

ARIZONA WATER BANKING AUTHORITY
Wednesday, December 10, 2008

	Name (Please print)	Affiliation	Phone No.
1	DOUG KUPIL	City of Phoenix	602-495-5853
2	Greg Wallace	EL Montgomery	602-818-2399
3	Tom Maha	JNWA	702-862-3702
4	MICHELE VAN QUATHEN	RCA	602-440-4873
5	TAYLOR SHIPMAN	EL Montgomery	520-881-4912
6	Chris Udall	Agri-Business Council of AZ	480-558-5301
7	Beth Miller	Scottsdale	—
8	Michael Block	Metro Water	520-575-8100
9	Robin Stinnett	Avondale	623-333-4449
10	MATILL WILSON	TNC	602-322-6989
11	Larry R. Pozner	CAP	
12	PAUL DOME	CADD/MSDAD	(623) 465-0445
13	Brian Henning	CAP	423-865-2567
14	DEE FURNESS	CAP	623-869-2807
15	Stu Peckham	ADWR	602-771-8624
16	PHILIP SALETTA	Des Valles Waterworks	(520) 229-5010
17	Ghina Yamout	Tucson	480-644-6154
18	DON GROSS	ADWR	602-771-8411
19	JEFF EHLERS	SRP	602-236-5504
20	Doug Toy	Chandler	480-782-3586
21	Tan Quinn	CGSUS	602-393-1700
22	JOHN BODENCHAT	ADWR	
23	Cliff Cauffman	Hohokam Irrigation	602-568-2209
24	DAVE CROCKETT	FWID	520-887-4192

	Name (Please print)	Affiliation	Phone No.
25	Steve Olson	Amwua	248-9482
26	Pat Hill	Amwua	
27	Ken Seasholes	CAP	—
28	Bretta Mares	City of Nesod	
29	Lawrence Marquet	Redundant	623-773-6213
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ARIZONA WATER BANKING AUTHORITY
Wednesday, December 10, 2008

	Name (Please print)	Affiliation	Phone No.
1	RON WOLB	BKW	8206822816
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Arizona Water Banking Authority
3550 N. Central Avenue, Phoenix, Arizona 85012
Telephone 602-771-8487
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Web Page: www.azwaterbank.gov

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 December 10, 2008 at 10:00 a.m. at the Arizona Department of Water Resources, 3550 North Central Avenue, Phoenix, Arizona 85012, Upper/Middle Verde conference room on the 2nd floor. The meeting is open to the general public. A copy of the agenda for the meeting is posted below.

Dated this 8th day of December, 2008

FINAL AGENDA

Arizona Water Banking Authority Commission Meeting

- I. Welcome/Opening Remarks
- II. Approval of Minutes of September 17, 2008 Meeting
- III. Water Banking Staff Activities
 - Deliveries
 - Access to Excess Workshop
 - Colorado River Water Users Association
 - On-going Indian settlement negotiations
 - AZ Court of Appeals decision – *South West Sand & Gravel v. CAWCD*
- IV. Proposed AWBA Legislative Amendment
 - Overview
 - Discussion and approval to submit draft legislation to Arizona Legislature
 - Discussion and possible action on lobbying services
- V. Discussion and Approval of 2009 Annual Plan of Operation
 - Overview of public comment
 - Approval of 2009 Annual Plan of Operation
- VI. Discussion and Approval of CY 2009 Water Delivery Budget
 - Overview of budget
 - Adoption of budget

Arizona Water Banking Authority meeting

VII. Agreements

- Discussion and potential approval of the following Agreements:
 - Intergovernmental Agreement Among the ADWR/AWBA/CAWCD
 - Renewal of Gila River Indian Irrigation and Drainage District (GRIIDD) GSF Water Storage Agreement
 - Amendment No. 1 to Exhibits A & B of Agreement to Firm Future Supplies
 - CAVSARP/SAVSARP Water Storage Agreement

VIII. Groundwater Savings Facility Agreements/Recovery Discussion

IX. Interstate Water Banking

- Overview of interstate accounting and firming obligation
- SNWA/CAWCD/AWBA meeting

X. Call to the Public

Future Meeting Dates:

Wednesday, March 11, 2009

Wednesday, June 17, 2009

Wednesday, September 16, 2009

Wednesday, December 16, 2009

All visitors must use the south elevators; please stop at the 2nd floor to sign-in and receive a visitor's badge. Badges are to be displayed at all times. Visitors are also required to sign out and return their badges. Thank you for your assistance.

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Virginia O'Connell at (602) 771-8491, TDD # (602) 771-8501. Requests should be made as early as possible to allow time to arrange the accommodation.

**ARIZONA WATER BANKING AUTHORITY
Draft Minutes¹**

**September 17, 2008
Arizona Department of Water Resources**



AUTHORITY MEMBERS
Herbert R. Guenther, Chairman
Maureen R. George, Vice-Chairman
Tom Buschatzke, Secretary
John Mawhinney
Gayle J. Burns

EX OFFICIO MEMBERS
The Honorable Timothy S. Bee
The Honorable Lucy Mason

Welcome/Opening Remarks

Chairman Herb Guenther welcomed the attendees. All members of the Authority were present except for Maureen George and *ex-officio* members, Senator Timothy S. Bee and Representative Lucy Mason.

Chairman Guenther informed the Authority that the Legislature, in response to the State's budget deficit, adopted amendments to H.B. 2209, which cut \$12.4 million from the AWBA fund. Of this amount, \$5.5 million was transferred directly to the State's General Fund and \$6.9 million was appropriated from AWBA to ADWR to provide supplemental funding to offset the general fund reductions to its base. The funds were transferred from the Indian firming appropriation received in 2006.

Approval of Minutes of June 18, 2008 Meeting

The Authority approved the minutes of the June 17, 2008 meeting.

Water Banking Staff Activities

Virginia O'Connell noted that 2008 deliveries might be somewhat less than projected in the Amended Plan approved earlier in the year and that the decrease would likely be reflected in the Phoenix AMA. The two main reasons are: 1) the AWBA stepped aside its deliveries to allow the City of Surprise to store 5,700 acre-feet of its CAP Municipal and Industrial (M&I) subcontract water at the Tonopah Desert Recharge Project and, 2) On-River uses are somewhat higher than had been anticipated when the Plan was amended, which may reduce AWBA deliveries by about 9,000 acre-feet. Pinal AMA deliveries are on target and Tucson AMA deliveries may be tight due to decreased infiltration rates at the Central Arizona Water Conservation District (CAWCD) facilities.

Ms. O'Connell stated that staff had recently received another request to step aside from Oro Valley Water Utility. She commented that since the AWBA has obligations that need to be met in the Tucson AMA, including the Federal obligation where the AWBA agreed to match the Bureau of Reclamation's credits in the first year of storage, and because deliveries will be tight as it is, staff did not think it was appropriate to step aside. Staff also recommended that there be no other step asides for the remainder of the year. The Authority directed staff to limit future step asides and to evaluate requests on a case-by-case basis.

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

Ms. O'Connell reviewed the recovery schedule for developing Intentionally Created Unused Apportionment (ICUA) for the Metropolitan Water District of Southern California (Metropolitan) noting that the Central Arizona and Maricopa-Stanfield Irrigation District's have been doing very well in meeting CAWCD's recovery schedule of 25,000 acre-feet. A total of 16,519 acre-feet has been recovered through August, which is 400 acre-feet ahead of schedule. Tom Buschatzke commended the irrigation districts for their outstanding efforts.

Kim Mitchell noted that the agreements for water storage at the Gila River Indian Irrigation & Drainage District (GRIIDD) Groundwater Savings Facility (GSF) and the Central Avra Valley Storage and Recovery Project (CAVSARP) would expire at the end of the year. Draft agreements have been provided to the GRIIDD and Tucson Water, respectively, for review. The CAVSARP draft agreement also includes provisions for the Southern Avra Valley Storage and Recovery Project (SAVSARP), since the AWBA does not yet have a water storage agreement for that facility and it is a part of the larger Clearwater project that includes both facilities. In addition, the intergovernmental agreement (IGA) between ADWR, CAWCD and the AWBA that establishes the AWBA's costs for services provided by CAWCD and ADWR is also set for renewal. A meeting has been scheduled for the end of the month to discuss the details of the agreement. Final drafts of all the agreements will be provided to the Authority and may be included as potential action items for the next AWBA meeting scheduled for December.

Ms. Mitchell briefed the Authority on meetings attended since June. In July, ADWR staff and she met with Leah Kritzer, the new budget analyst for the Joint Legislative Budget Committee (JLBC). Ms. Mitchell gave a presentation on the AWBA's history and activities, while ADWR staff provided a tour of the Phoenix Active Management (AMA). In August, staff also met with Jamie Hogue, Deputy State Land Commissioner, and Arizona State Land Department (ASLD) staff who wanted to discuss AWBA operations and potential partnership opportunities utilizing their CAP contract. Lastly in mid-August, representatives from Metropolitan met with staff from ADWR, CAWCD, and the AWBA to discuss the serious water supply issues they were facing and to explore potential opportunities with Arizona to help alleviate the problem. Discussions are ongoing and involve creating options that could help Metropolitan without doing harm to Arizona water users. One concept discussed was to leave some AWBA deliveries that are scheduled for underground storage facilities (USFs) on the river for California and in return California would payback Arizona during shortages. The Authority had concerns with this proposal regarding perception since the AWBA would be providing water to California, when members had just agreed to not step aside water deliveries for an Arizona water user. The Authority suggested that a deal would be more acceptable if California legislatively restored equal priority with Arizona for shortages. Water would not be at risk and it would be politically acceptable. The Authority commented that shortage-sharing that would benefit Arizona could be acceptable.

In response to the Authority's request that staff research the audit requirements for the AWBA with the Office of the Auditor General, Gregg Houtz noted that there are two types of audits: financial and performance. There is no requirement that the

AWBA have either type of audit conducted because the AWBA has a financial arrangement with ADWR's Finance Department who is audited separately under the sunset provision and there are no statutory requirements for a performance audit. The AWBA could submit a letter to the Oversight Committee requesting that a performance audit be conducted; however the AWBA would be responsible for its design and cost. This type of audit is often conducted in response to past performance issues, which has not been a concern for the AWBA. In response to a question from John Mawhinney, Ms. Mitchell stated that ADWR had its last financial audit conducted in the 2000-2001 timeframe and that these audits are generally conducted every ten years. Mr. Mawhinney requested a copy of ADWR's last financial audit.

Discussion of Potential CAWCD Policy of Access to Excess Water

Ms. Mitchell commented that in the last few months there has been increasing concern over the number of entities requesting excess CAP water contracts from CAWCD, which if acted on, could result in very little water left for the AWBA and for the CAGR with regard to its replenishment reserve obligation. In response, CAWCD had initial meetings to discuss policies and procedures for making excess water available to the AWBA and CAGR. She introduced Larry Dozier (CAWCD) who provided an update on the discussions. Mr. Dozier noted there were still many unknowns with regard to water availability for the AWBA next year. The information would be available later in October after all orders are processed. He discussed the potential for creating a special pool that would precede other excess water users, which is already allowed under statutes governing CAWCD, but may require an amendment to the AWBA statutes. Another suggestion was that water could be provided under the water distribution guidelines that CAWCD is currently developing.

Mr. Dozier inquired if the Authority preferred to participate in the process by taking the lead, being co-sponsors, or being included at the stakeholder level. The Authority stated they would be interested in being co-sponsors, but also cautioned that the Legislature would need to be informed of the issues to avoid unintended consequences. The Authority also noted that the obligations paper is very useful because it sheds light on the issues and can be used as part of the process for creating a pool. Mr. Dozier noted there were initial concerns from the agricultural (AG) community because they thought the pool might cut into their supply. He had assured them that the AG pool was not affected and clarified further that a pool for the AWBA could help to insure water deliveries to GSFs. Mr. Henley pointed out that it was a positive aspect that CAWCD has increased water orders. He reminded members that the reason the AWBA is last in receiving CAP water is because the AWBA did not want to discourage users. However, the situation has changed given the AWBA's current obligations. Dennis Rule (Tucson Water) had concerns regarding the water availability issue facing the AWBA and CAGR and commented that he did not think it was the intent of the CAP to allow out-of-state entities to store water at State Demonstration Projects whose intent was to sell the credits in the future for profit. The Authority directed staff to proceed as a joint venture, along with public input, and to evaluate any opportunities with the Legislature. CAWCD has scheduled a workshop the 22nd of October to discuss this process further.

Discussion of Opportunities for Additional On-River Firming – Resolution 2008-1

Ms. Mitchell informed the Authority that Maureen George provided a letter to Chairman Guenther declaring a conflict of interest with regard to a forthcoming request from the Mohave County Water Authority (MCWA) to amend its Agreement to Firm Future Supplies (Agreement to Firm). Ms. Mitchell noted that in March, the Authority executed Resolution 2008-1, which memorializes the recommendations put forth in the Director's Shortage-Sharing Workgroup. The Resolution describes the establishment of a credit replacement account and also provides the opportunity for additional fourth priority Colorado River M&I water users to enter into a firming agreement with the AWBA. Staff has since met with Steve Wene, the attorney representing MCWA, to discuss amending the Agreement to Firm to include the Cibola (4,278 acre-feet) and Kingman (3,500 acre-feet) contracts. A draft of the amended agreement was received two days ago. Arizona-American Water Company has also inquired into the program. A "template agreement" could be developed for any new entities that might come in later. The MCWA would have to agree to any new contracts added to its Agreement to Firm. Mr. Buschatzke inquired if additional water needed to be stored. Mr. Henley responded that the AWBA already has the credits, but that they have not been set aside for them in the subaccount. Mr. Buschatzke noted that entities should be aware of these agreements and understand that without an agreement the general fund credits may not be available to them when they need them. In response to questions regarding credit availability, Mr. Henley noted that the initial modeling results had determined that 420,000 acre-feet was a reasonable amount of credits for On-River firming. There is no reason to change this amount, especially since modeling studies that were performed earlier this year indicated that the reasonable number may actually be smaller given the new operations of the reservoirs. The AWBA has accrued nearly 404,000 acre-feet of credits toward this firming goal.

Draft 2009 Annual Plan of Operation

Ms. O'Connell noted that the 2009 Draft Plan of Operation (Plan) is very preliminary, since it is unclear how much water will be available for the AWBA. The delivery schedule (Table 2) was based on funding and storage capacity limitations rather than anticipated supply. The draft Plan estimates delivering about 195,000 acre-feet of water and does not include interstate deliveries. This is approximately the amount the AWBA started with last year before the 2008 Plan was amended in March. For 2009, the water delivery rate increased \$31 per acre-foot for intrastate deliveries and \$14 per acre-foot for interstate deliveries. Rates have increased in part because CAWCD is beginning to phase out its incentive priced recharge pool. By 2012, incentive recharge water will be equal to the pricing of excess water. Ms. O'Connell commented that staff is recommending an increase in the cost share paid by GSF operators by \$1 to \$32 per acre-foot. Interstate will remain the same at \$26 per acre-foot. Facility costs remain the same, except for West Maricopa Combine, which decreased by \$1 per acre-foot. Facility costs for the Tucson facilities are not known at this time because the water storage agreements are currently under negotiation. For planning purposes, staff used the annual 3% increase under the current agreement. The 2009 Draft Plan is estimated to cost approximately \$14.1 million. In addition, the Plan includes the creation of 30,000 acre-feet of ICUA for Metropolitan, leaving about 9,000 acre-feet of credits remaining to be recovered in 2010.

Metropolitan had indicated that it would amend its schedule to take the remaining amount if the opportunity arose. Mr. Buschatzke pointed out that by accomplishing as much recovery as possible in 2009, it would show that Metropolitan had used all of its water available in Arizona and illustrate its need for acquiring additional water.

Ms. O'Connell briefed the Authority on the AWBA storage partner meetings. In the Pinal AMA, some of the GSF operators indicated that they could take more water if the AWBA had funding available. They commented that, depending on the effect to their overall budgets, they might be willing to increase their cost share if it would provide them with additional water. An increase in the cost share would have to be applied to all AMAs. Staff suggested waiting until the water supply availability was known. In the Tucson AMA, Tucson Water staff noted that infiltration rates at SAVSARP have been very good and that they may be able to provide additional storage capacity over the current scheduled amount. Mr. Buschatzke noted that if Tucson had more capacity available, some of the storage planned for Tonopah Desert could be transferred to Tucson to help them meet their M&I firming goals. At present, all available capacity in the Tucson AMA is being utilized. Staff was directed to present the 2009 Draft Plan to the public at the Groundwater Users Advisory Council meetings scheduled in the Phoenix, Pinal, and Tucson AMAs.

Interstate Water Banking

Ms. Mitchell briefed the Authority on the Fiscal Year (FY) 2008 Interstate Report to the Joint Legislative Budget Committee (JLBC). This is the third year that a report has been submitted. The report identifies the beginning FY balance, account disbursements for water purchases, and the end of FY balance, including accrued interest. Ms. Burns inquired if the first installment of \$23 million from Nevada scheduled for January 2009 could be retained by Nevada. Staff noted that arrangements could be made since the AWBA was not planning to store water for interstate purposes in 2009. The Authority supported this idea and commented that the footnote for the table on the last page be revised to state that the payments from Nevada were "scheduled to begin" in 2009.

Ms. Mitchell reviewed the third quarter interstate accounting report for 2008, noting that approximately 6,000 acre-feet of credits will have accrued during the quarter. Cumulative estimated credits total 533,536 acre-feet, which accounts for 43 percent of the firming goal. She stated that interest that would have accrued on the \$100 million resource account through July of 2008 is approximately \$14.2 million.

Staff had also attended a meeting with the Southern Nevada Water Authority (SNWA), ADWR, and CAWCD last week to discuss future recovery plans. Ms. Mitchell noted that when the group met last spring, SNWA estimated the earliest it could request water was 2012. However, SNWA indicated that current estimates could push back its request as much as ten years. The parties have therefore agreed to develop a concept paper that focuses on the original intent of the Interstate Agreement. Other items of discussion included: cost sharing of recovery and operating costs, costs associated with new wells and refurbishing existing wells, recovery capabilities in the different AMAs, and the time associated with acquiring recovery well permits from ADWR, including the subsequent time limitations for

installing new wells under the permit. SNWA also conveyed interest in pursuing some dedicated recovery facilities to account for future competition. By paying the majority of the costs they would have priority for use of the facilities when needed. CAWCD proposed writing the first draft of the concept paper.

Discussion of Obligations Paper – AWBA Responsibilities and Funding

Ms. Mitchell commented that members had asked staff to develop a paper that identified the AWBA's responsibilities, status of Bank's progress in meeting each of the responsibilities, and the funding sources available. Comments received from members had been incorporated in the text and appendices. She noted there were some additional comments that would require additional time to incorporate. These included; 1) including another column in Appendix B that shows the estimated funds needed to meet the goals/obligations, 2) including another appendix that projects excess water availability, which requires modeling, and 3) provide a one-page summary table that shows progress on both obligations and goals, funding sources used, and credits accrued. The Authority commented that the obligations paper would be very useful as a reference document and should be updated every one or two years as needed. Beth Miller (Scottsdale) commented she appreciated the report and inquired about the total firming amounts for the Indian Settlements. Staff responded that negotiations with the GRIC were still ongoing. Steve Olson (AMWUA) suggested that the report be made available on-line and to the Legislature to illustrate the AWBA's financial obligations and to help prevent future legislative transfers. Chairman Guenther stated that it will serve as a heritage document for the AWBA because it lists the statute and contract requirements clearly and will be helpful for future employees of the AWBA.

Discussion of Opportunities for Meeting M&I Firming Goals in Tucson AMA

Mr. Henley noted that Mr. Mawhinney had contacted staff to discuss other opportunities for meeting M&I firming goals in the Tucson AMA. Mr. Mawhinney questioned if the AWBA could use future revenue sources to create a revenue stream now, i.e. bonding, to take advantage of water that is currently available. Mr. Henley responded that it was not allowable under current statute, but that it may be possible to loan money between AMAs by agreement and to pay that money back when it becomes available. Agreements between the AMAs could also be developed to mutually benefit the AMAs, such as including a recovery component. Members directed staff to continue pursuing the various opportunities, noting flexibility in meeting firming goals could help to solve the Tucson AMAs firming issues before it becomes an emergency. Dennis Rule (Tucson Water) was agreeable to this idea.

Arizona Water Settlements

Mr. Henley noted that under the Arizona Water Settlements Act (Settlement), the AWBA, acting as agent for the State of Arizona (State), is required to firm up to 15,000 acre-feet per year of Non-Indian Agricultural CAP water during times of shortage. Staff is still pursuing options on a separate firming agreement with the Gila River Indian Community (GRIC). In addition, staff provided the GRIC with a draft IGA, which is required for delivering water directly for the purpose of establishing the Southside Replenishment Bank (Bank). The AWBA must deliver at least 1,000 acre-

feet per year, up to 15,000 acre-feet, to establish the Bank. The IGA describes in detail the procedure the AWBA and the GRIC will follow for delivering water to the GRIC for this purpose. Mr. Henley commented that deliveries cannot be made without the IGA and that the AWBA has been making a good faith effort to meet this obligation.

Gregg Houtz provided an update on the status of on-going Indian settlement negotiations. For the White Mountain Apache Tribe (WMAT), Federal Legislation S.3473 was submitted on September 11th to approve a Settlements Act and to allow the Secretary of the Interior (Secretary) to enter into an agreement. Even if the Legislature reconvenes in a lame duck session, the bill is not expected to pass this year, but would carry over to the new Secretary and Congress in the spring. Also, Senators Kyl and Thune added an amendment to the Emergency Aids Bill, which provides \$2 billion to Indian programs, of which \$1 billion is for Indian water rights. Arizona Settlements might benefit from this program. Under the WMAT Settlement, the AWBA and the Federal government will share equally a 7,500 acre-foot per year firming obligation for a 100-year period. The enforceability date is October 31, 2013, which would leave time for the AWBA to develop a firming plan. All of the water under the WMAT Settlement requiring firming will be leased by the Phoenix valley cities, therefore the AWBA will be required to firm those leases to M&I priority. All of the parties had signed off on the agreement except for Freeport-McMoRan who, before signing off, is still trying to resolve matters related to diversions on the Black River. Mr. Buschatzke noted there was a hearing on September 11th on S.3128, the WMAT Rural Water System Loan Authorization Act, which includes \$9.8 million to accelerate planning and design of the Miner Flat Dam project. The bill could pass before the Legislature and if so, could enhance opportunities for passage of S. 3473.

Mr. Houtz discussed further that negotiations were still ongoing with regard to the Northeastern Arizona Settlement (Navajo/Hopi) and that he did not anticipate legislation during this Congress. However, there is the possibility that it could be introduced if there is a lame duck session.

AWBA Commission Member Terms

Ms. Mitchell pointed out that three of the AWBA Commission members' terms will expire in January, 2009. All three members, Mr. Mawhinney, Ms. George, and Mr. Buschatzke, have indicated interest in re-appointments to the Commission. A letter is being drafted from the Director of DWR to the Governor's office that would recommend their reappointments. There were no further comments.

Call to the Public

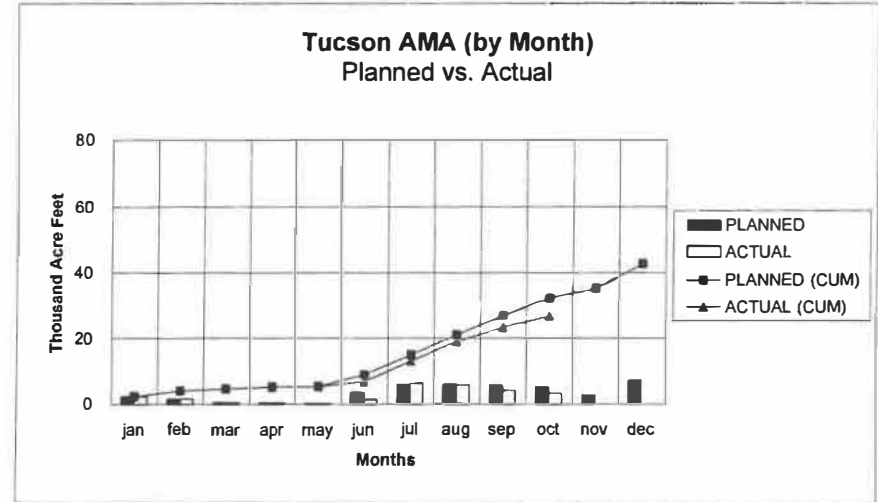
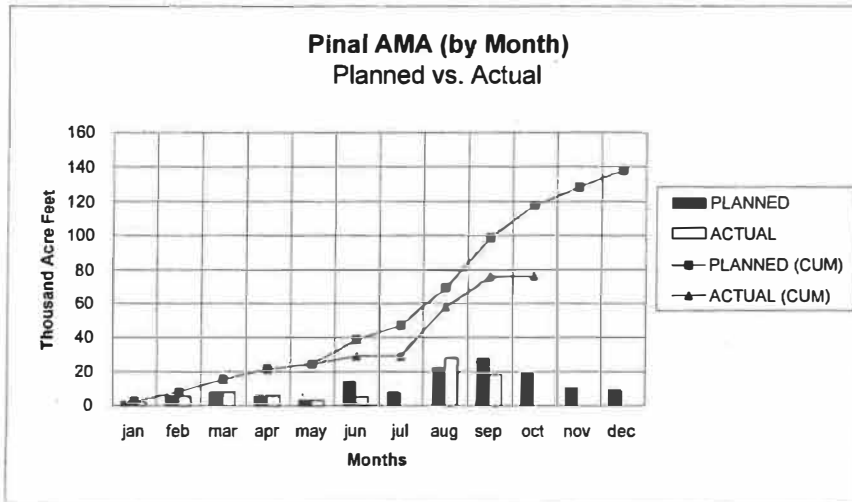
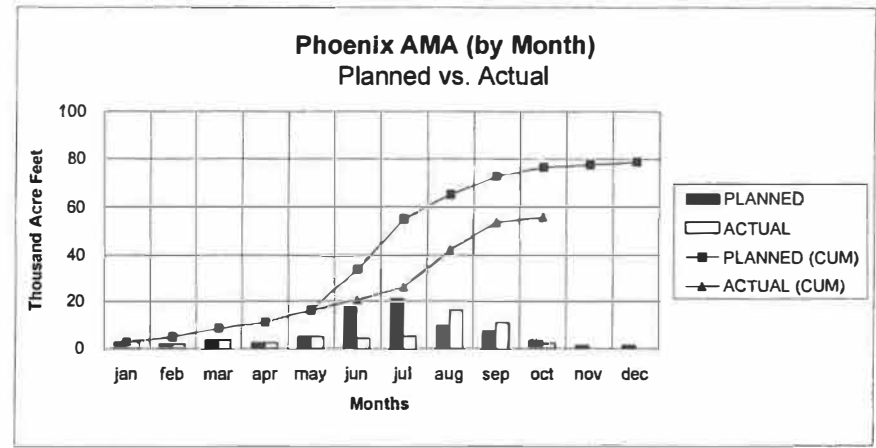
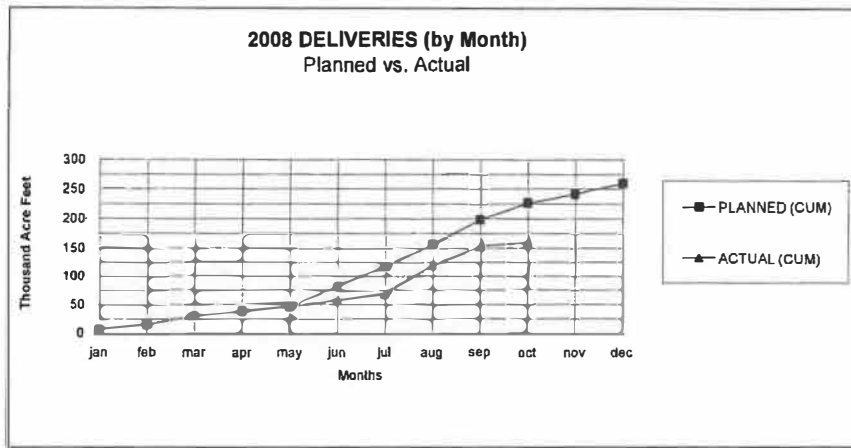
Chairman Guenther reminded the Authority and the public that the December meeting had been rescheduled one week earlier to December 10, 2008 due to a conflict with the Colorado River Water Users Association conference.

Questions and comments made by the public are included in the above discussion.

The meeting concluded at 12:10 p.m.

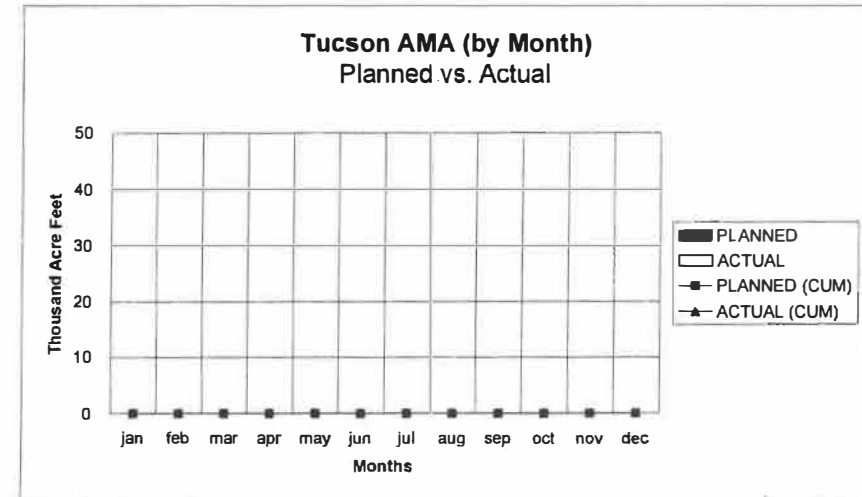
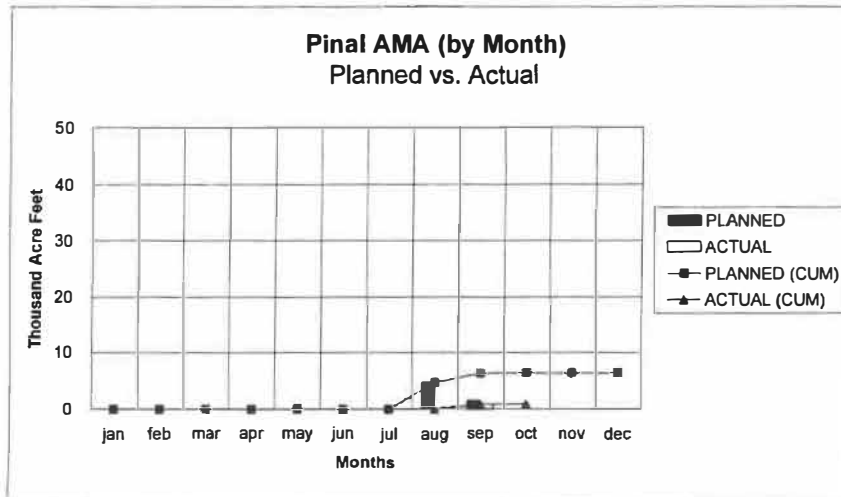
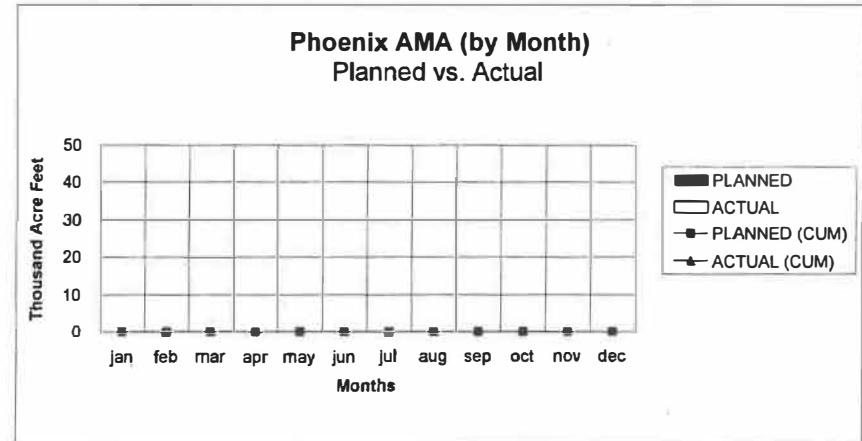
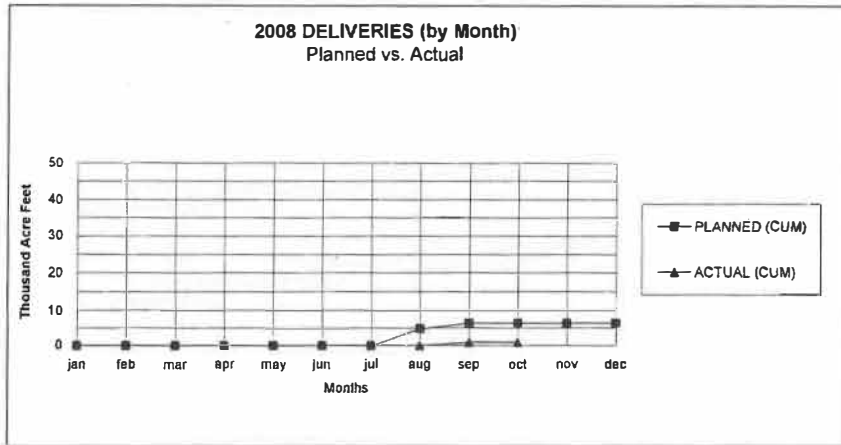
2008 Amended Plan of Operation

INTRASTATE



2008 Amended Plan of Operation

INTERSTATE



Actual deliveries updated
Amended Plan of Operation-

03-Dec-08

Phoenix AMA

Intrastate

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
GRUSP	0	0	0	0	0	0	0	0	0	0	0	0	0
AGUA FRIA	0	0	0	0	0	0	0	0	0	0	0	0	0
HIEROGLYPHIC MTNS	0	0	0	0	0	0	0	0	0	0	0	0	0
TONOPAH DESERT	2,958	2,012	3,755	2,422	5,126	2,898	455	0	0	0	0	0	-19,626
CHCID	2,958	2,012	3,755	2,422	5,126	12,000	10,677	0	0	0	0	0	38,950
NMIDD	0	0	0	0	0	50	50	50	50	0	0	0	200
QCID	0	0	0	0	0	0	0	597	2,064	2,171	0	0	4,832
SRP	0	0	0	0	0	0	0	1,343	2,285	2,285	1,142	1,142	8,197
GRIDD	0	0	0	0	0	1,499	5,062	15,698	9,067	0	0	0	31,326
	0	0	0	0	0	5,711	10,475	8,365	5,373	1,402	0	0	31,326
Subtotal	2,958	2,012	3,755	2,422	5,126	4,397	5,517	16,295	11,131	2,171	0	0	55,784
Total to date	2,958	4,970	8,725	11,147	16,273	20,670	26,187	42,482	53,613	55,784	55,784	55,784	55,784
<i>Projected total to date</i>	<i>2,958</i>	<i>4,970</i>	<i>8,725</i>	<i>11,147</i>	<i>16,273</i>	<i>34,034</i>	<i>55,236</i>	<i>64,994</i>	<i>72,702</i>	<i>76,389</i>	<i>77,531</i>	<i>78,673</i>	<i>78,673</i>

Interstate

GRUSP	0	0	0	0	0	0	0	0	0	0	0	0	0
AGUA FRIA	0	0	0	0	0	0	0	0	0	0	0	0	0
HIEROGLYPHIC MTNS	0	0	0	0	0	0	0	0	0	0	0	0	0
TONOPAH DESERT	0	0	0	0	0	0	0	0	0	0	0	0	0
CHCID	0	0	0	0	0	0	0	0	0	0	0	0	0
NMIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
QCID	0	0	0	0	0	0	0	0	0	0	0	0	0
SRP	0	0	0	0	0	0	0	0	0	0	0	0	0
TID	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Total to date	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Projected total to date</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

Combined

Subtotal	2,958	2,012	3,755	2,422	5,126	4,397	5,517	16,295	11,131	2,171	0	0	55,784
Total to date	2,958	4,970	8,725	11,147	16,273	20,670	26,187	42,482	53,613	55,784	55,784	55,784	55,784
<i>Projected total to date</i>	<i>2,958</i>	<i>4,970</i>	<i>8,725</i>	<i>11,147</i>	<i>16,273</i>	<i>34,034</i>	<i>55,236</i>	<i>64,994</i>	<i>72,702</i>	<i>76,389</i>	<i>77,531</i>	<i>78,673</i>	<i>78,673</i>

Actual deliveries updated
Amended Plan of Operation

03-Dec-08

		jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
Pinal AMA														
Intrastate	CAIDD	0	0	0	0	0	0	0	22,237	8,176	0	0	0	30,413
		0	0	0	0	0	5,500	5,500	12,500	12,500	10,500	5,000	5,500	57,000
	MSIDD	1,530	2,530	3,650	4,100	3,100	0	0	5,200	5,000	0	0	0	25,110
		1,530	2,530	3,650	4,100	3,100	2,580	0	5,200	7,280	3,550	3,560	1,720	38,800
	HIDD	704	2,865	4,374	1,600	0	0	0	1,111	5,243	0	0	0	15,897
		704	2,865	4,374	1,600	0	1,217	2,750	5,010	8,842	5,146	2,201	2,291	37,000
	GRIIDD	184	0	0	0	0	0	4,816	0	0	0	0	0	5,000
		184	0	0	0	0	5,000	0	0	0	0	0	0	5,184
	Subtotal	2,418	5,395	8,024	5,700	3,100	4,816	0	28,548	18,419	0	0	0	76,420
	Total to date	2,418	7,813	15,837	21,537	24,637	29,453	29,453	58,001	76,420	76,420	76,420	76,420	76,420
	<i>Projected total to date</i>	<i>2,234</i>	<i>7,629</i>	<i>15,653</i>	<i>21,353</i>	<i>24,453</i>	<i>33,750</i>	<i>42,000</i>	<i>64,710</i>	<i>93,332</i>	<i>112,528</i>	<i>123,289</i>	<i>132,800</i>	<i>137,984</i>
Interstate	CAIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	3,200	0	0	0	0	3,200
	MSIDD	0	0	0	0	0	0	0	0	910	0	0	0	910
		0	0	0	0	0	0	0	1,600	1,600	0	0	0	3,200
	HIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0
	Subtotal	0	0	0	0	0	0	0	0	910	0	0	0	910
	Total to date	0	0	0	0	0	0	0	0	910	910	910	910	910
	<i>Projected total to date</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>4,800</i>	<i>6,400</i>	<i>6,400</i>	<i>6,400</i>	<i>6,400</i>	<i>6,400</i>
Combined														
	Subtotal	2,418	5,395	8,024	5,700	3,100	4,816	0	28,548	19,329	0	0	0	77,330
	Total to date	2,418	7,813	15,837	21,537	24,637	29,453	29,453	58,001	77,330	77,330	77,330	77,330	77,330
	<i>Projected total to date</i>	<i>2,234</i>	<i>7,629</i>	<i>15,653</i>	<i>21,353</i>	<i>24,453</i>	<i>33,750</i>	<i>42,000</i>	<i>69,510</i>	<i>99,732</i>	<i>118,928</i>	<i>129,689</i>	<i>139,200</i>	<i>144,384</i>
Tucson AMA														
Intrastate	AVRA VALLEY	772	166	585	489	231	554	713	571	434	251	0	0	4,766
		772	166	585	489	231	700	700	700	700	657	650	650	7,000
	CAVSARP	1,175	1,500	0	0	0	0	1,500	1,500	0	0	0	0	5,675
		1,175	1,500	0	0	0	0	1,000	1,000	1,000	1,000	700	4,425	11,800
	PIMA MINE	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0
	LOWER SANTA CRUZ	551	0	0	0	0	977	4,040	3,788	3,864	3,125	0	0	16,345
		551	0	0	0	0	2,930	3,800	3,800	3,800	3,019	1,900	3,800	23,600
	SAVSARP	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	350	350
	Subtotal	2,498	1,666	585	489	231	1,531	6,253	5,859	4,298	3,376	0	0	26,786
	Total to date	2,498	4,164	4,749	5,238	5,469	7,000	13,253	19,112	23,410	26,786	26,786	26,786	26,786
	<i>Projected total to date</i>	<i>2,498</i>	<i>4,164</i>	<i>4,749</i>	<i>5,238</i>	<i>5,469</i>	<i>9,099</i>	<i>14,599</i>	<i>20,099</i>	<i>25,599</i>	<i>30,275</i>	<i>33,525</i>	<i>42,750</i>	<i>42,750</i>
Interstate	AVRA VALLEY	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0
	CAVSARP	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0
	PIMA MINE	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0
	LOWER SANTA CRUZ	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0
	SAVSARP	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0
	Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total to date	0	0	0	0	0	0	0	0	0	0	0	0	0
	<i>Projected total to date</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Combined														
	Subtotal	2,498	1,666	585	489	231	1,531	6,253	5,859	4,298	3,376	0	0	26,786
	Total to date	2,498	4,164	4,749	5,238	5,469	7,000	13,253	19,112	23,410	26,786	26,786	26,786	26,786
	<i>Projected total to date</i>	<i>2,498</i>	<i>4,164</i>	<i>4,749</i>	<i>5,238</i>	<i>5,469</i>	<i>9,099</i>	<i>14,599</i>	<i>20,099</i>	<i>25,599</i>	<i>30,275</i>	<i>33,525</i>	<i>42,750</i>	<i>42,750</i>
TOTAL														
	Subtotal	7,874	9,073	12,364	8,611	8,457	10,744	11,770	50,702	34,758	5,547	0	0	159,900
	Total to date	7,874	16,947	29,311	37,922	46,379	57,123	68,893	119,595	154,353	159,900	159,900	159,900	159,900
	<i>Projected total to date</i>	<i>7,690</i>	<i>16,763</i>	<i>29,127</i>	<i>37,738</i>	<i>46,195</i>	<i>76,883</i>	<i>111,835</i>	<i>154,603</i>	<i>198,033</i>	<i>225,592</i>	<i>240,745</i>	<i>260,623</i>	<i>265,807</i>



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December 9, 2008

Mr. Herb Guenther
Chairman
Arizona Water Banking Authority
3550 N. Central Avenue
Phoenix, Arizona 85012

Dear Mr. Guenther,

The Central Arizona Water Conservation District (CAWCD) has revised its recovery schedule for 2008 for Metropolitan Water District of Southern California (MWD). The revised recovery schedule is for 27,000 af, as shown in the attached table. The revised schedule is 2,000 af greater than the AWBA reported to the USBR by letter dated December 20, 2007. Thanks to the efforts of Central Arizona Irrigation and Drainage District and Maricopa Stanfield Irrigation and Drainage District to increase their recover capacity, our recovery will exceed the original schedule.

Please contact me with questions regarding reporting and accounting of Intentionally Created Unused Apportionment (ICUA) in 2008 or planning ICUA for 2009.

Sincerely,



Chuck Cullom
Senior Policy Analyst

C:\DOCUME~1\ccullom\OTL\Local\CAPLIV~1\Workbin\D06B1F.0\AWBA credit recovery letter 2.doc
Attachment

cc: Larry Dozier, CAP
Tom McCann, CAP
Kim Mitchell, AWBA
Harry Ruzgerian, MWD

2008 Recovery Schedule:

Central Arizona Water Conservation District Recovery for Metropolitan Water District of Southern California

Month	MSIDD	CAIDD	CAGR ¹	TOTAL
Jan.	214	506	0	720
Feb.	357	537	0	894
Mar.	771	1,207	0	1,978
Apr.	1,026	1,326	0	2,352
May.	942	1,405	0	2,347
Jun.	848	1,502	0	2,350
Jul.	1,061	1,547	0	2,608
Aug.	1,497	1,710	0	3,207
Sep.	2,125	1,565	0	3,690
Oct.	1,976	1,060	0	3,036
Nov. ²	1,500	411	0	1,911
Dec. ²	683	224	1,000	1,907
TOTAL	13,000	13,000	1,000	27,000

¹ – Recovery provided through credit exchange.

² – Estimated amounts.

Agenda Number 4.

CONTACT: Larry Dozier
623.869.2377
ldozier@cap-az.com

DATE: October 28, 2008

AGENDA ITEM: Report on Discussions with Customers Regarding Access to Excess Water for 2009 and Consideration of Action to Distribute Available Excess Water Supplies

RECOMMENDATION:

Staff recommends that the Board direct staff to distribute available excess water supplies in 2009 in accordance with Alternative 3, as described below.

FINANCIAL IMPLICATIONS:

No significant impact anticipated

RELEVANT POLICY, STATUTE OR GUIDING PRINCIPLE:

To be decided

PREVIOUS BOARD ACTION/ACTIVITY:

October 22, 2008 Customer Workshop – Staff reviewed 2009 excess orders and presented analysis, including scenarios for protecting some AWBA/CAGR D activity and reducing orders based on historic use. Stakeholders and several members of the Board attended.

September 4, 2008 CAWCD Board meeting – Staff identified inherent policy issues and potential alternative solutions for distributing excess water when there is insufficient supply to meet all water orders. Staff also provided a list of all excess water contractors, organized both alphabetically and by date of contract.

August 7, 2008, CAWCD Board meeting – Staff advised the Board that due to increased demand for excess water, the availability of water for the Water Bank and CAGR D for its replenishment reserve is threatened. The Board asked staff to provide additional information, including the holders of excess water contracts.

June 19, 2008, CAWCD Board meeting – Board adopted rate setting strategy to phase out the price subsidy for incentive recharge water after 2011

ISSUE SUMMARY/DESCRIPTION:

Orders for excess CAP water for 2009 exceed the available supply by approximately 170,000 acre-feet.

CAP must provide delivery schedules to its contractors by November 15. This does not afford enough time to develop a comprehensive strategy or long-term Board policy for distributing

2009 excess water among competing demands. Staff recommends that the Board approve a temporary procedure for distributing excess water in 2009 based on the alternatives presented in this brief.

Staff believes it is important that some water be reserved to ensure that recovery goals, agricultural incentive pricing goals, and Indian firming goals can be accomplished in 2009. To allow CAP to meet its goals for recovery and agriculture incentive pricing, staff proposes that CAP reserve a pool of 81,900 acre-feet for use at the particular groundwater savings facilities (GSFs) that are participating in those programs. Any CAP contractor could choose to partner with the specified GSFs, but agricultural incentive pricing is only available if the Arizona Water Banking Authority or the Central Arizona Groundwater Replenishment District orders this water.

Staff also proposes that CAP reserve a pool of 45,000 acre-feet to assist the State of Arizona in meeting its obligation to firm non-Indian agricultural priority CAP water for Indian water rights settlements as required by the Arizona Water Settlements Act of 2004, Pub. L. 108-451. Of that total, 36,000 acre-feet would be reserved for use in a GSF partnership with the Gila River Indian Irrigation and Drainage District and 9,000 acre-feet would be reserved for storage at an underground storage facility (USF) in the Tucson AMA.

Taking into account these reserved pools, the orders for incentive recharge-priced excess water still exceed the remaining available supply by approximately 101,000 acre-feet. Of the 18 customers in this category, five ordered 2,500 acre-feet or less, and staff proposes that a *de minimis* volume be established to exempt these orders from cutbacks.

Alternatives:

Staff has identified three alternative methods for distributing the remaining supply among incentive recharge contractors:

1. Preference GSF partnerships. All incentive recharge orders for delivery to GSFs would be filled first, and the remaining supply would be distributed among the orders placed at USFs in proportion to the amount they were cut back.
2. Exclude credit remarketing entities. All incentive recharge orders by contractors that are not expected to retain the credits for their own use would be cut to zero, and the remaining supply would be distributed among the other orders in proportion to the amount they were cut back.
3. Distribute excess water based on past history. Orders would be benchmarked to each customer's maximum incentive order during the last three years. Customers without a previous history would be eligible for the *de minimis* volume. Any remaining supply would be distributed among all orders in proportion to the amount they were cut back.

SUGGESTED MOTION:

Move that CAP distribute excess water in 2009 according to the procedure identified by staff as Alternative 3. Use of this procedure in 2009 shall not establish any precedent for future action.

DRAFT
12-9-08

**PROPOSED LEGISLATION AUTHORIZING THE ARIZONA WATER
BANKING AUTHORITY TO OBTAIN EXCESS CENTRAL ARIZONA
PROJECT WATER FOR CERTAIN PURPOSES**

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

Section 1. Section 45-2402, Arizona Revised Statutes, is amended to read:

45-2402. Definitions

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

1. "Authority" means the Arizona water banking authority.
2. "Banking fund" means the Arizona water banking fund.
3. "Central Arizona water conservation district" or "CAWCD" means the multi-county water conservation district established under title 48, chapter 22.
4. "Commission" means the Arizona water banking authority commission.
5. "Decree" means the decree entered by the United States supreme court in Arizona v. California, 376 U.S. 340 (1964).
6. "EXCESS CENTRAL ARIZONA PROJECT WATER" MEANS CENTRAL ARIZONA PROJECT WATER THAT IN ANY YEAR WOULD OTHERWISE NOT BE USED, RESOLD OR EXCHANGED PURSUANT TO LONG-TERM CONTRACTS AND SUBCONTRACTS FOR CENTRAL ARIZONA PROJECT WATER." [This is the same definition as in Section 5(d)(1) of the Stipulation for Judgment in *Central Arizona Conservation District v. United States*, No. CIV 95-625, TUC-WDB(EHC), No. CIV 95-1720-PHX-EHC.]
- 6 7. "Indian firming" means measures taken to ensure that central Arizona project non-Indian agricultural priority water that is made available to Indian tribes pursuant to Public Law 108-451 may be delivered during water shortages in the same manner that water with a municipal and industrial priority in the central Arizona project system is delivered during water shortages.
- 7 8. "Water banking services" means services provided by the authority to persons and Indian communities in this state to facilitate for those persons and Indian communities storage of water and stored water lending arrangements. Water banking services include the direct delivery of water to Indian communities in this state in replacement of or supplemental to the accrual of long-term storage credits pursuant to article 5 of this chapter. Water banking services include only arrangements by which water will be made available for use in this state. Water banking services do not include

interstate water banking undertaken by the authority pursuant to article 4 of this chapter. Water banking services may include:

- (a) Storage of water.
- (b) Obtaining water storage permits.
- (c) Accruing, exchanging and assigning long-term storage credits.
- (d) Lending and obtaining repayment of long-term storage credits.

§ 9. "Water banking services agreement" means an agreement entered into between the authority and a person or Indian community in this state under which the authority will provide water banking services to that person or Indian community.

Section 2. Section 45-2427, Arizona Revised Statutes, is amended to read:

45-2427. Limitation on powers

A. This chapter does not authorize the authority to exercise any right of eminent domain.

B. EXCEPT AS PROVIDED IN SUBSECTION E OF THIS SECTION:

1. The authority shall not store Colorado river water that would otherwise have been used in this state pursuant to a contract entered into pursuant to section 48-3703, paragraph 2, a section 5 contract under the Boulder Canyon project act (P.L. 108-6; 43 United States Code section 617) with a priority that is equal to or higher than a contract entered into pursuant to section 48-3703, paragraph 2 or any other section 5 contract under the Boulder Canyon project act entered into before the effective date of this amendment to this section.

2. The authority shall not store for interstate water banking purposes Colorado river water that would otherwise have been used in this state.

C. The authority shall not enter into contracts with agencies in California and Nevada for the storage of water on their behalf until both of the following occur:

1. Regulations are in effect, promulgated by the secretary of the interior of the United States, that facilitate and allow the contractual distribution of unused entitlement under article II(b)(6) of the decree.

2. The director finds that the rules promulgated by the secretary of the interior adequately protect this state's rights to Colorado river water, as those rights are defined by the decree.

D. The authority shall not enter into water banking services agreements that will provide water for use outside this state. The authority may cancel any water banking services agreement without penalty or further obligation if after entering into a water banking services agreement, the authority finds that the agreement will provide water for use outside of this state. Notice of this subsection shall be included in every water banking services agreement entered into by the authority. The cancellation under this

subsection shall be effective when written notice from the authority is received by all other parties to the water banking services agreement.

E. NOTWITHSTANDING SUBSECTION B, THE AUTHORITY MAY OBTAIN AND STORE OR REPLENISH, AS APPLICABLE, ANY OF THE FOLLOWING EXCESS CENTRAL ARIZONA PROJECT WATER SUPPLIES AS DESIGNATED BY CAWCD:

1. ANY EXCESS CENTRAL ARIZONA PROJECT WATER MADE AVAILABLE BY CAWCD IN A YEAR EXCLUSIVELY FOR THE AUTHORITY. THE AUTHORITY SHALL USE ANY EXCESS CENTRAL ARIZONA PROJECT WATER OBTAINED PURSUANT TO THIS PARAGRAPH IN A MANNER CONSISTENT WITH THIS CHAPTER.

2. ANY EXCESS CENTRAL ARIZONA PROJECT WATER MADE AVAILABLE BY CAWCD IN A YEAR FOR THE PURPOSE OF MEETING THE STATE'S COMMITMENTS TO FIRM INDIAN SETTLEMENT WATER PURSUANT TO ARTICLE 5 OF THIS CHAPTER.

3. ANY EXCESS CENTRAL ARIZONA PROJECT WATER MADE AVAILABLE BY CAWCD IN A YEAR FOR THE PURPOSE OF REPLENISHING WATER PURSUANT TO CHAPTER 15, ARTICLE 3 OF THIS TITLE RELATING TO THE GILA RIVER INDIAN WATER SETTLEMENT PROGRAM.

4. ANY EXCESS CENTRAL ARIZONA PROJECT WATER MADE AVAILABLE BY CAWCD IN A YEAR FOR THE PURPOSE OF STORING THE WATER TO ACCRUE LONG-TERM STORAGE CREDITS THAT WILL BE USED PURSUANT TO SECTION 45-2457 TO MAKE WATER AVAILABLE TO CAWCD ~~FOR MUNICIPAL AND INDUSTRIAL PURPOSES~~ WHEN CAWCD'S NORMAL DIVERSIONS FROM THE COLORADO RIVER HAVE BEEN OR WILL BE DISRUPTED BY SHORTAGES ON THE RIVER OR BY DISRUPTIONS IN THE OPERATION OF THE CENTRAL ARIZONA PROJECT.

5. ANY EXCESS CENTRAL ARIZONA PROJECT WATER MADE AVAILABLE BY CAWCD IN A YEAR FOR THE PURPOSE OF STORING WATER TO MEET A CONTRACTUAL OBLIGATION OF THE AUTHORITY UNDER AN INTERSTATE WATER BANKING AGREEMENT ENTERED INTO PURSUANT TO ARTICLE 4 OF THIS CHAPTER IF THE EXCESS CENTRAL ARIZONA PROJECT WATER RESULTED FROM THE ACQUISITION OF ADDITIONAL COLORADO RIVER WATER BY CAWCD UTILIZING MONIES CONTRIBUTED BY THE AUTHORITY.

Section 3. Emergency

This act is an emergency measure that is necessary to preserve the public peace, health or safety and is operative immediately as provided by law.

H.B.____/S.B.____
(short title; assigned by leg counsel)

FACT SHEET

Issue Summary:

- The Arizona Water Bank Authority (AWBA) is required by statute to store excess Central Arizona Project (CAP) water for several purposes, including to secure water for Indian Settlements and to protect municipal and industrial water users during times of drought.
- Additionally, the AWBA has a legislatively-approved contractual obligation to store 1.2 million acre-feet of excess CAP water for the State of Nevada (interstate water banking).
- Under current law, all water orders by CAP customers must be met, including orders for excess CAP water, before the AWBA may store CAP water. AWBA is last in line to receive excess CAP water.
- Presently, the AWBA cannot meet its statutory and contractual obligations because excess CAP water orders by others exceed available CAP supply.

Legislative Solution:

- Allow the AWBA to access CAP excess water, set aside by the Central Arizona Water Conservation District,¹ for AWBA purposes at a higher priority than is currently allowed.
- The AWBA purposes include firming municipal and industrial water supplies, meeting the State's obligations for Indian settlements and meeting contractual obligations for interstate water banking.

¹ The CAWCD is the governing entity for the CAP.

DISCUSSION PAPER

Proposed Legislative Amendment to Provide Arizona Water Banking Authority the Authority to Obtain Excess CAP Water for Certain Purposes

Summary

When the Arizona Water Banking Authority (AWBA; Water Bank) was created several goals were originally identified. Recently, the Water Bank's responsibility to firm (or secure) water supplies has increased. These new responsibilities are either obligations mandated by statute or contractual agreements. This discussion paper focuses on three of these responsibilities: securing water for the purposes of Indian Settlements, to protect municipal and industrial water users during times of drought, and to fulfill specific contractual obligations.

The State of Arizona (State) accepted specific obligations to store water for Indian Firming pursuant to the Arizona Water Settlements Act (Settlements Act). The AWBA has been identified as the agent for the State in meeting these obligations. Another responsibility of the Water Bank is to help protect communities dependent on the Central Arizona Project (CAP) by providing a stored reserve of water that can be tapped in future times of drought on the Colorado River. The AWBA has also been authorized to act on Arizona's behalf in entering interstate banking agreements. Three years ago, the AWBA began storing water for Nevada pursuant to the Amended Agreement for Interstate Water Banking.

It was projected that the AWBA would be able to meet its obligations and goals using excess CAP water. Excess CAP water is water that in any year is remaining after CAWCD meets the demand of its contractors and subcontractors. The first priority for excess water includes a commitment to an agricultural pool. Recently, demand for remaining excess CAP water has increased. Because of the AWBA's current position of "last-in-line" to receive excess water, little or no water has been available for storage by the AWBA. Changes in the Water Bank's priority are needed to allow progress toward meeting the State's obligations and

goals. Specifically, a legislative amendment is being proposed that gives the Water Bank the authority to obtain and store excess CAP water made available by the CAWCD for AWBA purposes at a higher priority than is currently allowed. These purposes may include water set aside for meeting AWBA objectives, meeting the State's obligations for Indian firming and replenishment obligations under the Arizona Water Settlements Act, meeting the Water Bank's goals of firming of municipal and industrial water supplies, or allowing the AWBA to meet specific contractual obligations of interstate water banking.

Background

History and Original Purposes of AWBA

The AWBA was authorized in 1996 by the Arizona Legislature to help utilize Arizona's entitlement to the Colorado River and to develop long-term storage credits for the state. At the time, Arizona was not using its full allocation even though the CAP was completed. In addition to increasing utilization of Arizona's unused allocation, other Water Bank purposes were identified:

- helping to protect Arizona municipal and industrial water users against future water shortages,
- storing water to fulfill water management objectives of the 1980 Groundwater Code,
- facilitating Indian settlements by storing water and making that water available in the future as part of a settlement,
- delivering and storing water for other entities as an affordable alternative for others, and
- entering into interstate banking agreements on behalf of the State of Arizona.

Since inception of the AWBA in 1996, through 2008, the Water Bank's cumulative water deliveries for storage are just over 3.4 million acre-feet. This represents excess CAP water that would have gone unutilized absent the Water Bank's activities. Current statutory language states that the AWBA shall not store Colorado River water that would have otherwise been used in this state. The AWBA is therefore, "last-in-line" to receive excess CAP water.

Since the Water Bank's creation, the AWBA has acquired new obligations. Some of these obligations pertain to contracts or agreements the AWBA has entered into with other Arizona water users or the Southern Nevada Water Authority, while other obligations have been handed over by the Legislature and pertain to the State of Arizona's responsibilities under the Arizona Water Settlements Act.

Arizona Water Settlements Act and Indian Firming Program

In December, 2004, the Settlements Act authorized the Secretary of the Interior and the State of Arizona to develop an Indian Firming program for the Gila River Indian Community and future Indian water rights settlements. The Water Bank was made responsible for meeting the State's obligations under the Settlements Act.

During the 2006 legislative session, House Bill 2835 was signed that provided the AWBA with additional tools for assisting the State in meeting its firming obligations under the Settlements Act. The Legislature further provided, in October, 2006, an appropriation of \$13.5 million to the AWBA to be used for Indian firming. The current State's budget shortfall resulted in \$12.4 million being transferred from the Arizona Water Banking Fund for FY 2009.

The Agreement between the Secretary of the Interior and the State of Arizona for the Firming of Central Arizona Project Indian Water (Secretarial Agreement) was executed in November, 2007. The AWBA, as agent for the State of Arizona, entered into the Secretarial Agreement to firm non-Indian agricultural (NIA) priority CAP water for tribal settlements. The Secretarial Agreement defines the AWBA's obligation to firm in times of water shortages and develops the method for meeting the obligations between the two governments.

Both the Arizona Water Settlements Act and the Secretarial Agreement recognize three categories where the State has firming responsibilities. The first two obligations pertain to

firming of water for the Gila River Indian Community (GRIC) and other Arizona tribes; the third obligation pertains to providing assistance to the Secretary in carrying out obligations of the Southern Arizona Water Rights Settlement Act.

The State must ensure that for a 100-year period, CAP NIA priority water be made available in the same manner as water with a municipal and industrial (M&I) delivery priority as follows:

- Firm 15,000 acre-feet of CAP NIA priority water reallocated to the GRIC
- Firm 8,724 acre-feet of CAP NIA priority water reallocated to other Arizona Indian tribes

The AWBA also has an obligation to provide support to the Federal government for the Tohono O'odham Nation by contributing \$3 million in either cash or in-kind goods and services. The AWBA has determined it will meet this obligation by creating long-term storage credits (LTSCs) that can later be transferred to the Federal government.

In addition to the firming requirements of the Settlements Act, the AWBA, acting as agent for the State, is required to enter into an inter-governmental agreement with GRIC for direct delivery of 15,000 acre-feet for the purpose of establishing the Southside Replenishment Bank. The Southside Replenishment Bank will fulfill the obligations created under the Settlements Act for protection of the Reservation from off-reservation groundwater pumping.

Municipal and Industrial (M&I) Firming

Bringing water into the state and storing it to protect AZ municipal and industrial (M&I) water users against future water shortages on the Colorado River or disruptions of operations of the CAP. The CAP is the lowest priority user in the three lower basin states. When there are insufficient supplies available to meet demands in the lower basin, water supply to the CAP is shorted. The Water Bank is storing excess water underground today to protect against those future shortages. The Water Bank would then distribute LTSCs to the extent

reasonably necessary to offset these water shortages in the future. For instance, in years where demands of M&I water users cannot be met, either due to shortages on the Colorado River or to disruptions in operation of the canal, the Water Bank would provide LTSCs to CAWCD to allow delivery of the balance of water that could not have otherwise been provided due to the shortage.

Since inception, the AWBA has focused much of its efforts on developing LTSCs for firming purposes; the AWBA has identified 2.7 million acre-feet of LTSCs as reasonable to firm the CAP M&I subcontracts over the next 100 years. The AWBA has also identified 420,000 acre-feet of LTSCs as reasonable to firm communities along the Colorado River over the next 100 years. The following table illustrates the progress made by the AWBA towards meeting its established goals. A great deal of concern has been raised over the lack of water supplies stored to meet M&I firming goals, specifically in the Tucson area. This lag in water storage in the Tucson area has been due to a combination of factors over the last few years including insufficient funding, lack of water availability, and insufficient storage capacity available to the Water Bank.

**Long-term Storage Credits Accrued through December 2007 and
Percentage of AWBA Goals Achieved**

Location and Objective	Goal (AF of Credits)	LTS Credits Accrued (AF)	Percent of Goal Achieved
Phoenix M&I Firming	1,566,000	1,094,149	70%
Phoenix Groundwater Mgmt ¹		219,052	84%
Pinal M&I Firming	243,000	122,355	50%
Pinal Groundwater Mgmt ¹		318,142	100%
Tucson M&I Firming	864,000	244,843	28%
Tucson Groundwater Mgmt ¹		83,797	38%
On-River M&I Firming	420,000	403,830	96%
Interstate Water Banking - NV	1,250,000	527,447	42%

¹ Withdrawal fees could be utilized in addition to 4¢ *ad valorem* tax revenues for M&I firming if needed to reach firming goals.

Contractual Obligations

The Amended Agreement for Interstate Water Banking (Amended Agreement), executed in 2005, created an obligation on the AWBA to guarantee the storage of 1.25 million acre-feet (MAF) credits for the benefit of Nevada in Arizona and to make water available in the future in response to Nevada's requests. For this guarantee and commitment, SNWA agreed to pay the cost of water storage and recovery and to pay \$100 million over and above the cost of storage/recovery. The \$100 million was to be used to develop additional water supplies to meet the Nevada obligation if sufficient CAP excess water was not available to fulfill that obligation. Presently, there is a cumulative total of about 534,000 acre-feet of credits in the SNWA Interstate account, which meets 43% of the State's obligation under the Amended Agreement.

Increase in Demand for Excess Water

Over the last several years, CAWCD has experienced increased requests to purchase excess CAP water for underground storage. This increase in water orders was due to both an increase in historic water orders by some existing CAP customers and new customers. The CAWCD Board of Directors recognized this trend and adopted a rate-setting strategy to phase out the price subsidy for excess water that is used for incentive recharge after 2011. Additionally, the Board has directed staff to develop a comprehensive policy for future distribution of excess water.

Excess water orders for 2009 received by CAWCD in October, 2008 exceeded the available supply by more than 225,000 acre-feet, leaving little to no water available for storage by the AWBA. At the time the legislation was drafted identifying the AWBA as the agent for the State, it appeared there would be an abundance of excess water available for storage by the Water Bank. The Water Bank has stored an average of 270,000 acre-feet per year for the first 11 years of operation and has stored over 330,000 acre-feet per year over the last 3 years.

Projections show that excess water supplies will be available for banking primarily between now and 2016. As demands for direct delivery of water continue to increase, excess water supplies will be reduced over time.

Conclusion

Given the AWBA's new obligations under the Settlements Act, the increase in demand for excess CAP water, and the current statutory language that places the AWBA last in receiving excess water, the AWBA Commission strongly believes they must pursue opportunities with the legislature to provide the tools to work toward fulfilling the significant number of responsibilities of the Water Bank.

The proposed legislative amendment would give the AWBA the authority to obtain and store any excess CAP water that is made available by CAWCD for certain purposes. These purposes include accomplishing AWBA objectives, meeting the State's obligations for Indian firming and replenishment obligations under the Arizona Water Settlements Act, meeting the Water Bank's goals of firming of municipal and industrial water supplies, and meeting specific contractual obligations of interstate water banking.



Water Resources

9388 E. San Salvador Dr.
Scottsdale, AZ 85258

PHONE 480-312-5685
FAX 480-312-5615

21 October 2008

Larry Dozier, Deputy General Manager
Central Arizona Project
PO Box 43020
Phoenix, AZ 85080

RE: Access to Excess Water for Arizona Water Banking Authority
("AWBA")

Dear Larry:

The ability of the AWBA to access excess CAP water has increased in importance in the last several years with additional obligations for firming under the Arizona Water Settlements Act and for storage and recovery on behalf of Nevada. As you know, the AWBA has many existing obligations for recharge and replenishment, including the requirement to firm M&I subcontract water for use in time of shortage. The ability of the AWBA to meet this obligation is particularly crucial to the City of Scottsdale, as more than two-thirds of our water supply is delivered to us through the CAP.

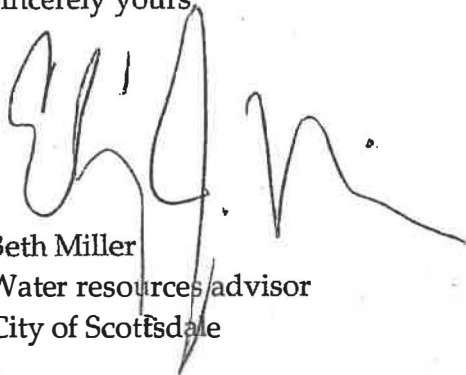
Therefore, I am pleased that CAP has scheduled a workshop on the allocation of excess water on October 22, 2008. Unfortunately, I will be out of town on that day and will not be able to attend. However, I do want to express the City of Scottsdale's support for development of a comprehensive strategy to make excess water more accessible to the AWBA so that it is able to meet its obligations.

We understand that such a strategy would most likely require legislative change to address the fact that AWBA may only store excess water that would not have otherwise been purchased by others. The City could generally support legislative and policy changes that would increase the

priority of the AWBA for access to excess water, thus facilitating its ability to meet all of its obligations.

Again we are appreciative that the CAP is addressing this important issue. We look forward to working with you in the coming months to craft a mechanism to allow fair access to excess water for the AWBA.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Beth Miller', with a long horizontal flourish extending to the right.

Beth Miller
Water resources advisor
City of Scottsdale

**Arizona Department of Water Resources
Pinal Active Management Area**

MEMORANDUM

To: Kim Mitchell, AWBA Manager

From: Randy Edmond, Pinal AMA Area Director

Subject: Pinal AMA GUAC Comments on 2009 Draft Plan of Operation

Date: November 3, 2008

As you are aware, the Pinal AMA GUAC at its October 30, 2008 meeting considered the matter of AWBA's 2009 Draft Plan of Operation. While the GUAC supports the preliminary draft plan that you presented based on the "potential special pool," it is deeply concerned about the future of AWBA in terms of its ability to obtain sufficient supplies of excess CAP supplies for storage within the Pinal AMA. The GUAC understands that excess supplies in 2009 are likely to be limited by far greater than expected orders for incentive priced water. The GUAC's concern is that some of the entities ordering these supplies appear to be purchasing the water for speculative purposes, which was never the intent for these supplies.

Since its inception in 1996, AWBA has played a critical water management role in the Pinal AMA, and the GUAC fully supports efforts to ensure that AWBA continues to function as intended and meet its obligations within the AMAs. One of these obligations is Indian firming, and the GUAC is supportive of efforts to enact new state legislation in 2009 to ensure that AWBA can meet its Indian firming obligations, especially as they relate to the Southside Protection Zones within the Pinal AMA.

Arizona Department of Water Resources
GROUNDWATER USERS ADVISORY COUNCIL
Tucson Active Management Area
Jeff Tannler, Area Director



JOHN MAWHINNEY
Chair

DAN M. OFFRET
Vice-Chair

DEE T. O'NEILL

JON POST

CHUCK SWEET

November 7, 2008

Kim Mitchell, Manager
Arizona Water Banking Authority
3550 North Central Avenue
Phoenix, Arizona 85012

RE: Recommendations to AWBA

Dear Ms. Mitchell:

On behalf of the Tucson AMA Groundwater Users Advisory Council (GUAC), we appreciate the opportunity to comment on the draft 2009 Plan of Operation that you presented at our November GUAC meeting.

While appreciative of the accomplishments of the Bank, and its success in capturing Arizona's share of the Colorado River, the oversubscription of that water raises some new problems in the AMA's. Most pressing in this AMA are the "last" priority for the AWBA and the slow progress in meeting our M&I firming goals.

The Tucson GUAC met to discuss possible methods of improving progress toward resolving these issues and will continue to meet with its advisers to develop options and recommendations.

The following recommendations were unanimously adopted for forwarding to the Bank for your consideration and possible action:

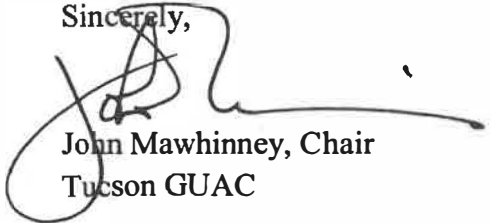
1. There have been discussions of proposed legislation this year to improve the Water Bank's priority relative to excess CAP water; the current statute governing the AWBA places it last in priority for excess CAP. The GUAC wishes to support the AWBA, ADWR, and the CAWCD in proposing and implementing a legislative change to improve the AWBA's access to excess CAP water.
2. The Tucson GUAC resolves that improving the situation relative to our slow progress in achieving our M&I Firming goal is an item of particular interest in the Tucson AMA; the GUAC extends the offer to continue to work with the AWBA to remedy this issue.
3. In the face of historic demands, there has also been interest by the CAWCD in insuring that a portion of its excess water be made available to the AWBA to achieve its specific legislative obligations. The Tucson GUAC welcomes the opportunity to work with the

Kim Mitchell, Manager
Arizona Water Banking Authority
November 7, 2008
Page 2

CAWCD staff as they develop policy recommendations regarding AWBA access to excess CAP supplies.

Thank you for your informative presentation and your consideration of our recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "John Mawhinney", with a large, sweeping flourish extending to the right.

John Mawhinney, Chair
Tucson GUAC

Cc: Herb Guenther, ADWR
Sandra Fabritz-Whitney, ADWR
Virginia O'Connell, AWBA
Larry Dozier, CAWCD

ARIZONA WATER BANKING AUTHORITY		2009 WATER RECHARGE BUDGET		\$5,081,000
REVENUES AVAILABLE for 2008 RECHARGE				
4 cent tax				\$0
	Maricopa ¹			\$0
	Pinal ¹			\$0
	Pima ¹			\$0
Withdrawal Fee				\$4,955,000
	Phoenix AMA ²			\$2,390,000
	Pinal AMA ²			\$1,775,000
	Tucson AMA ²			\$790,000
General Fund Appropriation				\$0
State Indian Firming				\$213,000
Interstate				\$14,338,000
TOTAL				\$19,506,000
¹ Additional 4 cent tax retained by the Central Arizona Water Conservation District.				
² Projected based on 2007 & 2008 collections, carryover included.				
DELIVERY and RECHARGE RATES				
Water Delivery				
	Incentive Rate (Intrastate)			\$82.00
	Interstate Rate			\$233.00
Direct Recharge Facility Rate		<u>Intrastate</u>	<u>Other³</u>	
	Avra Valley	\$15.00	\$24.00	
	Pima Mine Road	\$15.00	\$24.00	
	Lower Santa Cruz	\$15.00	\$24.00	
	Hieroglyphic Mountains	\$8.00	\$23.00	
	Agua Fria Recharge Project	\$8.00	\$23.00	
	Tonopah Desert	\$8.00	\$23.00	
	³ Includes capital recovery for state demo projects			
	Cost Recovery for In-lieu Recharge	\$32.00		\$26.00
	Cost Recovery for Gila River Indian IDD GSF	\$20.00		
WATER and RECHARGE COSTS				
	Water Stored	\$/AF		Total
	(AF)			
4 cent tax				\$0
	Maricopa	0	\$0.00	\$0
	Pinal	0	\$0.00	\$0
	Pima	0	\$0.00	\$0
Withdrawal Fee				\$4,868,000
	Phoenix AMA	39,523	\$60.00	\$2,352,000
	Pinal AMA	27,293	\$50.00	\$1,365,000
	Direct delivery ⁴	5,000	\$82.00	\$410,000
	Tucson AMA	6,991	\$106.00	\$741,000
State Indian Firming		2,009	\$106.00	\$213,000
Interstate		0	NA	\$0
Total 2009	80,816			\$5,081,000
⁴ Direct deliveries to the GRIC anticipating execution of an IGA				
PROJECTED CARRYOVER				
Withdrawal Fees				
	Phoenix AMA			\$38,000
State Indian Firming				\$0
Interstate				\$14,338,000

Central Arizona Water Conservation District			
4 cent tax Available			
	Maricopa ⁵	\$90,143,000	
	Pinal ⁵	\$2,489,000	
	Pima ⁵	\$9,973,000	
Total 2009		\$102,605,000	
	Water Stored	\$/AF	Total
	(AF)		
4 cent tax Utilized			
	Maricopa	0	\$0
	Pinal	37,707	\$1,885,000
	Pima	0	\$0
Total 2009	37,707		\$1,885,000
⁵ Estimate based on carryover and projections for 2009 collections			

this Agreement and neither is under any obligation to construct or furnish water treatment facilities to maintain or improve the quality of any water. The Facility Operator waives its right to make a claim against the AWBA or CAWCD on account of the quality of water or any changes in water quality caused by the commingling of water delivered under this Agreement with other water.

11. 11.1 The Parties agree that the AWBA may designate a third party agent to exercise the right to recover the AWBA's water stored under this Agreement. The "Designated Recovery Agent" shall be CAWCD, a political subdivision of the State of Arizona, and/or a municipal corporation formed under the laws of the State of Arizona. The AWBA shall, in accordance with Section 15 of this Agreement, notify the Facility Operator of the appointment of a Designated Recovery Agent pursuant to this Section 11.
- 11.2 The Facility Operator agrees to cooperate with the Designated Recovery Agent in facilitating the recovery of Long-Term Storage Credits stored by the AWBA at the Facility Operator's Groundwater Savings Facility.
- 11.3 The Facility Operator agrees not to register any objection with the ADWR to an application for a recovery well permit filed by the Designated Recovery Agent or other entities seeking to recover water stored by the AWBA so long as the water is to be recovered at the Groundwater Savings Facility at which it was stored.
- 11.4 Upon the distribution of Long-Term Storage Credits by the AWBA to a Designated Recovery Agent, the Designated Recovery Agent may, at the Designated Recovery Agent's sole expense, recover the Long-Term Storage Credits at the Groundwater Savings Facility upon written notification to the Facility Operator.

- 11.5 The Designated Recovery Agent shall not recover Long-Term Storage Credits within the Facility Operator's boundaries that were not accrued by the AWBA at the Facility Operator's Groundwater Savings Facility, unless the Facility Operator agrees in writing to allow the Designated Recovery Agent to recover other Long-Term Storage Credits.
- 11.6 To recover Long-Term Storage Credits pursuant to this Section 11, the Facility Operator shall allow the Designated Recovery Agent to recover the AWBA's Long-Term Storage Credits using the Facility Operator's wells. Such use shall be subject to the Facility Operator's operational control of the wells and shall be made only when, in the discretion of the Facility Operator, there is sufficient well capacity and water transportation facilities available to recover the Long-Term Storage Credits without disrupting delivery of irrigation water to the Facility Operator's customers; however, such discretion shall not be unreasonably exercised so as to defeat the intent of this Section 11. The Facility Operator shall provide to the AWBA within 1 year after execution of this Agreement a description of wells and well sites which the Designated Recovery Agent could utilize for recovery purposes, including the necessary authorization for Facility Operator's use of such wells and well sites.
- 11.7 If insufficient well capacity is available within the Facility Operator's boundaries to meet a recovery request, the Designated Recovery Agent may install, own, operate and maintain new wells and related facilities or, at the Designated Recovery Agent's request, the Facility Operator may, under a separate agreement, install, own, operate and maintain new wells and related facilities, provided that the Designated Recovery Agent pays the Facility Operator in advance all construction costs associated with such new wells and facilities. All of the fixed and variable operating costs of such

facilities attributable to the recovery of Long-Term Storage Credits shall be the sole responsibility of the Designated Recovery Agent. Nothing herein requires the Facility Operator to construct facilities that, in their judgement, would interfere with the operation of existing wells within the Facility Operator's water delivery system. The Designated Recovery Agent shall reimburse the Facility Operator the cost of obtaining all permits required to drill new recovery wells identified by the Designated Recovery Agent for purposes of this Agreement.

- 11.8 The Designated Recovery Agent shall be responsible for obtaining and maintaining recovery well permits and shall pay all permit fees and other costs and expenses of any nature associated with recovery of Long-Term Storage Credits at the Groundwater Savings Facility.
- 11.9 The Designated Recovery Agent shall reimburse the Facility Operator for all reasonable costs incurred by the Facility Operator in the recovery of Long-Term Storage Credits in accordance with this Section 11. These costs may include, but are not limited to wheeling services, scheduling costs, incremental increased cost of power, and incremental increased cost of operation, maintenance, and replacement of wells and/or pumps within the Facility Operator's Groundwater Savings Facility. Prior to any recovery under this Section 11, the Designated Recovery Agent and the Facility Operator shall agree upon the costs for which the Designated Recovery Agent shall be responsible. The Designated Recovery Agent and the Facility Operator may agree that the Designated Recovery Agent will provide power to operate the wells to offset part of the agreed upon costs.
- 11.10 The Facility Operator does not warrant the quality of water produced from recovery wells and is under no obligation to construct or furnish water treatment facilities to maintain or improve the quality of such water. The

Designated Recovery Agent waives its right to make a claim against the Facility Operator because of changes in water quality caused by underground storage or the mixing of recovered water with other water.

11.11 It is the express intention of the Parties that the Designated Recovery Agent be a third party beneficiary of the obligations and duties of the provisions of this Section 11, and that the third party beneficiary shall be considered a "Party" only for the purposes of this Section 11. The rights of the third party beneficiary under this Section 11 shall vest immediately upon notification to the Facility Operator by the AWBA of the designation of a Designated Recovery Agent in accordance with this Section 11. The Parties agree that the terms of this Section 11 shall not, in any way, limit the rights or privileges of the AWBA under this Agreement.

11.12 The obligations set forth in this Section 11 shall survive the expiration or termination of this Agreement and remain in full force and effect until all Authority Water stored at the Facility Operator's Groundwater Savings Facility has been recovered.

12. 12.1 Authority Water furnished to the Facility Operator pursuant to this Agreement shall be delivered only to the Facility Operator at such point(s) that have previously been approved by CAWCD and only if CAWCD has satisfied itself that the pipelines, canals, distribution systems, or other conduits that will convey Authority Water after delivery will prevent excessive conveyance losses and are constructed, operated, and maintained in accordance with any condition of applicable laws, regulations or order and to the satisfaction of CAWCD.

12.2 In the event of damage to CAP facilities due to failure of the Facility Operator to operate in a good and workmanlike manner, the Facility Operator shall pay

Long-term Storage Credits Accrued on Behalf of Nevada

Year		Credits ¹ Earned	Cumulative Credits	Percent of Goal Achieved	Cost of Storage	Received ² from SNWA	Funds Available
				(1,250,000 AF)			
Actual	2002	61,098	61,098	5%	\$ 8,617,393	\$ 5,000,000	\$ -
	2003	50,000	111,098	9%	\$ -	\$ 3,723,945	\$ 106,552 ³
	2004	14,162	125,260	10%	\$ 2,899,647	\$ 1,330,000	\$ -
	2005	111,805	237,065	19%	\$ 25,723,366	\$ 100,000,000	\$ 72,813,539 ⁴
	2006	175,569	412,634	33%	\$ 35,386,306	\$ -	\$ 37,427,233
	2007	114,886	527,520	42%	\$ 21,853,906		\$ 15,573,327
Estimated	2008						
	1 st Quarter	0	527,520	42%	\$ -	\$ -	\$ 15,573,327
	2 nd Quarter	0	527,520	42%	\$ -	\$ -	\$ 15,573,327
	3 rd Quarter	855	528,375	42%	\$ 175,630	\$ -	\$ 15,397,697
	4 th Quarter	5,161	533,536	43%	\$ 1,059,570	\$ -	\$ 14,338,127
	Sub-total	6,016			\$ 1,235,200		
Total			533,536	43%	\$ 95,715,818	\$ 110,053,945	\$ 14,338,127

¹ 2003 credits transferred from CAWCD pursuant to Amended Agreement for Interstate Water Banking. Credits for 2008 are estimated.

² In 2009, SNWA will begin making ten annual payments of \$23,000,000.

³ Includes expenditure of \$3,617,393 from monies collected in 2003 as part 2002 of reconciliation.

⁴ Includes expenditure of \$1,463,095 from monies collected in 2005 as part of 2004 reconciliation.

**Arizona State Treasurer's Office
Calculation of Interest Earnings for
Arizona Water Banking Authority
Reinvestment Method
For Period of June 27, 2005 thru October 31, 2008**

Month	Invested Amount	Pool 3 Monthly Yield	Days in Month	Days in Year	Earnings for Period
June 2005	26,000,000.00	3.1172%	4	365	8,881.88
July 2005	26,008,881.88	3.2014%	31	365	70,718.08
August 2005	26,079,599.96	3.4005%	31	365	75,320.39
September 2005	26,154,920.35	3.5475%	30	365	76,261.30
October 2005	26,231,181.65	3.6669%	18	365	47,434.74
October 2005	100,231,181.65	3.6669%	13	365	130,903.85
November 2005	100,409,520.24	3.8494%	30	365	317,684.72
December 2005	100,727,204.96	3.9975%	31	365	341,982.66
January 2006	101,069,187.62	4.1374%	31	365	355,152.69
February 2006	101,424,340.31	4.4543%	28	365	346,566.69
March 2006	101,770,907.00	4.3770%	31	365	378,328.47
April 2006	102,149,235.47	4.5526%	30	365	382,228.45
May 2006	102,531,463.92	4.6378%	31	365	403,866.66
June 2006	102,935,330.58	4.8013%	30	365	406,211.02
July 2006	103,341,541.60	4.9615%	31	365	435,468.52
August 2006	103,777,010.11	5.0202%	31	365	442,477.31
September 2006	104,219,487.42	5.0989%	30	365	436,771.02
October 2006	104,656,258.44	5.0423%	31	365	448,190.57
November 2006	105,104,449.01	5.1630%	30	365	446,017.21
December 2006	105,550,466.22	5.1279%	31	365	459,693.68
January 2007	106,010,159.90	5.1560%	31	365	464,225.75
February 2007	106,474,385.65	5.3508%	28	365	437,047.89
March 2007	106,911,433.54	5.1622%	31	365	468,735.46
April 2007	107,380,169.00	5.2452%	30	365	462,929.15
May 2007	107,843,098.15	5.1578%	31	365	472,417.18
June 2007	108,315,515.33	5.2323%	30	365	465,813.10
July 2007	108,781,328.43	5.1575%	31	365	476,499.47
August 2007	109,257,827.90	5.1863%	31	365	481,259.18
September 2007	109,739,087.08	5.2974%	30	365	477,806.99
October 2007	110,216,894.07	5.1597%	31	365	482,993.68
November 2007	110,699,887.75	5.0624%	30	365	460,608.59
December 2007	111,160,496.34	4.8656%	31	365	459,362.68
January 2008	111,619,859.02	4.7045%	31	365	445,988.61
February 2008	112,065,847.63	4.6296%	29	365	412,213.19
March 2008	112,478,060.82	4.2184%	31	365	402,980.85
April 2008	112,881,041.67	4.6153%	30	365	428,202.63
May 2008	113,309,244.30	3.2147%	31	365	309,367.45
June 2008	113,618,611.76	3.1245%	30	365	291,781.93
July 2008	113,910,393.69	3.2197%	31	365	311,492.50
August 2008	114,221,886.19	3.6129%	31	365	350,488.76
September 2008	114,572,374.95	2.9316%	30	365	276,066.06
October 2008	114,848,441.01	2.1843%	31	365	213,062.11
Total Earnings					15,061,503.12

On June 27, 2005, Water Banking Authority received monies in the amount of \$26,000,000.00.
(See Doc. # D05W0810). On October 19, 2005, they received \$74,000,000.00 (See Doc. #D06W0214).

DRAFT 12/8/08

ARIZONA WATER BANKING AUTHORITY

ANNUAL PLAN OF OPERATION

2009



Herbert R. Guenther, Chairman

December 2008

The Arizona Water Banking Authority

Summary

The Arizona Water Banking Authority (AWBA; Water Bank) was created in 1996 to store the unused portion of Arizona's annual allocation of the Colorado River. Until the AWBA was created, Arizona had not used its full 2.8 million acre-foot share of Colorado River water. Leaving a portion of Arizona's water in the Colorado River was a lost opportunity; the AWBA has seized this opportunity to further secure dependable water supplies necessary to ensure the state's long-term prosperity.

The Water Bank stores unused Arizona Colorado River water to meet future needs for:

- Firming (to secure) adequate water supply to municipal and industrial users in the Central Arizona Project service area and along the Colorado River in times of shortages;
- Meeting the management plan objectives of the Arizona Groundwater Code;
- Meeting the State's obligation pursuant to Indian Water Rights Settlements;
- Assisting the Colorado River fourth priority municipal and industrial users in developing credits that could be used to increase their future supplies for firming; and
- Assisting Nevada and California through interstate water banking.

Each year, the AWBA pays the delivery and storage costs to bring Colorado River water into Central and Southern Arizona through the Central Arizona Project canal. The water is stored underground in existing aquifers (direct recharge) or is used by irrigation districts in lieu of pumping groundwater (indirect or in lieu recharge). For each acre-foot stored, the AWBA accrues credit that can be redeemed in the future when Arizona's communities, Indian Tribes or neighboring states need this backup water supply.

The money that funds the AWBA and, specifically, water storage for the benefit of Arizona (intrastate storage) comes from three sources that are either from existing revenue sources or from fees charged to those benefiting directly from the stored water. Restrictions on the ways these monies can be used depend on the source of the monies, which currently include:

- Fees for groundwater pumping currently collected within the Phoenix, Pinal and Tucson Active Management Areas (AMA). These monies can only be used to benefit the AMA in which the fees are collected. Included as a benefit to the AMA are both municipal and industrial firming and Indian firming.
- A four cent *ad valorem* property tax collected in the three county CAP service area. These monies can only be used to benefit the county in which the tax is levied.
- A general fund appropriation received at the discretion of the Legislature.

Another source of funding is used for water storage to aid Nevada (interstate storage) and is received pursuant to an Agreement for Interstate Water Banking.

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In 2009, the Water Bank will store approximately 118,500 acre-feet for intrastate storage at a cost of nearly \$7 million. Presently, there is no interstate storage planned for 2009, given the reduced water available to the AWBA.

The Water Bank had received a general fund appropriation of \$13.5 million from the Legislature in 2006 to be used specifically for Indian firming. The State's budget shortfall for fiscal year 2009 resulted in a legislative transfer of \$12.4 million from the AWBA Fund.

To date, the AWBA has delivered for storage approximately 3.4 million acre-feet at a cost of \$228 million; 2.9 million acre-feet for intrastate storage at a cost of \$132 million and 522,000 acre-feet for interstate storage at a cost of \$95.7 million.

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) meet the State's obligations in the settlement of 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 makes the Plan available on its web page and accepts public comment in writing up to the time the final draft Plan is presented for approval.

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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.

2008 PLAN OF OPERATION

In 2008, the AWBA's twelfth full year of operation, the AWBA recharged approximately 251,800 acre-feet of Colorado River water and Arizona's total use of Colorado River water is forecast to be 2.77 million acre-feet (MAF) by the Bureau of Reclamation data dated November 18, 2008 (see Figure 1).

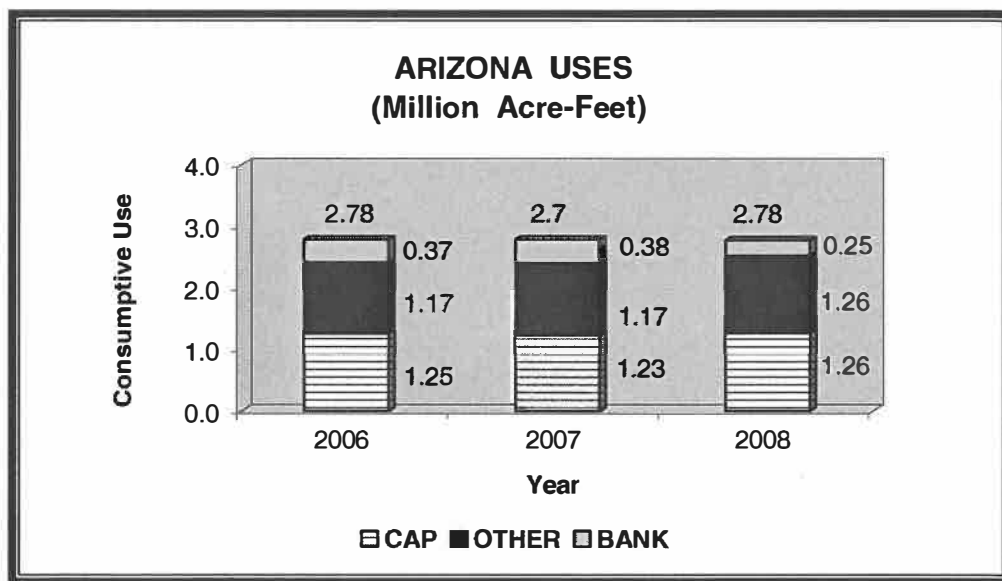


Figure 1. Recent Comparison of Colorado River Water Uses by Arizona

The Bureau of Reclamation forecasts total use of Colorado River water in the Lower Basin to be 7.57 MAF in 2008 (see Figure 2).

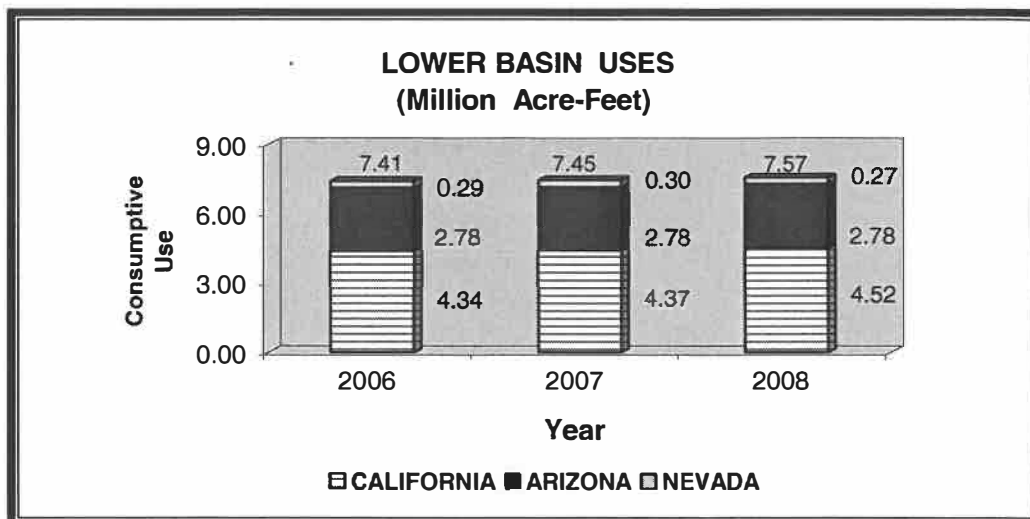


Figure 2. Recent Comparison of Lower Basin Uses of Colorado River Water

The AWBA recharged water at both USFs and GSFs in 2008. Table 1 lists the AWBA's recharge partners for 2008, 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 2008. Table 1 values are based on actual deliveries through October with November and December 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% for losses and 5% for a "cut to the aquifer" from the total annual deliveries. Final figures for credits earned 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. Recharge Partners and Water Deliveries for 2008

AMA	Facility	Type	Permit Capacity (acre-feet)	Delivered (acre-feet)		
				Intrastate	Interstate	
PHOENIX AMA	Agua Fria	USF	100,000	2,312	0	
	Hieroglyphic Mountains	USF	35,000	2,263	0	
	Tonopah Desert	USF	150,000	37,995	0	
	Chandler Heights Citrus	GSF	3,000	0	0	
	Queen Creek ID	GSF	28,000	10,500	0	
	Gila River Indian IDD	GSF	37,520	31,326	0	
	<i>Intrastate/Interstate AMA Subtotal</i>				<i>84,396</i>	<i>0</i>
<i>Phoenix AMA Subtotal</i>						
PINAL AMA	Central Arizona IDD	GSF	110,000	57,000	3,200	
	Hohokam IDD	GSF	55,000	21,250	0	
	Maricopa-Stanfield IDD	GSF	120,000	44,800	3,200	
	Gila River Indian IDD	GSF	18,480	5,000	0	
	<i>Intrastate/Interstate AMA Subtotal</i>				<i>128,050</i>	<i>6,400</i>
	<i>Pinal AMA Subtotal</i>				<i>134,450</i>	
TUCSON AMA	Avra Valley	USF	11,000	5,626	0	
	CAVSARP	USF	80,000	5,675	0	
	Lower Santa Cruz	USF	50,000	21,615	0	
	<i>Intrastate/Interstate AMA Subtotal</i>				<i>32,916</i>	<i>0</i>
	<i>Tucson AMA Subtotal</i>				<i>32,916</i>	
TOTAL INTRASTATE & INTERSTATE DELIVERIES				245,362	6,400	
TOTAL DELIVERIES				251,762		

The initial Plan of Operation (Plan) for 2008 proposed to deliver approximately 188,300 acre-feet of water and did not include deliveries for interstate storage. Heavy precipitation during the winter months resulted in some CAP customers turning back previously ordered water to be remarketed. The Plan was amended in the spring of 2008 to include an additional 77,500 acre-feet of water for an estimated total of 265,800 acre-feet. Of this amount, 6,400 acre-feet was remarketed full cost municipal & industrial (M&I) subcontract water, which the AWBA purchased for interstate deliveries to the Pinal AMA. By the end of the year, the AWBA delivered an estimated 251,800 acre-feet of water: 245,400 acre-feet for intrastate banking and 6,400 acre-feet for interstate banking. The reduction in deliveries from the Amended Plan was due to unexpected increased on-river uses and a step-aside by the AWBA to allow additional M&I subcontract deliveries. Figure 3 shows the acre-foot breakdown between GSFs and USFs for 2008 and a comparison between 2008 and previous years.

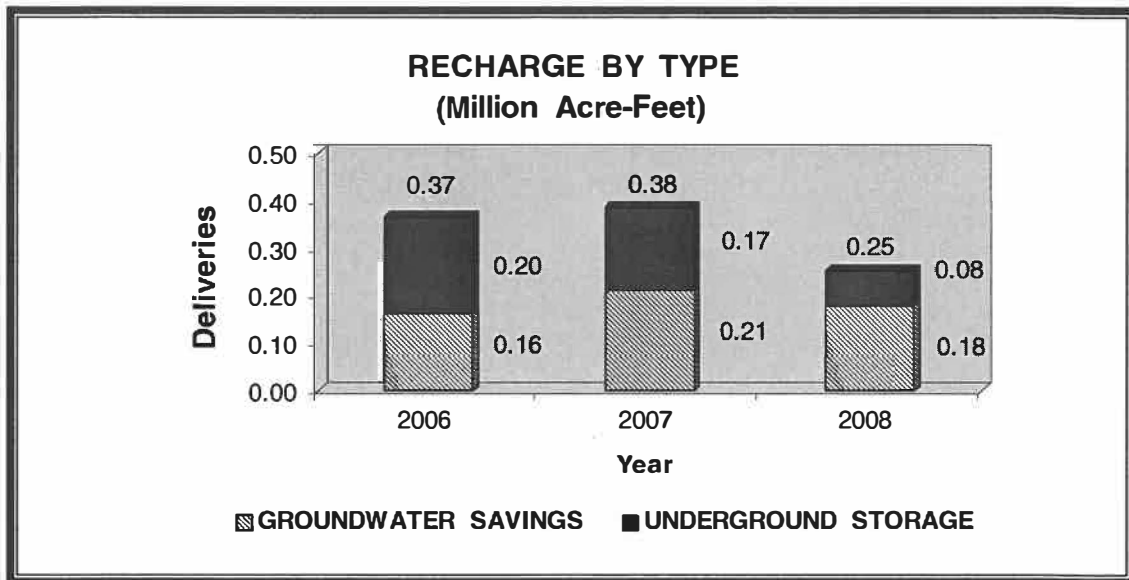


Figure 3. Recent Comparison of Annual Deliveries to GSFs and USFs

2009 PLAN OF OPERATION

For 2009, the AWBA will store approximately 118,500 acre-feet of intrastate water. Water storage will be occurring in facilities in all three counties. The AWBA is not planning any interstate storage in 2009.

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. In addition to these critical factors, the AWBA takes into consideration recommendations made by the Groundwater Users Advisory Councils (GUAC) of the three AMAs regarding water management objectives and priorities for storage.

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 distributed the Draft Annual Operating Plan (AOP) for water year 2009 to the states in October of 2008. The AOP stated that the Intentionally Created Surplus (ICS) Surplus Condition is the criterion that will govern the release of water for the states in the Lower Basin during calendar year 2009. Because Arizona is not expecting to create ICS in 2009, the State will operate under normal conditions, which allows 2.8 MAF of water available for use within Arizona. Arizona's on-river use is forecast to be 1.2 MAF, leaving approximately 1.6 MAF available for diversion by CAP. Pursuant to a letter agreement between the Metropolitan Water District of Southern California (Metropolitan), CAWCD, and the AWBA, Metropolitan has requested the recovery of 30,000 acre-feet of credits in 2009 which, when exchanged for CAP water, will create Intentionally Created Unused Apportionment (ICUA) available to California from Arizona's apportionment.

With respect to availability of CAP water, the AWBA purchases water from the category that is termed excess water. Excess water is all water available for delivery through the CAP in excess of the quantities scheduled under long-term contracts and subcontracts. The availability of excess water is determined on an annual basis. The AWBA may order any excess water not requested by another entity within the CAP service area. The AWBA shares an equal priority for water for municipal and industrial (M&I) firming with the Central Arizona Groundwater Replenishment District for replenishment reserve purposes.

The amount of CAP water available to the AWBA was again the significant limiting factor in developing the Plan. Preliminary excess water orders by CAP customers, including requests from AWBA partners, initially exceeded CAP's projected supply of 1.525 MAF by 234,000 acre-feet. This increase in water orders was due to both new customers and an increase in historic water orders by some existing CAP customers. These increased orders left no water available to the AWBA.

The CAWCD Board, in anticipation of increased excess water orders, had directed its staff to develop a comprehensive strategy for distributing excess CAP water among competing demands. In order to process water orders in a timely manner, the Board approved a temporary procedure for distribution of excess water in 2009. In coming months, CAWCD staff will begin stakeholder participation for development of a long-term policy for distribution of excess water beginning in 2010.

For 2009, the CAWCD Board approved reserving two pools of water to ensure that recovery goals, agricultural incentive pricing goals, and Indian firming goals could be accomplished. The first pool was for 81,900 acre-feet for use at groundwater savings facilities (GSFs) participating in the agricultural incentive program. The second pool was for 45,000 acre-feet for use in assisting the State of Arizona in meeting its obligations under the Arizona Water Settlements Act. The remaining excess water was distributed based on a customer's maximum incentive recharge water order from the last three years. Customers that did not have a history of incentive recharge water use were eligible to receive a *de minimus* volume of up to 2,500 acre-feet. Any remaining water was distributed in proportion to the amount the order had been reduced.

The AWBA meets the requirements for participating in the two pools established by CAWCD. As a result, the total amount of water available for the AWBA in 2009 is approximately 118,500 acre-feet. Because of the limited availability of supplies and the criteria for requesting water under the two pools, the 2009 Plan focuses only on working toward meeting AWBA's intrastate goals and does not include delivery and storage for interstate water banking.

Given the AWBA's current position of "last-in-line" to receive water and the expectation that increased demand in excess CAP water will leave little to no water available for the AWBA, adjustments in the Water Bank's operations are needed to allow progress toward meeting the State's statutory and contractual obligations. AWBA operational adjustments will be sought through legislative changes in § 45-2427. [Pending Authority Commission approval at AWBA meeting on 12/10/08].

II. CAP System Capacity

Under normal operating conditions, CAP can divert approximately 1.6 million acre-feet. Although the CAP is capable of 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. The CAP 2009 Operating Plan has planned maintenance for the Salt River siphon the first three weeks in November of 2009. While this factor imposes some temporal limitation on deliveries, it was not a limiting factor in developing this Plan.

III. Available Funds

The AWBA will have withdrawal fees collected in 2009, including carryover from 2008, available for use in this Plan for intrastate storage. Total withdrawal fees are estimated at \$5 million; of that amount, \$2.4 million is available for the Phoenix AMA, and approximately \$1.8 million and \$790,000 are available for the Pinal and Tucson AMAs, respectively. In addition to the withdrawal fees, AWBA Fund has a carryover balance of approximately \$213,000, including interest, available in 2009 for Indian settlements.

As in previous years, the CAWCD Board resolved to continue to retain the county *ad valorem* property taxes collected and not transfer those revenues to the AWBA Fund. Property tax revenues retained by CAWCD can be used to offset the cost of AWBA water deliveries in the tri-county CAWCD service area. The estimated *ad valorem* tax balances available for 2009, including carryover, are: Maricopa County (\$90 million), Pinal County (\$2.49 million), and Pima County (\$9.97 million).

Funding was not a limiting factor in developing the 2009 Plan. However, because of the amount of funds collected in the Pinal and Tucson AMAs, funding availability is expected to be a consideration in these areas in the future.

IV. Available Storage Facility Capacity

AWBA staff conferred with facility operators to discuss their delivery schedules and their continued interest in participating with the AWBA. These discussions confirmed that there was significant interest in partnering with the AWBA and there is substantial permitted recharge capacity.

For 2009, several partners that had previously stored water for the AWBA opted again not to provide storage capacity to the AWBA because other partners wanted to utilize their facilities. However, if additional supplies become available, the AWBA still has sufficient capacity to meet its anticipated needs.

The Water Delivery Schedule (Table 2) identifies the AWBA's partners for 2009 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. The capacity available as shown does not always equate to the storage permit capacity because the storage facility operators may have agreements with other storage partners.

Table 2
Water Delivery Schedule
Calendar Year 2009
 (Acre-feet)

AWBA-Recharge Sites		Permitted Capacity (AF)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
PHOENIX AMA:															
USF	West Maricopa Combine	25,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	HIEROGLYPHIC	35,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	AGUA FRIA	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	TONOPAHA DESERT	150,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	TONOPAHA Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
															0
CSF	SRP	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	CHANDLER HGTS ID	3,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	NEW MAGMA	54,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	QUEEN CREEK	28,000	0	0	0	0	0	0	0	1,343	2,285	2,285	1,142	1,142	8,197
	TONOPAHA ID	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	GILA RIVER INDIAN IDD	37,520	0	0	0	0	1,402	5,711	10,475	8,365	5,373	0	0	0	31,326
															39,523
TOTAL INTRASTATE			0	0	0	0	1,402	5,711	10,475	9,708	7,658	2,285	1,142	1,142	39,523
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	0	0	0	0	0
AMA TOTAL			0	0	0	0	1,402	5,711	10,475	9,708	7,658	2,285	1,142	1,142	39,523
PINAL AMA:															
CSF	CAIDD	110,000	0	0	0	1,500	2,000	5,500	5,500	5,500	5,500	4,750	1,750	500	32,500
	CAIDD Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
	HOHOKAM	55,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	HOHOKAM Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
	MSIDD	120,000	930	1,030	2,070	2,590	3,110	3,120	3,110	3,110	4,050	5,570	3,090	720	32,500
	MSIDD Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
GILA RIVER INDIAN IDD	18,480	0	0	0	0	5,000	0	0	0	0	0	0	0	5,000	
															70,000
TOTAL INTRASTATE			930	1,030	2,070	4,090	10,110	8,620	8,610	8,610	9,550	10,320	4,840	1,220	70,000
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	0	0	0	0	0
AMA TOTAL			930	1,030	2,070	4,090	10,110	8,620	8,610	8,610	9,550	10,320	4,840	1,220	70,000
TUCSON AMA:															
USF	AVRA VALLEY	11,000	500	500	500	500	500	500	0	0	0	0	0	0	3,000
	PIMA MINE RD	30,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	PMR Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
	LOWER SANTA CRUZ	50,000	2,000	2,000	2,000	0	0	0	0	0	0	0	0	0	6,000
	LSC Interstate		0	0	0	0	0	0	0	0	0	0	0	0	0
	CAVSARP	80,000	0	0	0	0	0	0	0	0	0	0	0	0	0
SAVSARP	60,000	0	0	0	0	0	0	0	0	0	0	0	0	0	
															9,000
CSF	BKW	16,615	0	0	0	0	0	0	0	0	0	0	0	0	0
	KAI FARMS (Red Rock)	11,231	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL INTRASTATE			2,500	2,500	2,500	500	500	500	0	0	0	0	0	0	9,000
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	0	0	0	0	0
AMA TOTAL			2,500	2,500	2,500	500	500	500	0	0	0	0	0	0	9,000
Outside AMA:															
	HARQUAHALA VALLEY ID	50,000	0	0	0	0	0	0	0	0	0	0	0	0	0
OUTSIDE TOTAL															0
TOTAL INTRASTATE			3,430	3,530	4,570	4,590	12,012	14,831	19,085	18,318	17,208	12,605	5,982	2,362	118,523
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL			3,430	3,530	4,570	4,590	12,012	14,831	19,085	18,318	17,208	12,605	5,982	2,362	118,523

NEW FACILITIES

There are no new facilities for 2009; however a permit modification for the Tucson Water Central Avra Valley Storage and Recovery Project (CAVSARP) that will increase storage capacity to 100,000 acre-feet per year is currently pending with ADWR. This permit modification will provide an additional 20,000 acre-feet of storage capacity in the Tucson AMA. In addition, the Southern Avra Valley Storage and Recovery Project (SAVSARP), which began operations in 2008, provided an additional 60,000 acre-feet of storage capacity. The two facilities, also known as the Clearwater Project, could provide approximately 32,000 acre-feet of storage capacity to the AWBA in 2009 if additional water supplies become available.

INDIAN SETTLEMENTS

For the second year, the Plan incorporates storage to meet the State's obligations under the Arizona Water Settlements Act (Settlements Act). As noted earlier, CAWCD created a pool of 45,000 acre-feet to assist the State in meeting its Indian firming obligations. The 2009 Plan utilizes all available water in this pool to meet the Settlements Act obligations described below.

Indian Firming

The Settlements Act recognizes three categories where the State has firming responsibilities. The first two obligations pertain to firming of water for the Gila River Indian Community (GRIC) and other Arizona tribes in times of shortage for a 100-year period; the third obligation pertains to providing assistance to the Secretary of the Interior (Secretary) in carrying out obligations of the Southern Arizona Water Rights Settlement Act.

1. GRIC - The AWBA must ensure that up to 15,000 acre-feet per year of CAP NIA priority water be made available to the GRIC. The 2009 Plan includes 31,326 acre-feet of water storage deliveries for this purpose.
2. Other Tribes - The AWBA is also required to firm up to 8,724 acre-feet per year of CAP NIA priority water for future Indian Settlements. Settlements for other Indian Tribes have not been enacted at this time, thus the 2009 Plan does not include a component for this obligation.
3. Federal Assistance - The State is required to contribute \$3 million in cash or in-kind services to assist the Secretary in meeting the Federal obligation to the Tohono O'odham Nation. The Secretary and the AWBA agreed to develop long-term storage credits, which will later be transferred to the Federal government. The 2009 Plan identifies 9,000 acre-feet of deliveries in the Tucson AMA toward meeting this obligation.

GRIC Water Settlement Program

In addition to the firming requirements of the Settlements Act, the AWBA, acting as agent for the State, is required to enter into an inter-governmental agreement (IGA) with

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GRIC for direct delivery of 15,000 acre-feet of water for the purpose of establishing the Southside Replenishment Bank. A minimum of 1,000 acre-feet per year is to be delivered to the GRIC to establish this Bank. The Southside Replenishment Bank will fulfill the obligations created under the Settlements Act for protection of the Reservation from off-reservation groundwater pumping. The 2009 Plan includes 5,000 acre-feet of direct deliveries to the GRIC for this purpose anticipating the execution of the IGA.

INTERSTATE WATER BANKING

The 2009 Plan does not include an interstate water banking component for the State of Nevada. Because of the reduced water supplies available to the Water Bank in 2009, it is important to complete intrastate water banking with the funds available to the AWBA before interstate water is offered. However, if excess water becomes available later in the year after all storage for intrastate purposes has been maximized, the AWBA could store for interstate banking to ensure that Arizona's full entitlement is diverted from the Colorado River.

RECOVERY

The Metropolitan Water District of Southern California (Metropolitan) has requested from CAWCD the recovery of 30,000 acre-feet of long-term storage credits for 2009, leaving a balance of approximately 9,000 acre-feet of credits for future recovery. Metropolitan had indicated that if the opportunity arose, it could amend its current schedule to include additional recovery in 2009. Pursuant to the letter agreement between Metropolitan, CAWCD, and the AWBA, these credits will be recovered or exchanged and ICUA created. Table 3 identifies the planned recovery schedule for 2009.

Following Board approval of a conceptual recovery plan last year, CAWCD staff began developing detailed plans to recover stored water. CAWCD staff has continued this stakeholder process focusing on the technical details of recovery and outlining the framework for recovery agreements, with a goal of completing the planning process by the end of 2009. The recovery plan will assist the AWBA in determining appropriate locations for water storage.

Table 3. 2009 CAWCD Recovery Schedule

Entity	Annual Amount (Acre-feet)
Maricopa-Stanfield Irrigation & Drainage District	13,000
Central Arizona Irrigation & Drainage District	11,000
Hohokam Irrigation & Drainage District	5,000
Central Arizona Groundwater Replenishment District (credit exchange)	1,000
TOTAL	30,000

PRICING

In June 2008, the CAWCD board adopted final water delivery rates for calendar years 2009/2010. The 2009 rate for AWBA and other M&I Incentive recharge is \$82 per acre-foot. The delivery rate equals pumping energy rate 2 (\$70 per acre-foot), plus a \$5 per acre-foot energy rate 2 catch-up component, plus 10 percent of the fixed OM&R charge (\$6.30 per acre-foot). For 2009, pumping energy rate 2 was calculated using the average of the actual or forecast above threshold energy rates for the previous three years.

In 2009, the AWBA increased the cost share for the GSF partners by \$1 to \$32 per acre-foot. Table 4 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.

The Amended Master Water Storage Agreement executed on September 19, 2006 describes the cost components that can be paid by the AWBA for storage at CAP facilities. On October 2, 2003, the CAWCD adopted a new policy regarding storage facility rates. Pursuant to the policy, the AWBA will pay an OM&R component for all water stored; that component is calculated by CAWCD annually for each AMA based on a rolling ten-year average. Additionally, for water stored for other than M&I firming purposes, the AWBA will pay a capital charge component. The capital charge is based on the total projected costs and projected storage of water over the lives of the facilities in the AMA and will not change annually unless there are significant changes in CAWCD's costs for recharge facilities in that AMA. There is no administration cost component in the facility cost because the AWBA pays the CAP administrative costs on an annual basis.

The rate established for interstate banking is \$233 per acre-foot, plus facility costs and facility capital costs.

The estimated total cost of the AWBA's 2009 Plan of Operation is just under \$7 million and includes the USF use fees and the CAP delivery rate minus the cost recovery from the GSF operator by the CAWCD.

Table 4. 2009 Water and Facility Rates

CAWCD delivery rate to AWBA	\$82 per acre-foot
Interstate rate	\$233 per acre-foot
Groundwater Savings Facility operator portion of delivery rate ¹	
Intrastate ²	\$32 per acre-foot
Interstate	\$26 per acre-foot
Underground Storage Facility rate paid by AWBA	
Agua Fria Recharge Project (CAWCD) ³	\$8.00 per acre-foot
Hieroglyphic Mtns. (CAWCD) ³	\$8.00 per acre-foot
Tonopah Desert Recharge Project (CAWCD) ³	\$8.00 per acre-foot
West Maricopa Combine	\$27.00 per acre-foot
Avra Valley (CAWCD) ⁴	\$15.00 per acre-foot
Lower Santa Cruz (CAWCD/Pima County) ⁴	\$15.00 per acre-foot
Pima Mine Road (CAWCD) ⁴	\$15.00 per acre-foot
CAVSARP (Tucson Water)	TBD
SAVSARP (Tucson Water)	TBD

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 \$50/af for intrastate deliveries and \$207/af for interstate deliveries.

² The cost share portion for the Gila River Indian Irrigation District GSF is \$20/af through 2009 and reduces the AWBA rate to \$62/af for CY 2009.

³ Additional capital charge of \$15 per acre-foot for interstate storage.

⁴ Additional capital charge of \$9 per acre-foot for interstate storage.

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 5 provides estimates of the funds available to be utilized by the AWBA, including any funds carried over from previous years and an estimate of funds to be collected during the year, the funds to be utilized and the entity that holds the funds, and the credits that will accrue to those accounts based on the 2009 Plan.

Table 5. Funding for 2009 Annual Plan of Operation

	Funds Available (\$)		Funds Utilized (\$)		Credits (AF)
	AWBA	CAWCD	AWBA	CAWCD	
Withdrawal Fees					
Phoenix AMA	\$2,390,000	-	\$2,352,000	-	36,360
Pinal AMA ¹	\$1,775,000	-	\$1,775,000	-	25,110
Tucson AMA	\$790,000	-	\$741,000	-	6,430
Four Cent Tax					
Phoenix AMA	\$0	\$90,143,000	\$0	\$0	0
Pinal AMA	\$0	\$2,489,000	\$0	\$1,885,000	34,690
Tucson AMA ²	\$0	\$9,973,000	\$0	\$0	0
Other					
General	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
Indian Firming	\$213,000				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$213,000	-	1,850
Gifts, Grants, Donations					
Shortage Reparations ³					
(NV):	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
Interstate Banking					
Nevada ⁴	\$14,338,000		\$0		0
California	(not applicable)				
	Total Funds Available		Total Funds Expended		Credits
	\$122,111,000		\$6,966,000		104,440

¹ Includes expenditures for 5,000 acre-feet of direct deliveries for establishing the Southside Replenishment Bank under the Gila River Indian Water Settlement Program.

² Includes CAWCD's capital charge recovery for costs of construction of state demonstration projects when facilities are used for interstate purposes and by entities that do not pay the 4¢ *ad valorem* tax. Revenue through 2008 is estimated to be \$1,368,863.

³ Southern Nevada Water Authority (SNWA) agreed to provide \$8M to the AWBA to assist Arizona in offsetting impacts from shortages pursuant to Arizona-Nevada Shortage-Sharing Agreement. Approximately \$2.3M of these funds were expended in 2008.

⁴ Balance available in the Interstate Resource Account.

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The 2009 Plan was developed expending all available withdrawal fees in the three AMAs before utilizing funds held by CAWCD. In addition, the remaining \$213,000 will be expended from the Indian Firming fund to meet a portion the AWBA's obligation under the Settlements Act.

Table 6 provides an estimate of the AWBA funds expended and the credits that have accrued to the various accounts based on the AWBA's recharge activities since inception.

Table 6. Cumulative Totals of Long-term Storage Credits 1997-2008

FUNDING SOURCE	FUNDS EXPENDED	AMOUNT (AF)	CREDITS ¹ LOCATION
Withdrawal Fee			
Phoenix AMA	\$14,331,423	258,820	Phoenix AMA
Pinal AMA	\$11,960,487	369,308	Pinal AMA
Tucson AMA	\$6,164,464	84,922	Tucson AMA
Four Cent Tax			
Maricopa County	\$59,155,884	1,112,602	Phoenix AMA
Pinal County	\$4,110,725	126,221	Pinal AMA
Pima County	\$19,071,280	249,089	Tucson AMA
Other			
General ²	\$11,100,865	403,830	
	\$1,522,115	42,316	Phoenix AMA
	\$6,394,964	306,968	Pinal AMA
	\$3,183,786	54,546	Tucson AMA
Indian Firming	\$2,043,075	25,607	
	\$0	0	Phoenix AMA
	\$0	0	Pinal AMA
	\$2,043,075	25,607	Tucson AMA
Shortage Reparations	\$2,306,000	84,323	
	\$1,097,420	20,268	Phoenix AMA
	\$1,208,580	64,054	Pinal AMA
	\$0	0	Tucson AMA
Interstate			
California	(not applicable)		
Nevada ³	\$95,715,818	533,536	
TOTAL	\$225,960,021	3,248,257	

¹ Actual credits used for 1997-2007; credits estimated for 2008.

² 230,280 AF of credits reserved pursuant to contract dated February 2, 2005 with Mohave County Water Authority.

³ Includes 50,000 acre-feet of credits transferred from CAWCD pursuant to Amended Agreement for Interstate Water Banking.

PUBLIC REVIEW AND COMMENT

The AWBA staff held meetings with the GUACs for the Phoenix, Pinal and Tucson AMAs as required by statute. The Plan was distributed to the public and was posted on the AWBA web page for public review and comment.

Phoenix GUAC

In general, the GUAC supported the Plan as presented. There were questions concerning the *ad valorem* tax expenditures, recovery obligations for Metropolitan Water District of Southern California, and shortage-sharing funding. GUAC members voiced their support for the AWBA in proposing legislative changes that would improve the availability of excess CAP water to the Water Bank and emphasized the importance of the Water Bank's storage activities on behalf of the State of Arizona.

Pinal GUAC

The GUAC supported the Plan as presented and raised questions concerning the legislative transfers from the AWBA fund and the priority of the numerous AWBA obligations/goals. Members expressed deep concerns about the future of the AWBA in terms of its ability to obtain sufficient supplies of excess CAP supplies for storage within the Pinal AMA. The Pinal GUAC fully supports efforts to ensure that the AWBA continues to function as intended and meet its obligations within the AMAs. The GUAC is equally supportive of efforts to enact new state legislation in 2009 to ensure that the AWBA can meet its Indian Settlement obligations, especially as they relate to the Southside Protection Zones with the Pinal AMA.

Tucson GUAC

While expressing appreciation of the accomplishments of the Water Bank to date, GUAC members identified the compilation of problems associated with the oversubscription of water, the AWBA's "last-in-line" priority, and the slow progress in meeting Tucson's M&I firming goals. There were questions concerning recovery of water from GSFs in the Pinal AMA and the proposed distribution of excess CAP water in 2009. The GUAC supports the AWBA, ADWR, and CAWCD in proposing and implementing a legislative change to improve the availability of excess CAP water to the AWBA. Additionally, the GUAC extended an offer to continue to work with the AWBA in improving progress and achieving the M&I firming goal for Tucson and to work with CAWCD staff as they develop policy recommendations regarding AWBA's access to excess CAP supplies.