

ARIZONA WATER BANKING AUTHORITY
Wednesday, March 17, 2010

	Name (Please print)	Affiliation	Phone No.
1	Tom Griffin	MWCD	428-754-3137
2	CLIFF NEAL	CAP	623-869-2672
3	Bob Szykora	AZ State Parks	602-542-7157
4	Dee Korick	Tucson Water	520-837-2238
5	Wadey Wilson	Tucson Water	520-837-2239
6	Michael Block	Metro Water	520-575-8100
7	Jennifer Crandell	CRCN	702-486-2473
8	Jocelyn Gibbon	Squire Squires	602-528-4098
9	Steve Olson	Amwua	602-248-8482
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ARIZONA WATER BANKING AUTHORITY
Wednesday, March 17, 2010

	Name (Please print)	Affiliation	Phone No.
1	V. C. DAVIS	AMWA	602-248-2422
2	Mark Meyer	Montgomery + Assoc.	520-881-4912
3	Greg Bushner	Vidler Water Co	775-885-5200 ext. 104
4	Brim Hennin	CAP	623-869-2567
5	DEE KUERST	CAP	623-869-2807
6	Tom Maher	SNWA	702-862-3702
7	JEFF ELLERS	SRP	602-234-5555
8	Tom Carr		480-200-8781
9	Mitch Hawes	Reclamation	623-773-6274
10	Tom McCann	CAP	623-869-2343
11	PAUL Drake	MUSD/CAP	623-465-0445
12	Pennis Ruk	CAP	520-349-6252
13	Cedric Mame	MWD	480-644-4364
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Arizona Water Banking Authority
3550 N. Central Avenue, Phoenix, Arizona 85012
Telephone 602-771-8487
Fax 602-771-8685
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 March 17, 2010 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 15th day of March, 2010

FINAL AGENDA

Arizona Water Banking Authority Commission Meeting

- I. Welcome/Opening Remarks
- II. Approval of Minutes of December 16, 2009
- III. Water Banking Staff Activities
 - Deliveries
 - Meetings
 - Update on AWBA legislative activities
 - AWBA legislative amendment
 - Legislative transfer
 - ADWR and other legislative activities
 - On-going Indian settlement negotiations
 - Update on CAWCD v. Brewer
- IV. On-River Firming
 - Discussion and potential approval of Resolution 2010-1 of the Arizona Water Banking Authority that identifies the process by which other fourth priority on-river entities outside Mohave County Water Authority can participate in on-river firming
 - Discussion and potential approval of Amended Agreement to Firm Future Supplies between the Mohave County Water Authority and the Arizona Water Banking Authority

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Arizona Water Banking Authority meeting

V. Interstate Water Banking

- Overview of interstate accounting and firming obligation
- Discussion and potential approval of the Recovery Agreement among AWBA, CAWCD, SNWA, and CRCN
- Discussion of acquisition of additional water supplies

VI. Call to the Public

Future Meeting Dates:

Wednesday, June 16, 2010

Wednesday, September 15, 2010

Wednesday, December 8, 2010

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**

**December 16, 2009
Arizona Department of Water Resources**



AUTHORITY MEMBERS
Herbert R. Guenther, Chairman
Maureen R. George, Vice-Chairman
Tom Buschatzke, Secretary
John Mawhinney
Lisa A. Atkins

EX OFFICIO MEMBERS
The Honorable Steve Pierce
The Honorable Kirk Adams

Welcome/Opening Remarks

Chairman Herb Guenther welcomed the attendees. All members of the Authority were present except for *ex-officio* members, Senator Steve Pierce and Representative Kirk Adams.

Approval of Minutes

The Authority approved the minutes of the September 16, 2009, November 12, 2009, and November 23, 2009 meetings.

Staff Activities

Virginia O'Connell briefed the Commission on AWBA water deliveries for calendar year 2009. She noted that the delivery schedule had been revised based on the Amended Plan of Operation approved on November 12th. The Amended Plan includes 40,000 acre-feet of intentionally created unused apportionment (ICUA) from Nevada delivered for interstate storage. Delivery of this water began in November. Total deliveries for 2009 are estimated at 182,000 acre-feet: 109,000 acre-feet for intrastate and 73,000 acre-feet for interstate.

Ms. O'Connell reviewed the recovery schedule for developing ICUA for the Metropolitan Water District of Southern California (Metropolitan). The Central Arizona Water Conservation District (CAWCD) reduced its scheduled recovery from 30,000 acre-feet to 27,500 acre-feet at Metropolitan's request. Metropolitan requested less ICUA because of an unexpected change in its water supply portfolio. This leaves approximately 8,200 acre-feet of remaining long-term storage credits (credits) that will be recovered and ICUA developed in 2010.

Kim Mitchell provided an update on staff meetings. She noted that Aaron Galeener, the new budget analyst from the Joint Legislative Budget Committee (JLBC) and Thomas McNamara, budget analyst from the Office of Strategic Planning and Budget (OSP), recently visited the Department of Water Resources (ADWR) to familiarize themselves with ADWR activities. Ms. Mitchell had given a 30 minute presentation on AWBA operations, funding, and obligations, emphasizing that the AWBA is a separate agency from ADWR. ADWR staff also provided a tour of the Phoenix Active Management Area (AMA) of various points of interests.

Ms. Mitchell also briefed the Commission on the status of the AWBA's proposed legislative amendment. The amendment clarifies the AWBA's ability to participate in

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.

excess water pools created by CAWCD for AWBA purposes. Senator Steve Pierce is sponsoring the bill and is currently seeking co-sponsors. Staff anticipates the bill will be introduced in the next regular session. The proposed amendment and updated fact sheet reflecting CAWCD's current policy are posted on the AWBA's website.

Gregg Houtz provided an update on Indian settlements. Senate Bill S. 313, the White Mountain Apache Tribe (WMAT) Water Rights Quantification Act, introduced by Senator Jon Kyl, has been reported out of Committee. A similar House version, introduced by Representative Ann Kirkpatrick, has also been reported out of Committee. A House floor vote on the bill is expected this month. A two-thirds vote is required to pass. The settlement will require an equal firming obligation between the Federal government and the AWBA. The enforceability date has been pushed back to 2020 for scoring purposes. Funds from the Arizona Water Settlements Act have been authorized to be utilized for the WMAT project. Negotiations on the Navajo Nation/Hopi Tribe settlement remain ongoing.

Gregg Houtz also provided an update on the litigation regarding the legislative transfer of funds from the Nevada Resource subaccount. CAWCD had filed a special action with the Supreme Court, which was denied with no comment. The CAWCD Board of Directors authorized its attorney to refile the lawsuit in Superior Court. It may be filed soon.

Discussion and Potential Action on Proposed ADWR Self Funding Fees

Chairman Guenther recused himself from the discussions. Tim Henley informed the Commission that ADWR had held a public meeting to discuss different self-funding options, as directed by the Governor's office. He noted that Option 3 of the options provided, included either increasing groundwater withdrawal fees to the \$5/acre-foot statutory maximum or temporarily redirecting existing withdrawal fees that are used by the AWBA (\$2.50/acre-foot) to ADWR to provide a bridge until sufficient revenue is collected. The latter would require a legislative amendment to current statute, which could take time. There is also a time lapse in collecting these fees since they are based on the previous year's use.

Mr. Henley commented that the loss of withdrawal fees, even temporarily, would jeopardize the AWBA. The AWBA is authorized to use this funding source to support its Administration subaccount. Absent General Fund appropriations, withdrawal fees are the only funds available in the Arizona Water Banking Fund (Banking Fund) that can be used to meet administrative expenses. Without withdrawal fees, the AWBA would not be able to approve a budget, which includes the cost of services paid to ADWR. In addition, because withdrawal fees collected in the Pinal AMA are the only funds that can be used to purchase and deliver water to the Southside Replenishment Bank, it would directly impact the AWBA's ability to meet this obligation.

Mr. Henley pointed out that the AWBA was created to ensure that Arizona's full entitlement of Colorado River water is utilized. The AWBA has been effective in doing so through the use of withdrawal fees, particularly in the Pinal AMA where half of the storage is contributed to the expenditure of these funds. Storage in the Pinal AMA occurs at groundwater savings facilities (GSFs), which is the least expensive method for

storing water. Without withdrawal fees, deliveries to the irrigation districts/GSFs in the Pinal AMA would be limited and could result in water left on the river. While the impact of the loss of withdrawal fees in the Tucson AMA is not as dramatic, since fewer fees are collected, it could be more important because withdrawal fees are needed to help meet the firming goal in that AMA.

Mr. Henley noted that over the last several years, the AWBA has been a buffer for ADWR to avoid spending reductions. He clarified that the AWBA is a separate entity from ADWR and that the purpose of the Banking Fund is not to support another state agency.

Tom Buschatzke noted that the irrigation districts that rely on CAWCD's agricultural incentive rates for meeting CAWCD recovery goals could also be impacted. He also noted that other CAP customers have indicated they could potentially support the use of *ad valorem* tax funds in addition to withdrawal fees for Indian firming purposes. ADWR's proposal could put that process at risk and as a result, put the AWBA further behind in meeting its obligations.

The Commission directed staff to submit a comment letter to ADWR that addresses the AWBA's concerns on the proposed self-funding fee strategies and to provide copies of the letter to appropriate legislators, Mike Anable, and the governor's office.

Cortaro-Marana Irrigation District Water Storage Agreement

Ms. O'Connell briefed the Commission on the draft agreement for water storage at the Cortaro-Marana Irrigation District (CMID) GSF. She noted that it is a standard AWBA agreement for GSFs located in an Active Management Area (AMA). As such, the agreement will expire on December 31, 2011 simultaneous with the AWBA's other standard GSF agreements. In addition, as with all of the standard agreements, it also includes recovery provisions. These provisions will be further addressed in the future with the AWBA's recovery agent. Ms. O'Connell noted that the Cortaro Water Users Association (CWUA) Board of Directors, the authorized agent for CMID, approved the agreement for signature at their Board meeting on December 8, 2009. John Mawhinney commented that the limited term of the agreement would provide an opportunity to examine the effectiveness of the new pricing structure. Storage at the facility should help with regard to meeting the Tucson AMA's firming goal. He made a motion to authorize Chairman Guenther to sign the agreement following signature by CWUA. Mr. Buschatzke provided the second to that motion. The motion carried.

Discussion and Approval of 2010 Annual Plan of Operation

Ms. Mitchell provided a brief overview of 2009 activities before reviewing the 2010 Annual Plan of Operation (Plan). The delivery schedule, Table 2, identifies nearly 153,000 acre-feet of storage within the three AMAs. There are no interstate deliveries planned for 2010. She noted that Table 2 has a new section that identifies direct deliveries (non-recharge) for meeting Southside Replenishment obligations. The Plan identifies delivery of 1,000 acre-feet to the Southside Replenishment Bank. This is the minimum amount that the AWBA must deliver annually until 15,000 acre-feet have been delivered. Ms. Mitchell pointed out that it is also the first year that the Plan incorporates different cost shares paid by GSF operators. The cost share for the

Phoenix and Pinal AMAs is \$33/acre-foot and the cost share for the Tucson AMA is \$15/acre-foot.

Ms. Mitchell noted the draft Plan had been presented to the public at the Phoenix, Pinal, and Tucson AMA GUAC meetings and was also posted on the AWBA web page for additional public comment. Comments received from the public were incorporated into the Plan where appropriate. Additional comments included concerns over funding and the ability for the AWBA to achieve its goals and obligations. Ms. Mitchell informed the Commission that staff had also received a letter from the City of Mesa requesting that the AWBA shift its underground storage facility (USF) deliveries to the latter part of the year so that if subcontractors needed additional water through the course of the year, those deliveries could be fulfilled. She noted that the points made in the letter are directed more at CAWCD's policy for distributing water.

Larry Dozier (CAWCD) commented that Mesa's letter was prompted from its need for additional water because its customers used more than had been scheduled earlier on. He clarified that while M&I subcontractors have a higher priority when placing orders in October, after those orders are approved, deliveries to junior customers should not be disrupted. Mr. Dozier also clarified that deliveries to USFs are scheduled earlier in the year to provide operational flexibility. The utilization of USFs early on ensures that storage capacity is available for water that might become available later in the year. Mr. Buschatzke inquired if shifting USF deliveries could result in water left on the river or water not stored for Nevada. Mr. Dozier responded that it could, noting that additional water has become available in December nearly every year. Mr. Buschatzke inquired if CAWCD's remarketing policy made water available to all subcontractors ahead of the AWBA. Mr. Dozier responded that it did, but that Mesa did not request water when it was made available through that process. Brian Draper (City of Mesa) clarified that the intent of Mesa's comments is that AWBA storage be evenly distributed. Under the proposed Plan, 70 percent of the deliveries occur in the first half of the year. He noted that Mesa is concerned water may not be available if it has to amend its own schedule. Mr. Dozier commented that CAWCD staff is in the process of developing a policy for providing a "cushion" of water to its subcontractors that can be requested due to unexpected changes in their demand. Mr. Buschatzke requested that the AWBA be kept informed on the stakeholder process. Chairman Guenther directed staff to draft a response letter to Mesa in coordination with CAWCD.

Maureen George inquired if recovery was considered when storage locations were chosen. Mr. Henley commented that deliveries were planned based on storage capacity available to the AWBA. However, while not intentional, storage is occurring in areas identified for recovery in CAWCD's proposed recovery planning.

Ms. George made a motion to approve the 2010 Plan. Mr. Mawhinney provided the second to that motion. The motion carried. Commission members also noted that to the extent additional water becomes available, shortage reparations funds should be utilized.

Discussion and Approval of CY 2010 Water Delivery Budget

Ms. Mitchell reviewed estimated revenues, recharge rates, and planned expenditures for the 2010 Water Delivery Budget. The total cost of the Plan is \$20.4 million. Of this amount, \$3.7 million will be expended from withdrawal fee revenues held by the AWBA, and \$16.7 million will be offset by CAWCD using the *ad valorem* tax. All estimated withdrawal fee revenues are expended. The 2010 Plan does not include deliveries for interstate purposes. However, if interstate water becomes available later in the year, funding will be requested from Nevada. Mr. Houtz clarified that the AWBA's Authorized Representative has the authority to request that Nevada retain the operating funds until water is available for storage.

Lisa Atkins made a motion to adopt the AWBA Water Delivery Budget for Calendar Year 2010. Mr. Buschatzke provided the second to that motion. The motion carried.

On-River Firming [Discussed as agenda item #9]

Maureen George recused herself from the discussions. Ms. Mitchell provided a briefing paper that summarized previous discussions on amending the Agreement to Firm Future Supplies (Agreement to Firm). The Mohave County Water Authority (MCWA) had initially requested amending the Agreement to Firm to recognize acquisition of additional water and to reflect resulting changes in entitlements. Following adoption of Resolution 2008-1 that establishes a MCWA replacement account, MCWA requested that additional provisions be incorporated into the amended agreement. The Commission decided at that time not to take action, and to date, has not moved forward. Ms. Mitchell noted that staff was bringing back for discussion, possible amendments to the Agreement to Firm that focus on the original the changes requested by MCWA. She commented that Tom Griffin, representing MCWA, was in agreement with the types of changes being discussed. The Commission directed staff to move forward on potential amendments to the Agreement to Firm.

Ms. Mitchell pointed out that firming for other fourth priority on-river M&I users outside of Mohave County also needed an opportunity to contract with the AWBA. She recommended adopting a resolution that would outline a procedure for contracting with the AWBA, i.e. any contract would be on the same terms as provided in the Agreement to Firm. Mr. Buschatzke inquired how much water needed to be firming for these other users. Mr. Henley responded that of the total firming goal of 420,000 acre-feet, 15,000 acre-feet was not covered by the Agreement to Firm. These entities had an opportunity to contract with the AWBA in the past, but because they were not settled on how they wanted to firm supplies, they did not want to enter into a contract. The Commission directed staff to develop a resolution for firming other on-river M&I users.

Interstate Water Banking [Discussed as agenda item #8]

Mr. Henley reviewed the fourth quarter interstate accounting table for 2009. He noted that an estimated 68,100 acre-feet of credits would be accrued by the end of the year. Cumulative estimated credits total 595,620 acre-feet, which accounts for 48 percent of the firming goal. Mr. Henley commented that while the year-end balance for the Nevada Operating subaccount currently shows a negative balance, upon completion of CAWCD's water delivery cost reconciliation, the first quarter balance for 2010 will show a positive amount. Additional funds, if needed, would not be requested until next year.

Mr. Henley provided an update on the draft interstate recovery agreement. He noted that CAWCD staff also presented the draft agreement to its Board of Directors at their December meeting. Examples of how the provisions would work are still being developed and will be provided when completed. The agreement could potentially be presented for action at CAWCD's March meeting. John Entsminger (SNWA) commented that staff from all the parties made good progress at the Colorado River Water Users Association meeting and that the agreement, including examples, was nearly complete. He encouraged any comments on the draft agreement.

Mr. Mawhiney inquired if the 40,000 acre-feet of Nevada's ICUA was part of the Interstate agreement. Mr. Henley responded that it was and that Nevada could potentially provide ICUA again in 2010. This is a good example for storing water earlier in the year. Ms. George had concerns regarding approval of an interstate recovery agreement before Arizona's recovery plans are completed. She commented that the interstate agreement should comply with and be drafted in relationship to the intrastate recovery agreement.

Mr. Henley also provided an update on the acquisition of additional supplies to assist the AWBA in meeting its interstate obligations. Mr. Henley provided a scope of activities that could be undertaken in the January - March timeframe. The scope focuses primarily on evaluating on-river supplies that may be available to the AWBA. Other opportunities could be pursued in the future. Some of these opportunities are more temporary and may not benefit the AWBA in the near future. Mr. Henley noted that the scope of work would entail hiring a consultant. CAWCD has indicated that they could hire the consultant instead since the scope identifies activities similar to their own needs. If CAWCD does not hire a consultant, AWBA staff may come back to the Commission to ask ADWR to amend its cost of services to include a consultant.

Mr. Mawhinney noted that water supplies were becoming a diminishing resource and questioned if the AWBA would be entering into a bidding war with CAWCD's ADD Water process. He also inquired if the acquisition of on-river supplies would be subject to the provisions of Central Arizona Project water. Mr. Henley responded that these were some of the questions that will be researched and firmer answers provided in March. The questions and answers will be in matrix format and used for the basis of the discussions. The Commission directed staff to schedule a workshop to provide a better forum for discussing the options. Mr. Henley suggested a potential joint workshop with the CAWCD Board of Directors. A discussion paper will be provided early in March prior to the meeting. Mr. Henley recommended that the Commission members provide comments on the materials provided so that they can be included in the paper.

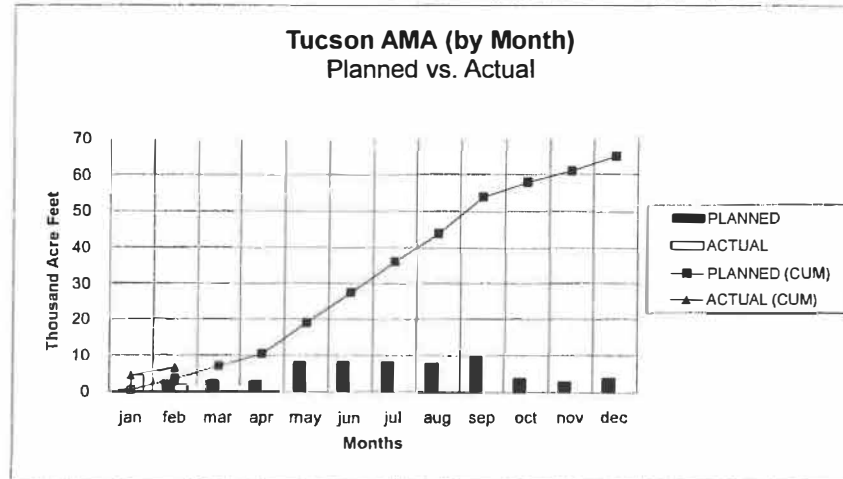
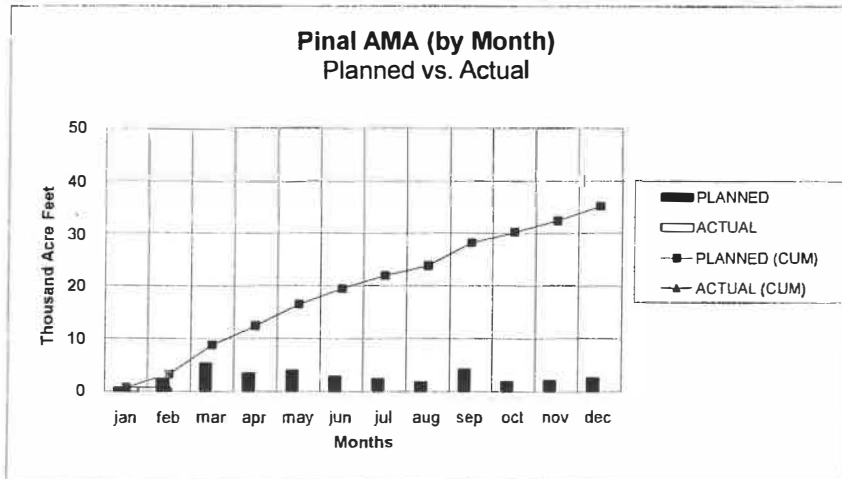
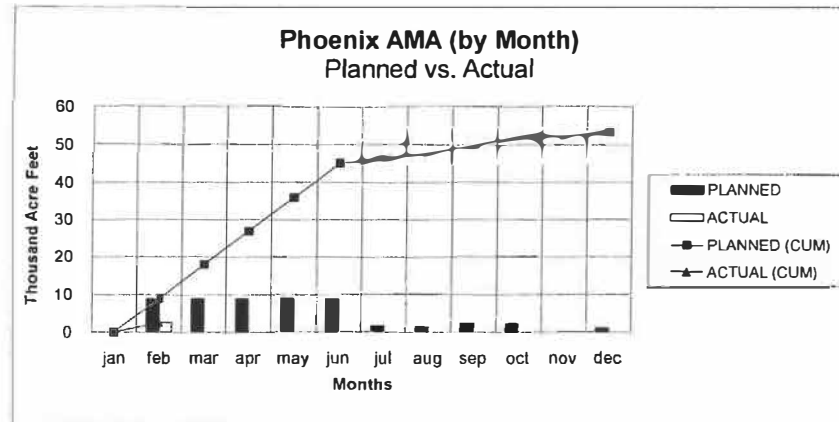
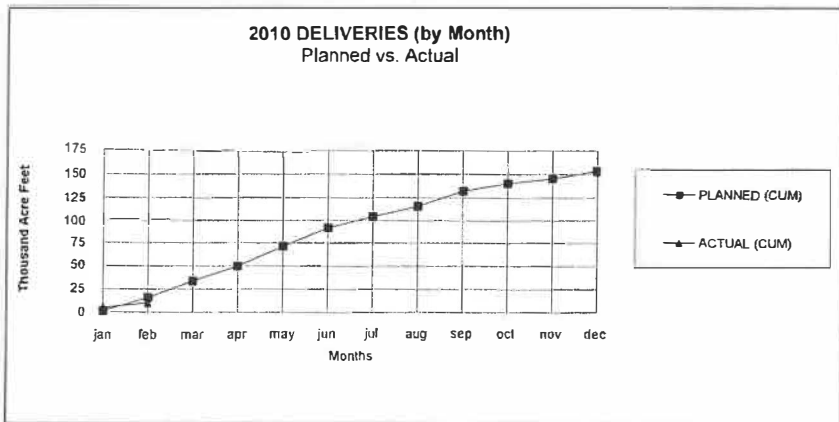
Call to the Public

There were no additional comments.

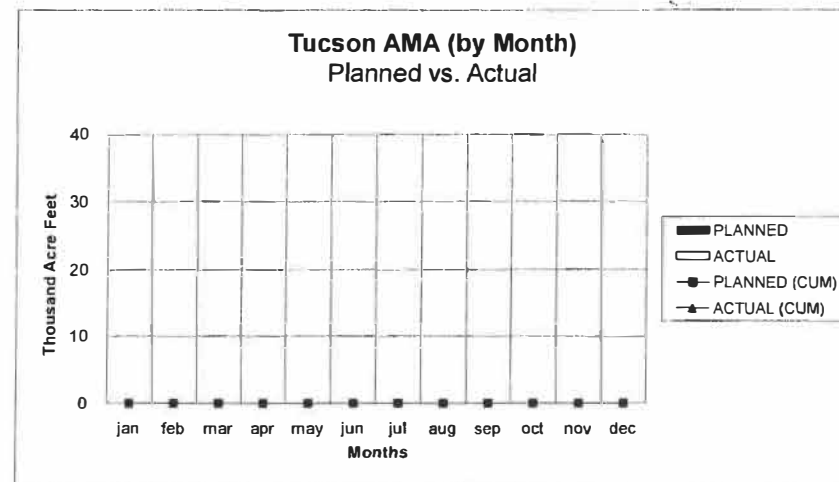
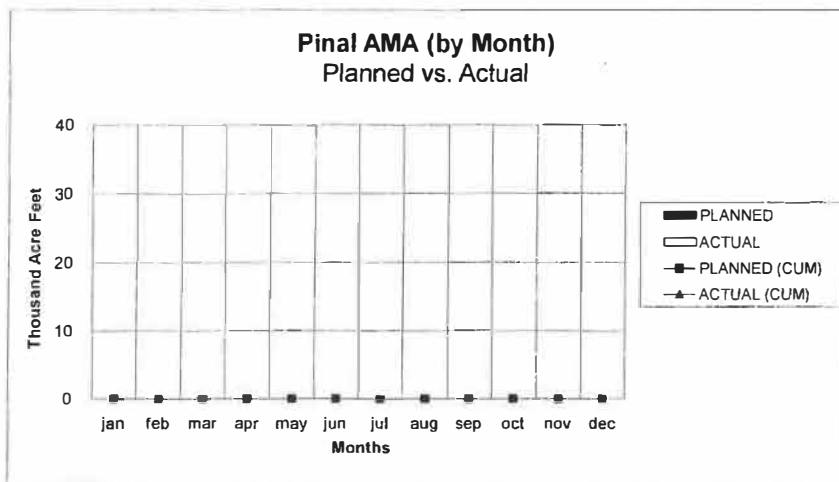
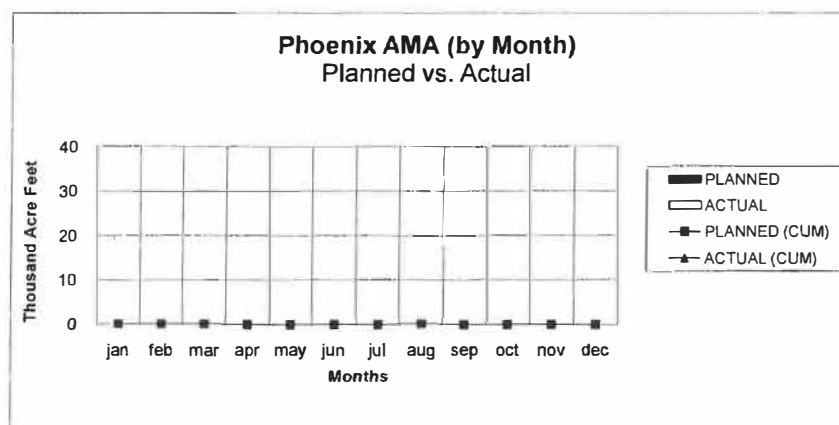
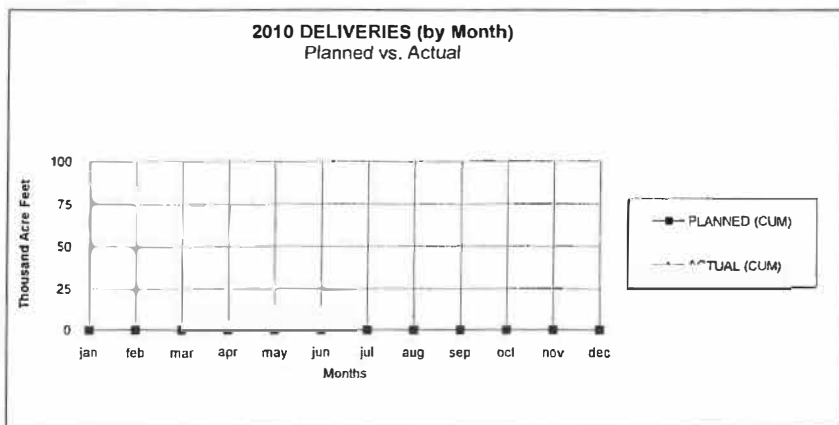
The meeting adjourned at 10:45 a.m.

2010 Plan of Operation

INTRASTATE



2010 Plan of Operation INTERSTATE



Actual deliveries updated Plan of Operation	10-Mar-10 1-Jan-10	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
Phoenix AMA														
Intrastate														
AGUA FRIA		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
HIEROGLYPHIC MTNS		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
TONOPAH DESERT		0	2,583	0	0	0	0	0	0	0	0	0	0	2,583
		0	9,000	9,000	9,000	9,000	9,000	1,345	0	0	0	0	0	46,345
QCID		0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	1,343	2,285	2,285	0	1,142	7,055
Subtotal		0	2,583	0	0	0	0	0	0	0	0	0	0	2,583
Total to date		0	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583
Projected total to date		0	9,000	9,000	9,000	9,000	9,000	1,345	1,343	2,285	2,285	0	1,142	53,400
Interstate														
AGUA FRIA		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
HIEROGLYPHIC MTNS		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
TONOPAH DESERT		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
QCID		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
Projected total to date		0	0	0	0	0	0	0	0	0	0	0	0	0
Combined														
Subtotal		0	2,583	0	0	0	0	0	0	0	0	0	0	2,583
Total to date		0	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583
Projected total to date		0	9,000	9,000	9,000	9,000	9,000	1,345	1,343	2,285	2,285	0	1,142	53,400

Pinal AMA														
Intrastate														
CAIDD		0	0	0	0	0	0	0	0	0	0	0	0	0
		0	1,000	2,000	1,000	2,000	2,000	2,000	1,400	0	0	0	0	11,400
MSIDD		800	0	0	0	0	0	0	0	0	0	0	0	800
		800	1,000	2,500	2,100	2,100	1,000	500	500	900	0	0	400	11,800
HIDD		0	0	0	0	0	0	0	0	0	0	0	0	0
		0	500	1,000	500	0	0	0	0	2,450	2,000	2,175	2,365	11,000
Southside Bank		0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	1,000	0	0	0	1,000
Subtotal		800	0	0	0	0	0	0	0	0	0	0	0	800
Total to date		800	800	800	800	800	800	800	800	800	800	800	800	800
Projected total to date		800	2,500	5,500	3,600	4,100	3,000	2,500	1,900	4,360	2,000	2,175	2,765	35,200
Interstate														
CAIDD		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
MSIDD		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
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	0	0	0	0	0
Total to date		0	0	0	0	0	0	0	0	0	0	0	0	0
Projected total to date		0	0	0	0	0	0	0	0	0	0	0	0	0
Combined														
Subtotal		800	0	0	0	0	0	0	0	0	0	0	0	800
Total to date		800	800	800	800	800	800	800	800	800	800	800	800	800
Projected total to date		800	2,500	5,500	3,600	4,100	3,000	2,500	1,900	4,360	2,000	2,175	2,765	35,200

Actual deliveries updated
Plan of Operation

10-Mar-10
1-Jan-10

Tucson AMA

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
Intrastate													
AVRA VALLEY	607	428	0	0	0	0	0	0	0	0	0	0	1,035
CAVSARP	0	250	250	500	500	500	500	0	0	0	0	0	2,500
SAVSARP	0	0	0	0	0	0	0	0	5,000	0	0	0	5,000
LOWER SANTA CRUZ	3,957	1,709	0	0	0	0	0	0	0	0	0	0	5,666
CORTARO-MARANA	0	2,500	2,500	2,500	2,500	2,500	2,500	2,500	0	0	0	0	17,500
	500	500	675	325	500	500	500	500	0	0	0	0	4,000
Subtotal	4,564	2,137	0	0	0	0	0	0	0	0	0	0	6,701
Total to date	4,564	6,701	6,701	6,701	6,701	6,701	6,701	6,701	6,701	6,701	6,701	6,701	6,701
Projected total to date	500	3,750	7,175	10,500	19,000	27,500	36,000	44,000	54,000	58,000	61,000	65,000	65,000
Interstate													
AVRA VALLEY	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
SAVSARP	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
CORTARO-MARANA	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
Projected total to date	0	0	0	0	0	0	0	0	0	0	0	0	0
Combined													
Subtotal	4,564	2,137	0	0	0	0	0	0	0	0	0	0	6,701
Total to date	4,564	6,701	6,701	6,701	6,701	6,701	6,701	6,701	6,701	6,701	6,701	6,701	6,701
Projected total to date	500	3,750	7,175	10,500	19,000	27,500	36,000	44,000	54,000	58,000	61,000	65,000	65,000
TOTAL													
TOTAL	5,364	4,720	0	0	0	0	0	0	0	0	0	0	10,084
Total to date	5,364	10,084	10,084	10,084	10,084	10,084	10,084	10,084	10,084	10,084	10,084	10,084	10,084
Projected total to date	1,300	15,250	21,675	23,100	32,100	39,500	39,845	47,243	60,645	62,285	63,175	68,907	153,600

**CENTRAL ARIZONA PROJECT
ANNUAL RECOVERY PLAN & USE**

Calendar Year 2010

(in acre-feet)

Revised 3/9/10

Pinal County Irrigation Districts Recovery Schedule:

MONTH	MSIDD		CAIDD		HIDD		CAGRD EXCHANGE		TOTAL	
	SCH	Used	SCH	Used	SCH	Used	SCH	Used	SCH	Used
Jan	200	207	0	0	200	200	0	0	400	407
Feb	400	400	0	0	417	0	0	0	817	400
Mar	500	0	500	0	417	0	0	0	1,417	0
Apr	400	0	500	0	417	0	0	0	1,317	0
May	300	0	500	0	617	0	0	0	1,417	0
Jun	200	0	500	0	750	0	0	0	1,450	0
Jul	0	0	500	0	341	0	0	0	841	0
Aug	0	0	500	0	0	0	0	0	500	0
Sep	0	0	0	0	0	0	0	0	0	0
Oct	0	0	0	0	0	0	0	0	0	0
Nov	0	0	0	0	0	0	0	0	0	0
Dec	0	0	0	0	0	0	0	0	0	0
Total	2,000	607	3,000	0	3,159	200	0	0	8,159	807

* Recovered water will be posted as Ag Settlement Pool water on all monthly delivery reports.

Total MWD credits for recovery (5% cut to aquifer + 4,909 af losses)	= 80,909 AF
Less 2007 total recovered credits:	= 16,804 AF
Less 2008 total recovered credits:	= 28,442 AF
Less 2009 total recovered credits:	= 27,504 AF
Less 2010 total recovered credits:	= <u>807 AF</u>
Remaining credits to be recovered by CAP:	= 7,352 AF

S.B. 1356

REFERENCE TITLE: water bank; excess CAP water

FACT SHEET

Issue Summary:

- The Arizona Water Bank Authority (AWBA) statutes identify several purposes for which the AWBA can store excess Central Arizona Project (CAP) water, 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 1.25 million acre-feet of excess CAP water for the State of Nevada (interstate water banking).
- The Central Arizona Water Conservation District (CAWCD)¹ has developed procedures to distribute excess CAP water that establishes pools of fixed volumes for different categories of use. One of the pools identified is for shared use by the AWBA, Central Arizona Groundwater Replenishment District (CAGR) Replenishment Reserve and the Federal Government.
- Current law allows the AWBA to store Colorado River water in Arizona that would otherwise be unused.
- As excess CAP water continues to diminish, the AWBA will have difficulty meeting its statutory and contractual obligations.

Legislative Solution:

- Codify the AWBA's access to CAP excess water that is set aside by the CAWCD for AWBA purposes. This will not affect the commitment by CAWCD to create an Agricultural Settlement pool.
- 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.

REFERENCE TITLE: water bank; excess CAP water

State of Arizona
Senate
Forty-ninth Legislature
Second Regular Session
2010

SB 1356

Introduced by
Senators Pierce S: Alvarez

AN ACT

AMENDING SECTIONS 45-2402 AND 45-2427, ARIZONA REVISED STATUTES; RELATING TO
THE ARIZONA WATER BANKING AUTHORITY.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 45-2402, Arizona Revised Statutes, is amended to
3 read:
4 45-2402. Definitions
5 Unless the context otherwise requires, the terms defined in sections
6 45-101, 45-402 and 45-802.01 have the same meaning in this chapter and for
7 purposes of this chapter:
8 1. "Authority" means the Arizona water banking authority.
9 2. "Banking fund" means the Arizona water banking fund.
10 3. "Central Arizona water conservation district" or "CAWCD" means the
11 multi-county water conservation district established under title 48, chapter
12 22.
13 4. "Commission" means the Arizona water banking authority commission.
14 5. "Decree" means the decree entered by the United States supreme
15 court in Arizona v. California, 376 U.S. 340 (1964).
16 6. "EXCESS CENTRAL ARIZONA PROJECT WATER" MEANS CENTRAL ARIZONA
17 PROJECT WATER THAT IN ANY YEAR WOULD OTHERWISE NOT BE USED, RESOLD OR
18 EXCHANGED PURSUANT TO LONG-TERM CONTRACTS AND SUBCONTRACTS FOR CENTRAL
19 ARIZONA PROJECT WATER.
20 ~~6-~~ 7. "Indian firming" means measures taken to ensure that central
21 Arizona project non-Indian agricultural priority water that is made available
22 to Indian tribes pursuant to Public Law 108-451 may be delivered during water
23 shortages in the same manner that water with a municipal and industrial
24 priority in the central Arizona project system is delivered during water
25 shortages.
26 ~~7-~~ 8. "Water banking services" means services provided by the
27 authority to persons and Indian communities in this state to facilitate for
28 those persons and Indian communities storage of water and stored water
29 lending arrangements. Water banking services include the direct delivery of
30 water to Indian communities in this state in replacement of or supplemental
31 to the accrual of long-term storage credits pursuant to article 5 of this
32 chapter. Water banking services include only arrangements by which water
33 will be made available for use in this state. Water banking services do not
34 include interstate water banking undertaken by the authority pursuant to
35 article 4 of this chapter. Water banking services may include:
36 (a) Storage of water.
37 (b) Obtaining water storage permits.
38 (c) Accruing, exchanging and assigning long-term storage credits.
39 (d) Lending and obtaining repayment of long-term storage credits.
40 ~~8-~~ 9. "Water banking services agreement" means an agreement entered
41 into between the authority and a person or Indian community in this state
42 under which the authority will provide water banking services to that person
43 or Indian community.

1 Sec. 2. Section 45-2427, Arizona Revised Statutes, is amended to read:
2 45-2427. Limitation on powers

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

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

6 1. The authority shall not store Colorado river water that would
7 otherwise have been used in this state pursuant to a contract entered into
8 pursuant to section 48-3703, paragraph 2, a section 5 contract under the
9 Boulder Canyon project act (P.L. 108-6; 43 United States Code section 617)
10 with a priority that is equal to or higher than a contract entered into
11 pursuant to section 48-3703, paragraph 2 or any other section 5 contract
12 under the Boulder Canyon project act entered into before ~~the effective date~~
13 ~~of this amendment to this section~~ SEPTEMBER 18, 2003.

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

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

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

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

25 D. The authority shall not enter into water banking services
26 agreements that will provide water for use outside this state. The authority
27 may cancel any water banking services agreement without penalty or further
28 obligation if after entering into a water banking services agreement, the
29 authority finds that the agreement will provide water for use outside of this
30 state. Notice of this subsection shall be included in every water banking
31 services agreement entered into by the authority. The cancellation under
32 this subsection shall be effective when written notice from the authority is
33 received by all other parties to the water banking services agreement.

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

37 1. ANY EXCESS CENTRAL ARIZONA PROJECT WATER MADE AVAILABLE BY CAWCD IN
38 A YEAR EXCLUSIVELY FOR THE AUTHORITY. THE AUTHORITY SHALL USE ANY EXCESS
39 CENTRAL ARIZONA PROJECT WATER OBTAINED PURSUANT TO THIS PARAGRAPH IN A MANNER
40 CONSISTENT WITH ARTICLES 3 AND 5 OF THIS CHAPTER OR CHAPTER 15, ARTICLE 3 OF
41 THIS TITLE, INCLUDING MEETING INDIAN FIRING OBLIGATIONS, REPLENISHING WATER
42 UNDER THE GILA RIVER INDIAN WATER SETTLEMENT PROGRAM AND STORING WATER FOR
43 MUNICIPAL AND INDUSTRIAL PURPOSES IN TIMES OF SHORTAGE.

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

7 Sec. 3. Emergency

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

Long-term Storage Credits Accrued on Behalf of Nevada

	Year	Credits ¹ Earned	Cumulative Credits	Percent of Goal Achieved (1,250,000 AF)	Cost of Storage	Received from SNWA		Funds Available	
						Subaccounts		Subaccounts	
						Resource	Operating	Resource	Operating
Actual	2002	61,098	61,098	5%	\$ 8,617,393	\$ 5,000,000		\$ -	
	2003	50,000	111,098	9%	\$ -	\$ 3,723,945		\$ 106,552 ²	
	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 ³	
	2006	175,569	412,634	33%	\$ 35,386,306	\$ -		\$ 37,640,089 ⁴	
	2007	114,886	527,520	42%	\$ 21,853,906	\$ -		\$ 15,786,183	
	2008	0	527,520	42%	\$ -	\$ -		\$ 15,786,183	
	2009	54,892	582,412	47%	\$ 13,815,687	\$ (8,564,916)⁵	\$12,685,000	\$ 5,684,700⁶	\$ 1,085,687⁷
Estimated	2010								
	1 st Quarter	0	582,412	47%	\$ -	\$ (684,700) ⁸		\$ 5,000,000	\$ 1,085,687
	2 nd Quarter	0	582,412	47%	\$ -	\$ (5,000,000) ⁹		\$ -	\$ 1,085,687
	3 rd Quarter	0	582,412	47%	\$ -	\$ -	\$ -	\$ -	\$ 1,085,687
	4 th Quarter	0	582,412	47%	\$ -	\$ -	\$ -	\$ -	\$ 1,085,687
	Sub-total	0				\$ -			
	Total				\$ 108,296,305	\$ 95,804,329	\$ 12,685,000	\$ -	\$ 1,085,687

¹ 2003 credits transferred from CAWCD pursuant to Amended Agreement for Interstate Water Banking. Credits for 2009 are estimated.

² Includes expenditure of \$3,617,393 from monies collected in 2003 as part of the 2002 reconciliation.

³ Includes expenditure of \$1,463,095 from monies collected in 2005 as part of the 2004 reconciliation.

⁴ Includes expenditure of \$212,857 in interest that had accrued on monies disbursed to CAWCD.

⁵ Pursuant to S.B.1001 (signed 1/09), \$12.7 million was transferred from the Arizona Water Banking Fund: \$8.57 million of the total reduction was transferred from the NV Resource Acct.

⁶ Includes expenditure of \$673,142 in interest that had accrued on monies previously disbursed to CAWCD.

⁷ Includes interest accrued.

⁸ Funds transferred pursuant to S.B. 1001 (signed 12/09).

⁹ Funds to be transferred pursuant to S.B.1001/H.B. 2001 (Bill pending Governor's signature).

**Water Supply Acquisition Study
 Progress Report
 Date: March 10, 2010**

At the December 16, 2009 AWBA meeting, the staff reported on discussions from the November 23, 2009 AWBA workshop regarding the acquisition of additional water supplies for the AWBA to meet the interstate banking obligations to the Southern Nevada Water Authority. The staff continued its discussions with the Central Arizona Project (CAP) in January 2010. The CAP is interested in exploring the opportunities to acquire additional water supplies to meet the requirements of the 2005 CAGR Plan of Operation and future water needs. AWBA and CAP staff recognized the shared interest in evaluating water supplies for potential acquisition. At the request of the AWBA, the CAP prepared a technical services agreement for the purposes of obtaining outside consulting services to better define the potential for acquisition of water supplies for the AWBA and the CAP. On January 18, 2010, the CAP entered into a contract with Thomas Carr to perform the study. The term of the study is through June 30, 2010.

The scope of the study includes several elements including:

1. Description of the potential water supplies
2. Preliminary screening of the water supplies
3. Conduct meetings with stakeholder groups to explain the objectives of the AWBA and CAP
4. Conduct preliminary interviews with individual parties to ascertain the level of interest and identify issues related to water supply acquisition
5. Further identify mechanisms for the acquisition of Colorado River water, estimates of availability, and methods for the acquisition, accounting and delivery of Colorado River water.

The consultant is conducting a study. The consultant is not representing the business interests of the AWBA and CAP nor is he negotiating agreements for water acquisition. After the completion of the study, the AWBA Commission and the CAP Board will determine the actions that each agency will pursue to acquire water.

The following categories of water supplies will be described. The list was prepared by the staff of the AWBA and CAP with input from the Commissioners.

Table 1 Summary of Potential Water Supplies		
Categories of Potential Water Supply	Acquisition Method	Comments
Priority 1 Colorado Contracts	Purchase or lease: 1) land and water contract entitlements, 2) water contract only.	Pre-1928 Contracts
Priority 3 Colorado River Water Rights		Post 1928–Pre 1968 Contracts
Priority 4 Colorado River Water Rights	Conditional forbearance agreements to create unused entitlements.	Post 1968 Contracts
Priority 5 Colorado River Rights		Unused Arizona Apportionment

**Table 1
Summary of Potential Water Supplies**

Mainstream Decreed Indian Tribal Rights	Lease options to be determined	Generally Priority 1, Legal restrictions
CAP Tribal Contracts	Leases and Forbearance agreements	
Yuma Basin Groundwater	Exchange and Groundwater Transportation Permit	Requires desalinization
Groundwater from Harquahala, Butler or McMullen Valley	Purchase or lease lands for Groundwater Transportation	Each Basin has different eligibility and transport requirements
Excess Recharge Credits	Purchase agreement	
Effluent within AMAs	Purchase agreement	
Poor Quality groundwater within AMAs	Obtain withdrawal Permit for poor quality groundwater	May require special water treatment including desalinization of brackish water
Ocean Desalinization	Interstate/international agreements	High cost and long start up period

The future water supply needs for each agency will be described to better determine the type of water supply and methods for acquisition of potential supplies. Each agency has projected that it needs to acquire a certain volume of water in a defined time period. The CAGR 2005 Plan of Operation reports the following projected need. Short-term is 30 years.

General Schedule of CAGR Water Supply Acquisitions			
Supply Description	Term	Annual Volume (AF)	Estimated Year that Usage Begins
CAP Supplies			
M&I Subcontract	Long-term	7,746	2005
Indian Leases	Long-term	20,000	2012
Indian Leases	Short-term	42,500	2021
Effluent	Long-term	10,000	2008
Effluent	Short-term	28,000	2008
On-River Supplies	Long-term	15,000	2015
On-River Supplies	Long-term	25,000	2022
On-River Supplies	Short-term	30,000	2018
Imported Groundwater	Long-term	35,000	2027
Totals	Long-term	112,746	
	Short-term	100,500	

The AWBA needs to acquire 668,000 acre-feet of water to complete its water storage obligations for the SNWA. The time period for the acquisition is approximately ten years. Assuming that some water will be available from the excess CAP pool during the next ten years, it is estimated that 40,000 to 50,000 acre-feet are needed annually to meet the SNWA obligation. The following chart shows the AWBA and CAGR acquisition requirements, including when the projected supplies are needed, the duration of the water supply need, and the quantity of the annual amount of water supply. The purpose of the chart is to separate the projected water needs into temporary and permanent needs. The chart will aid in the screening of potential water supplies.

Next Steps:

The consultant will continue to prepare background information to better understand the water supplies that may be available to the CAP and the AWBA and significant issues regarding acquisition and delivery. The staff will review and analyze the information. After the staff has refined its projected water supply needs, the consultant will be directed to initiate stakeholder meetings with interested parties to discuss the potential for developing partnerships for water supply acquisition. Reports on the study and the meetings with stakeholders and individual parties will be made at the June 16, 2010 AWBA meeting or at an AWBA workshop that would focus on this topic.

**Chart Showing Acquisition Timing, Estimated Magnitude and Term
For the AWBA and CAGR**

Year Term	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027	Extended Period
Temporary (Short-term) Acquisition															
AWBA 10 YR	40 to 50 KAF Per Year														
CAGR 30 YR	28 KAF/YR														+ 17 YRS
CAGR 30 YR									30 KAF/YR						+ 25 YRS
CAGR 30 YR												42.5 KAF/YR			+ 28 YRS
Permanent Acquisition															
CAGR 100 YR	10 KAF/YR														
CAGR 100 YR			20 KAF/YR												
CAGR 100 YR						15 KAF/YR									
CAGR 100 YR													25 KAF/YR		
CAGR 100 YR														35 KAF/YR	
Total Annual Supply	78 KAF		98 KAF			113 KAF			143 KAF			145.5 KAF	170.5 KAF	205.5 KAF	

Briefing Paper

On-River Firming

In January, 2008, the Mohave County Water Authority (MCWA) approached the AWBA requesting to amend the Agreement to Firm Future Supplies (Agreement to Firm). The Agreement to Firm recognized that the exhibits could be modified to reflect changes in additional available credits and changes in the parties' entitlements (& additional parties within MCWA).

1. MCWA had recently acquired new Colorado River water entitlement and wanted to include these new supplies in the Agreement to Firm. MCWA also recognized the need to include language addressing methodology and time frame for payback of credits.
2. Following approval of Resolution 2008-1¹ in March, 2008, the MCWA had requested the AWBA consider amending the Agreement to Firm to also provide contractual certainty that the credits they paid to replace would be available for future use.
3. After further discussion, the AWBA had concerns over contractually committing provisions of Resolution 2008-1 due to a number of factors including updated modeling runs showing more optimistic projections, recent legislative transfers from the AWB Fund, and significant Indian firming obligations remaining. For these reasons, the AWBA was not comfortable in contractually incorporating replacement account provisions into the Agreement to Firm, but felt the Resolution 2008-1 was still the appropriate mechanism to indicate the AWBA position on how to deal with the replacement credits.
4. No further action has been taken toward amending the Agreement to Firm.

At the December, 2009 AWBA meeting, staff brought back for discussion possible amendments to the Agreement to Firm and discussion of a process that could be memorialized in a resolution for additional on-river firming.

¹ Resolution 2008-1 establishes a LTSC replacement account for 4th priority Colorado River M&I users. As credits are used and replaced, these replacement credits will be placed in a separate replacement subaccount and be earmarked for the entity that reimburses the AWBA for the replacement of those credits. Additionally, on-river 4th priority M&I users that had not contracted with the AWBA for firming will be given additional opportunities for firming 100% of their entitlements.

Updated 3/10/10

At next week's meeting on 3/17/10, staff is recommending approval of an Amended Agreement to Firm that incorporates changes to the original Agreement to Firm: 1) amending/adding language in the body of the Agreement to address changes specific to paragraph 1 above, 2) amending Exhibit B to reflect newly acquired Colorado River water entitlement and recomputed long term storage credits created, and 3) adding a new Exhibit C to reflect newly acquired Colorado River water entitlement.

Additionally, staff has drafted Resolution 2010-1 that outlines a process for allowing other on-river M&I users that are outside the MCWA, the opportunity to participate in on-river firming.

Yesterday, the MCWA approved the Amended Agreement to Firm at their Board meeting. Mr. Tom Griffin, MCWA, plans to be in attendance at the AWBA meeting on 3/17.

RESOLUTION 2010 -1
of the
Arizona Water Banking Authority

WHEREAS, the Arizona Water Banking Authority (“Authority”) is required to reserve a reasonable number of credits accrued with general fund appropriations for the benefit of fourth priority municipal and industrial users of Colorado River water in the State of Arizona that are outside the Central Arizona Water Conservation District service area (mainstream water users);

WHEREAS, the Authority is required to collect reimbursement for the cost of replacing credits that are distributed for that purpose;

WHEREAS, on January 21, 1998, the Authority adopted a motion identifying 420,000 acre-feet as the reasonable number of long-term storage credits (“credits”) to be developed and set aside for the benefit of mainstream water users;

WHEREAS, on March 20, 2002, the Authority adopted Resolution 2002-1, which provided, in part, that the first priority of the use of credits accrued with general fund appropriations shall be to develop and set aside a reasonable number of credits as determined by the Authority’s commission for the benefit of mainstream water users;

WHEREAS, 403,830 AF of credits of the 420,000 AF has been developed;

WHEREAS, on February 4, 2005, the Authority and the Mohave County Water Authority (“MCWA”) entered into an Agreement To Firm Future Supplies (“Firming Agreement”) under which the Authority has agreed to transfer 230,280 credits to MCWA during times of shortage and MCWA agreed to reimburse the Authority for any credits that have been transferred to MCWA;

WHEREAS, 173,550 AF of credits remain to be set aside for the remaining Priority 4 M&I entitlement holders;

WHEREAS, the remaining Priority 4 M&I entitlement holders, their entitlement and their pro rata share of the remaining credits is as identified in Exhibit 1 Remaining Entitlement Holders;

WHEREAS, those entitlement holders have not approached the Authority requesting an agreement setting aside their pro rata share of the remaining credits.

NOW, THEREFORE, BE IT RESOLVED by the Commission of the Authority, as follows:

1. That the Authority will continue to enter into agreements with those entities listed in Exhibit 1 for their pro rata share of the remaining credits until all available credits are exhausted;
2. That the agreements will include provisions similar in nature to the existing Firming Agreement, including agreement by the entity to reimburse the Authority for any credits that have been transferred and to make a prepayment for the credits transferred which will be established by the Authority at the time the agreement is offered;
3. That the Authority will establish a subaccount in the name of the entity in its Long-term Storage Account for the credits set aside in the agreement;
4. That the Authority will reduce the remaining available credits by the amount of credits set aside in any approved agreement;
5. That the Authority will adjust the pro-rata share of entitlement holders without an agreement with the Authority as new 4th Priority M&I entitlements are identified, i.e. additional conversion of 4th Priority agricultural entitlement to 4th Priority M&I entitlement.

IN WITNESS WHEREOF, the Chairman of the Authority approves this Resolution by affixing his signature below on this _____ day of _____, 2010.

Herbert R. Guenther, Chairman
Arizona Water Banking Authority

Attest:

Thomas Buschatzke, Secretary
Arizona Water Banking Authority

Exhibit

EXHIBIT 1
REMAINING ENTITLEMENT HOLDERS

	Entitlement Holder	Entitlement	Pro Rata Share
	Marble Canyon	70	0.15%
Mohave County	Arizona-American Water Company	1,420	3.13%
	Brooke Water Company	440	0.97%
	New Bulhead City	3,139	6.91%
	Crystal Beach	132	0.29%
	Gold Standard Mines	75	0.17%
	Golden Shores WCD	2,000	4.40%
	New Lake Havasu City	3,139	6.91%
	McAllister Subdivision	40	0.09%
	Mohave County Water Authority	500	1.10%
	Mohave Valley IDD	<u>9,000</u>	<u>19.82%</u>
	<i>Sub Total</i>	<i>19,885</i>	<i>43.93%</i>
LaPaz County	City of Parker	1,030	2.27%
	Ehrenburg Improvement District	500	1.10%
	Gold Dome Mining	7	0.02%
	Hillcrest Water Company	84	0.18%
	Town of Quartzsite	1,070	2.37%
	La Paz County	500	1.10%
	CVIDD	300	0.66%
	B & F Investments	60	0.13%
	Springs del Sol DWID	<u>100</u>	<u>0.22%</u>
	<i>Sub Total</i>	<i>3,651</i>	<i>8.04%</i>
Yuma County	Desert Lawn	360	0.79%
	Roy	1	0.00%
	Smucker Park	33	0.07%
	Verizon	1	0.00%
	City of Somerton	750	1.65%
	Shepard Water Company	50	0.11
	Fisher Landing Water and Sewer	<u>53</u>	<u>0.12%</u>
	<i>Sub Total</i>	<i>1,248</i>	<i>2.75%</i>
	BLM	4,010	8.83%
	State Land Department	1,534	3.38%
	Indian Settlements (Kingman)	3,500	7.70%
	Recommended	43	0.09%
	Remaining (Not Yet Contracted)	<u>11,487</u>	<u>25.29%</u>
	<i>Sub Total</i>	<i>20,574</i>	<i>45.29%</i>
TOTAL		45,428	100%

AMENDED AGREEMENT TO FIRM FUTURE SUPPLIES

This Amended Agreement to Firm Future Supplies ("Agreement") is made this _____ day of _____, 2010 ("Effective Date"), by and between the Arizona Water Banking Authority ("AWBA") and the Mohave County Water Authority ("MCWA"), collectively referred to as the "Parties" and individually as the "Party."

RECITALS

1. AWBA is an agency of the State of Arizona and was created to store the State of Arizona's unused Colorado River water entitlement in western, central and southern Arizona and, in part, to develop long-term storage credits to firm existing water supplies for municipal and industrial ("M&I") users along the Colorado River during Colorado River shortages.
2. MCWA is a corporate and political body of the State of Arizona and a post-1968 M&I user of Colorado River water in the State of Arizona that is outside the service area of the Central Arizona Water Conservation District ("CAWCD"). The members of the Mohave County Water Authority are Bullhead City, Lake Havasu City, Mohave County, Golden Shores Water Conservation District, Mohave Valley Irrigation & Drainage District and Mohave Water Conservation District.
3. AWBA is mandated by A.R.S. § 45-2457 to reserve a reasonable number of long-term storage credits accrued with general fund appropriations for the benefit of M&I users of Colorado River water in the State of Arizona that are outside the service area of CAWCD.
4. On January 21, 1998, AWBA adopted a motion identifying 420,000 acre-feet as the reasonable number of long-term storage credits to be developed and set aside for the benefit of M&I users of Colorado River water in the State of Arizona that are outside the service area of CAWCD. As of the Effective Date, AWBA has developed approximately 395,678 of the 420,000 acre-feet of long-term storage credits.
5. On March 20, 2002, AWBA adopted Resolution 2002-1, which provided, in part, that the first priority of the use of long-term storage credits accrued with general fund appropriations shall be to develop and set aside a reasonable number of long-term storage credits as determined by AWBA's commission for the benefit of M&I users of Colorado River water in the State of Arizona that are outside the service area of CAWCD.
6. On July 1, 2002, AWBA and CAWCD entered into the "Agreement Between the Central Arizona Water Conservation District and the Arizona Water Banking Authority Providing for the Delivery of Excess Central Arizona Project Water." The agreement provides that "excess water" as defined in the agreement is available to AWBA for banking purposes in accordance with the terms of the agreement.
7. MCWA intends to enter into subcontracts, with various Colorado River users possessing contracts for M&I water uses with priorities equal to the Central Arizona Project ("CAP") to include their respective Shortages in this Agreement.

8. MCWA recognizes that it is necessary for it to take the following actions in order for it to perform under this Agreement: (1) establish a long-term storage credit account with the Arizona Department of Water Resources and (2) enter into a water exchange agreement with an entity that has access to CAP water in order to utilize the long-term storage credits developed for MCWA under this Agreement.

9. The Parties desire to provide: (1) a specific commitment by AWBA to insure the number of acre-feet of long-term storage credits identified in Exhibit A and Exhibit C, attached hereto, are available for the benefit of MCWA during times of Shortage; and (2) that MCWA makes specific payments in consideration of AWBA's commitments set forth in this Agreement.

ARTICLE 1

DEFINITIONS

1.1. Definitions.

For the purposes of this Agreement, the following terms shall have the meaning defined in this Subarticle. Defined terms are identified by initial letter capitalization.

1.1.1. "ADWR" shall mean the Arizona Department of Water Resources.

1.1.2. "Agreement" shall mean this Agreement to Firm Future Supplies.

1.1.3. "AWBA" shall mean the Arizona Water Banking Authority.

1.1.4. "CAP" shall mean the Central Arizona Project, as authorized by the Colorado River Basin Project Act, 43 U.S.C. § 1501 *et seq.*, and as operated under that certain Master Repayment Contract dated December 1, 1988, Contract No. 14-06-W-245 between CAWCD and the United States Bureau of Reclamation, as amended.

1.1.5. "CAWCD" shall mean the Central Arizona Water Conservation District.

1.1.6. "Effective Date" shall mean the date that this Agreement is fully executed by all parties.

1.1.7. "LTS Credits" shall mean long-term storages credits as defined in A.R.S. § 45-802.01.

1.1.8. "M&I Users" shall mean municipal and industrial users of Colorado River water possessing contracts for M&I water uses with priorities equal to CAP in the State of Arizona that are outside the service area of CAWCD.

1.1.9. "MCWA's LTS Credit Account" shall mean MCWA's LTS Credit account established with ADWR in connection with this Agreement, which account shall separately track the firming credits held for each of MCWA's member agencies who have executed an MCWA Subcontract.

1.1.10. "MCWA's Subaccount" shall mean the subaccount established by AWBA in connection with this Agreement.

1.1.11. "MCWA Subcontract" shall mean a contract, between MCWA and an M&I User to include its Shortage in this Agreement. The number of acre-feet of LTS Credits subject to the MCWA Subcontracts, if any, are identified in Exhibit A and Exhibit C, attached hereto.

1.1.12. "Prepayment" shall mean the payment by MCWA to AWBA of a portion of the Replacement Costs as set forth in Subarticle 3.2. herein.

1.1.13. "Replacement Costs" shall mean the cost to replace the LTS Credits as set forth in Subarticle 3.2. herein.

1.1.14. "Shortage" shall mean the shortage declared by the Secretary of the United States Department of the Interior in the Annual Operation Plan for Colorado River reservoirs.

ARTICLE 2

TERM OF THE AGREEMENT

2.1. Term.

2.1.1. This Agreement shall be effective when executed by all Parties. This Agreement shall terminate when all of the LTS Credits identified in Exhibit A as set forth in Subarticle 3.1.1. have been transferred to MCWA's LTS Credit Account or on December 31, 2096, whichever is earlier. Any LTS Credits remaining in MCWA's LTS Credit Account at the termination of this Agreement shall revert to the sole and exclusive benefit of AWBA pursuant to A.R.S. § 45-2457, unless this Agreement is extended by all Parties in a written agreement.

ARTICLE 3

LONG-TERM STORAGE CREDITS

3.1. LTS Credits for MCWA.

3.1.1. The number of acre-feet of LTS Credits subject to the MCWA Subcontracts, as well as the number of LTS Credits designated by MCWA, are identified in Exhibit A and Exhibit C if any, attached hereto. Exhibit A and Exhibit C shall not be amended or superseded after December 15, 2010. Additional Exhibits may be included from time to time to reflect additional acre-feet of LTS Credits subject to this Agreement. Exhibit A and Exhibit C are attached hereto and made a part

of this Agreement, and shall be in force and effect in accordance with its respective provision. In the event that Exhibit C does not identify any acre-feet of LTS Credits on December 15, 2010, AWBA shall have the right to amend Exhibit C to exclude any LTS Credits that have not been included in a Subcontract with MCWA on or after December 16, 2010 and each Party shall be relieved of their respective duties and obligations as they relate to the excluded LTS Credits.

- 3.1.2. The number of acre-feet of LTS Credits developed and set aside for the benefit of M&I Users as of the Effective Date are identified in Exhibit B, attached hereto. Exhibit B may be amended from time to time to reflect the actual number of acre-feet of LTS Credits developed by AWBA to benefit M&I Users. The Exhibit B is attached hereto and made a part of this Agreement, and shall be in force and effect in accordance with its respective provision until superseded by a subsequent exhibit executed by all parties. In the event that the number of LTS Credits identified in Resolution 2002-1 adopted by AWBA on March 20, 2002 (420,000 acre-feet) is modified by AWBA, the Parties agree to renegotiate in good faith the terms of this Agreement to reflect the modified number of LTS Credits to be developed and set aside for the benefit of M&I Users by AWBA.
- 3.1.3. AWBA shall take all actions necessary to insure that LTS Credits in the maximum number of acre-feet of LTS Credits identified in Exhibit A and Exhibit C are developed and set aside for the benefit of MCWA. Such actions may include storage of Colorado River water, assignment of LTS Credits previously developed through the storage of Colorado River water, or any other action consistent with Title 45, Chapter 14 of the Arizona Revised Statutes. Nothing in this Subarticle, however, shall require AWBA to independently seek general fund appropriations from the Arizona State Legislature for the development of LTS Credits subject to this Agreement.
- 3.1.4. AWBA shall establish the MCWA Subaccount and shall assign to the MCWA Subaccount the number of acre-feet of LTS Credits reserved in Exhibit A and Exhibit C for benefit M&I Users identified in Exhibit A and Exhibit C.
- 3.1.5. The sum total of the LTS Credits which may be transferred to MCWA's LTS Credit Account shall not exceed the amounts identified in Exhibit A and Exhibit C and shall only be transferred to MCWA's LTS Credit Account from the MCWA Subaccount if: (1) the Secretary of the United States Department of the Interior declares a Shortage; and (2) MCWA has entered into a water exchange agreement with an entity who has access to CAP water. In the event that MCWA does not enter into such a water exchange agreement by June 30, 2005, AWBA shall have the right to terminate this Agreement on July 1, 2005, and each Party shall be relieved of their respective duties and obligations under this Agreement.

- 3.1.6. At MCWA's request, the amount of LTS Credits transferred to MCWA's LTS Credit Account in any given year pursuant to this Agreement shall be no greater than the amount of the Shortage actually borne by MCWA for that year, and, in no event, shall the sum total exceed the number of acre-feet of LTS Credits identified in Exhibit A and Exhibit C. Any LTS Credits transferred to MCWA's LTS Credit Account under this Subarticle not utilized pursuant to a water exchange agreement shall be returned to the MCWA Subaccount before March 1 of the following year.
- 3.1.7. AWBA's obligations under Article 3 herein are contingent upon the Arizona State Legislature providing AWBA sufficient general funds to develop the number of acre-feet of LTS Credits above amounts identified in Exhibit B subject to this Agreement.

3.2. Payments by MCWA.

- 3.2.1. In consideration of AWBA's obligations under Subarticle 3.1. and pursuant to A.R.S. § 45-2457(B)(2)(a)(ii), MCWA shall pay the Replacement Costs of the LTS Credits transferred to MCWA's LTS Credit Account under this Agreement. MCWA shall prepay a portion of the Replacement Costs to AWBA (the "Prepayment") as set forth in Subarticle 3.2.3.1. The Prepayment does not reflect the total amount of the Replacement Costs.
- 3.2.2. MCWA's obligation to make the Prepayment shall be made regardless of whether any LTS Credits are transferred to MCWA's LTS Credit Account. No portion of the Prepayment shall be returned to MCWA in the event that LTS Credits are not transferred to MCWA's LTS Credit Account under Subarticle 3.1.
- 3.2.3. The Prepayment shall be calculated and charged to MCWA in accordance with Subarticle 3.2.3.1., and billed and paid by MCWA as provided in Subarticle 3.2.3.3. The Replacement Costs shall be calculated and charged to MCWA in accordance with Subarticle 3.2.3.2. and billed and paid by MCWA as provided in Subarticle 3.2.3.3.
 - 3.2.3.1. The Prepayment shall equal the total number of acre-feet of LTS Credits identified in Exhibit A as of July 15, 2005, and Exhibit C as of December 15, 2010, multiplied by \$20.00.
 - 3.2.3.2. The Replacement Costs for the LTS Credits transferred to MCWA's LTS Credit Account shall consist of the following pricing components computed on a per acre-foot basis:
 - 3.2.3.2.1. Any cost to purchase water, transport water through the CAP and store water. AWBA agrees that the storage of water under this Agreement shall take into account the location, manner and cost of

storing all water stored by AWBA in the State of Arizona. AWBA agrees that the selection of storage facilities for water stored under this Agreement and for others in Arizona shall not be made in a manner that unreasonably allocates the higher storage cost to the storage of water under this Agreement;

3.2.3.2.2. A payment in lieu of property taxes, calculated as described in A.R.S. § 48-3715; and

3.2.3.2.3. Any additional costs as may be reasonably incurred by AWBA, including, but not limited to, costs AWBA is required by A.R.S. § 45-2424 to reimburse ADWR and CAWCD for the services provided by each agency to AWBA pursuant to the provisions of A.R.S. § 45-2424 and the “Intergovernmental Agreement Among the Arizona Department of Water Resources, Arizona Water Banking Authority and Central Arizona Water Conservation District” entered into on July 1, 2002.

3.2.3.3. The Prepayment and Replacement Costs shall be billed and paid as follows:

3.2.3.3.1. MCWA shall pay to AWBA the Prepayment for credits identified in Exhibit A twenty (20) equal consecutive quarterly payments due on or before the 15th day of March, June, September and December of each year MCWA shall pay to AWBA the Prepayment for credits identified in Exhibit C equal consecutive quarterly payments due on or before the 15th day of March, June, September and December of each year. In no event shall the first quarterly payment of the Prepayment for LTS Credits identified in Exhibit C be due before July 1, 2011.

3.2.3.3.1.1. Replacement Costs for LTS Credits transferred to MCWA’s LTS Credit Account under Subarticle 3.1. shall be first credited against the Prepayment. Once the Prepayment is exhausted, MCWA shall pay that portion of the Replacement Costs not already credited against the Prepayment as set forth in Subarticle 3.2.3.3.1.2.

3.2.3.3.1.2. No later than March 15 of the year following the year in which AWBA transfers LTS Credits to MCWA’s LTS Credit Account,

AWBA shall provide MCWA with a year-end account reconciliation showing the LTS Credits transferred to MCWA's LTS Credit Account and whether the Replacement Costs of the LTS Credits exceed the balance of the Prepayment. If the year-end account-reconciliation demonstrates that additional Replacement Costs are owed to AWBA, MCWA shall pay those Replacement Costs within three (3) years of the date an invoice is submitted by AWBA.

3.2.3.4 Subject to the approval of AWBA, MCWA may assign to AWBA, LTS Credits held by MCWA in lieu of MCWA paying the Replacement Costs as set forth in Subarticle 3.2.3.2 herein. MCWA shall transfer any credits agreed upon under this Subarticle within 30 days of their accrual by MCWA.

ARTICLE 4

DELINQUENT CHARGES AND SURETY OF PERFORMANCE

4.1. Delinquency charges under the terms of this Agreement.

- 4.1.1. The Parties agree that monetary damages will be ineffective in remedying any breach of this Agreement, other than nonpayment, and that a court may order specific performance.
- 4.1.2. All payments due under this Agreement shall be paid promptly on the date required and, if not paid, shall be delinquent. Interest on delinquent payments may be assessed from the business day of the month on which the charge was due and shall accrue at the prime rate of interest as established by the greater of the rate prescribed in the Federal Register by the Department of the Treasury for application to overdue payments, or the interest rate of 0.5 percent per month described by Section 6 of the Reclamation Project Act of 1939 (Public Law 76-260). The interest charge rate shall be determined as of the due date and remain fixed for the duration of the delinquent period. Any payment received shall first be applied to any interest owed, and then to charges owed.
- 4.1.3. In the event any portion of the charges are disputed, the disputed amount shall be paid when due, but may be accompanied by a written statement indicating the basis for any dispute. If the dispute is found to be valid, MCWA shall be refunded any overpayment plus interest, accrued at the rate as set forth in Subarticle 4.1.2, prorated by days from the date payment was credited to MCWA to the date the refund check is issued.

4.1.4. In the event any delinquent amount is not paid by MCWA within thirty (30) days after receipt by MCWA of written notice from AWBA of the delinquency, AWBA shall have the right, without liability of any kind, to suspend its performance under this Agreement so long as the delinquent amount remains unpaid. Such suspension shall not affect the LTS credits remaining in MCWA's LTS Credit Account. Nothing herein shall limit the rights of AWBA to use any other available legal remedy to effect collection of delinquent amounts.

4.2. Surety of performance under the terms of this Agreement.

4.2.1. In the event that a dispute arises over any action to be undertaken pursuant to the terms of this Agreement, the Parties recognize and acknowledge that time is of the essence in the conduct of the Parties under the terms of this Agreement.

4.2.2. AWBA shall insure that there are in effect all third party contracts necessary for the development of the LTS Credits as provided in Article 3 herein, the provisions of such contracts to be consistent with the provisions of this Agreement. AWBA shall use its best efforts to insure that all such third party contracts are enforced in a manner consistent with the terms of this Agreement.

ARTICLE 5

OTHER PROVISIONS

5.1 Uncontrollable forces.

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

5.2. Notices

5.2.1. Any notice, demand, or request authorized or required by this Agreement shall be in writing and shall be deemed to have been duly given if mailed, first class postage prepaid, or delivered at the following address:

If to the AWBA:

Manager
Arizona Water Banking Authority
Arizona Water Department of Water Resources
3550 N. Central Avenue
Phoenix, Arizona, 85012

If to MCWA:

Mohave County Water Authority
c/o Law Offices of Maureen Rose George PC
2000 McCulloch Blvd. N., Ste. B
Lake Havasu City, AZ 86403

5.3. Assignment limited.

5.3.1 The provisions of this Agreement shall apply to and bind the successors and assigns of the Parties, but no assignment or transfer of this Agreement or any interest therein shall be valid unless and until approved in writing by the non-assigning Party.

5.4. No third party beneficiary.

5.4.1. This Agreement is solely for the benefit of the Parties and does not create, nor shall it be construed to create, rights in any third party unless expressly provided herein. No third party may enforce the terms and conditions of this Agreement except if both of the following occur: (1) The third party is specifically identified in Exhibit A or Exhibit C, and (2) MCWA is dissolved and is no longer in existence.

5.5 Waiver.

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

5.6. Entire agreement.

5.6.1. The terms, covenants and conditions of this Agreement constitute the entire agreement between the Parties, and no understandings or obligations

not expressly set forth in this Agreement shall be binding upon them. This Agreement may not be modified or amended in any manner unless in writing signed by the Parties.

5.7. Governing law.

5.7.1 This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona.

5.8. Cancellation.

5.8.1. This Agreement is subject to cancellation in accordance with the provisions of A.R.S. § 38-511.

5.9. Equal Opportunity and Non-Discrimination.

5.9.1. The parties shall comply with Chapter 9, Title 41, Arizona Revised Statutes, Arizona Executive Orders 75-5 and 99-4 and any other federal or state laws relating to equal opportunity and non-discrimination, including the Americans with Disabilities Act.

In Witness of this Agreement, the Parties affix their official signatures below, acknowledging execution of this Exhibit A on the _____ day of _____, 2010.

Arizona Water Banking Authority

Attest:

By: _____
Tom Buschatzke, Secretary

By: _____
Herbert R. Guenther, Chairman

Mohave County Water Authority

Attest:

By: _____
Carole Young, Secretary

By: _____
Tom Griffin, Chairman

EXHIBIT A

1. This Exhibit A, made on July 15, 2005, is effective under and part of the Agreement to Firm Future Supplies and shall become effective under the Amended Agreement to Firm Future Supplies on the date of its execution. This Exhibit A, originally executed on July 15, 2005, may not be amended or superseded by another Exhibit A. This Exhibit A shall terminate with the termination of the Amended Agreement to Firm Future Supplies.

2. Acre-feet of LTS Credits:

Subcontract Entity	LTS Credits Reserved (AF) (as of July 15, 2005 based on proportion of 396,499/420,000)	LTS Credits (AF) Maximum Total (based on 420,000 AF)
Arizona State Parks	404	428
Bullhead City	95,247	100,897
Lake Havasu City	113,074	119,782
Mohave Water Cons. Dist.	<u>21,555</u>	<u>22,934</u>
Total	230,280	243,941

In Witness of this Agreement, the Parties affix their official signatures below, acknowledging execution of this Exhibit A on the _____ day of _____, 2010.

Arizona Water Banking Authority

Attest:

By: _____
Tom Buschatzke, Secretary

By: _____
Herbert R. Guenther, Chairman

Mohave County Water Authority

Attest:

By: _____
Carole Young, Secretary/Treasurer

By: _____
Tom Griffin, Chairman

Amendment No. 1 to EXHIBIT B

This Amended Exhibit B, made this _____ day of _____, 2010, to be effective under and as part of the Amended Agreement to Firm Future Supplies shall become effective on the date of execution and shall remain in effect until superseded by another Amended Exhibit B executed by all of the parties. This Amended Exhibit B or any superseding Amended Exhibit B shall terminate with the termination of the Amended Agreement to Firm Future Supplies.

RECITALS

- A. Mohave County Water Authority and the Arizona Water Banking Authority (AWBA) entered into the Agreement to Firm Future Supplies on February 4, 2005.
- B. The AWBA recomputed the Long Term Storage (LTS) credits created with general fund appropriations based on expended funds.

EXHIBIT

Acre-feet of LTS Credits developed by AWBA for the benefit of M&I Users:

Total:	403,830	(96.2% of 420,000 AF)
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In Witness of this Agreement, the Parties affix their official signatures below, acknowledging execution of this Amended Exhibit B on the _____ day of _____, 2010.

Arizona Water Banking Authority

Attest:

By: _____
Thomas Buschatzke, Secretary

By: _____
Herbert R. Guenther, Chairman

Mohave County Water Authority

Attest:

By: _____
Carole Young, Secretary

By: _____
Tom Griffin, Chairman

EXHIBIT C

This Exhibit C, made this ____ day of _____, 2010, to be effective under and as part of the Amended Agreement to Firm Future Supplies shall become effective on the date of its execution. This Exhibit C shall terminate with the termination of the Amended Agreement to Firm Future Supplies.

RECITALS

- A. Mohave County Water Authority (MCWA) and the Arizona Water Banking Authority (AWBA) entered into the Agreement to Firm Future Supplies on February 4, 2005.
- B. MCWA acquired a portion of the Article 5 Contract previously held by Cibola Irrigation District and converted an Article 5 Contract for 5th Priority Colorado River Water to a 4th Priority Contract for domestic use.
- C. MCWA wishes to include their newly acquired 4th Priority Colorado River water entitlement in the Agreement to Firm Future Supplies.
- D. Prior to the execution of this Exhibit C MCWA must give written notice of its intent to firm the 500 acre-feet or must subcontract with one or more of the parties listed below, and submit evidence to AWBA of said Subcontracts.

EXHIBIT

Subcontract Entity	LTS Credits Reserved (AF) (as of date based on proportion of 403,830/420,000)	LTS Credits (AF) Maximum Total (based on 420,000 AF)
Bullhead City	11,992	12,165
Lake Havasu City	11,992	12,165
Mohave County Water Authority	1,910	1,938
Mohave Valley IDD	<u>3,820</u>	<u>3,876</u>
Total	29,714	30,144

In Witness of this Agreement, the Parties affix their official signatures below, acknowledging execution of this Exhibit C on the ____ day of _____, 2010.

Arizona Water Banking Authority

Attest:

By: _____
Thomas Buschatzke, Secretary

By: _____
Herbert R. Guenther, Chairman

Mohave County Water Authority

Attest:

By: _____
Carole Young, Secretary

By: _____
Tom Griffin, Chairman

RECOVERY AGREEMENT
AMONG
ARIZONA WATER BANKING AUTHORITY, CENTRAL ARIZONA WATER
CONSERVATION DISTRICT, SOUTHERN NEVADA WATER AUTHORITY AND
COLORADO RIVER COMMISSION OF NEVADA

This Recovery Agreement is made this ___ day of _____, 2010, among the Arizona Water Banking Authority (“AWBA”), Central Arizona Water Conservation District (“CAWCD”), Southern Nevada Water Authority (“SNWA”) and Colorado River Commission of Nevada (“CRCN”) in order to address some details of the “recovery of intrastate and interstate Long-term Storage Credits” as contemplated by the Second Amended Agreement for Interstate Water Banking Among the AWBA, SNWA and CRCN (“Interstate Water Banking Agreement”).

1. This Recovery Agreement shall be interpreted at all times to be in compliance with the Interstate Water Banking Agreement, the Storage and Interstate Release Agreement between the Secretary of the Interior, AWBA, SNWA and CRCN, dated December 18, 2002, and the Agreement for the Development of Intentionally Created Unused Apportionment between AWBA and CAWCD, dated December 18, 2002 (collectively, the “Agreements”), even as those Agreements may be amended in the future. In the event the terms of this Recovery Agreement are in conflict with the Agreements, the Agreements are controlling.
2. Relevant provisions of the Interstate Water Banking Agreement include but are not limited to the following provisions, which provide as follows:
 - a. Subarticle 1.1.15 provides that “ ‘Recovery Facilities’ shall mean constructed facilities capable of recovering both intrastate and interstate Long-term Storage Credits.”
 - b. Subarticle 1.1.13 provides that “ ‘Long-term Storage Credit’ shall mean Long-term Storage Credit as defined in A.R.S. § 45-802.01(11).”
 - c. Subarticle 1.1.20 provides that “ ‘Storage Facility’ or ‘Storage Facilities’ shall mean an Underground Storage Facility or a Groundwater Savings Facility as those terms are defined in A.R.S. § 45-802.01.”
 - d. Subarticle 1.1.12 provides that “ ‘Interstate Recovery Schedule’ shall have the meaning defined in the Agreement for Development of Intentionally Created Unused Apportionment.”
 - e. Subarticle 1.2.1 provides that “This Agreement is among AWBA and SNWA and CRCN. It is intended to create a program of interstate banking of Colorado river water. AWBA will not engage in interstate banking to the detriment of any water user in Arizona in fulfilling its obligations under this Agreement. ”

- f. Subarticle 1.2.3 provides that “No ownership rights in specific storage facilities shall accrue to either SNWA or CRCN by this Agreement.”
- g. Subarticle 3.1.1 provides that “SNWA shall have the right to require the recovery of Long-term Storage Credits in the SNWA Interstate Account and the development of ICUA in any Year . . .”
- h. Subarticle 3.1.2 provides that “During any Year as to which the Secretary has determined under Article II(B)(3) of the Consolidated Decree that a shortage condition exists...”
- i. Subarticle 3.2.1 provides that “For any year in which SNWA will require development of ICUA by AWBA and the release of ICUA by the Secretary, SNWA shall confer with the AWBA prior to June 1 of the preceding Year and provide notice of the amount of such ICUA to AWBA by June 1 of the preceding Year.”
- j. Subarticle 3.2.2 provides that “Between June 1 and September 15 of the Year in which a notice has been given under Subarticle 3.2.1, AWBA staff shall meet and confer with SNWA concerning the proposed location, manner and estimated cost of the development of the specified ICUA.”
- k. Subarticle 3.2.3 provides that “On or before September 15 of the Year in which a notice for the development of ICUA has been given to AWBA under Subarticle 3.2.1, or as otherwise required by the Secretary, SNWA shall make a request of the Secretary for the release of such ICUA during the following Year and shall provide a copy of such notice to AWBA.”
- l. Subarticle 3.3.1 provides that “Upon receipt of a notice under 3.2.1 for the development of ICUA, AWBA shall meet and confer with CAWCD to develop an Interstate Recovery Schedule under the terms of the Agreement for the Development of Intentionally Created Unused Apportionment. The Interstate Recovery Schedule shall utilize the recovery of Long-term Storage Credits to develop ICUA through recovery methods identified in the corresponding Storage and Interstate Release Agreement. These methods include recovery and exchange of Long-term Storage Credits for Colorado River Water and/or credit exchange of Long-term Storage Credits for Colorado River Water that would have otherwise been delivered for underground storage in that year.”
- m. Subarticle 3.3.1.3 provides that “Factors to be considered when preparing the Interstate Recovery Schedule shall include, but are not limited to:
 - 3.3.1.3.1 Arizona water management goals,
 - 3.3.1.3.2 CAP operational requirements,
 - 3.3.1.3.3 Water Quality requirements,
 - 3.3.1.3.4 Opportunities for shared or joint facilities, and
 - 3.3.1.3.5 Opportunities to reduce recovery costs.”

- n. Subarticle 3.4.3 provides that “SNWA shall specify in its notice given under Subarticle 3.2.1 if, and the extent to which, ICUA is to be developed through the recovery of Long-term Storage Credits previously held by CAWCD for the benefit of SNWA under its October 15, 1992 agreement with The Metropolitan Water District of Southern California. The Parties acknowledge that pursuant to the terms of such agreement and prior to the effective date of the Original Agreement, SNWA made advance payments of the entire cost to recover such credits and to develop such ICUA.”
3. Relevant provisions of the Agreement for the Development of Intentionally Created Unused Apportionment between the AWBA and CAWCD provide as follows:
- a. Subarticle 3.1 provides that “An Interstate Recovery Schedule shall set forth the means by which CAWCD plans to create ICUA on behalf of AWBA in any Year. Except as provided in Article 3.2, an Interstate Recovery Schedule shall use the recovery and exchange method, the credit exchange method, or both of these two methods to develop ICUA.”
 - b. Subarticle 3.2 provides that “An Interstate Recovery Schedule may use a method other than the recovery and exchange method and the credit exchange method if that method complies with 43 CFR Part 414 and if the Secretary has approved its use.”
 - c. Subarticle 3.3 provides that “The recovery and exchange method requires that Long-term Storage Credits in the SNWA Interstate Account be recovered and the recovered water exchanged for Colorado River water that would otherwise have been delivered through the CAP in that Year.
 - 3.3.1 An Interstate Recovery Schedule may provide that CAWCD recover Long-term Storage Credits assigned by AWBA and deliver the recovered water that would have been delivered by CAWCD in that Year.
 - 3.3.2 An Interstate Recovery Schedule may provide that Long-term Storage Credits assigned by AWBA to CAWCD be assigned by CAWCD to an entity scheduled to receive CAP water from CAWCD in that Year for recovery and use by that entity in place of CAP water that would have been delivered by CAWCD in that Year.
 - 3.3.3 If the recovery and exchange method will be used to develop ICUA in a Year, an Interstate Recovery Schedule shall demonstrate that there is sufficient recovery capacity to recover the necessary Long-term Storage Credits from the SNWA Interstate Account and shall describe how the Credits will be recovered and delivered through the CAP or how the Credits will be recovered by individual CAP customers in lieu of their scheduled CAP deliveries.”
 - d. Subarticle 3.4 provides that “The credit exchange method requires that Long-term Storage Credits in the SNWA Interstate Account be exchanged for Colorado

River water that would otherwise have been delivered through the CAP for underground storage in that Year. The recipient of the Credits shall be an entity scheduled to receive water from CAWCD for purposes of underground storage in that Year.

3.4.1 The entity receiving Long-term Storage Credits under the credit exchange method shall be required to pay CAWCD the same fees and charges that it would have paid had CAP water been delivered to it for underground storage.

3.4.2 If the credit exchange method will be used to develop ICUA in a Year, an Interstate Recovery Schedule shall demonstrate that CAWCD has received sufficient orders for the delivery of Colorado River water for underground storage and shall identify the entity or entities accepting the transfer of Long-term Storage Credits in lieu of the delivery of Colorado River water.”

e. Subarticle 3.5 provides that “If a method other than the recovery and exchange method or credit exchange method is used to develop ICUA, an Interstate Recovery Schedule shall include such information as required by the Secretary for that method.”

f. Subarticle 3.6 provides that “An Interstate Recovery Schedule shall identify the total quantity of Long-term Storage Credits to be assigned to CAWCD by AWBA from the SNWA Interstate Account to develop the quantity of ICUA needed for the following Year.”

4. Cooperative Planning for Timing, Amount, Methods, and Costs of Recovery

In order to facilitate timely and effective performance of the above-stated relevant provisions, the parties to this Recovery Agreement, agree as follows:

a. Cooperative Planning. The parties now anticipate that SNWA recovery will be required on or after 2018. The parties agree that since significant lead time is needed to construct and initiate operations of new recovery wells and that sound financial, construction and operations practices require deferral of construction and operation of recovery facilities until closer in time to when recovery wells are needed, the parties agree to meet annually, beginning in the first quarter of 2015 or in the year in which the Annual Operating Plan projects end of year Lake Mead at or below elevation 1075 feet to discuss:

i. The timing and magnitude of SNWA’s recovery requests.

ii. CAWCD’s available and planned recovery capacity.

iii. CAWCD’s current estimates of recovery capital and operations costs.

- iv. The effects of potential shortages of Colorado River water on such requests, capacity and costs.
- b. Recovery Schedules. SNWA shall present an initial recovery request schedule in the first such annual meeting and shall provide any amendment thereto at least three years prior to any recovery year for which the initial recovery request is proposed to be amended.
- c. Use of Recovery Facilities. The parties also now anticipate that CAWCD's recovery capacity may be utilized for parties other than SNWA on a schedule inconsistent with SNWA's initial recovery request schedule. Inasmuch as sound financial, construction and operations practices require at least minimal operations of recovery facilities once operation is initiated, the parties agree to discuss and amend any proposed recovery request schedule as may be required to maintain the sound operating condition of CAWCD's recovery facilities.
- d. Recovery Methods Involving Recovery and Exchange of Long-term Storage Credits for Colorado River Water.

- i. Capital Costs of Recovery Facilities. Capital costs for developing recovery facilities include the costs of planning, permitting, design and construction, as well as any cost of construction financing. According to the Interstate Water Banking Agreement, capital costs may be borne exclusively by SNWA, payable in advance if recovery facilities are dedicated exclusively to recovery for SNWA, or may be borne proratably by multiple interstate or intrastate users of the same recovery facilities. Additional information, including methods for calculating capital costs, is set forth in as Example A in the Appendix to this Agreement.

The parties agree that, in each annual meeting in which SNWA's initial or amended recovery request schedule is discussed, the parties shall disclose all available information regarding their best estimates of the costs of planning, permitting, design, construction and construction financing and the plans and intentions of any other party who may seek recovery utilizing CAWCD's recovery facilities.

- ii. Operating Costs of Recovery Facilities. Operating costs for the operation of recovery facilities include the cost of electrical power used to pump water for delivery to a CAWCD customer or into the Central Arizona Project delivery system, and the cost of repair and maintenance of the well site, motors, pumps, discharge lines, and electrical facilities. Operating costs exist whether CAWCD's recovery facilities are newly constructed for the intended recovery purpose or are existing wells which share operations as recovery wells and water supply production wells. Additional information and examples of operating costs of recovery facilities are set forth in Example B in the Appendix to this Agreement.

The parties agree that, in each annual meeting in which SNWA's initial or amended recovery request is discussed, the parties shall disclose their best estimates of the costs of electrical power, recognizing that estimates of such costs are prone to gross uncertainty with respect to distant years, and their best estimates of the repair and maintenance costs of anticipated recovery facilities. The parties agree that they shall explore cost-avoidance strategies, including any means which may be available to any of them that would reduce the costs of electrical power, or the repair and maintenance costs of anticipated recovery facilities, including the substitution of direct delivery of Colorado River water in lieu of recovery of stored water in central Arizona.

- e. Credit Exchange for Long-term Storage Credits for Colorado River Water. Multiple interstate or intrastate users of the Arizona Water Banking system now maintain Long-term Storage Credit balances with the Arizona Water Bank and may seek recovery of those credits on recovery request schedules that are similar to or varied from SNWA's initial or amended recovery request schedule. The parties agree, that in each annual meeting in which SNWA's initial or amended recovery request schedule is discussed, that the parties shall disclose any available information regarding the recovery request schedules of other interstate or intrastate users of the Arizona Water Banking system, and the existence of any opportunities for the integration of recovery request schedules, including through the exchange of existing Long-term Storage Credit balances for the right to direct delivery of Colorado River water, so as to minimize recovery costs. The parties agree that any administrative costs, as contemplated by the Interstate Water Banking Agreement would not be avoided by such credit exchanges.
- f. Costs Avoided. Recovery strategies identified by the parties in the course of annual meetings, and utilized or integrated into initial or amended recovery request schedules may avoid costs which would have otherwise been incurred in the normal costs of operation of facilities by any one or more of the parties. The parties agree that the actual annual value of those avoided costs shall be set off against SNWA's actual annual recovery costs due in any year under the Agreement for Interstate Water Banking, as it may be amended from time to time, but shall give SNWA no credit beyond the actual annual recovery costs due in any year. Additional information and examples of costs avoided are set forth in Example C in the Appendix to the Agreement.
- g. Cost Payments. The parties agree that CAWCD and SNWA may enter into a separate agreement to address financial issues related to the costs of recovery, including, but not limited to capital costs for recovery facilities and operating costs of recovery facilities.
- h. Exception to Article 3.5 and 5.6.2. Notwithstanding the provisions of article 3.5 and 5.6.2 of the Interstate Water Banking Agreement, for any agreement entered into pursuant to subsection g, the charges to SNWA outlined in subarticles

3.4.2.1, 3.4.2.2 and 3.4.2.4 of the Interstate Water Banking Agreement shall be paid by SNWA directly to CAWCD.

5. Termination

This Recovery Agreement shall terminate upon termination of the Interstate Water Banking Agreement, or as mutually agreed by all parties in writing.

In Witness of this Agreement, the Parties affix their official signatures below.

CENTRAL ARIZONA WATER
CONSERVATION DISTRICT

DATE _____

David V. Modeer, General Manager

Approved as to form:

Douglas K. Miller, General Counsel

SOUTHERN NEVADA WATER
AUTHORITY

DATE _____

Patricia Mulroy, General Manager

Approved as to form:

John J. Entsminger, Deputy General Counsel

COLORADO RIVER COMMISSION OF
NEVADA

DATE _____

George M. Caan, Executive Director

Approved as to form:

Jennifer Crandell, Senior Deputy Attorney General

ARIZONA WATER BANKING
AUTHORITY

DATE _____

Herbert R. Guenther, Chair

Attest:

Thomas Buschatzke, Secretary

Appendix to
Recovery Agreement with SNWA

Recovery Cost Example Calculations

The examples shown below are intended to provide additional guidance for administration of the Recovery Agreement. The examples are not intended to be the sole and binding methodology. All parties recognize new opportunities or new methods may be identified over the term of the Recovery Agreement.

Example A

Capital Costs of Recovery Facilities

The Interstate Water Banking Agreement provides that SNWA will pay for all costs of recovery, including costs to develop recovery facilities. The capital costs for developing recovery facilities include planning, permitting, design, and construction costs. It is contemplated that CAWCD could finance the initial construction of recovery facilities and collect a capital recovery fee over the appropriate recovery period, or that SNWA could provide the financing for initial construction. If SNWA pays “up front” the facilities will be “dedicated” to SNWA recovery – i.e., that SNWA would have first priority use for recovery of SNWA banked water over recovery of other water.

If a specific set of recovery facilities is projected to be used entirely or almost entirely for recovery of SNWA credits, then SNWA would be expected to finance the entire cost for those facilities. If the facilities were expected to serve both SNWA and other CAWCD/AWBA recovery purposes, then initial capital costs could be shared in an appropriate fashion. For example, if a new recovery well facility was to be constructed in Pinal County to recover primarily SNWA credits for the first 20 years, then to recover credits for the Central Arizona Groundwater Replenishment District (CAGR), it is anticipated that the costs will be financed primarily by SNWA. CAWCD will manage the work from planning through start-up. CAWCD could share, prorata on planned use, the costs of planning, permitting and design. SNWA would pay for construction, pumps, motors, associated electrical facilities, and any water delivery or other facilities needed. When the facilities are no longer needed for SNWA recovery, CAWCD will pay SNWA the remaining unamortized value for the installed facilities. The terms, service life, and interest rates for amortization will be agreed upon during the project planning phase. If CAWCD uses the recovery facilities during the period that SNWA has first right for use, CAWCD will pay an appropriate use rate per acre-foot of recovery.

Example B

Recovery Facility Operating Costs

After the first 50,000 af are recovered, as provided in the October 15, 1992 Agreement, SNWA will pay the operating and maintenance (O&M) costs for recovery. It is presumed to be on a cost per acre-foot basis. Typically, operating costs include the annual cost of maintenance of the well site, motors, pumps, discharge lines, and electrical facilities, including appropriate repairs. The other operating cost is the cost of electrical power used to pump the water for delivery to a customer or into the CAP delivery system. These costs exist for the newly constructed recovery facilities or existing wells that are shared as recovery wells and water supply production wells.

During 2009 CAWCD used recovery wells shared with irrigation districts. The experience was that O&M, including repairs, on shared wells was approximately \$20/af. These costs are primarily labor and materials and can be estimated and accounted for in a straightforward manner. Power costs may have more options. In 2009 the shared, refurbished recovery wells were served by electrical districts (ED) or other large-scale energy providers. CAWCD paid the energy costs to pump the wells for recovery purposes. However, CAWCD has the authority to make arrangements to provide Navajo power to the recovery sites. While Navajo power is anticipated to be lower cost, it requires special delivery, transmission or exchange arrangements to be delivered over non-CAP facilities into some other entity's service area. In any event, for water recovered for SNWA, the actual cost for power delivered to the well site will be paid.

Example C

Net Recovery Costs or Costs Avoided

Net recovery costs or costs avoided should be considered in determining SNWA recovery costs. It would have cost CAWCD a specified amount of electrical energy, approximately 1.8 mwh/af, to deliver water from the Colorado River to the Pinal County area. In 2009 the energy requirement for recovery of groundwater in Pinal County was about one-half of that amount -- .90 to 1.0 mwh/af. It is possible that if Navajo power could be made available to the recovery site with minimal additional transmission costs, the energy savings might offset some of the well site fixed O&M. For example:

Well site O&M	\$20/af	Cost for delivery from Colorado River
Energy 1.0mwh X \$40	<u>\$40/af</u>	1.8mwh/\$25/wh=\$45/af
	\$60/af	

Net cost of recovery vs. pumping from Colorado River = \$15/af

There are other instances where recovery costs could be very low. One example is accomplished through credit exchange. CAWCD, in partnership with CAGR, could forego a planned delivery to a direct storage facility needed to fulfill a CAGR replenishment obligation by giving the CAGR SNWA credits to use to meet that obligation. No actual wet water recovery is performed and no direct recovery costs are incurred. Another example exchange could occur with a customer such as Tucson who recharges and recovers CAP water annually as part of the treatment and delivery process. If SNWA credits were earned through storage at a Tucson recharge facility, credits could be provided to Tucson in exchange for CAP water scheduled for delivery. That water would then be forborne for SNWA use at Lake Mead. In this example, there are no incremental recovery costs incurred by Tucson and no direct recovery costs for SNWA.

It is expected that in both examples cited above, that the entity receiving credits in lieu of CAP delivery would pay the regular contract rate to CAWCD for water delivery. CAWCD, and its customers, would experience some savings in the cost of energy not needed to deliver the water from the Colorado River. SNWA would pay no direct recovery costs to CAWCD but might pay appropriate administrative costs to the AWBA.