for development of ICUA was previously discussed on July 17, 2003, with representatives of the Arizona Water Banking Authority (AWBA), the Bureau of Reclamation, and the SNWA. Also attached is SNWA's written request for up to 10,000 acre-feet of ICUA, for calendar year 2003, to the AWBA dated March 21, 2003.

Thank you for your consideration of this request. If you have any questions, please contact me at (702) 862-3775.

Sincerely,

Kenneth A. Albright, P.E.
Director, SNWA Resources

KAA:TM:lmv
Attachments

- c: Jim Davenport, Water Division Chief, CRC, w/attachments
- Larry Dozier, Deputy General Manager, CAWCD, w/attachments
- Dale Ensminger, Contract & Repayment Specialist, USBR, w/attachments
- Dennis Underwood, Vice President, Colorado River Resources, MWD, w/attachments
- Patricia Mulroy, General Manager, SNWA, w/attachments
- Kay Brothers, Deputy General Manager, Engineering/Operations, SNWA, w/attachments

BOARD OF DIRECTORS

Amanda M. Cyphers, Chair
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Bryan Nix, Vice Chair
Boulder City Councilman

Shari Buck
North Las Vegas Councilman

Oscar Goodman
Las Vegas Mayor

Mark James
County Commissioner

Rory Reid
County Commissioner

Myrna Williams
County Commissioner

Patricia Mulroy
General Manager

**Request for Release of Intentionally Created Unused Apportionment (ICUA)
for Use in Nevada During 2003**

Distribution List in accordance with Article 5.1 of the
Storage and Interstate Release Agreement (SIRA),
w/attachments

AWBA: Arizona Water Banking Authority
500 North Third Street
Phoenix, Arizona 85004
Attn: Tim Henley, Manager

The State of Arizona / ADWR: Arizona Department of Water Resources
500 North 3rd Street
Phoenix, Arizona 85004
Attn: Senator Herb Guenther, Director

The State of California / CRBC: Colorado River Board of California
770 Fairmont Avenue, Suite 100
Glendale, California 91203-1035
Attn: Gerald R. Zimmerman, Executive Director

The State of Nevada / CRCN: Colorado River Commission of Nevada
555 E. Washington Avenue, Suite 3100
Las Vegas, Nevada 89101
Attn: George Caan, Director

Distribution List in accordance with Article V, Section 5.6, of the
Agreement Relating to Implementation of Interim Colorado River Surplus Guidelines
w/attachments

MWD: Metropolitan Water District of Southern California
700 North Alameda Street
Los Angeles, California 90012
Attn: Ronald R. Gastelum, President and Chief Executive Officer
Jeffrey Kightinger, General Counsel

Arizona Water Banking Authority

500 North Third Street, Phoenix, Arizona 85004

Telephone 602-417-2418

Fax 602-417-2401



AUTHORITY MEMBERS

Herbert R. Guenther, Chairman
George R. Renner, Vice Chairman
Charles L. Cahoy, Secretary
Maureen R. George
John Mawhinney

EX OFFICIO MEMBERS

Senator Linda Binder
Representative Jake Flake

September XX, 2003

Ms. Patricia Mulroy
General Manager, Southern Nevada Water Authority
1001 S. Valley View Blvd.
Las Vegas, Nevada 89153

RE: Waiver of Requirement to Provide a Three-Year Notification for Request of ICUA

Dear Ms. Mulroy:

The Arizona Water Banking Authority (AWBA) is in receipt of your request to waive the requirement, pursuant to Sub-Article 3.1.1 of the Agreement for Interstate Water Banking between the AWBA, Southern Nevada Water Authority (SNWA), and the Colorado River Commission of Nevada (CRCN), to meet and confer with the Arizona Water Banking Authority (AWBA) three years prior to a preliminary request for the development of intentionally created unused apportionment (ICUA). As you are aware, this three-year period is intended to allow for the development of a reasonable plan for the development of ICUA. However, Sub-Article 3.1.1 also allows the parties to waive this requirement in the event of unforeseen circumstances.

Prior to development of the Agreements between the AWBA, SNWA and CRCN, the Central Arizona Water Conservation District (CAWCD) and SNWA entered into an Agreement for Interstate Storage Demonstration Project. As a result of these Agreements, the AWBA currently holds 111,098 acre-feet of Long-term Storage Credits on behalf of SNWA in the SNWA Interstate Account. The water that has been requested for development of ICUA will be acquired from this pool of credits. On March 20, 2003, the SNWA requested the development of 10,000 acre-feet of intentionally created unused apportionment (ICUA) from the Arizona Water Banking Authority (AWBA) for calendar year 2003. Additionally, SNWA requested that the 3-year notification be waived for 2003 and 2004 as allowed in Sub-Article 3.1.1.

The AWBA agrees to waive the three-year requirement for notification by SNWA and CRCN of the intent to request the development of ICUA in 2003 and 2004 based upon the current status of the Quantification Settlement Agreement among California's entities and the impact of this on the Interim Surplus Guidelines (ISG) and SNWA's ability to take additional water off the Colorado River during the term of the ISG and specifically during calendar years 2003 and 2004.

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Finally, the AWBA recognizes that SNWA has met the notification requirement for calendar years 2005 and 2006, per the request in your letter, in accordance with Sub-Article 3.1.1 of the Agreement for Interstate Water Banking.

Herbert R. Guenther
Chairman
Arizona Water Banking Authority

cc: Kay Brothers, Southern Nevada Water Authority
James Davenport, Colorado River Commission of Nevada
Tim Henley, Arizona Water Banking Authority
Robert Johnson, Bureau of Reclamation
George McCaan, Colorado River Commission of Nevada
Gerry Zimmerman, Colorado River Board of California

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



AUTHORITY MEMBERS
Herbert R. Guenther, Chairman
George R. Renner, Vice Chairman
Charles L. Cahoy, Secretary
Maureen R. George
John Mawhinney

EX OFFICIO MEMBERS
Senator Linda Binder
Representative Jake Flake

September XX, 2003

Mr. Robert Johnson
Regional Director, Lower Colorado Regional Office
United State Bureau of Reclamation
P.O. Box 61470
Boulder City, Nevada 89006

RE: Certification for Development of Intentionally Created Unused Apportionment

Dear Mr. Johnson:

On March 20, 2003, the Southern Nevada Water Authority (SNWA) requested the development of 10,000 acre-feet of intentionally created unused apportionment (ICUA) from the Arizona Water Banking Authority (AWBA) for calendar year 2003 (see Attachment I). As you are aware the AWBA, SNWA and the Colorado River Commission of Nevada (CRCN) have executed the Agreement for Interstate Water Banking for storage and recovery of unused Colorado River water. Additionally, prior to the development of the Agreement for Interstate Water Banking, SNWA entered into an Agreement for Interstate Storage Demonstration Project with the Central Arizona Water Conservation District (CAWCD). As a result of these Agreements, the AWBA currently holds 111,098 acre-feet of long-term storage credits on behalf of SNWA.

Although the Agreement for Interstate Water Banking requires a three-year notification by SNWA of its intent to request ICUA from the AWBA, the AWBA has agreed to waive this requirement for calendar years 2003 and 2004 to assist Nevada in light of the current status of the Quantification Settlement Agreement among California entities and the impact of this on the Interim Surplus Guidelines (ISG) and SNWA's ability to take additional water off the Colorado River during the term of the ISG.

The purpose of this letter is to transmit the Certifications required in the Storage and Interstate Release Agreement (SIRA) among the U.S. Bureau of Reclamation (representing the Secretary for the U.S. Department of the Interior), the AWBA, SNWA, and CRCN. Pursuant to Article 4.8 of the SIRA, the AWBA must provide three certifications: 1) the Development of ICUA Certification; 2) an Interstate Recovery Certification; and 3) an Upcoming Year Delivery Certification. These Certifications are detailed below.

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1) Development of ICUA Certification

Pursuant to the requirements of the Development of ICUA Certification, the AWBA certifies the following:

- 1) Sufficient Long-term Storage Credits exist in the SNWA Interstate Account, established by the AWBA, to support the development of 10,000 acre-feet of ICUA. The current long-term storage credit balance in the SNWA Interstate Account is 111,098 acre-feet as noticed by the Arizona Department of Water Resources (see Attachment II - ADWR LTS Credit Account Notification);
- 2) The ICUA will be developed using the recovery and exchange method as described in sub-Article 4.2.1 of the SIRA in the amount of 10,000 acre-feet as per the request from SNWA;
- 3) Such ICUA would not otherwise exist; and
- 4) A Notice to all Arizona Entitlement Holders, including Indian Tribes, was mailed first class on July 17, 2003 stating that SNWA has made a request for ICUA In the amount of 10,000acre-feet (see Attachment III). The Notice includes the means by which the AWBA intends to develop ICUA and states that Arizona Entitlement Holders may participate in the development of ICUA, however due to the location of long-term storage credits in the Pinal Active Management Area (AMA), Arizona law would limit such participation to entities located with the Pinal AMA.

2) Interstate Recovery Schedule Certification

The Interstate Recovery Schedule was developed in cooperation between the AWBA and CAWCD, who entered into the Agreement for the Development of ICUA in December 2002. The Interstate Recovery Schedule is required under Article 4.3 of the SIRA and identifies the means by which ICUA can be developed in Arizona during the remainder of 2003. The AWBA, CAWCD, SNWA, and CRCN met with the Bureau of Reclamation on July 17, 2003 to review the Draft Interstate Recovery Schedule, as required in the SIRA. Furthermore, pursuant to the SIRA, the Interstate Recovery Schedule is to be included with the Interstate Recovery Schedule Certification and is provided below.

Interstate Recovery Schedule

AWBA and CAWCD have agreed to use the recovery and exchange method described in sub-Article 4.2.1 of the SIRA. Based on this SIRA, the recovery and exchange method requires that long-term storage credits in the SNWA Interstate Account be recovered and the recovered water be exchanged for Colorado River water that would have otherwise been delivered through the Central Arizona Project (CAP) system.

Long-terms storage credits from the SNWA Interstate Account will be recovered from wells located within the Maricopa-Stanfield Irrigation & Drainage District (MSIDD), per the Agreement Between CAWCD and MSIDD for an Indirect Underground Storage and Recovery Project dated September 3, 1992 and the Central Arizona Irrigation & Drainage District (CAIDD), per the Agreement Between CAWCD and CAIDD for an Indirect Underground Storage and Recovery Project dated September 1, 1992 (see Attachments IV and V). Recovery will occur between September 2003 and December 2003 in the amount of 10,000 acre-feet. Table 1 below describes the order for CAP water for each month (September through December) for MSIDD and CAIDD. Table 2 below is the Interstate Recovery Schedule and describes: 1)

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the current total recovery well capacity for both Irrigation Districts; 2) the recovery schedule developed for 2003 for each month (September through December); and 3) the total recovery necessary to develop ICUA on behalf of Nevada for calendar year 2003.

TABLE 1 - September through December 2003 CAP Order (Acre-Feet)

Total Monthly CAP Order	MSIDD	CAIDD
September	5,000	3,500
October	3,000	2,500
November	2,000	3,500
December	1,500	2,000
Total	12,500	12,000

TABLE 2 – 2003 Interstate Recovery Schedule (Acre-Feet)

	Recovery Well Capacity		Recovery Schedule		TOTAL
	MSIDD	CAIDD	MSIDD	CAIDD	
September	1,500	1,054	1,500	1,000	2,500
October	1,500	1,054	1,500	1,000	2,500
November	1,500	1,054	1,500	1,000	2,500
December	1,500	1,054	1,500	1,000	2,500
Total	6,000	4,216	6,000	4,000	10,000

Based on the information that has been provided above, there are sufficient water orders and recovery well capacity available to develop the ICUA requested by SNWA during the remainder of calendar year 2003. Additionally, the necessary Agreements are in place between the AWBA and SNWA/CRCN, the AWBA and CAWCD, and CAWCD and the Irrigation Districts in Arizona to develop ICUA using the recovery and exchange method, as described in the SIRA.

Pursuant to the requirements on the Interstate Recovery Schedule Certification, the AWBA certifies that:

- 1) The contractual commitments by CAWCD necessary to develop ICUA in 2003 using the method described above remain in full force and effect as contained in the Agreement Between CAWCD and MSIDD for an Indirect Underground Storage and Recovery Project and the Agreement Between CAWCD and CAIDD for an Underground Storage and Recovery Project. Additionally, CAWCD has obtained from ADWR valid Recovery Well Permit (Nos. 74-595197 and 74-XXXXXX) for the wells to be used to effectuate the recovery (see Attachment VI); and
- 2) Pursuant to the Agreement for the Development of ICUA, CAWCD has agreed to accept long-term storage credits assigned by the AWBA, consistent with Arizona Revised Statutes, from the SNWA Interstate Account in exchange for Colorado River water that would have otherwise been diverted into the CAP by CAWCD and has agreed to reduce its consumptive use of Colorado River water in accordance with that exchange in the amount of ICUA requested by SNWA for calendar year 2003.

Based on the above Recovery Schedule Certification and pursuant to sub-Article 4.8.1 of the SIRA, the AWBA requests that the Secretary of the Interior release 2003 10,000 acre-feet of ICUA for use in the State of Nevada under the provisions of Article II(B)6 of the Decree in *Arizona v. California*.

3) Delivery Certification

On December 23, 2002, CAWCD ordered 1,593,000 acre-feet of Colorado River water for the calendar year 2003. Pursuant to the Agreement for the Development of ICUA, CAWCD has agreed to account for any long-term storage credits assigned by the AWBA to CAWCD from the SNWA Interstate Account as water diverted from the Colorado River for purposes of determining the amount of water that CAWCD may lawfully divert from the Colorado River in the year of development of ICUA. Furthermore, CAWCD has agreed to meet all of its scheduled deliveries to Indian contractors, CAWCD subcontractors, and other CAP water users using a combination of Colorado River water and long-term storage credits. Consistent with the Interstate Recovery Schedule for calendar year 2003, this combination will include 1,583,000 acre-feet of diversions from the Colorado River and 10,000 acre-feet of long-term storage credits.

If you or your staff has any questions, please contact Sandy Fabritz with the AWBA at 602-417-2418.

Herbert R. Guenther
Chairman
Arizona Water Banking Authority

George Renner
President
Central Arizona Water Conservation District

George M. Caan
Director
Colorado River Commission of Nevada

Patricia Mulroy
General Manager
Southern Nevada Water Authority

cc: Gerry Zimmerman, Colorado River Board of California

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7/16/2003-9/5/2003saf

Attachments:

- I – Letter from SNWA requesting ICUA, dated March 20, 2003
- II – Certification of Long-term storage Credit Account Balance (12/2002)
- III – Notification to Arizona Entitlement Holders
- IV – Agreement Between CAWCW and MSIDD for an Indirect Underground Storage and Recovery Project
- V – Agreement Between CAWCW and CAIDD for an Indirect Underground Storage and Recovery Project
- VI – Recovery Well Permits 74-595197 and 74-XXXXXX

Long-term Storage Credits Distributed or Extinguished by the Authority

On January 3, 2003, the Central Arizona Water Conservation District (CAWCD) transferred 50,000 acre feet of long-term storage credits to the AWBA. The credits were for water stored in groundwater savings facilities in the Pinal AMA. The water was stored on Nevada's behalf in the early 1990's under an interstate storage agreement between Nevada and the CAWCD. In 2002, the first interstate water storage pursuant to the federal regulations regarding off-stream storage of Colorado River water and the three agreements (Interstate Water Banking agreements) required by the state of Arizona was completed. In total, 66,595 acre feet of water was delivered on Nevada's behalf to groundwater savings facilities in the Pinal AMA in 2002 accruing 61,098 acre feet of long-term storage credits. The total number of long-term storage credits in the Southern Nevada Water Authority (SNWA) Interstate sub-account for the Pinal AMA (70-431135.0001) is 111,098 acre feet.

By letter dated December 31, 2002, the SNWA requested information regarding the deadline for requesting development of 10,000 acre feet of intentionally created unused apportionment (ICUA) in 2003. The interstate water banking agreements include a provision requiring a 3 year timeline for request of development of ICUA. However, Nevada was negatively impacted by the failure of the California parties to execute the Quantification Summary Agreement. As a result, Colorado River operations returned to a 70R scenario and no water above 300,000 acre feet will be available to Nevada in 2003.

By letter dated March 20, 2003, the SNWA requested that the AWBA waive the 3 year time period and develop 10,000 acre feet of ICUA in 2003. Pursuant to a letter amendment to the Agreement for Interstate Water Banking, the AWBA has agreed to waive the time requirement and develop 10,000 acre feet of ICUA . Table 3 identifies the location of the credits to be distributed to the CAWCD for ultimate recovery and creation of the ICUA.

Table 3
ARIZONA WATER BANKING AUTHORITY
 Long-term Storage Credits Distributed or Extinguished
 Calendar Year 2003

Facility where Credits were Accrued	Location (County)	Number of Long-term Storage Credits (acre feet)	Action ¹	Purpose for Extinguishment or Entity that Credits will be Distributed to
MSIDD	Pinal	6,000	D	To CAWCD for development of ICUA for Southern Nevada Water Authority
CAIDD	Pinal	4,000	D	To CAWCD for development of ICUA for Southern Nevada Water Authority

¹D=Distributed and E=Extinguished

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ARIZONA WATER BANKING AUTHORITY
ANNUAL PLAN OF OPERATION
2004



Herbert R. Guenther, Chairman

December 2003

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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 (M&I) along the Colorado River and Central Arizona Project (CAP) M&I users during Colorado River shortages or CAP service interruptions; (2) help meet the water management objectives of the Groundwater Code; and (3) assist in the settlement of American Indian water rights claims. Changes in the AWBA's enabling legislation in 1999 authorized the AWBA to participate in other water banking activities, however, no new water banking activities are included in this annual Plan of Operation.

The AWBA's storage (or banking) of water is accomplished through the Underground Water Storage, Savings and Replenishment Act (UWS) enacted by the Arizona legislature in 1994 and administered by the Arizona Department of Water Resources (ADWR). Through this program, the AWBA stores renewable water that currently has no immediate, direct use in either underground storage (USF) or groundwater savings (GSF) facilities. A USF is a facility that allows water to physically be added to an aquifer. A GSF is a facility where the renewable water is used in place of groundwater, creating a groundwater savings. The UWS program mandates the accounting of the renewable water stored and the development of long-term storage credits. The long-term storage credits developed by the AWBA will then be utilized by the AWBA when future conditions warrant. The use of credits for the three objectives listed above may differ and is dependent on the source of funds utilized to develop them.

The AWBA is required by statute to approve an annual Plan of Operation (Plan) by January 1 of each year. Prior to approval of the final Plan, the AWBA is required to solicit public comment. This is achieved by presenting a draft of the Plan to the Groundwater Users Advisory Councils (GUAC) for the Phoenix, Pinal and Tucson Active Management Areas (AMA) and to the county board of supervisors for counties outside of the AMA's if water storage is proposed there within the Plan. Presentation of the draft Plan must be made at publicly noticed open meetings at which members of the public are permitted to provide comment. The AWBA also accepts public comment in writing up to the time the final draft Plan is presented for approval.

The Plan is intended to govern the operations of the AWBA over the course of the entire calendar year. 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.

2003 PLAN OF OPERATION

In 2003, the AWBA's seventh full year of operation, the AWBA recharged almost XXX,XXX acre feet of Colorado River water and Arizona's total use of Colorado River water was forecast to be XXX million acre feet. The AWBA has played a significant role

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in bringing Arizona to the first year of full utilization of their normal year entitlement of 2.8 million acre feet (see Figure 1).

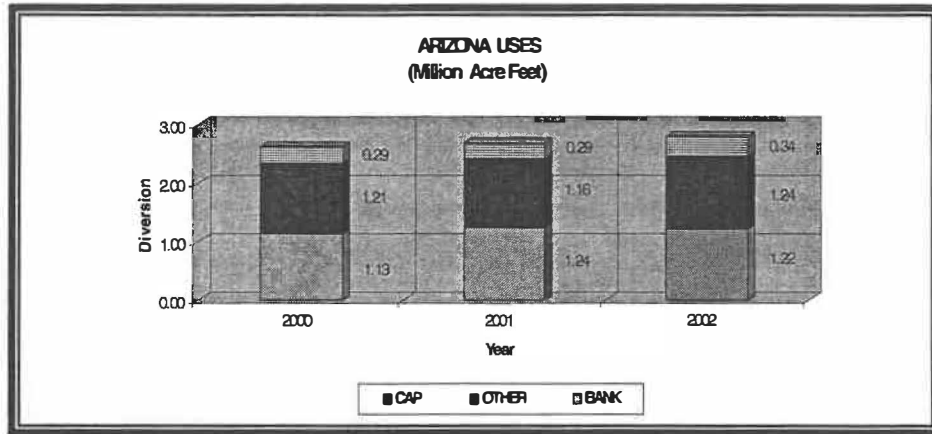


Figure 1 (WILL BE UPDATED)

Total use of Colorado River water in the Lower Basin is forecast to be approximately X.XX million acre feet in 2003 (see Figure 2) based on Bureau of Reclamation data dated XXXXXXXXXXXXXXXX.

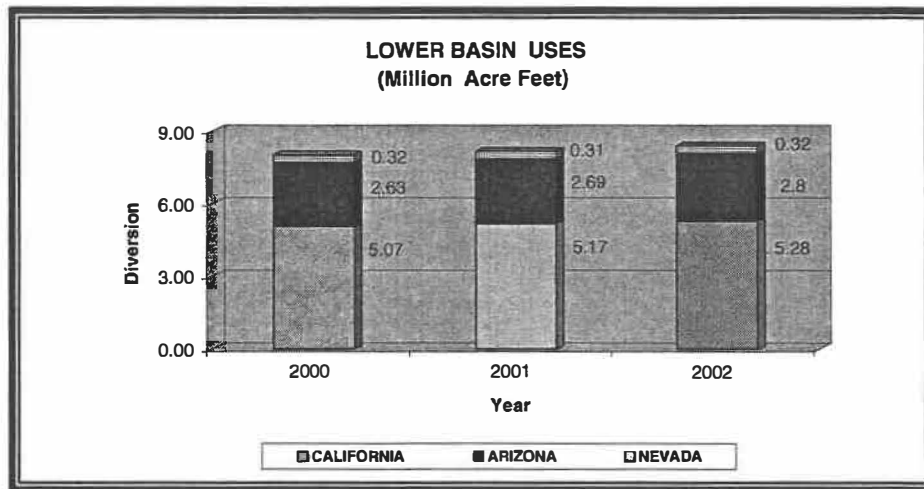


Figure 2 (WILL BE UPDATED)

The AWBA recharged water at both USFs and GSFs in 2003. Table 1 lists the AWBA's recharge partners for 2003, the amount of water that can be stored under each AWBA water storage permit, and the amount of water delivered to the facility by the AWBA in 2003. Table 1 values are based on actual deliveries through October with November and December's deliveries estimated. The amount of water delivered to a facility 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. Final figures for credits earned

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generally become available in the middle of the following year after review of the annual reports filed with the ADWR and are reported in the AWBA's Annual Report.

Table 1

AMA	Facility	Type	Permit Capacity	Amount Delivered
Phoenix	GRUSP	USF	200,000 AF	
	Agua Fria	USF	100,000 AF	
	Chandler Hts Citrus ID	GSF	3,000 AF	
	Queen Creek ID	GSF	28,000 AF	
	New Magma IDD	GSF	54,000 AF	
	SRP	GSF	200,000 AF	
Pinal	MSIDD	GSF	120,000 AF	
	CAIDD	GSF	110,000 AF	
	Hohokam ID	GSF	55,000 AF	
Tucson	Avra Valley (CAP)	USF	11,000 AF	
	Lower Santa Cruz (CAP)	USF	30,000 AF	
	Pima Mine Road (CAP)	USF	30,000 AF	
	Kai-Red Rock	GSF	11,231 AF	
Total			952,231 AF	

While the Plan originally had projected approximately equal storage at USFs and GSFs, the historical trend of a greater amount of storage at GSF's continued in 2003. This was primarily due to the opportunity to offset additional groundwater pumping by the irrigation districts as a result of the dry weather conditions. Due to the GSF partner's increased need for water, the AWBA was able to participate to a greater extent than originally projected. Figure 3 shows the acre foot break down between GSFs and USFs for 2003 and a comparison between 2003 and previous years.

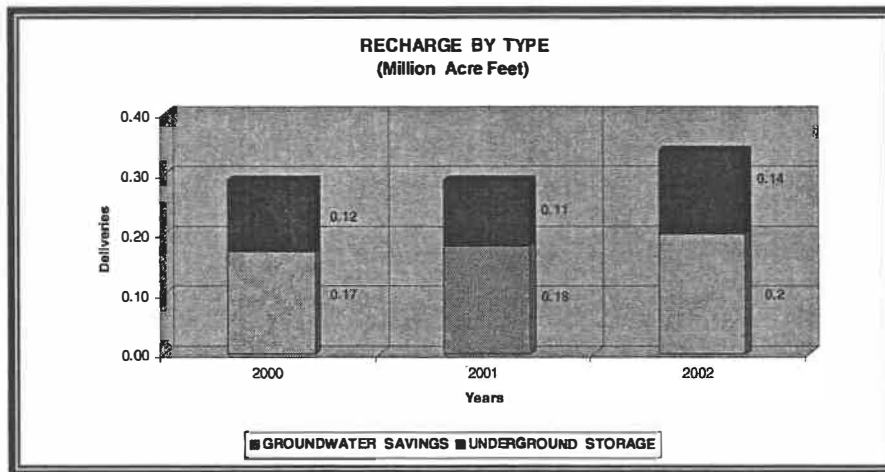


Figure 3 (WILL BE UPDATED)

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2004 PLAN OF OPERATION

When developing a Plan of Operation, the AWBA evaluates 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. ~~However, due to the unique circumstances expected in 2003 with regard to higher priority CAP water requests, the 2003 Plan took the critical factors into consideration but was not limited by them. In order to allow the greatest flexibility to fully utilize Arizona's full entitlement, the 2003 Plan was developed based on the possibility that higher priority users would not fully utilize their requested deliveries, thus making water available for the AWBA later in the year. Nonetheless, it is important to recognize the potential limits in the event that higher priority users fully utilize their requests.~~

MANY OF THE COMPONENTS OF THIS DISCUSSION ARE STILL UNKNOWN. AT THE MOST RECENT CAP BOARD MEETING THERE WAS DISCUSSION REGARDING THE POTENTIAL FOR DEVELOPMENT OF A SUPPLEMENTAL AGRICULTURAL POOL. THIS POOL WOULD GREATLY IMPACT THE WATER AVAILABLE TO THE AWBA. THERE IS ALSO SOME UNCERTAINTY REGARDING THE FUNDS AVAILABLE DUE TO RECENT LEGISLATIVE ACTION AND THE CAP RESOLUTION TO RETAIN THE AD VALOREM TAX REVENUES. THE AWBA ALSO NEEDS TO ADDRESS THE AGRICULTURAL DISTRICT COST SHARE PORTION FOR STORAGE AT GSF'S. STAFF RECOMMENDATION IS AN INCREASE IN THE COST SHARE FROM \$21 PER ACRE FOOT TO \$28 PER ACRE FOOT. PINAL COUNTY DELIVERIES WILL AGAIN BE CONSTRAINED BY AVAILABLE FUNDS.

I. Water Availability

The factor of water availability consists of two parts: (1) the amount of water available on the Colorado River for diversion by the CAP within Arizona's allocation; and (2) the amount of CAP water available for delivery to the AWBA under the existing pool structure.

~~The Bureau of Reclamation published the final draft Annual Operating Plan (AOP) for water year 2003 on October 10, 2002. The 2003 AOP prescribes that Arizona will be limited to 2.8 million acre feet whether under the parameters of the Interim Surplus Guidelines or a normal declaration. It is anticipated that the three Lower Basin states will fully utilize their respective allocations. Based on projections, Arizona's on-river use is forecast to be 1.204 million acre feet, leaving 1.596 million acre feet available for diversion by CAP. CAP's original forecast for CAP diversions for 2003 was 1.616 million acre feet, however, after meeting with the Bureau of Reclamation, the number was decreased to 1.596 million acre feet based on projected on-river demand. Additionally, as CAP could bear the burden for inadvertent overruns by Arizona, it is possible that their~~

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~~Colorado River diversions may be decreased towards the end of the year if it appears Arizona will exceed 2.8 million acre feet. Conversely, there exists the possibility of increased CAP diversions if on-river uses are less than expected. Nonetheless, for the first year since the AWBA's inception, the amount of water available to be diverted by the CAP within Arizona's 2.8 million acre foot allocation was a limiting factor.~~

~~With regard to availability of CAP water, the AWBA purchases water from the category that is termed excess water. Excess water is generally recognized to be all water available for delivery through the CAP, regardless of Secretarial declaration of condition, that exceeds the quantities scheduled under long-term contracts and subcontracts. The availability of excess water is determined on an annual basis. In 2003, and until 2004, the AWBA has available to it any water not requested by another entity within Arizona. The CAP is in the process of developing a new policy regarding agricultural and excess water that will become effective in 2004.~~

~~With a 1.596 million acre foot diversion, the CAP 2003 Operating Plan accommodates the delivery of approximately 1.58 million acre feet of water. CAP's plan delivers approximately 1.41 million acre feet of water to entities with a higher priority than the AWBA. If these requests are fully utilized this would leave less than 175,000 acre feet of excess water available for the AWBA. Because the AWBA has adequate funds and there is available storage capacity in excess of 175,000 acre feet, water availability could also be a limiting factor if other higher priority users fully utilize their requests.~~

~~In the event the AWBA is limited to 175,000 acre feet, the priority for AWBA deliveries will be the GSFs. Additionally, if the AWBA's water supply is limited, the Plan would not include storage at the Granite Reef Underground Storage Project (GRUSP) for the first time since inception. This is a result of the Phoenix AMA's request to utilize USFs in the western part of the AMA for water management purposes. However, if water becomes available as a result of the Salt River Project not fully utilizing their higher priority request, that water would be first offered for storage at GRUSP.~~

II. CAP System Capacity

~~Under normal operating conditions during a normal water supply year, CAP diverts approximately 1.5 million acre feet. However, CAP staff believe that 1.8 million acre feet can be safely moved through the system. Nonetheless, there are areas within the system that can become bottlenecks depending on the magnitude of deliveries downstream. In 2003, the CAP identified a bottleneck at the New River siphon in June and July due to the high downstream demand. This bottleneck essentially eliminated AWBA deliveries in those two months and was thus, a limiting factor in development of the Plan. Again, the magnitude of this limiting factor is dependent on the utilization of water by higher priority entities.~~

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III. Available Funds

~~The funds available to the AWBA in 2003 will be from the county *ad valorem* property tax and groundwater pumping fees only. The total amount of revenue available, including carryover from previous years, is almost \$46 million. Of that amount, \$36.1 million is available in Maricopa County, almost \$8 million in Pima County and \$1.7 million in Pinal County. Given the costs associated with the delivery of water and the continued policy of GSF operators paying \$21 of the water delivery costs to their facilities, the \$36.1 million and the \$8 million are adequate to fund the Plan in Maricopa and Pima Counties, respectively. The availability of funds will limit storage in Pinal County in 2003. For more information about the cost of the Plan, please refer to the pricing section.~~

~~The AWBA is statutorily mandated to reserve long-term storage credits accrued with general fund appropriation revenues for the benefit of M&I users of Colorado River water outside the CAP service area. By policy, the AWBA identified 420,000 acre feet as the number of credits needed for this on-river firming. In 2002, the AWBA passed a resolution identifying on-river firming as the highest priority of use of credits developed with the general fund appropriation. In 2003, there are no general fund revenues available to the AWBA. The absence of a general fund appropriation means that no on-river firming credits will be developed in 2003. To date, approximately 387,000 acre feet of credits for on-river firming have been developed.~~

IV. Available Storage Facility Capacity

~~In September, AWBA staff met with facility operators to discuss their delivery schedules and confirm their continued interest in participating with the AWBA. These discussions confirmed that there was significant interest in partnering with the AWBA and there was substantial permitted recharge capacity but, as in the past, previous commitments to other partners somewhat limited the availability of both the GSFs and the USFs to the AWBA.~~

~~As the AWBA had sufficient facility capacity to store all of the remaining CAP water available, storage facility capacity was not a limiting factor in development of the 2003 Plan. However, based on the quantity of water and funding available, the AWBA could not meet all of the requests from its partners.~~

Table 2 shows the AWBA's 2004 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 operational capacity of the CAP available after it makes its priority deliveries and its deliveries to New Waddell Dam. Although the CAP is capable of

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Table 2 ARIZONA WATER BANKING AUTHORITY Water Delivery Schedule Calendar Year 2004 (ACRE-FEET)																	2003 Deliveries (AF)
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total			
1	Estimated CAP Deliveries + Losses : (M&I,Indian, Ag Pool, Incentive Recharge)	82,000	78,000	125,000	129,000	128,000	143,000	155,000	141,000	106,000	80,000	66,000	58,000	1,291,000			
2	Available Excess CAP Capacity for AWBA:	21,000	22,000	25,000	25,000	25,000	24,000	23,000	28,000	27,000	20,000	30,000	39,000	309,000			
AWBA -- Recharge Sites :		Permitted Capacity (AF)	Requested Capacity (AF)														
PHOENIX A M A :																	
3	USF GRUSP	200,000	49,992	4,166	4,166	4,166	4,166	4,166	4,166	4,166	4,166	4,166	4,166	4,166	4,166	49,992	
4	HIEROGLYPHIC MTN.	35,000	23,826	2,166	2,166	2,166	2,166	2,166	2,166	2,166	2,166	0	2,166	2,166	23,826		
5	AGUA FRIA	100,000	33,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	0	3,000	3,000	33,000		
6	GSF CHCID	3,000	1,075	50	100	50	100	100	150	125	125	125	150	0	0	1,075	
7	MARICOPA WTR DIST.	18,000	-----														
8	NEW MAGMA	54,000	47,200	2,000	3,000	6,100	6,100	4,000	3,000	3,000	6,000	5,000	4,000	2,500	2,500	47,200	
9	QUEEN CREEK	28,000	9,996	833	833	833	833	833	833	833	833	833	833	833	9,996		
10	ROOSEVELT WCD	100,000	-----														
11	SRP	200,000	11,200	0	0	1,600	1,600	1,600	1,600	1,600	1,600	1,600	0	0	0	11,200	
12	TONOPAH ID	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0		
PINAL A M A :																	
13	GSF CAIDD	110,000	16,700	0	0	0	0	0	0	3,340	3,340	3,340	3,340	3,340	16,700		
14	HOHOKAM	55,000	16,700	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,392	1,388	16,700		
15	MSIDD	120,000	16,700	835	835	835	835	2,783	3,619	2,783	835	835	835	835	16,700		
TUCSON A M A :																	
16	USF AVRA VALLEY	11,000	6,500	600	600	600	500	500	500	500	500	500	600	600	6,500		
17	CLEARWATER	60,000	10,000	1,150	1,150	1,150	1,150	1,150	0	0	0	0	3,000	1,250	10,000		
18	PIMA MINE ROAD	30,000	14,400	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,800	1,800	1,800	14,400		
19	LOWER SANTA CRUZ	30,000	20,000	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,663	20,000		
20	GSF KAI - RED ROCK	11,231	2,000	0	0	0	0	0	0	500	1,000	500	0	0	2,000		
21	BKW	16,615	-----														
22	TOTAL (USF + GSF) :		279,289	18,859	19,909	24,559	24,509	24,357	23,093	22,232	27,124	26,624	19,183	25,299	23,541	279,289	
23	Remaining CAP Capacity:			2,141	2,091	441	491	643	907	768	876	376	817	4,701	15,459	29,711	

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delivering approximately 180,000 acre feet per month, the available capacity does not always total that because of unique situations, i.e. 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 and outages. During the fall and winter months, the capacity available to the AWBA is constrained because the CAP is making deliveries to Lake Pleasant. In June and July, capacity is constrained at the New River siphon due to the high volume of downstream demand.

Lines Three through Twenty-one represent the AWBA's 2004 Plan of Operation. This section identifies the AWBA's partners for 2004 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 based on the facility permits and the amount of that capacity that is available to the AWBA in 2004. The capacity available does not always equal the storage permit capacity because the storage facility operators may have agreements with other storage partners. Line Twenty-two lists the total amount of AWBA storage scheduled for the year 2004. Line Twenty-three lists the CAP capacity remaining after the AWBA's deliveries are scheduled. ~~The negative values in the second half of the year are a result of the AWBA developing the 2003 Plan to maximize utilization of water that may be unused by higher priority customers. Because higher priority users would likely decrease their CAP water use if there is a wet winter, that water has been included in the latter part of the year. If unused water does not become available, the AWBA deliveries would be limited to the point that line Twenty five is approximately zero.~~

~~No recovery is scheduled in 2003. The AWBA will continue to work with CAWGD to pursue recovery concepts in 2003 and beyond. Pending the outcome of on-going discussions in California, the Metropolitan Water District of Southern California (MWD) has indicated they might request the recovery and delivery of Intentionally Created Unused Apportionment (ICUA) in 2003 based on credits developed under a previous agreement with CAWGD. If MWD actually makes such a request, agreements would need to be developed and executed and this Plan would be amended to accommodate the recovery and creation of ICUA.~~

THE PROJECTIONS IN TABLE 2 ARE VERY PRELIMINARY AND MAY CHANGE DRAMATICALLY IF A SUPPLEMENTAL AGRICULTURAL POOL BECOMES AVAILABLE. SOME OF THE PROJECTIONS HAVE NOT BEEN REVIEWED BY THE PARTICIPANTS. THE EXTENT OF RECOVERY IN 2004 ALSO REMAINS UNCERTAIN, HOWEVER, BOTH NEVADA AND CALIFORNIA HAVE REQUESTED CREATION OF ICUA IN 2004. CURRENT NEGOTIATIONS REGARDING THE QSA MAY RESULT IN THESE REQUESTS BEING WITHDRAWN.

NEW FACILITIES

~~The BKW Farms, Inc. groundwater savings facility is located in the Avra Valley sub-basin of the Tucsos AMA. The GSF was permitted to the Central Arizona Water Conservation District in January 1999 with a maximum volume of 16,614.6 acre feet.~~

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Prior storage has been done at the GSF by the City of Tucson, however, 2003 is the first year AWBA storage is planned.

INTERSTATE WATER BANKING

The Plan does not include an interstate water banking component. However, in the event that conditions change and the opportunity to store water on behalf of Nevada presents itself, the Plan may be amended to include interstate water banking as was done in 2002.

PRICING

On June 19, 2003, the CAWCD board adopted final water delivery rates for 2004. The rate for AWBA and other M&I Incentive recharge will be \$70 per acre foot. The delivery rate is the pumping energy rate 2 component (\$61 per acre foot) plus 10 percent of the fixed OM&R charge (\$4.60 per acre foot) plus a component to recover lost revenues from federal deliveries (\$4.00 per acre foot). The components of the rate are the same as those in the 2001-2003 rates. For 2004, the pumping energy rate 2 was calculated using the average of the actual or forecast above threshold energy rates for the previous three years.

The AWBA's policy of recovering \$21 (PROPOSED IS \$28) from its groundwater savings facility partners will continue for 2004. 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

2004 Water and Facility Rates – Intrastate	
CAP's delivery rate to AWBA	\$70 per acre foot
Groundwater Savings Facility operator portion of delivery rate	\$28 per acre foot ¹
Underground Storage Facility rate paid by AWBA	
GRUSP (SRP)	\$18.60 per acre foot
Avra Valley (CAP)	\$XXXX per acre foot
CAVSARP (Tucson Water)	\$12.10 per acre foot
Hieroglyphic Mtns. (CAP)	\$XXXX per acre foot
Pima Mine Road (CAP)	\$XXXX per acre foot
Lower Santa Cruz (CAP/Pima County)	\$XXXX per acre foot
Agua Fria Recharge Project (CAP)	\$XXXX per acre foot

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 \$33/af.

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THE ACTUAL FACILITY RATE TO BE CHARGED BY CAP IS STILL UNKNOWN. THEY ARE CURRENTLY DEVELOPING A PRICING POLICY FOR THEIR RECHARGE FACILITIES.

~~The Master Water Storage Agreement executed on July 1, 2002 mandates the cost components paid by the AWBA for storage at GAP facilities. Costs for storage at GAP facilities can include capital costs, costs of operating, maintaining and monitoring, water transportation costs and other costs determined necessary by GAP. There is no administration cost component in the facility cost because the AWBA pays the GAP administrative costs on an annual basis.~~

For GRUSP, the cost is comprised of an annual administration component, a component for use of the SRP interconnection facility, a transportation component and a general facility component. For CAVSARP, the cost includes an administration component, a capital component and an operations and maintenance component.

The estimated total cost of the AWBA's 2004 Plan of Operation is almost \$13.7 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 ADWR has established accounts that track both credits and funds.~~

~~Table 4 provides estimates of the funds available including funds carried over from previous years and an estimate of funds to be collected during the year, the funds to be expended, and the credits that will accrue to these accounts based on the 2003 Plan.~~

Table 4

2003 PLAN OF OPERATION				
	FUNDING¹		CREDITS²	
	AVAILABLE	EXPENDED	AMOUNT	LOCATION
Withdrawal Fee				
Phoenix AMA	\$14,933,117	\$7,488,115	142,000	Phoenix AMA
Tucson AMA	\$4,091,180	\$3,876,510	58,000	Tucson AMA
Pinal AMA	\$1,407,781	\$1,136,325	32,000	Pinal AMA
Four Cent Tax				
Maricopa County	\$21,180,808	\$0	0	Phoenix AMA
Pima County	\$3,900,677	\$889,693	13,000	Tucson AMA
Pinal County	\$300,000	\$300,000	8,000	Pinal AMA
Other				

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General Fund	\$0	\$0	0	
		\$0	0 AF	Phoenix AMA
		\$0	0 AF	Tucson AMA
		\$0	0 AF	Pinal AMA
California	(not applicable)			
Nevada	(not applicable)			
TOTAL	\$45,813,562	\$13,690,644	253,000	

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

² Estimate based on historical average losses for each facility minus the 5% cut to the aquifer.

Since inception, the AWBA has primarily utilized only the general fund and county *ad valorem* property tax revenues to purchase and store water. In 2003, the AWBA will fund the Plan almost entirely through expenditure of groundwater withdrawal fees. While developing firming credits using the *ad valorem* tax revenues has been the AWBA's emphasis in the past, it is now believed that developing credits for water management purposes is appropriate.

Although no specific management issues have been identified by the AMA's, several, including provision of credits to facilitate Indian water rights settlements, are on the horizon. On September 24, 2002, the Arizona Water Settlements Act of 2002 was introduced into Congress. Although introduction of the bill is merely the first step, it is recognized that use of long-term storage credits developed by the AWBA could be a component of the legislation.

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

GUMULATIVE TOTALS			
1997-2002			
	EXPENDED	AMOUNT	CREDITS¹
			LOCATION
Withdrawal Fee			
Phoenix AMA	\$2,600,000	46,000	Phoenix AMA
Tucson AMA	\$0	0	Tucson AMA
Pinal AMA	\$4,971,116	177,969	Pinal AMA
Four Cent Tax			
Maricopa County	\$29,041,976	708,183 AF	Phoenix AMA
Pima County	\$8,286,172	130,765 AF	Tucson AMA
Pinal County	\$1,719,983	72,884 AF	Pinal AMA

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Other			
General Fund	\$10,695,000	372,678 AF	
	\$2,054,489	61,612 AF	Phoenix AMA
	\$2,325,112	39,748 AF	Tucson AMA
	\$6,315,399	271,318 AF	Pinal AMA
California			
Nevada	\$7,938,500	58,000	
TOTAL	\$65,252,747	1,566,470 AF	

[†] Actual credits used for 1997-2001; credits estimated for 2002

PUBLIC REVIEW AND COMMENT



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Executive Office

May 13, 2003

Mr. Timothy J. Henley
Manager
Arizona Water Banking Authority
500 North Third Street
Phoenix, AZ 85004

Dear Mr. Henley:

Recovery of Interstate Underground Storage Credits (IUS Credits) Assigned to
Metropolitan Under 1992 CAWCD/MWD Agreement For
A Demonstration Project On Underground Storage of Colorado River Water

By way of this letter, The Metropolitan Water District of Southern California (Metropolitan) submits this preliminary request to recover in 2004 the total remaining balance of the IUS Credits that were created under the 1992 agreement for a demonstration project on underground storage of Colorado River water.

With Colorado River system storage at 59 percent of capacity and the April through July 2003 estimate of unregulated inflow into Lake Powell forecasted at 57 percent of normal, it is most likely, even with the Colorado River Interim Surplus Guidelines in place, that there would only be a partial surplus condition declared. We anticipate at this time a need for these stored water credits next year.

In the upcoming months, Metropolitan will revisit this request in light of developments that may occur on the Quantification Settlement Agreement.

Very truly yours,

Dennis B. Underwood
Vice President

HMR:jes

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Mr. Timothy J. Henley
Page 2
May 13, 2003

cc: Ms. Gale A. Norton
Secretary of the Interior
United States Department of the Interior
1849 C Street, NW
Washington, D.C. 20240

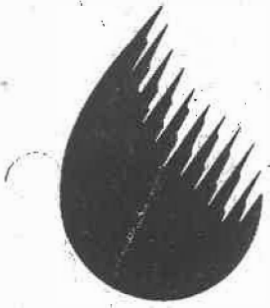
Mr. Larry Dozier
Central Arizona Water Conservation District
P.O. Box 43020
Phoenix, AZ 85080-3020

Mr. Robert W. Johnson
Regional Director
Lower Colorado Region
U.S. Bureau of Reclamation
P.O. Box 61470
Boulder City, NV 89006-1470

Ms. Patricia Mulroy
General Manager
Southern Nevada Water Authority
1001 South Valley View Boulevard
Las Vegas, NV 89153

Mr. Chuck Hauser
General Counsel
Southern Nevada Water Authority
1001 South Valley View Boulevard
Las Vegas, NV 89153

Mr. Gerald R. Zimmerman
Executive Director
Colorado River Board of California
770 Fairmont Avenue, Suite 100
Glendale, CA 91203-1035



SOUTHERN NEVADA
WATER AUTHORITY

May 29, 2003

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1001 S. Valley View Blvd.
Las Vegas, Nevada 89153
Telephone: (702) 258-3939
Fax: (702) 258-3268

Project Office
1900 E. Flamingo, Ste. 170
Las Vegas, Nevada 89119
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Southern Nevada Water System
243 Lakeshore Road
Boulder City, NV 89005
Telephone: (702) 564-7697
Fax: (702) 564-7222

Mr. Tim Henley
Manager
Arizona Water Banking Authority
500 North Third Street
Phoenix, AZ 85004

Dear Mr. Henley:

SUBJECT: PRELIMINARY REQUEST FOR DEVELOPMENT OF INTENTIONALLY CREATED
UNUSED APPORTIONMENT

Pursuant to Article 3.1.2 of the Agreement for Interstate Water Banking (Banking Agreement) the Southern Nevada Water Authority (SNWA) is submitting this preliminary request for the development of up to 20,000 acre-feet of Intentionally Created Unused Apportionment (ICUA) in 2004. Article 3.1.2 of the Banking Agreement also requests SNWA provide Arizona Water Banking Authority (AWBA) with estimates of ICUA expected in the two succeeding years, 2005 and 2006. SNWA requests discussions regarding the creation of ICUA during 2005 and 2006 occur at a later date, after the impacts of its Drought Plan and water supply conditions on the Colorado River are more apparent.

The SNWA also requests the AWBA waive the advance notice requirement stated in Article 3.1.1 to accommodate this preliminary request for ICUA during 2004. SNWA recognizes the development of ICUA during 2004 was not previously anticipated by AWBA, and appreciates consideration of this preliminary request and the associated request for waiver of the advance notice requirement for 2004. Because of the implementation of the SNWA Drought Plan, to the extent possible, SNWA prefers the development of the ICUA occur in the later months of 2004 to better meet actual demands.

Thank you for your consideration of this request. If you have any questions, please contact Ken Albright at 702-862-3775.

Sincerely,


Patricia Mulroy
General Manager

PM:TM:vw

cc: Larry Dozier, Deputy General Manager – Central Arizona Water Conservation District
Robert Johnson, Regional Director – United States Bureau of Reclamation
Jim Davenport, Chief Water Division – Colorado River Commission of Nevada
Kay Brothers, Deputy General Manager – SNWA Engineering/Operations
Kenneth A. Albright, P.E., Director – SNWA Resources

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ICUA Developed for California

