

ARIZONA WATER BANKING AUTHORITY
Wednesday, December 7, 2011

	Name (Please print)	Affiliation	Phone No.
1	Larry Dozier		602-292-1035
2	Patrick Dent	CAP	602-399-3943
3	BARAN	AMWA	520 481 5204
4	Dee Korica	Tucson, AZ	520-837-2238
5	MARK HOLMES	CITY OF MESA	480-644-2752
6	Michael Block	Metro Water District	520-575-8100
7	Dennis Puh	CAP	623-869-2667
8	Kathy Rall	Milburt	480-503-6840
9	Cliff Bodencheck	Reclamation	
10	PAUL HENDRICKS	IRID/ENSI	623 204 4901
11	D Fuest	CAP	623-869-2807
12	CLIFF NEAL	CAP	623-869-2672
13	Tom McCann	CAP	623-869-2343
14	Nicole Klobas	AWBA	
15	Joe Singleton	TCWAA	520-518-1726
16	Paul Kopp	Phoenix	602 445 5553
17	Jeff Ehlers	SRP	602 236-5504
18	Andrew Crudeback	ADWR	602 771-8615
19	Gary Gin	City of Phoenix	602-495-5654
20	Don GROSS	ADWR	602-771-8411
21	Sharon Langford	Senate Research	602-926-3171
22	Pod Ross	Senate Man. Staff	" " 5418
23	GRANT BUMA	CRIT	928 669 1313
24	Elizabeth Mora	Management Assoc	480-948-7747

ARIZONA WATER BANKING AUTHORITY
Wednesday, December 7, 2011

	Name (Please print)	Affiliation	Phone No.
1	PAUL URNE	CAID (Arizona Commission)	(602) 568-3899
2	V.C. DANOU	AMUNIA	602 248 24 22
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Arizona Water Banking Authority
3550 N. Central Avenue, Phoenix, Arizona 85012
Telephone 602-771-8487
Fax 602-771-8686
Web Page: www.azwaterbank.gov

PLEASE POST

NOTICE OF PUBLIC MEETING

Pursuant to A.R.S. § 38-431.02, notice is hereby given that there will be a meeting of the Arizona Water Banking Authority Commission on **December 7, 2011 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 6th day of December, 2011

FINAL AGENDA

Arizona Water Banking Authority Commission Meeting

- I. Welcome/Opening Remarks
- II. Approval of Minutes
 - October 4, 2011
- III. Water Banking Staff Activities
 - Deliveries
 - Staffing update
 - Update on Indian settlements
- IV. Groundwater Savings Facility Agreements
 - Discussion of Groundwater Savings Facility agreements
 - Potential approval of Groundwater Savings Facility agreements
 - Potential approval of extension of current Groundwater Savings Facility agreements until execution of new agreements on a case by case basis

- V. Discussion and Approval of 2012 Annual Plan of Operation
 - Overview of public comment
 - Approval of 2012 Annual Plan of Operation

- VI. Discussion and Approval of CY 2012 Water Delivery Budget
 - Overview of budget
 - Adoption of budget

- VII. Update on Distribution of AWBA Long-term Storage Credits during Shortages
 - Draft concepts for an Intergovernmental Agreement among CAWCD, ADWR, and AWBA
 - AWBA supply and demand study

- VIII. Call to the Public

Future Meeting Dates:

Wednesday, March 21, 2012

Wednesday, June 20, 2012

Wednesday, September 19, 2012

Wednesday, December 19, 2012

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 Michelle Moreno at 602-771-8530 or 602-771-8501 (TDD). Requests should be made as early as possible to allow time to arrange the accommodation.

**ARIZONA WATER BANKING AUTHORITY
Draft Minutes**

**October 4, 2011
Arizona Department of Water Resources**



AUTHORITY MEMBERS
Sandra Fabritz-Whitney, Chairman
Maureen R. George, Vice-Chairman
John Mawhinney
Lisa A. Atkins
Marshall P. Brown

EX OFFICIO MEMBERS
Senator Steve Pierce
Representative Andy Tobin

Welcome/Opening Remarks

Chairman Sandra Fabritz-Whitney welcomed the attendees. All members of the Authority were present except for Marshall Brown and Maureen George and *ex-officio* members, Senator Steve Pierce and Representative Andy Tobin. Mr. Brown joined the meeting at 10:05 a.m. and Ms. George was recognized via teleconference at 10:07 a.m. Ms. Fabritz-Whitney recognized that Gerry Wildeman would be leaving the AWBA to take a new position with the Statewide Strategic Planning section of the ADWR.

AWBA Commission Members

Ms. Fabritz-Whitney introduced Marshall P. Brown as the newest Commission member appointed by Governor Brewer and summarized Mr. Brown's background and experience. Mr. Brown was appointed to replace Tom Buschatzke, former employee of the City of Phoenix, who is now employed by ADWR. Mr. Brown stated that he looks forward to the opportunity to serve as a Commission member to the Authority.

Chairman Fabritz-Whitney also noted that the Authority was required to elect a new Secretary as that position was vacated with Mr. Buschatzke's departure. Virginia O'Connell informed Commission members of the requirements for election of officers and stated that this appointment would expire in January 2013. John Mawhinney made a motion to nominate Lisa Atkins for Secretary. Chairman Fabritz-Whitney provided the second to that motion. The motion carried.

Approval of Minutes

The Authority approved the minutes of the June 15 and August 25, 2011 AWBA meetings.

Water Banking Staff Activities

Gerry Wildeman reviewed the AWBA's deliveries through August pursuant to the Plan of Operation as amended at the August 25th meeting. She noted that AWBA deliveries were approximately 5 percent greater than projected due primarily to the immediate delivery of 7,200 acre-feet of the 15,000 acre-feet that was made available to the Central Arizona Irrigation and Drainage District (CAIDD) Groundwater Savings Facility (GSF) under the amended plan. Mr. Mawhinney asked if the actions of the Authority contributed to the maintenance and survival of the cotton crop. Paul Orme, counsel for CAIDD and the New Magma Irrigation and Drainage District (NMIDD), responded that it did and that he wanted to extend thanks to the Authority members and AWBA staff on behalf of the irrigation districts.

Ms. Wildeman informed the Authority that both the water storage permits and refunds for the permit application fees for CAIDD, Maricopa-Stanfield Irrigation and Drainage District (MSIDD), Queen Creek Irrigation District (QCID) and Superstition Mountain

Recharge Project had been received. ADWR refunded the AWBA \$4,371 out of the \$8,000 that had been expended on the permit application fees, resulting in an average cost of approximately \$900 per application. The permit application fee under the old fee structure was \$350.

Ms. O'Connell informed the Authority that staff had invoiced the Mohave County Water Authority (MCWA), and subsequently received, the first payment for the credits identified in Appendix C of the Amended Agreement to Firm Future Supplies. The number of credits reserved under Exhibit C is 25,894 acre-feet and will be paid in 20 equal quarterly installments of \$25,894. The credits were transferred into the MCWA subaccount of the AWBA long-term storage credit account in September. The balance of the MCWA subaccount is now 256,174 acre-feet.

Ms. O'Connell stated that the AWBA is required to submit an interstate accounting report to the Joint Legislative Budget Committee (JLBC) by October 1 of the following fiscal year for any fiscal year in which the AWBA was owed or received money pursuant to an interstate water banking agreement with Nevada. Even though the AWBA did not receive monies from the Southern Nevada Water Authority (SNWA) last fiscal year, it did deliver for storage 19,000 acre-feet of water on behalf of Nevada; therefore a report was prepared. The storage costs were paid with operating funds that were disbursed to CAWCD in 2009, and made available from the reconciliation of 2009 storage costs. Ms. O'Connell briefly reviewed the information contained within the report including information regarding recent amendments to the interstate agreements. She noted that the report had been reviewed by the Commission members, that their comments had been incorporated, and that the report would be submitted on Monday, October 3, 2011. Mr. Mawhinney inquired whether this was a time consuming process and if the Authority should request that the requirement be changed. Ms. O'Connell responded that staff will not need to prepare a report the next few years because the AWBA and SNWA had agreed to defer interstate storage until 2015. A report would not be required until interstate water banking resumes and monies are received.

Nicole Klobas provided an update on CAWCD v. Brewer. She noted that the judge had ruled that the taking was unconstitutional but did not rule that the money needed to be returned. She stated that the ruling was not appealed by either party.

Master Water Storage Agreement

Ms. O'Connell informed the Authority that the Master Water Storage Agreement is the AWBA's contract with CAWCD that allows for storage at their facilities. Exhibit A to the agreement identifies the individual storage facilities and can be amended as needed. Amendment No. 2 to Exhibit A proposes to remove the Avra Valley Recharge Project and add the Superstition Mtn Recharge Project (SMRP), which is the only recharge project operated by CAWCD in the East Valley. Lisa Atkins moved for approval of Amendment No.2 to the MWSA. The motion passed.

Draft 2012 Annual Plan of Operation

Ms. O'Connell reminded the Authority that the process for developing the AWBA Annual Plan of Operation (Plan) typically begins the end of August, early September, and stated that AWBA staff had met with its partners in both the Tucson and Pinal AMAs regarding participation with the AWBA in 2012. She noted that there was more

interest from the GSF partners in the Tucson AMA than in previous years and that the GSF partners in the Pinal AMA were also interested in utilizing all water available to them. In those discussions staff reiterated the Authority's concerns that this year's amendment to the Plan to provide additional water was based on an emergency situation and should not be considered normal operation for the AWBA. The GSF operators indicated they were evaluating their operations in order to avoid the conditions that resulted in what happened this year. The only GSF operator in the Phoenix AMA interested in partnering was QCID. Ms. O'Connell pointed out that most GSFs in the Phoenix AMA have other storage partners.

Ms. O'Connell noted that the AWBA will continue to receive water under the 175,000 acre-foot pool established by CAWCD that is shared with the CAGR and the Bureau of Reclamation. For 2012, the Bureau and the CAGR will be utilizing 15,000 acre-feet and 9,500 acre-feet, respectively, leaving 150,500 acre-feet available for the AWBA. Ms. O'Connell then reviewed draft Table 2 that shows the location and volumes of planned deliveries. She informed the Authority that some changes might still occur as CAWCD staff finalizes its water delivery schedule; October 3 was the deadline for customers to submit their orders. She noted that the 21,000 acre-feet of deliveries to the Pinal AMA is based on full utilization of funds available in that AMA. In the Tucson AMA, all funds are also utilized and the delivery amount includes the 15,000 acre-feet that had been re-directed to the Pinal AMA in 2011. One thousand acre-feet will be delivered for the Southside Replenishment Bank and there will be no interstate water banking. Total storage projected under the 2012 Plan of Operation is 150,500 acre-feet.

Ms. O'Connell then reviewed Table 4 and noted that delivery and water storage rates in 2012 are the same as in 2011 with the exception of the Clearwater facility, which has an annual rate increase of three percent. When reviewing Table 5, Ms. O'Connell stated that the Plan does not currently include expenditure of shortage reparation funds. Most of the storage to date utilizing these funds has occurred in the Phoenix and Pinal AMAs. Very little has been stored in the Tucson AMA. The funds are not available in the Water Banking Fund; however, the AWBA could request up to \$5 million from Nevada, which is the amount remaining from the \$8 million. The total estimated cost of the draft 2012 Plan is \$20.7 million and the estimated number of credits that would accrue is 137,540 acre-feet.

Ms. George stated that she is concerned that the Plan does not include expenditure of shortage reparation funds and that it is her preference to expend those funds as soon as possible. Ms. O'Connell responded that there might be additional capacity available in the Tucson AMA to utilize these funds; however, this would reduce the amount of storage currently proposed for the Phoenix AMA. A second option discussed was to utilize shortage reparation funds if additional supplies became available.

In response to a request for additional information, Ms. O'Connell clarified that the shortage reparation funds were made available to the AWBA under Arizona's shortage-sharing agreement with Nevada. In return for Arizona agreeing to take a larger percentage of Colorado River shortages, Nevada agreed to provide \$8 million to Arizona for the purchase and storage of water for the purpose of protecting Arizona fourth priority Colorado River water users against shortages through 2025 (Interim Period). If the credits developed using these funds are not needed for firming during

the Interim Period, the credits can be used for other purposes. She noted that a draft resolution regarding the use of the credits had been prepared, but that action on the resolution had not been taken. Direction had been given to distribute expenditure of the funds among the three AMAs.

The Authority directed staff to include language in the Plan that recognizes the expenditure of shortage reparation funds in the event additional water supplies become available. The Authority also directed staff to present the draft 2012 Annual Plan of Operation to the public at the Groundwater Users Advisory Committee (GUAC) meetings in the Phoenix, Pinal and Tucson AMAs. Ms. Fabritz-Whitney inquired as to the dates of the GUAC meetings. Ms. O'Connell noted that the Phoenix AMA GUAC meeting was scheduled for October 25, the Pinal AMA GUAC meeting was scheduled for October 27 and the Tucson AMA GUAC meeting was scheduled for November 7.

Groundwater Saving Facility Agreements

Ms. Wildeman reminded the Authority members that the GSF agreements allow the AWBA to store water at the GSF facilities. There are two versions of the documents based on whether the GSF operator owns or controls the wells or if they do not own or control the wells. Ms. Wildeman then reviewed the changes in the agreement that were made following comments received after the June AWBA meeting. She noted that the substance of the changes had been shared with the GSF operators during the partner meetings; however, they had not yet seen the actual language within the agreements.

Ms. Wildeman informed the Authority that staff was looking for approval of the form of the agreements so that they could be distributed to the GSF partners to take to their boards for approval. Based on the discussion during the partner meetings, staff does not anticipate any issues with the changes to the agreements. However, in the event that there are issues,, it may be necessary to extend the term of the existing agreements at the December meeting to allow time for additional discussion and potential resolution of those issues..

Mr. Mawhinney questioned whether the language of the agreements addresses the problems that were experienced when CAWCD first began recovering credits. Ms. Wildeman responded that there had been no changes to the recovery language from the previous agreement. Tim Henley noted that some of the recovery issues had been resolved and should not occur again because wells had already been used for recovery. Ms. George stated that she disagreed with the language in 11.1 that limits Designated Recovery Agents to either CAWCD or a political subdivision of the State of Arizona and/or a municipal corporation. Mr. Henley noted that this language was an artifact of the original agreements between the AWBA and the GSF partners when the AWBA was not comfortable having private entities as its recovery agents. Ms. George stated that now that the AWBA is storing at facilities owned by private entities, that comfort level should be different. Ms. Klobas noted that the sentence in 11.1 could be stricken if the AWBA no longer t wanted this limitation.. A motion to strike the sentence was approved. Mr. Brown made a motion to approve the agreements as to form with the strikeout included and to distribute the agreements to the GSF partners. The motion was approved. The Authority requested that any comment made regarding the strike-out language be provided to them at the next meeting.

Update on Distribution of AWBA Long-term Storage Credits during Shortages

Ms. O'Connell provided an update on discussions with ADWR and CAWCD staff concerning the distribution of AWBA credits during shortages. As an outcome of these discussions, it appears that an intergovernmental agreement (IGA) would be a likely method of coordinating the agencies activities and allowing the parties to maintain and adhere to their individual regulations, authorities and policies.

Ms. O'Connell informed the Authority that discussions currently are focusing only on distribution of 4¢ ad valorem tax credits. Ms. O'Connell reviewed the following subject areas being discussed for inclusion in an IGA:

AWBA Credits and CAP Deliveries: CAP would like to maximize flexibility, all IGA components dependent/subject to all rules or policies

Credit Distribution Projection: timelines, preliminary credit distribution schedule, AWBA needs to identify number of credits and track where they come from and where they go, use 24 month study as a trigger

AWBA Annual Plan of Operation: timelines and approval process within AWBA's plan, CAP wanting a commitment from the AWBA

Assignment of Credits: timing (at end of year)

Credit Accounting and Reconciliation: timing, need

Costs: CAP bears all costs

Standard IGA Language

With respect to Assignment of Credits, Ms. Fabritz-Whitney asked if there had been any discussion regarding how much of the shortage would be met. Ms. O'Connell stated that staff was not discussing policy and that those discussions still needed to take place.

Ms. O'Connell stated that AWBA staff needed input from the Authority regarding whether they agreed that an IGA was the appropriate agreement for the credit distribution process. If so, AWBA and CAP staff would work together to develop conceptual language for the IGA and then bring that back to the Authority, perhaps at another stakeholder meeting. Mr. Mawhinney commented that the AWBA has historically been concentrating on recharging as much water as possible and haven't devoted as much discussion to the recovery side of things. He believes that the Authority members need to get together to identify and discuss critical issues. He stated that he believes that the policies regarding distribution of credits need to be established first. Ms. George stated that she agreed with Mr. Mawhinney.

Ms. O'Connell asked if the Authority would like to possibly schedule a workshop in the near future. Ms. Fabritz-Whitney asked if staff had identified policy issues or specific subject matter that needed policy decisions. She requested that staff bring those policy areas to the Authority at the December meeting. Ms. George stated that she believed

that more discussion was needed than was possible to have with an AWBA meeting agenda item. Additionally, she would like to hear more about the policy type discussions CAWCD was having and get input from stakeholders. Mr. Mawhinney agreed that they need more time than typically associated with an agenda item at the AWBA meeting. Ms. George stated that she would like to have staff's list of policy issues some time ahead of the meeting so that the Authority members can discuss those issues with the parties that they are representing.

Mr. Henley introduced the current modeling being done by the AWBA with respect to supply and demand by reiterating that the Authority had requested an analysis of supply and demand a few months ago with respect to the Indian firming discussions. While it does not look like the AWBA will be faced with additional Indian firming requirements due to the status of the Navajo-Hopi discussions, it still is a good time to look at the modeling results, particularly in light of the credit distribution discussion. Mr. Henley utilized a PowerPoint presentation to provide information. A copy of the presentation was made available to the Authority members and is available on the AWBA web page.

A summary of points made by Mr. Henley are as follows:

- I. The 1997 Base case was modeled again and compared with the current Base case. The primary differences between the two base cases were the Indian demand, how shortages are shared and what the levels of shortage are.
- II. The total number of credits needed for firming between the 1997 Base and the 2011 Base is 3.2 MAF and 3.5 MAF, respectively.
- III. Scenarios run off of the 2011 Base with varying assumptions for Upper Basin depletions, on-river Tribal use, Lake Mead shortage criteria and whether or not Mexico shares in the shortage.

Mr. Henley stated that all of the assumptions in the models are open for discussion by the AWBA and that staff are looking to the Authority to assist in focusing in on what model assumptions should be utilized. He noted that he did not think that it was appropriate to maintain the 1997 Base case. Ms. George stated that it was good to maintain the 2011 Base if the Interim Surplus Guidelines go away. Mr. Mawhinney asked if any of the scenarios run by the AWBA included storage for Nevada. Mr. Henley stated that they did not but that they could. If additional water was to be stored for Nevada the result would be less opportunity to store for Arizona. He noted that this might be accomplished by potentially decreasing or eliminating storage in Maricopa County, because they will have an adequate number of firming credits, and replacing that storage with interstate storage in that county. Additionally, it needs to be borne in mind that the assumption used in the model is that the AWBA would only firm up to 20 percent of the CAP M&I shortages. In some instances, the actual shortage could be a greater volume.

The Authority requested that Mr. Henley focus on four scenarios: the current Base, and Scenarios A, B and C. Additionally, they requested that storage for Nevada be included within those scenarios and that information be provided for shortage years that shows the firming to 20 percent versus the actual total shortage volume. Mr. Mawhinney stated that he is not appointed to represent Pima County but notes that there is a problem in that county under all of the scenarios. He questioned how this could be focused upon.

Val Danos had a question regarding how the model treated NIA water. Mr. Henley stated that it was treated as water that receives a pro rata reduction in shortages.

Call to the Public

Kathy Ferris, representing AMWUA, stated that she wanted to second the idea of having credit distribution policy discussions prior to development of an agreement. She also was looking for a response to a question that was raised at the stakeholder meeting with respect to what the recovered water would be considered by the Bureau. Ms. O'Connell responded that AWBA staff is aware that CAWCD and Reclamation have held meetings on that subject but did not believe that a final decision had been made. AWBA staff has not been invited to these meetings.

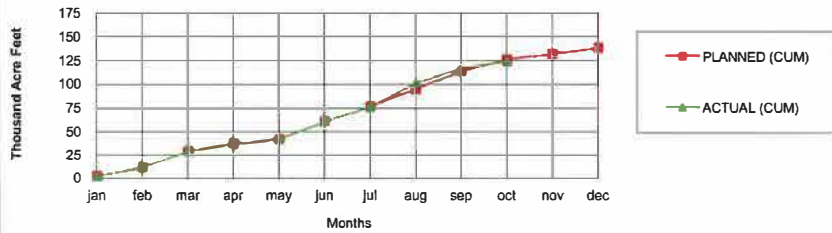
There was no additional public comment.

The meeting adjourned at 11:55 p.m.

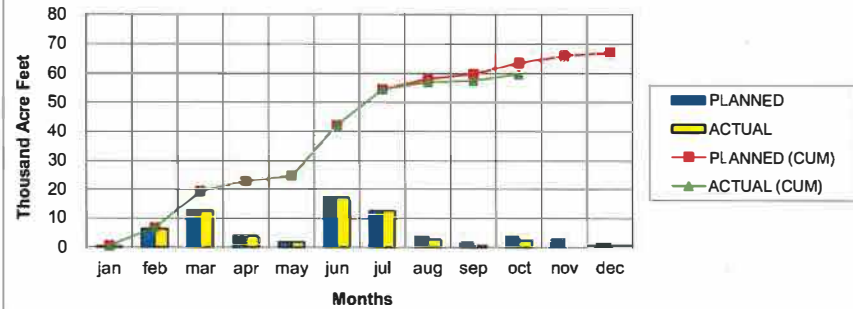
2011 Amended Plan of Operation

INTRASTATE

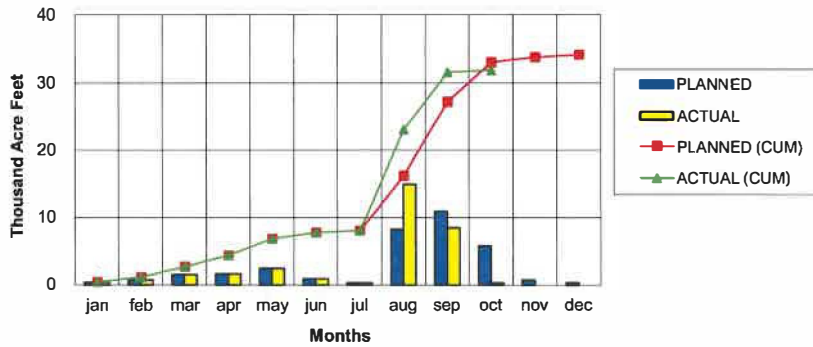
2011 DELIVERIES (by Month)
Planned vs. Actual



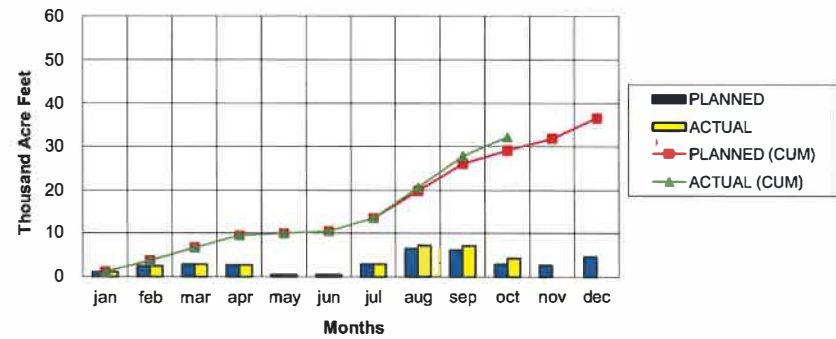
Phoenix AMA (by Month)
Planned vs. Actual



Pinal AMA (by Month)
Planned vs. Actual



Tucson AMA (by Month)
Planned vs. Actual



Actual deliveries updated 29-Nov-11
 Amended Plan of Operation 25-Aug-11

Phoenix AMA

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
TONOPAH DESERT	171	6,262	12,622	3,753	1,706	14,354	12,465	2,497	0	0	0	0	53,830
	171	6,262	12,622	3,753	1,706	14,354	12,465	3,617	0	0	0	0	54,950
NMIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	1,000	2,500	1,500	0	5,000
QCID	0	0	0	0	0	2,945	0	0	527	2,249	0	0	5,721
	0	0	0	0	0	2,945	0	0	683	1,142	1,143	1,142	7,055
Subtotal	171	6,262	12,622	3,753	1,706	17,299	12,465	2,497	527	2,249	0	0	59,551
Total to date	171	6,433	19,055	22,808	24,514	41,813	54,278	56,775	57,302	59,551	59,551	59,551	59,551
Projected total to date	171	6,433	19,055	22,808	24,514	41,813	54,278	57,895	59,578	63,220	65,863	67,005	67,005

Pinal AMA

CAIDD	0	0	0	0	0	0	0	14,713	6,520	310	0	0	21,543
	0	0	0	0	0	0	0	7,500	10,000	5,000	0	0	22,500
MSIDD	380	720	1,550	1,650	1,450	930	310	310	200	0	0	0	7,500
	380	720	1,550	1,650	1,450	930	318	200	200	0	0	102	7,500
HIDD	0	0	0	0	0	0	0	0	1,751	0	0	0	1,751
	0	0	0	0	0	0	0	500	750	750	750	250	3,000
Southside Bank	0	0	0	0	1,000	0	0	0	0	0	0	0	1,000
	0	0	0	0	1,000	0	0	0	0	0	0	0	1,000
Subtotal	380	720	1,550	1,650	2,450	930	310	15,023	8,471	310	0	0	31,794
Total to date	380	1,100	2,650	4,300	6,750	7,680	7,990	23,013	31,484	31,794	31,794	31,794	31,794
Projected total to date	380	1,100	2,650	4,300	6,750	7,680	7,998	16,198	27,148	32,898	33,648	34,000	34,000

Tucson AMA

AVRA VALLEY	0	0	0	0	0	0	0	268	0	397	0	0	665
	0	0	0	0	0	0	0	0	236	0	700	700	1,636
CAVSARP	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
SAVSARP	0	0	0	0	0	0	3,000	4,000	6,687	3,805	0	0	17,492
	0	0	0	0	0	0	3,000	4,000	5,000	3,000	2,000	4,000	21,000
LOWER SANTA CRUZ	1,146	2,526	2,893	2,811	0	0	0	2,116	309	0	0	0	11,801
	1,146	2,526	2,893	2,811	0	0	0	2,000	425	0	0	0	11,801
CMID	0	0	0	0	0	0	0	841	159	0	0	0	1,000
	0	0	0	0	0	0	0	500	500	0	0	0	1,000
KAI FARMS - Red Rock	0	0	0	0	500	500	0	0	0	77	0	0	1,077
	0	0	0	0	500	500	0	0	0	0	0	0	1,000
Subtotal	1,146	2,526	2,893	2,811	500	500	3,000	7,225	7,155	4,279	0	0	32,035
Total to date	1,146	3,672	6,565	9,376	9,876	10,376	13,376	20,601	27,756	32,035	32,035	32,035	32,035
Projected total to date	1,146	3,672	6,565	9,376	9,876	10,376	13,376	19,876	26,037	29,037	31,737	36,437	36,437

TOTAL	1,697	9,508	17,065	8,214	4,656	18,729	15,775	24,745	16,153	6,838	0	0	123,380
Total to date	1,697	11,205	28,270	36,484	41,140	59,869	75,644	100,389	116,542	123,380	123,380	123,380	123,380
Projected total to date	1,697	11,205	28,270	36,484	41,140	59,869	75,652	93,969	112,763	125,155	131,248	137,442	137,442

**AGREEMENT BETWEEN
THE ARIZONA WATER BANKING AUTHORITY,
AND
PROVIDING FOR STORAGE OF CENTRAL ARIZONA PROJECT WATER
AT A GROUNDWATER SAVINGS FACILITY**

1. The ARIZONA WATER BANKING AUTHORITY (“AWBA”) and _____ (“Facility Operator”) enter into this Agreement this ____ day of _____, 2011.

2.
 - 2.1 The purpose of this Agreement is to provide for the storage of Central Arizona Project water, which the AWBA is legally entitled to store, at the Groundwater Savings Facility operated by the Facility Operator.
 - 2.2 The Parties recognize that this Agreement is one of a series of agreements entered into by the AWBA to provide for the storage of Central Arizona Project water. These agreements include the Intergovernmental Agreement among the Arizona Department of Water Resources, Arizona Water Banking Authority, and Central Arizona Water Conservation District, dated January 28, 2009, and 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, dated July 14, 2005. These agreements, in turn, are subject to certain agreements entered into by the Central Arizona Water Conservation District regarding the operation of the Central Arizona Project. These agreements include Contract No. 14-06-W-245, Amendment No. 1, dated December 1, 1988, between the United States and the Central Arizona Water Conservation District, and Stipulation Regarding a Stay of Litigation, Resolution of Issues During the Stay and for Ultimate Judgment upon the Satisfaction of Conditions, filed with the United States District Court on May 3, 2000, in Central Arizona Water Conservation District v. United States, No. CIV 95-625-TUC-WDB (EHC), No. CIV 95-1720-PHX-EHC (Consolidated Action). The Parties to this Agreement recognize and agree that this Agreement is subject to the

agreements referenced in this Section 2.2 and that in the event of any inconsistency between this Agreement and agreements referenced, the provisions of the agreements referenced shall be controlling.

- 2.3 The Parties agree that the Central Arizona Water Conservation District shall have rights as a third party beneficiary to enforce certain provisions that are specified in this Agreement. Designated Recovery Agents, as described in Section 11.1 of this Agreement, shall have rights as a third party beneficiary as described in Section 11.9 of this Agreement.

3. In this Agreement, the following terms shall have the following meanings:
 - 3.1 "ADWR" shall mean the Arizona Department of Water Resources.
 - 3.2 "Authority Water" shall mean water made available by CAWCD to the AWBA on an annual basis for underground storage pursuant to the terms of the Excess CAP Water Contract between the AWBA and CAWCD, which water would not otherwise have been used within Arizona.
 - 3.3 "CAP" shall mean the Central Arizona Project.
 - 3.4 "CAWCD" shall mean the Central Arizona Water Conservation District.
 - 3.5 "Party or Parties" shall mean either one, or in the plural, both of the parties to this Agreement.
 - 3.6 Definitions specified in A.R.S. § 45-802.01 are applicable to this Agreement. The first letters of terms so defined are capitalized.

4. This Agreement shall terminate on December 31, 2021 unless the parties agree in writing to extend the term or unless it is sooner terminated or cancelled in accordance with Section 13.

5. The delivery and use of water under this Agreement are conditioned on the following, and the Parties agree that:
 - 5.1 All uses of Authority Water shall be consistent with Arizona water law and

with federal law applicable to the CAP.

- 5.2 Authority Water made available pursuant to this Agreement shall be used only at the Groundwater Savings Facility for which the Facility Operator has obtained and continues to maintain Groundwater Savings Facility Permit, No. 72-XXXXXXXXXX, or modifications or renewals of that permit. The Facility Operator shall be responsible for all expenses and administrative requirements, including filing annual reports with the ADWR, associated with maintaining the Groundwater Savings Facility permit. The Facility Operator's use of Authority Water at such Groundwater Savings Facility shall at all times comply with the plan of operation of the Groundwater Savings Facility Permit. If such Groundwater Savings Facility Permit is cancelled or expires for any reason the Facility Operator shall immediately notify the AWBA and deliveries of Authority Water to the Facility Operator may, at the option of the AWBA, be discontinued immediately. The Facility Operator shall notify the AWBA if it files an application with the ADWR to amend its Groundwater Savings Facility permit.
- 5.3 Authority Water made available to the Facility Operator pursuant to this Agreement shall be used within the Facility Operator's Groundwater Savings Facility for Water Storage purposes only.
- 5.4 The Facility Operator shall cause the pumping of groundwater within the Facility Operator's Groundwater Savings Facility to be reduced by one acre-foot for each one acre-foot of Authority Water received at the Facility.
- 5.5 The Facility Operator shall submit to the AWBA a monthly report of water use. The monthly report shall be in a form and submitted within a time which is acceptable to the AWBA and shall contain a report of water use by amount and type of water used.

- 5.6 The AWBA shall obtain a Water Storage Permit from the ADWR to store water at the Facility Operator's Groundwater Savings Facility. The AWBA shall be responsible for all expenses and administrative requirements, including filing annual reports with the ADWR, associated with maintaining the Water Storage Permit.
6.
 - 6.1 On or before September 1, the Facility Operator shall consult with the AWBA and provide a written projection of the Facility Operator's water use by type and amount for each month of the following year, which the AWBA may use to develop its annual plan of operation for the following year.
 - 6.2 On or before December 1, the AWBA shall return to the Facility Operator a final water delivery schedule based on the AWBA's annual plan of operation for the following year.
 - 6.3 The AWBA shall authorize the Facility Operator to order Authority Water for delivery to the Groundwater Savings Facility directly from CAWCD in accordance with CAWCD water ordering procedures and the AWBA's plan of operation.
 - 6.4 The amounts, times and rates of delivery of Authority Water to the Facility Operator during any year shall be in accordance with the current plan of operation of the Authority. Authority Water ordered by the Facility Operator shall not exceed the amounts provided for in the current plan of operation of the Authority, unless approved in writing by the Authority.
 - 6.5 Monthly water deliveries may be amended upon the Facility Operator's written request to CAWCD with copy to the AWBA. Proposed amendments shall be submitted by the Facility Operator to CAWCD with copy to the AWBA not less than fifteen (15) days before the desired change is to become effective, and shall be subject to review and

modification by CAWCD and the AWBA.

- 6.6 The Facility Operator shall hold the AWBA and CAWCD, their officers, agents, and employees, harmless on account of damage or claim of damage of any nature whatsoever arising out of or connected with water delivery schedules furnished by or to the Facility Operator.

7. 7.1 The AWBA may reduce or discontinue deliveries of Authority Water to the Facility Operator under this Agreement in one or more of the following events:
 - 7.1.1 The Facility Operator fails to file the monthly report(s) required by Section 5.5.
 - 7.1.2 The Facility Operator violates the permit or plan of operation associated with the Groundwater Savings Facility or takes any action that threatens the AWBA's ability to accrue Long-Term Storage Credits for Authority Water delivered to the Groundwater Savings Facility.

- 7.2 The AWBA shall notify the Facility Operator of any determination to reduce or discontinue deliveries of Authority Water to the Facility Operator.

8. 8.1 On or before October 1 of each year, CAWCD and the AWBA shall notify the Facility Operator of the cost for each acre foot of Authority Water to be delivered under this Agreement for the following year ("Facility Operator's Contribution").

- 8.2 The Facility Operator shall pay CAWCD directly for all water delivered under this Agreement. On or before the first day of each month, the Facility Operator shall pay CAWCD the amounts due as the Facility

Operator's Contribution for Authority Water scheduled for delivery during that month.

8.3 The Facility Operator shall pay CAWCD in advance all amounts due as the Facility Operator's Contribution for Authority Water scheduled for delivery under this Agreement; however, CAWCD has agreed to reimburse the Facility Operator for any portion of the Facility Operator's Contribution which is attributable to Authority Water scheduled for delivery that is not subsequently delivered to the Facility Operator or to provide an equivalent credit against payment in the future of any fees owed CAWCD by the Facility Operator, should the Facility Operator so desire. CAWCD shall not be required to deliver water scheduled under this Agreement if the Facility Operator is in arrears in payment of any charges due CAWCD for a period of 60 days or more.

8.4 CAWCD shall be entitled, as a third party beneficiary to this Agreement, to collect from the Facility Operator any charges for water owed under this Section 8, along with interest, administrative and penalty charges on delinquent installments or payments, in accordance with the following:

8.4.1 The Facility Operator shall pay an interest charge for each day the payment is delinquent beyond the due date. When a payment becomes sixty (60) days delinquent, the Facility Operator shall pay an administrative charge to cover additional costs of billing and processing the delinquent payment. When a payment is delinquent ninety (90) days or more, the Facility Operator shall pay an additional penalty charge of six percent (6%) per year for each day the payment is delinquent beyond the due date. Further, the Facility Operator shall pay any fees incurred for debt collection services associated with a delinquent payment.

- 8.4.2 The interest charge rate shall be the greater of the rate prescribed quarterly in the Federal Register by the Department of the Treasury for application to overdue payments, or the interest rate of 0.5 percent (0.5%) per month prescribed 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.
- 8.4.3 When a partial payment on a delinquent account is received, the amount received shall be applied first to the penalty and administrative charges, second, to the accrued interest, and third to the overdue payment.
- 8.5 If the AWBA is not given Long-Term Storage Credits because the Facility Operator has violated the Groundwater Savings Facility permit or plan of operation, the Facility Operator shall pay to the AWBA any water service charges paid by the AWBA to CAWCD for the water delivered to the Groundwater Savings Facility which did not accrue Long-Term Storage Credits (“payment”), or, at the request of the AWBA, facilitate and compensate for the transfer of Long-Term Storage Credits ~~from a seller to~~ the AWBA in an amount equal to the Long-Term Storage Credits not received, pursuant to state law (“transfer of credits”). ~~The payment or transfer shall be made within 90 days of the denial of Long-Term Storage Credits by the ADWR. The AWBA will provide written notice that ADWR has not issued credits to the AWBA. The notice will state whether the AWBA is requesting payment or transfer of credits. If the AWBA requests payment, the Facility Operator shall submit the payment within 60 days of the date of the notice. If the AWBA requests transfer of credits, within 60 days of the date of the notice, the Facility Operator shall provide an~~

explanation of how the transfer of credits will be accomplished. The Facility Operator shall complete the transfer of credits within 1 year of the date of the notice.

9. 9.1 Nothing in this Agreement shall be construed as an allocation of water to the Facility Operator, nor shall this Agreement entitle the Facility Operator to any water other than as provided herein.
 - 9.2 Nothing in this Agreement shall be construed as requiring the AWBA to provide Authority Water to the Facility Operator in any year, and nothing in this Agreement shall be construed as requiring the Facility Operator to accept deliveries of Authority Water in any year. The Parties agree that in any year in which the AWBA desires to provide Authority Water to the Facility Operator and in which the Facility Operator agrees to accept deliveries of Authority Water, the terms and conditions of this Agreement shall apply.
10. Neither the AWBA nor CAWCD warrant the quality of any water furnished under this Agreement and are under no obligation to construct or furnish water treatment facilities to maintain or better the quality of any water. The Facility Operator waives its right to make a claim against the AWBA or CAWCD, on account of the quality of water or any changes in water quality caused by the commingling of water delivered under this Agreement with other water.
11. 11.1 The Parties agree that the AWBA may designate a third party agent to exercise the right to recover the AWBA's water stored under this Agreement. The "Designated Recovery Agent" shall be CAWCD, a political subdivision of the State of Arizona, and/or a municipal corporation

formed under the laws of the State of Arizona. The AWBA shall, in accordance with Section 15 of this Agreement, notify the Facility Operator of the appointment of a Designated Recovery Agent pursuant to this Section 11.

- 11.2 The Facility Operator agrees to cooperate with the Designated Recovery Agent in facilitating the recovery of Long-Term Storage Credits stored by the AWBA at the Facility Operator's Groundwater Savings Facility.
- 11.3 The Facility Operator agrees not to register any objection with the ADWR to an application for a recovery well permit filed by the Designated Recovery Agent or other entities seeking to recover water stored by the AWBA so long as the water is to be recovered at the Groundwater Savings Facility at which it was stored.
- 11.4 The Facility Operator shall use its best efforts to enter into agreements with owners of wells within the Facility Operator's boundaries to ~~procure~~ facilitate access to those wells for the Designated Recovery Agent for the purposes of recovering AWBA water stored at the Groundwater Savings Facility. The Facility Operator shall provide to the AWBA a description of wells and well sites which the Designated Recovery Agent could utilize for recovery purposes, including the necessary authorization for the Facility Operator's use of such wells and well sites, within 30 days of entering into each such agreement.
- 11.5 If agreements for access to wells have been procured under Section 11.4 and upon the distribution of Long-Term Storage Credits by the AWBA to a Designated Recovery Agent, the Designated Recovery Agent may, at the Designated Recovery Agent's sole expense, recover the Long-Term Storage Credits at the Groundwater Savings Facility using those wells upon written notification to the Facility Operator.

- 11.6 The Designated Recovery Agent shall not recover Long-Term Storage Credits within the Facility Operator's boundaries that were not accrued by the AWBA at the Facility Operator's Groundwater Savings Facility, unless the Facility Operator agrees in writing to allow the Designated Recovery Agent to recover other Long-Term Storage Credits.
- 11.7 The Designated Recovery Agent shall be responsible for obtaining and maintaining recovery well permits and shall pay all permit fees and other costs and expenses of any nature associated with recovery of Long-Term Storage Credits at the Groundwater Savings Facility.
- 11.8 The Facility Operator does not warrant the quality of water produced from recovery wells and is under no obligation to construct or furnish water treatment facilities to maintain or improve the quality of such water. The Designated Recovery Agent shall not make a claim against the Facility Operator because of changes in water quality caused by underground storage or the mixing of recovered water with other water. Notwithstanding this Section 11.8, the Facility Operator agrees to comply with state and federal law.
- 11.9 It is the express intention of the parties that the Designated Recovery Agent be a third party beneficiary of the obligations and duties of the provisions of this Section 11, and that the third party beneficiary shall be considered a "Party" only for the purposes of this Section 11, except that CAWCD shall also have rights as a third party beneficiary as described in other Sections of this Agreement. The rights of the third party beneficiary under this Section 11 shall vest immediately upon notification to the Facility Operator by the AWBA of the designation of a Designated Recovery Agent in accordance with this Section 11. The Parties agree that the terms of this Section 11 shall not, in any way, limit the rights or

privileges of the AWBA under this Agreement.

- 11.10 The obligations set forth in this Section 11 shall survive the expiration or termination of this Agreement and remain in full force and effect until all Authority Water stored at the Facility Operator's Groundwater Savings Facility has been recovered.
12. 12.1 Authority Water furnished to the Facility Operator pursuant to this Agreement shall be delivered only to the Facility Operator at such point(s) that have previously been approved by CAWCD and only if CAWCD has satisfied itself that the pipelines, canals, distribution systems, or other conduits that will convey Authority Water after delivery will prevent excessive conveyance losses and are constructed, operated, and maintained in accordance with any condition of applicable laws, regulations or order and to the satisfaction of CAWCD.
- 12.2 In the event of damage to CAP facilities due to failure of the Facility Operator to operate in a good and workmanlike manner, the Facility Operator shall pay the CAWCD within thirty (30) days of Facility Operator's receipt of a statement for the costs of repairing any damage to Project facilities or Project rights-of-way caused by or arising out of the Facility Operator's activities under this Agreement.
- 12.3 If the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, and if the Facility Operator intends to convey water furnished to the Facility Operator pursuant to this Agreement through connection facilities owned or operated by others, the use by the Facility Operator of such connection facilities shall be the subject of written agreement(s) between the Facility Operator and the owner(s) or operator(s) of such connection facilities, and

all such agreements shall be provided to the CAWCD prior to initiation of deliveries.

- 12.4 Unless the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, all water delivered from the Water Supply System shall be measured with equipment furnished and installed by the Facility Operator and operated and maintained by the Facility Operator at the Facility Operator's sole cost and expense. The results of such measurements shall be reported to CAWCD in such manner and at such time(s) as CAWCD may prescribe. Upon the request of CAWCD or the AWBA, the accuracy of such measurements shall be investigated by the Facility Operator, and any errors which are determined to have occurred therein shall be adjusted; however, in the event the parties cannot agree on the required adjustment, CAWCD's determination shall be conclusive.
- 12.5 If the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, all water delivered from the Water Supply System shall be measured with equipment furnished and installed by the United States and operated and maintained by CAWCD. Upon the request of the Facility Operator, the AWBA, or CAWCD, the accuracy of such measurements shall be investigated by CAWCD and the Facility Operator, and any errors which are mutually determined to have occurred therein shall be adjusted; however in the event the parties cannot agree on the required adjustment, CAWCD's determination shall be conclusive.
- 12.6 The United States, CAWCD, and the AWBA shall not be responsible for the control, carriage, handling, use, disposal, or distribution of water beyond the Facility Operator's Project delivery point. The Facility Operator

shall hold the United States, CAWCD, and the AWBA harmless on account of damage or claim of damage of any nature whatsoever for which there is legal responsibility, including property damage, personal injury, or death arising out of or connected with the control, carriage, handling, use, disposal, or distribution of water beyond the Facility Operator's Project delivery point.

12.7 The AWBA shall not be liable for any action taken by CAWCD or the Facility Operator pursuant to this Section 12 regarding the construction, operation, or maintenance of connection facilities.

12.8 Deliveries of water scheduled under this Agreement are subject to interruption and discontinuance due to investigation, inspection, construction, testing, maintenance, repair or replacement of the CAP and its components. The Facility Operator also acknowledges that CAP water available to the AWBA is only that water which would otherwise be unused in Arizona and, therefore, deliveries of water scheduled under this Agreement are subject to interruption and discontinuance due to insufficient water or delivery capacity to deliver all other waters scheduled for delivery through the CAP. The United States, its officers, agents, and employees, CAWCD, its officers, agents and employees, and the AWBA, its officers, agents, and employees shall not be liable for any damages when, for any reason whatsoever, any interruption, discontinuance, or reduction in delivery of water scheduled under this Agreement occurs.

13. 13.1 This Agreement may be terminated for any of the following reasons:

13.1.1 If the Facility Operator remains in arrears in the payment of the Facility Operator's Contribution for thirty (30) days or more, the AWBA may terminate this Agreement, which

- termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator;
- 13.1.2 If the Facility Operator remains in arrears in the reimbursement of any portion of the AWBA's Contribution for thirty (30) days or more, the AWBA may terminate this Agreement, which termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator and CAWCD;
- 13.1.3 If the Excess CAP Water Contract between the AWBA and CAWCD providing for delivery of Authority Water is terminated, the AWBA may terminate this Agreement, which termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator; or
- 13.1.4 if the AWBA determines in its sole discretion that the Facility Operator is operating the Groundwater Savings Facility in a manner contrary to law or in a manner which is likely to jeopardize the ability of the AWBA to earn Long-Term Storage Credits for Authority Water delivered to the facility for the benefit of the AWBA, the AWBA may terminate this Agreement, which termination shall be effective ten (10) days after mailing written notice of termination to the Facility Operator and CAWCD.
- 13.2 Any rights under this Agreement to collect any monies owed under the Agreement and any rights pursuant to Section 11 of this Agreement shall survive the termination of this Agreement.
- 13.3 The rights of the AWBA to terminate this Agreement as provided in this Section 13 shall be in addition to all other rights of the AWBA under this

Agreement and as provided by law.

14. The Facility Operator shall establish and maintain accounts and other books and records pertaining to administration of the terms and conditions of this Agreement, including: the Facility Operator's water supply data, water-use data, and other matters that the AWBA or CAWCD may require. Reports thereon shall be furnished to the AWBA or CAWCD in such form and on such date or dates as the AWBA or CAWCD may require. Subject to applicable federal and state laws and regulations, each party to this Agreement shall have the right during office hours to examine and make copies of each other party's books and records relating to matters covered by this Agreement.

15. 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 to the parties at the following addresses:

If to the AWBA:

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

If to the Facility Operator:

XXXXXXXXXX
XXXXXXXXXX
XXXXXXXXXX
XXXXXXXXXX

The designation of the address or addressee for the giving of notice may be changed by notice given as provided in this Section 15.

16. 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.
17. The provisions of this Agreement shall apply to and bind the successors and assigns of the parties hereto, but no assignment or transfer of this Agreement or any interest therein shall be valid unless and until approved in writing by the AWBA.
18. This Agreement is subject to cancellation in accordance with the provisions of A.R.S. § 38-511.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective the day and year first above-written.

ARIZONA WATER BANKING AUTHORITY

Attest: _____

XXXXXXXXXXXXX, Secretary

By: _____

Sandra Fabritz-Whitney, Chairman

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

Attest: _____

Name, Title

By: _____

Name, Title

**AGREEMENT BETWEEN
THE ARIZONA WATER BANKING AUTHORITY,
AND
PROVIDING FOR STORAGE OF CENTRAL ARIZONA PROJECT WATER
AT A GROUNDWATER SAVINGS FACILITY**

1. The ARIZONA WATER BANKING AUTHORITY (“AWBA”) and _____ (“Facility Operator”) enter into this Agreement this ____ day of _____, 2011.

2. 2.1 The purpose of this Agreement is to provide for the storage of Central Arizona Project water, which the AWBA is legally entitled to store, at the Groundwater Savings Facility operated by the Facility Operator.

2.2 The Parties recognize that this Agreement is one of a series of agreements entered into by the AWBA to provide for the storage of Central Arizona Project water. These agreements include the Intergovernmental Agreement among the Arizona Department of Water Resources, Arizona Water Banking Authority, and Central Arizona Water Conservation District, dated January 28, 2009, and 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, dated July 14, 2005. These agreements, in turn, are subject to certain agreements entered into by the Central Arizona Water Conservation District regarding the operation of the Central Arizona Project. These agreements include Contract No. 14-06-W-245, Amendment No. 1, dated December 1, 1988, between the United States and the Central Arizona Water Conservation District, and Stipulation Regarding a Stay of Litigation, Resolution of Issues During the Stay and for Ultimate Judgment upon the Satisfaction of Conditions, filed with the United States District Court on May 3, 2000, in Central Arizona Water Conservation District v. United States, No. CIV 95-625-TUC-WDB (EHC), No. CIV 95-1720-PHX-EHC (Consolidated Action). The Parties to this Agreement recognize and agree that this Agreement is subject to the

agreements referenced in this Section 2.2 and that in the event of any inconsistency between this Agreement and agreements referenced, the provisions of the agreements referenced shall be controlling.

- 2.3 The Parties agree that the Central Arizona Water Conservation District shall have rights as a third party beneficiary to enforce certain provisions that are specified in this Agreement. Designated Recovery Agents, as described in Section 11.1 of this Agreement, shall have rights as a third party beneficiary as described in Section 11.11 of this Agreement.

3. In this Agreement, the following terms shall have the following meanings:
 - 3.1 "ADWR" shall mean the Arizona Department of Water Resources.
 - 3.2 "Authority Water" shall mean water made available by CAWCD to the AWBA on an annual basis for underground storage pursuant to the terms of the Excess CAP Water Contract between the AWBA and CAWCD, which water would not otherwise have been used within Arizona.
 - 3.3 "CAP" shall mean the Central Arizona Project.
 - 3.4 "CAWCD" shall mean the Central Arizona Water Conservation District.
 - 3.5 "Party or Parties" shall mean either one, or in the plural, both of the parties to this Agreement.
 - 3.6 Definitions specified in A.R.S. § 45-802.01 are applicable to this Agreement. The first letters of terms so defined are capitalized.

4. This Agreement shall terminate on December 31, 2021 unless the parties agree in writing to extend the term or unless it is sooner terminated or cancelled in accordance with Section 13.

5. The delivery and use of water under this Agreement are conditioned on the following, and the Parties agree that:
 - 5.1 All uses of Authority Water shall be consistent with Arizona water law and

with federal law applicable to the CAP.

- 5.2 Authority Water made available pursuant to this Agreement shall be used only at the Groundwater Savings Facility for which the Facility Operator has obtained and continues to maintain Groundwater Savings Facility Permit, No. 72-XXXXXX, or modifications or renewals of that permit. The Facility Operator shall be responsible for all expenses and administrative requirements, including filing annual reports with the ADWR, associated with maintaining the Groundwater Savings Facility permit. The Facility Operator's use of Authority Water at such Groundwater Savings Facility shall at all times comply with the plan of operation of the Groundwater Savings Facility Permit. If such Groundwater Savings Facility Permit is cancelled or expires for any reason the Facility Operator shall immediately notify the AWBA and deliveries of Authority Water to the Facility Operator may, at the option of the AWBA, be discontinued immediately. The Facility Operator shall notify the AWBA if it files an application with the ADWR to amend its Groundwater Savings Facility permit.
- 5.3 Authority Water made available to the Facility Operator pursuant to this Agreement shall be used within the Facility Operator's Groundwater Savings Facility for Water Storage purposes only.
- 5.4 The Facility Operator shall cause the pumping of groundwater within the Facility Operator's Groundwater Savings Facility to be reduced by one acre-foot for each one acre-foot of Authority Water received at the Facility.
- 5.5 The Facility Operator shall submit to the AWBA a monthly report of water use. The monthly report shall be in a form and submitted within a time which is acceptable to the AWBA and shall contain a report of water use by amount and type of water used.

- 5.6 The AWBA shall obtain a Water Storage Permit from the ADWR to store water at the Facility Operator's Groundwater Savings Facility. The AWBA shall be responsible for all expenses and administrative requirements, including filing annual reports with the ADWR, associated with maintaining the Water Storage Permit.
6.
 - 6.1 On or before September 1, the Facility Operator shall consult with the AWBA and provide a written projection of the Facility Operator's water use by type and amount for each month of the following year, which the AWBA may use to develop its annual plan of operation for the following year.
 - 6.2 On or before December 1, the AWBA shall return to the Facility Operator a final water delivery schedule based on the AWBA's annual plan of operation for the following year.
 - 6.3 The AWBA shall authorize the Facility Operator to order Authority Water for delivery to the Groundwater Savings Facility directly from CAWCD in accordance with CAWCD water ordering procedures and the AWBA's plan of operation.
 - 6.4 The amounts, times and rates of delivery of Authority Water to the Facility Operator during any year shall be in accordance with the current plan of operation of the Authority. Authority Water ordered by the Facility Operator shall not exceed the amounts provided for in the current plan of operation of the Authority, unless approved in writing by the Authority.
 - 6.5 Monthly water deliveries may be amended upon the Facility Operator's written request to CAWCD with copy to the AWBA. Proposed amendments shall be submitted by the Facility Operator to CAWCD with copy to the AWBA not less than fifteen (15) days before the desired change is to become effective, and shall be subject to review and

modification by CAWCD and the AWBA.

- 6.6 The Facility Operator shall hold the AWBA and CAWCD, their officers, agents, and employees, harmless on account of damage or claim of damage of any nature whatsoever arising out of or connected with water delivery schedules furnished by or to the Facility Operator.

7. 7.1 The AWBA may reduce or discontinue deliveries of Authority Water to the Facility Operator under this Agreement in one or more of the following events:
 - 7.1.1 The Facility Operator fails to file the monthly report(s) required by Section 5.5.
 - 7.1.2 The Facility Operator violates the permit or plan of operation associated with the Groundwater Savings Facility or takes any action that threatens the AWBA's ability to accrue Long-Term Storage Credits for Authority Water delivered to the Groundwater Savings Facility.

- 7.2 The AWBA shall notify the Facility Operator of any determination to reduce or discontinue deliveries of Authority Water to the Facility Operator.

8. 8.1 On or before October 1 of each year, CAWCD and the AWBA shall notify the Facility Operator of the cost for each acre foot of Authority Water to be delivered under this Agreement for the following year ("Facility Operator's Contribution").

- 8.2 The Facility Operator shall pay CAWCD directly for all water delivered under this Agreement. On or before the first day of each month, the Facility Operator shall pay CAWCD the amounts due as the Facility

Operator's Contribution for Authority Water scheduled for delivery during that month.

8.3 The Facility Operator shall pay CAWCD in advance all amounts due as the Facility Operator's Contribution for Authority Water scheduled for delivery under this Agreement; however, CAWCD has agreed to reimburse the Facility Operator for any portion of the Facility Operator's Contribution which is attributable to Authority Water scheduled for delivery that is not subsequently delivered to the Facility Operator or to provide an equivalent credit against payment in the future of any fees owed CAWCD by the Facility Operator, should the Facility Operator so desire. CAWCD shall not be required to deliver water scheduled under this Agreement if the Facility Operator is in arrears in payment of any charges due CAWCD for a period of 60 days or more.

8.4 CAWCD shall be entitled, as a third party beneficiary to this Agreement, to collect from the Facility Operator any charges for water owed under this Section 8, along with interest, administrative and penalty charges on delinquent installments or payments, in accordance with the following:

8.4.1 The Facility Operator shall pay an interest charge for each day the payment is delinquent beyond the due date. When a payment becomes sixty (60) days delinquent, the Facility Operator shall pay an administrative charge to cover additional costs of billing and processing the delinquent payment. When a payment is delinquent ninety (90) days or more, the Facility Operator shall pay an additional penalty charge of six percent (6%) per year for each day the payment is delinquent beyond the due date. Further, the Facility Operator shall pay any fees incurred for debt collection services associated with a delinquent payment.

8.4.2 The interest charge rate shall be the greater of the rate prescribed quarterly in the Federal Register by the Department of the Treasury for application to overdue payments, or the interest rate of 0.5 percent (0.5%) per month prescribed 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.

8.4.3 When a partial payment on a delinquent account is received, the amount received shall be applied first to the penalty and administrative charges, second, to the accrued interest, and third to the overdue payment.

8.5 If the AWBA is not given Long-Term Storage Credits because the Facility Operator has violated the Groundwater Savings Facility permit or plan of operation, the Facility Operator shall pay to the AWBA any water service charges paid by the AWBA to CAWCD for the water delivered to the Groundwater Savings Facility which did not accrue Long-Term Storage Credits (“payment”), or, at the request of the AWBA, facilitate and compensate for the transfer of Long-Term Storage Credits ~~from a seller to~~ the AWBA in an amount equal to the Long-Term Storage Credits not received, pursuant to state law (“transfer of credits”). ~~The payment or transfer shall be made within 90 days of the denial of Long-Term Storage Credits by the ADWR. The AWBA will provide written notice that ADWR has not issued credits to the AWBA. The notice will state whether the AWBA is requesting payment or transfer of credits. If the AWBA requests payment, the Facility Operator shall submit the payment within 60 days of the date of the notice. If the AWBA requests transfer of credits, within 60 days of the date of the notice, the Facility Operator shall provide an~~

explanation of how the transfer of credits will be accomplished. The Facility Operator shall complete the transfer of credits within 1 year of the date of the notice.

9. 9.1 Nothing in this Agreement shall be construed as an allocation of water to the Facility Operator, nor shall this Agreement entitle the Facility Operator to any water other than as provided herein.
 - 9.2 Nothing in this Agreement shall be construed as requiring the AWBA to provide Authority Water to the Facility Operator in any year, and nothing in this Agreement shall be construed as requiring the Facility Operator to accept deliveries of Authority Water in any year. The Parties agree that in any year in which the AWBA desires to provide Authority Water to the Facility Operator and in which the Facility Operator agrees to accept deliveries of Authority Water, the terms and conditions of this Agreement shall apply.
10. Neither the AWBA nor CAWCD warrant the quality of any water furnished under this Agreement and are under no obligation to construct or furnish water treatment facilities to maintain or better the quality of any water. The Facility Operator waives its right to make a claim against the AWBA or CAWCD, on account of the quality of water or any changes in water quality caused by the commingling of water delivered under this Agreement with other water.
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Recovery Agent pursuant to this Section 11.

- 11.2 The Facility Operator agrees to cooperate with the Designated Recovery Agent in facilitating the recovery of Long-Term Storage Credits stored by the AWBA at the Facility Operator's Groundwater Savings Facility.
- 11.3 The Facility Operator agrees not to register any objection with the ADWR to an application for a recovery well permit filed by the Designated Recovery Agent or other entities seeking to recover water stored by the AWBA so long as the water is to be recovered at the Groundwater Savings Facility at which it was stored.
- 11.4 Upon the distribution of Long-Term Storage Credits by the AWBA to a Designated Recovery Agent, the Designated Recovery Agent may, at the Designated Recovery Agent's sole expense, recover the Long-Term Storage Credits at the Groundwater Savings Facility upon written notification to the Facility Operator.
- 11.5 The Designated Recovery Agent shall not recover Long-Term Storage Credits within the Facility Operator's boundaries that were not accrued by the AWBA at the Facility Operator's Groundwater Savings Facility, unless the Facility Operator agrees in writing to allow the Designated Recovery Agent to recover other Long-Term Storage Credits.
- 11.6 To recover Long-Term Storage Credits pursuant to this Section 11, the Facility Operator shall allow the Designated Recovery Agent to recover the AWBA's Long-Term Storage Credits using the Facility Operator's wells. Such use shall be subject to the Facility Operator's operational control of the wells and shall be made only when, in the discretion of the Facility Operator, there is sufficient well capacity and water transportation facilities available to recover the Long-Term Storage Credits without disrupting delivery of irrigation water to the Facility Operator's customers;

however, such discretion shall not be unreasonably exercised so as to defeat the intent of this Section 11. The Facility Operator shall provide to the AWBA within 1 year after execution of this Agreement a description of wells and well sites which the Designated Recovery Agent could utilize for recovery purposes, including the necessary authorization for Facility Operator's use of such wells and well sites.

- 11.7 If insufficient well capacity is available within the Facility Operator's boundaries to meet a recovery request, the Designated Recovery Agent may install, own, operate and maintain new wells and related facilities or, at the Designated Recovery Agent's request, the Facility Operator may, under a separate agreement, install, own, operate and maintain new wells and related facilities, provided that the Designated Recovery Agent pays the Facility Operator in advance all construction costs associated with such new wells and facilities. All of the fixed and variable operating costs of such facilities attributable to the recovery of Long-Term Storage Credits shall be the sole responsibility of the Designated Recovery Agent. Nothing herein requires the Facility Operator to construct facilities that, in their judgement, would interfere with the operation of existing wells within the Facility Operator's water delivery system. The Designated Recovery Agent shall reimburse the Facility Operator the cost of obtaining all permits required to drill new recovery wells identified by the Designated Recovery Agent for purposes of this Agreement.
- 11.8 The Designated Recovery Agent shall be responsible for obtaining and maintaining recovery well permits and shall pay all permit fees and other costs and expenses of any nature associated with recovery of Long-Term Storage Credits at the Groundwater Savings Facility.

- 11.9 The Designated Recovery Agent shall reimburse the Facility Operator for all reasonable costs incurred by the Facility Operator in the recovery of Long-Term Storage Credits in accordance with this Section 11. These costs may include, but are not limited to wheeling services, scheduling costs, incremental increased cost of power, and incremental increased cost of operation, maintenance, and replacement of wells and/or pumps within the Facility Operator's Groundwater Savings Facility. Prior to any recovery under this Section 11, the Designated Recovery Agent and the Facility Operator shall agree upon the costs for which the Designated Recovery Agent shall be responsible. The Designated Recovery Agent and the Facility Operator may agree that the Designated Recovery Agent will provide power to operate the wells to offset part of the agreed upon costs.
- 11.10 The Facility Operator does not warrant the quality of water produced from recovery wells and is under no obligation to construct or furnish water treatment facilities to maintain or improve the quality of such water. The Designated Recovery Agent waives its right to make a claim against the Facility Operator because of changes in water quality caused by underground storage or the mixing of recovered water with other water. Notwithstanding this Section 11.10, the Facility Operator agrees to comply with state and federal law.
- 11.11 It is the express intention of the Parties that the Designated Recovery Agent be a third party beneficiary of the obligations and duties of the provisions of this Section 11, and that the third party beneficiary shall be considered a "Party" only for the purposes of this Section 11, except that CAWCD shall also have rights as a third party beneficiary as described in other Sections of this Agreement. The rights of the third party beneficiary

under this Section 11 shall vest immediately upon notification of the Facility Operator by the AWBA of the designation of a Designated Recovery Agent in accordance with this Section 11. The Parties agree that the terms of this Section 11 shall not, in any way, limit the rights or privileges of the AWBA under this Agreement.

- 11.12 The obligations set forth in this Section 11 shall survive the expiration or termination of this Agreement and remain in full force and effect until all Authority Water stored at the Facility Operator's Groundwater Savings Facility has been recovered.
12. 12.1 Authority Water furnished to the Facility Operator pursuant to this Agreement shall be delivered only to the Facility Operator at such point(s) that have previously been approved by CAWCD and only if CAWCD has satisfied itself that the pipelines, canals, distribution systems, or other conduits that will convey Authority Water after delivery will prevent excessive conveyance losses and are constructed, operated, and maintained in accordance with any condition of applicable laws, regulations or order and to the satisfaction of CAWCD.
- 12.2 In the event of damage to CAP facilities due to failure of the Facility Operator to operate in a good and workmanlike manner, the Facility Operator shall pay the CAWCD within thirty (30) days of Facility Operator's receipt of a statement for the costs of repairing any damage to Project facilities or Project rights-of-way caused by or arising out of the Facility Operator's activities under this Agreement.
- 12.3 If the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, and if the Facility Operator intends to convey water furnished to the Facility Operator

pursuant to this Agreement through connection facilities owned or operated by others, the use by the Facility Operator of such connection facilities shall be the subject of written agreement(s) between the Facility Operator and the owner(s) or operator(s) of such connection facilities, and all such agreements shall be provided to the CAWCD prior to initiation of deliveries.

12.4 Unless the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, all water delivered from the Water Supply System shall be measured with equipment furnished and installed by the Facility Operator and operated and maintained by the Facility Operator at the Facility Operator's sole cost and expense. The results of such measurements shall be reported to CAWCD in such manner and at such time(s) as CAWCD may prescribe. Upon the request of CAWCD or the AWBA, the accuracy of such measurements shall be investigated by the Facility Operator, and any errors which are determined to have occurred therein shall be adjusted; however, in the event the parties cannot agree on the required adjustment, CAWCD's determination shall be conclusive.

12.5 If the Facility Operator's Project delivery point is a Project turnout or Project turnouts constructed by the United States, all water delivered from the Water Supply System shall be measured with equipment furnished and installed by the United States and operated and maintained by CAWCD. Upon the request of the Facility Operator, the AWBA, or CAWCD, the accuracy of such measurements shall be investigated by CAWCD and the Facility Operator, and any errors which are mutually determined to have occurred therein shall be adjusted; however in the event the parties cannot agree on the required adjustment, CAWCD's

determination shall be conclusive.

- 12.6 The United States, CAWCD, and the AWBA shall not be responsible for the control, carriage, handling, use, disposal, or distribution of water beyond the Facility Operator's Project delivery point. The Facility Operator shall hold the United States, CAWCD, and the AWBA harmless on account of damage or claim of damage of any nature whatsoever for which there is legal responsibility, including property damage, personal injury, or death arising out of or connected with the control, carriage, handling, use, disposal, or distribution of water beyond the Facility Operator's Project delivery point.
- 12.7 The AWBA shall not be liable for any action taken by CAWCD or the Facility Operator pursuant to this Section 12 regarding the construction, operation, or maintenance of connection facilities.
- 12.8 Deliveries of water scheduled under this Agreement are subject to interruption and discontinuance due to investigation, inspection, construction, testing, maintenance, repair or replacement of the CAP and its components. The Facility Operator also acknowledges that CAP water available to the AWBA is only that water which would otherwise be unused in Arizona and, therefore, deliveries of water scheduled under this Agreement are subject to interruption and discontinuance due to insufficient water or delivery capacity to deliver all other waters scheduled for delivery through the CAP. The United States, its officers, agents, and employees, CAWCD, its officers, agents and employees, and the AWBA, its officers, agents, and employees shall not be liable for any damages when, for any reason whatsoever, any interruption, discontinuance, or reduction in delivery of water scheduled under this Agreement occurs.

13. 13.1 This Agreement may be terminated for any of the following reasons:

13.1.1 If the Facility Operator remains in arrears in the payment of the Facility Operator's Contribution for thirty (30) days or more, the AWBA may terminate this Agreement, which termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator;

13.1.2 If the Facility Operator remains in arrears in the reimbursement of any portion of the AWBA's Contribution for thirty (30) days or more, the AWBA may terminate this Agreement, which termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator and CAWCD;

13.1.3 If the Excess CAP Water Contract between the AWBA and CAWCD providing for delivery of Authority Water is terminated, the AWBA may terminate this Agreement, which termination shall be effective fifteen (15) days after mailing written notice of termination to the Facility Operator; or

13.1.4 if the AWBA determines in its sole discretion that the Facility Operator is operating the Groundwater Savings Facility in a manner contrary to law or in a manner which is likely to jeopardize the ability of the AWBA to earn Long-Term Storage Credits for Authority Water delivered to the facility for the benefit of the AWBA, the AWBA may terminate this Agreement, which termination shall be effective ten (10) days after mailing written notice of termination to the Facility Operator and CAWCD.

13.2 Any rights under this Agreement to collect any monies owed under the

Agreement and any rights pursuant to Section 11 of this Agreement shall survive the termination of this Agreement.

13.3 The rights of the AWBA to terminate this Agreement as provided in this Section 13 shall be in addition to all other rights of the AWBA under this Agreement and as provided by law.

14. The Facility Operator shall establish and maintain accounts and other books and records pertaining to administration of the terms and conditions of this Agreement, including: the Facility Operator's water supply data, water-use data, and other matters that the AWBA or CAWCD may require. Reports thereon shall be furnished to the AWBA or CAWCD in such form and on such date or dates as the AWBA or CAWCD may require. Subject to applicable federal and state laws and regulations, each party to this Agreement shall have the right during office hours to examine and make copies of each other party's books and records relating to matters covered by this Agreement.

15. 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 to the parties at the following addresses:

If to the AWBA:

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

If to the Facility Operator:

XXXXXX
XXXXXXXX
XXXXXXXXXX
XXXXXXXXXX

The designation of the address or addressee for the giving of notice may be changed by notice given as provided in this Section 15.

16. 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.
17. The provisions of this Agreement shall apply to and bind the successors and assigns of the parties hereto, but no assignment or transfer of this Agreement or any interest therein shall be valid unless and until approved in writing by the AWBA.
18. This Agreement is subject to cancellation in accordance with the provisions of A.R.S. § 38-511.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective the day and year first above-written.

ARIZONA WATER BANKING AUTHORITY

Attest: _____

Lisa A. Atkins, Secretary

By: _____

Sandra Fabritz-Whitney, Chairman

XXXXXXXXXXXXXXXXXX

Attest: _____

Name, Title

By: _____

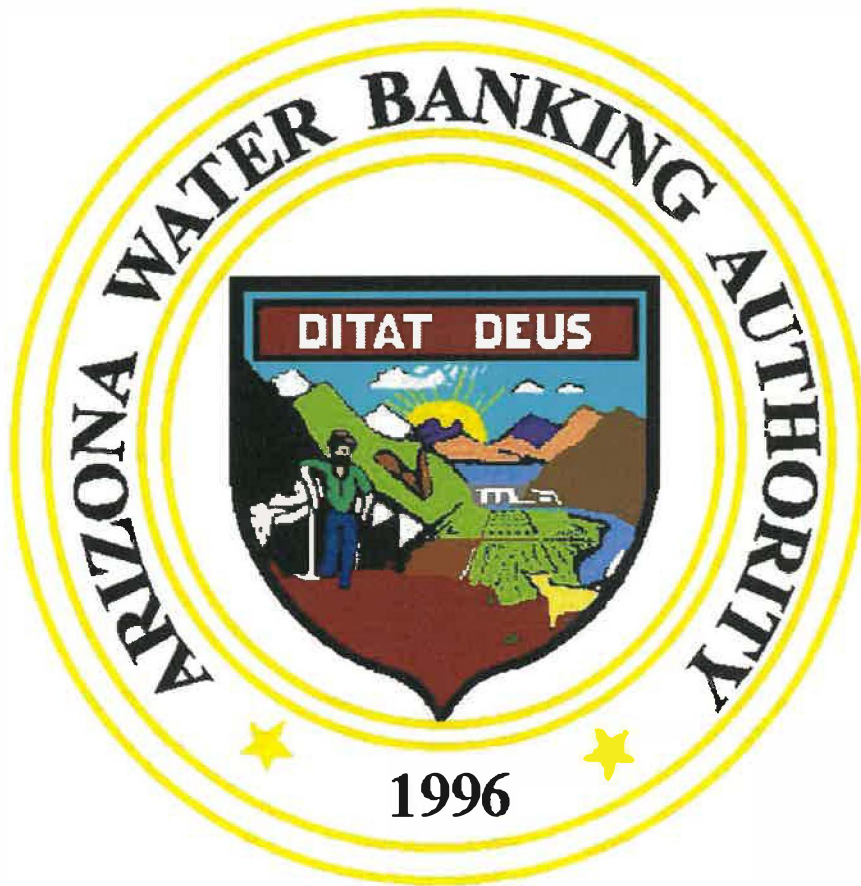
Name, Title

DRAFT 12-05-11

ARIZONA WATER BANKING AUTHORITY

ANNUAL PLAN OF OPERATION

2012



Sandra A. Fabritz-Whitney, Chairman

December 2011

The Arizona Water Banking Authority

Summary

The Arizona Water Banking Authority (AWBA; Water Bank) was created in 1996 to store the unused portion of Arizona's annual allocation of the Colorado River. By storing this unused water the AWBA secures a dependable water supply necessary to ensure the state's long-term prosperity.

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

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

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

The money that funds the AWBA and, specifically, water storage for the benefit of Arizona (intrastate storage) comes from three sources. Restrictions on the ways these monies can be used depend on the source of the monies, which currently include:

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

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

In 2012, the Water Bank will store approximately 119,000 acre-feet of water at a cost of approximately \$15 million. The amount of water available to the AWBA was decreased because CAWCD reduced the amount of water in the pool available to the AWBA. The amount of water available overall in Excess Cap water pool has decreased because of increased demand from priority M&I subcontractor and Indian orders. This trend is expected to continue into the future. There is no interstate storage planned for 2012.

Furthermore, the AWBA will deliver an additional 1,000 acre-feet of water for the Southside Replenishment Bank at a cost of \$122,000.

To date, the AWBA has delivered for storage approximately 3.9 million acre-feet (MAF) of water at a cost of \$287 million; 3.3 MAF for intrastate storage at a cost of \$178 million and 594,000 acre-feet for interstate storage at a cost of \$109 million. A total of 3,000 acre-feet has been delivered for Southside Replenishment purposes at a cost of \$348,000.

INTRODUCTION

The Arizona Water Banking Authority (AWBA) was created to store Arizona's unused Colorado River water entitlement in western, central and southern Arizona to develop long-term storage credits to: (1) firm existing water supplies for municipal and industrial users (M&I) along the Colorado River and Central Arizona Project (CAP) M&I users during Colorado River shortages or CAP service interruptions; (2) help meet the water management objectives of the Groundwater Code; and (3) meet the State's obligations in the settlement of Indian water rights claims. Changes in the AWBA's enabling legislation in 1999 authorized the AWBA to participate in other water banking activities, however, no new water banking activities are included in this annual Plan of Operation.

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

The AWBA is required by statute to approve an annual Plan of Operation (Plan) by January 1 of each year. Prior to approval of the final Plan, the AWBA is required to solicit public comment. A draft of the Plan was presented to the Groundwater Users Advisory Councils (GUAC) for the Phoenix, Pinal and Tucson Active Management Areas (AMA). Presentation of the draft Plan must be made at publicly-noticed open meetings at which members of the public are permitted to provide comment. The AWBA also makes the Plan available on its web page and accepts public comment in writing up to the time the final draft Plan is presented for approval.

The Plan is intended to govern the operations of the AWBA over the course of the entire calendar year. The AWBA recognizes that day-to-day adjustments in the normal operations of the CAP or the individual storage facilities may affect the actual monthly deliveries made on behalf of the AWBA. If the adjustments do not impact the overall annual delivery projections contained in the Plan, they will be addressed by staff and reported to the AWBA members on an as-needed basis.

2011 PLAN OF OPERATION

In 2011, the AWBA recharged and directly delivered approximately 137,440 acre-feet of Colorado River water. Arizona is forecast to use its full entitlement of 2.8 MAF (see Figure 1).

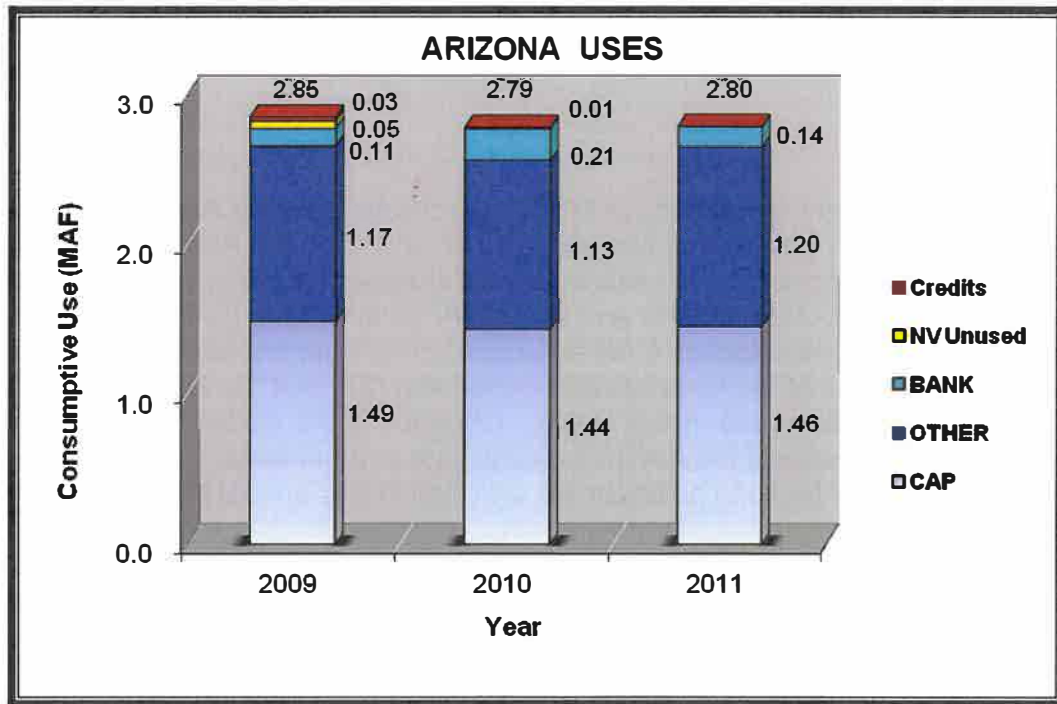


Figure 1. Recent Comparison of Colorado River Water Uses by Arizona

Forecasted direct use of Colorado River water in the Lower Basin is 7.37 MAF in 2011 (see Figure 2). California and Nevada also created Intentionally Created Surplus in 2011 for use in future years.

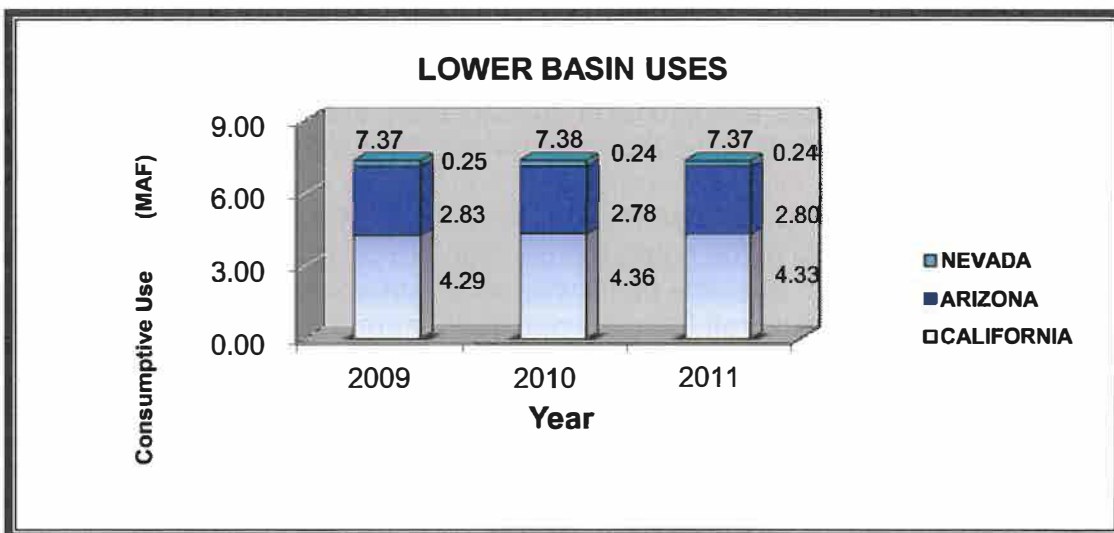


Figure 2. Recent Comparison of Lower Basin Uses of Colorado River Water

The AWBA recharged water at both USFs and GSFs in 2011. Table 1a lists the AWBA's recharge partners for 2011, the amount of water that can be stored under each AWBA water storage permit, and the amount of water delivered to the facility by the AWBA in 2011. Values are based on actual deliveries through October with November and December deliveries estimated. The amount of water delivered to a facility is always greater than the amount of long-term storage credits earned by the AWBA because credits are computed by subtracting approximately 3% for losses and 5% for a "cut to the aquifer" from the total annual deliveries. Final figures for credits earned generally become available in the middle of the following year after review of the annual reports filed with the ADWR and are reported in the AWBA's Annual Report.

Table 1a. Recharge Partners and Water Deliveries for 2011

AMA	Facility	Type	Permit Capacity (acre-feet)	Delivered (acre-feet)	
				Intrastate	Interstate
PHOENIX AMA	Tonopah Desert	USF	150,000	53,830	0
	New Magma ID	GSF	54,000	5,000	0
	Queen Creek ID	GSF	28,000	7,055	0
	<i>Intrastate/Interstate AMA Subtotal</i>			65,885	0
	<i>Phoenix AMA Subtotal</i>			65,885	
PINAL AMA	Central Arizona IDD	GSF	110,000	22,500	0
	Hohokam IDD	GSF	55,000	4,120	0
	Maricopa-Stanfield IDD	GSF	120,000	7,500	0
	<i>Intrastate/Interstate AMA Subtotal</i>			34,120	0
	<i>Pinal AMA Subtotal</i>			34,120	
TUCSON AMA	Avra Valley	USF	11,000	1,636	0
	Lower Santa Cruz	USF	50,000	11,801	0
	SAVSARP	USF	60,000	20,923	0
	Cortaro-Marana ID	GSF	20,000	1,000	0
	Kai Farms-Red Rock	GSF	11,231	1,077	0
	<i>Intrastate/Interstate AMA Subtotal</i>			36,437	0
	<i>Tucson AMA Subtotal</i>			36,437	
TOTAL INTRASTATE & INTERSTATE DELIVERIES					0
TOTAL RECHARGE DELIVERIES				136,442	

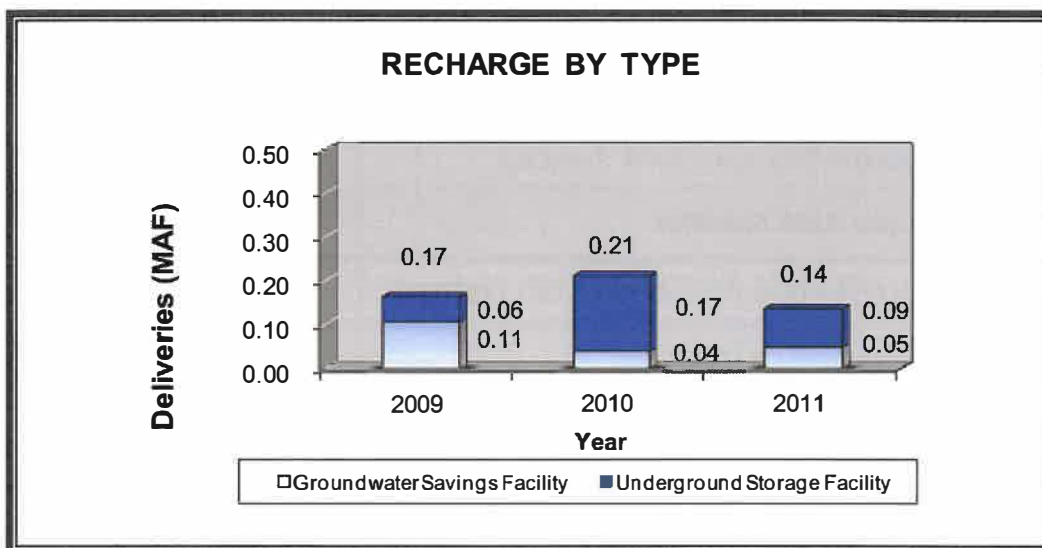
In addition to recharge deliveries, the AWBA also delivered water to meet the requirements of the Gila River Indian Community Water Settlement Program (Settlement Program). In 2009, the AWBA entered into an intergovernmental agreement (IGA) with the Gila River Indian Community that identifies the procedure for delivering water for meeting a replenishment obligation and/or for establishing the Southside Replenishment Bank identified in the Settlement Program. While these deliveries do not accrue long-term storage credits that may be recovered in the future, the Replenishment Bank receives a credit for each acre-foot of water delivered. The replenishment bank can be used to offset any replenishment obligations created as a result of pumping limitations included in the Arizona Water Settlements Act (Settlements Act). Table 1b identifies the amount of water the AWBA delivered to the Replenishment Bank. There was no replenishment obligation in 2011.

Table 1b. Replenishment Deliveries

Southside Replenishment Activities	2011 Deliveries (acre-feet)	Cumulative Deliveries (acre-feet)
Replenishment Obligations	0	0
Replenishment Bank	1,000	3,000
TOTAL DIRECT DELIVERIES	1,000	3,000

The AWBA again participated in the AWBA and Central Arizona Groundwater Replenishment District (CAGRDR) Replenishment Reserve Excess CAP water pool created by CAWCD. The 2011 Plan identified the delivery of 137,441 acre-feet of water for storage. The Plan was amended in August to reflect the redirection of water supplies from the Tucson AMA to the Pinal AMA. The Plan was also amended to include an additional cost share component paid by the Pinal AMA groundwater savings facility (GSF) operators for the redirected water supplies. For 2011, the AWBA delivered for storage an estimated 137,441 acre-feet of water: Figure 3 shows the acre-foot breakdown between GSFs and USFs for 2011 and a comparison between 2011 and previous years.

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



2012 PLAN OF OPERATION

The AWBA will store 119,002 acre-feet of intrastate water in 2012. Water storage will be occurring in facilities in all three counties. The AWBA is not planning any interstate storage. The AWBA will also deliver 1,000 acre-feet of water for the Southside Replenishment Bank.

When developing a Plan of Operation, the AWBA evaluates four critical factors: (1) the amount of water available to the AWBA for delivery; (2) the CAP capacity available to the AWBA for the delivery of water; (3) the funds available and the costs required to deliver the water; and (4) the capacity available for use by the AWBA at the various recharge facilities. In addition to these critical factors, the AWBA takes into consideration recommendations made by the Groundwater Users Advisory Councils (GUAC) of the three AMAs regarding water management objectives and priorities for storage. For 2012, the amount of water available to the AWBA is the limiting factor for this Plan.

I. Water Availability

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

The proposed Annual Operating Plan (AOP) for water year 2012 distributed by the Bureau of Reclamation (Bureau) stated that the Intentionally Created Surplus (ICS) Surplus Condition is the criterion that will govern the release of water for the states in the Lower Basin during calendar year 2011. Because Arizona has not created ICS, the State will operate under normal conditions, which allows 2.8 MAF of water available for use within Arizona. Arizona's on-river use is forecast to be 1.21 MAF, leaving approximately 1.59 MAF available for diversion by CAP.

For 2012, the AWBA will purchase water from the Excess CAP water pool that is available for use by the AWBA and CAGRDR for replenishment reserve purposes. Under this pool the AWBA shares an equal priority for municipal and industrial (M&I) firming with the CAGRDR for replenishment reserve purposes. The Federal government may also order water from this pool for the purpose of meeting its Indian firming obligations. The CAWCD Board of Directors (Board) originally identified a volume of 175,000 acre-feet for this pool. However for 2012, due to higher than expected priority M&I subcontractor and Indian orders the CAWCD Board modified the quantity available in this pool to approximately 137,000 acre-feet.

Subtracting the projected uses for the CAGRDR replenishment reserve (5,525 acre-feet) and the Bureau (11,768 acre-feet), leaves a remaining balance of approximately 120,002 acre-feet for the AWBA.

II. CAP System Capacity

Under normal operating conditions, CAP can divert approximately 1.6 MAF of water. Reclamation estimates that approximately 1,587,000 acre-feet will be available for delivery by the CAP in 2012. This quantity includes the volume of water available to the AWBA. Because there is still capacity available in the CAP to deliver additional supplies, capacity within the CAP for the delivery of AWBA water is not a limiting factor in this Plan.

III. Available Funds

The AWBA will have withdrawal fees collected in 2012 available for use in this Plan. Total withdrawal fees are estimated at \$3.1 million, which includes \$1.5 for the Phoenix AMA, \$1.2 million for the Pinal AMA and \$400,000 for the Tucson AMA.

As in previous years, the CAWCD Board resolved to continue to retain the county *ad valorem* property taxes collected and not transfer those revenues to the AWBA Fund. Property tax revenues retained by CAWCD can be used to offset the cost of AWBA water deliveries in the tri-county CAWCD service area. The estimated *ad valorem* tax balances available for 2012, including carryover, are: Maricopa County (\$129 million), Pinal County (\$1.3 million), and Pima County (\$5.42 million).

While funding was not a limiting factor in developing the Plan for the Phoenix AMA, funding did limit the amount of water available for storage in the Pinal and Tucson areas. The amount of funds collected in both the Pinal and Tucson AMAs is expected to be a limiting factor in these areas in the future.

IV. Available Storage Facility Capacity

AWBA staff conferred with facility operators to discuss their delivery schedules and their continued interest in participating with the AWBA. These discussions confirmed that there was significant interest from facility operators in all three AMAs in partnering with the AWBA. If additional supplies become available, the AWBA still has sufficient capacity to meet its anticipated needs. Storage capacity is therefore not a limiting factor for this Plan.

The Water Delivery Schedule (Table 2) identifies the AWBA's partners for 2012 and the amount of water scheduled to be recharged. The second column in this section identifies the AWBA's water storage permit capacities for each facility based on the facility permits. The capacity available as shown does not always equate to the storage permit capacity because the storage facility operators may have agreements with other storage partners. In addition to recharge deliveries, Table 2 also identifies the amount of water scheduled for meeting the AWBA's Southside Replenishment obligations.

SHORTAGE REPARATION FUNDS

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

expended since 2008. If additional water becomes available the AWBA will evaluate the feasibility of expending a portion of these funds to purchase that additional water.

NEW FACILITIES

CAWCD's Superstition Mountains Recharge Project (SMRP) has been included in the Plan for the first time. The facility is permitted for 25,000 acre-feet per year. The AWBA is expecting to store approximately 4,000 acre-feet at the facility in 2012.

**Table 2
Water Delivery Schedule (Acre-Feet)
Calendar Year 2012**

AWBA-Recharge Sites		Permitted Capacity (AF)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
PHOENIX AMA :															
USF	HIEROGLYPHIC MTN	35,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	AGUA FRIA	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	TONOPAH DESERT	150,000	4,000	4,000	8,000	7,000	412	0	0	0	0	0	0	0	23,412
	SUPERSTITION MTNS	25,000	0	1,000	1,000	1,000	350	0	0	0	0	0	0	0	3,350
															26,762
GSE	NEW MAGMA	54,000	0	0	4,000	4,000	4,000	4,000	4,000	4,000	4,000	2,000	0	0	30,000
	QUEEN CREEK	28,000	0	0	0	0	0	0	175	1,343	2,285	1,142	1,143	1,142	7,230
	TONOPAH ID	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0
															37,230
AMA TOTAL INTRASTATE			4,000	5,000	13,000	12,000	4,762	4,000	4,175	5,343	6,285	3,142	1,143	1,142	63,992
PINAL AMA :															
GSE	CAIDD	110,000	0	0	0	0	500	1,500	1,500	4,170	1,000	0	0	0	8,670
	HOHOKAM	55,000	734	0	0	0	0	0	0	0	734	734	734	734	3,670
	MSIDD	120,000	508	636	1,589	1,335	1,335	636	318	318	572	500	670	254	8,670
															21,010
AMA TOTAL INTRASTATE			1,242	636	1,589	1,335	1,835	2,136	1,818	4,488	2,306	1,234	1,404	988	21,010
TUCSON AMA:															
USF	AVRA VALLEY	11,000	0	0	0	0	0	0	0	0	0	260	670	670	1,600
	LOWER SANTA CRUZ	50,000	2,000	2,000	2,000	2,000	2,000	0	0	0	2,000	1,000		700	13,700
	CAVSARP	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	SAVSARP	60,000	2,000	2,000	2,000	2,000	2,000	0	0	0	0	1,000	2,000	2,000	15,000
															30,300
GSE	CORTARO-MARANA ID	20,000	0	0	0	500	500	500	500	0	0	0	0	0	2,000
	KAI FARMS (Red Rock)	11,231	0	0	0	500	500	500	0	0	0	0	0	0	1,500
	BKW Farms	14,316	0	0	100	100	0	0	0	0	0	0	0	0	200
															3,700
AMA TOTAL INTRASTATE			4,000	4,000	4,100	5,100	5,000	1,000	500	0	2,000	2,260	2,670	3,370	34,000
TOTAL INTRASTATE			9,242	9,636	18,689	18,435	11,597	7,136	6,493	9,831	10,591	6,636	5,217	5,500	119,002
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL RECHARGE			9,242	9,636	18,689	18,435	11,597	7,136	6,493	9,831	10,591	6,636	5,217	5,500	119,002
DIRECT DELIVERY (Non-Storage):															
	Southside Replenishment Bank		1,000	0	0	0	0	0	0	0	0	0	0	0	1,000
	Southside Replenishment Obligation		0	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL DIRECT		1,000	0	0	0	0	0	0	0	0	0	0	0	1,000
TOTAL DELIVERIES			10,242	9,636	18,689	18,435	11,597	7,136	6,493	9,831	10,591	6,636	5,217	5,500	120,002

INDIAN SETTLEMENTS

The Plan does not specifically identify storage to meet the State's firming obligations under the Settlements Act; however it does incorporate replenishment deliveries required under the Gila River Indian Community (GRIC) Settlement Program.

Indian Firming

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

1. GRIC - The AWBA must ensure that up to 15,000 acre-feet per year of CAP NIA priority water be made available to the GRIC. The AWBA did not receive a general fund appropriation for 2012 to specifically store water to help meet this obligation. Withdrawal fees may be utilized for Indian firming purposes after appropriated funds are expended. The 2012 Plan does not identify expenditures specifically for this purpose. However, credits accrued through the use of withdrawal fees could be used to meet this obligation if necessary.
2. Other Tribes - The AWBA is also required to firm up to 8,724 acre-feet per year of CAP NIA priority water for other Indian Settlements. The White Mountain Apache Tribe has entered into a settlement which requires the AWBA to firm 3,750 acre feet per year of the 8,724 acre-feet CAP NIA priority water. As with the GRIC obligation, no general fund appropriations were made available for this purpose. However, credits developed in this plan using withdrawal fees could be used for this purpose if needed. Settlements for other Indian Tribes have not been enacted at this time.
3. Federal Assistance - The AWBA has completed the State obligation to contribute \$3 million in cash or in-kind services to assist the Secretary in meeting the Federal obligation to the Tohono O'odham Nation.

Southside Replenishment Bank

In addition to the firming requirements of the Settlements Act, the AWBA, acting as agent for the State, is required to deliver 15,000 acre-feet of water to the GRIC for the purpose of establishing the Southside Replenishment Bank. The AWBA must deliver a minimum of 1,000 acre-feet per year to establish this Bank. The Southside Replenishment Bank will fulfill the obligations created under the Settlements Act for protection of the Reservation from off-reservation groundwater pumping. The 2012 Plan includes 1,000 acre-feet of direct deliveries to the GRIC for this purpose, creating a cumulative total of 4,000 acre-feet toward meeting this obligation.

Assignment of Long-term Storage Credits by the Tohono O'dham Nation

Pursuant to A.R.S. § 45-841.01, the Tohono O'dham Nation (Nation) must offer ten percent of the any credits they accrue at the Mission Mine Complex to the AWBA at a price per acre-foot that is equal to the AWBA's delivery and storage costs at the time of sale. If the Nation offers the AWBA credits in 2012, the AWBA will evaluate the offer to determine if it is reasonable to purchase those credits. While these credits may be used for M&I firming or for water management purposes, there is a restriction that the credits not be recovered within five miles of the exterior boundary of the reservation.

INTERSTATE WATER BANKING

The 2012 Plan does not include an interstate storage for Nevada. The AWBA and SNWA executed a letter agreement, December 9, 2010, which suspends certain provisions of Second Amended Agreement for Interstate Water Banking (Second Amended Agreement). Pursuant to the letter agreement, AWBA agreed to forego storing additional water for SNWA through the end of calendar year 2014 and SNWA has agreed to forego requiring the development of ICUA during this period. In order to accommodate these operational adjustments, and unless otherwise agreed to by the AWBA and SNWA, payment dates specified in Subarticle 2.4.1.2 of the Second Amended Agreement will be extended by six years.

From 2009 to the present, Legislative transfers from the AWBA Nevada Resource subaccount total \$19.65 million.

RECOVERY

No recovery of AWBA long term storage credits is anticipated in this Plan.

Staffs of ADWR, CAWCD and the AWBA have begun meeting to develop a draft Intergovernmental Agreement (IGA) among the ADWR, CAWCD and AWBA. This draft IGA will identify the duties and responsibilities of the parties as they relate to recovery of long term storage credits and delivery of the water created by that recovery. While the actual recovery of AWBA credits for firming is not expected for several years, a better understanding of the how that recovery is expected to occur would be very beneficial. As the staffs continue these efforts they will seek input from all interested parties.

PRICING

In June 2011, the CAWCD Board approved its water delivery rate schedule for calendar years 2011/2012. The AWBA rate for recharge is now equivalent to the rate for excess M&I water at \$137 per acre-foot.

Groundwater pumping costs in the Phoenix, Pinal and Tucson AMAs vary depending on energy sources used and the location of wells, i.e. depth to water. The AWBA cost share in 2012 for the GSF partners in the Phoenix and Pinal AMAs is \$33 per acre-foot for, which is comparable to the average groundwater pumping costs in these areas.

Based on the range of groundwater pumping costs and cost shares paid by other partners, it was determined the cost share in 2012 for the Tucson AMA will be \$15 per acre-foot.

Table 4 reflects the water delivery rate CAWCD will charge the AWBA, the cost share GSF operators pay, and the rates the AWBA pays to utilize different USFs for M&I firming. When storing water for other than M&I firming purposes, the AWBA also pays a facility capital charge component. There is no administrative cost component in the facility cost because the AWBA pays the CAWCD administrative costs on an annual basis. While no interstate banking is anticipated in this Plan the rate established for interstate banking is \$163 per acre-foot, plus facility costs and facility capital costs.

Table 4. 2012 Water and Facility Rates

CAWCD delivery rate to AWBA for water storage	\$137 per acre-foot
Interstate rate	\$163 per acre-foot
Groundwater Savings Facility operator cost share rate ¹	
Intrastate	
Phoenix and Pinal AMAs	\$33 per acre-foot
Tucson AMA	\$15 per acre-foot
Interstate	\$26 per acre-foot
Underground Storage Facility rate paid by AWBA	
Agua Fria Recharge Project ²	\$8 per acre-foot
Hieroglyphic Mtn. Recharge Project ²	\$8 per acre-foot
Superstition Mountain Recharge Project ²	\$8 per acre-foot
Tonopah Desert Recharge Project ²	\$8 per acre-foot
West Maricopa Combine	\$25 per acre-foot
Avra Valley Recharge Project	\$15 per acre-foot
Lower Santa Cruz Recharge Project ³	\$15 per acre-foot
Pima Mine Road Recharge Project ³	\$15 per acre-foot
Clearwater Facility (CAVSARP/SAVSARP)	\$15.17 per acre-foot
CAWCD rate to AWBA for Southside Replenishment Bank deliveries	\$122 per acre-foot

¹ This rate is paid directly to CAP by the GSF operators and is not available as revenue to the AWBA. The AWBA's rate for delivery of in lieu water is thus reduced to \$104/af for intrastate deliveries to the Phoenix and Pinal AMAs, \$122/af to the Tucson AMA, and \$137/af for interstate deliveries.

² Additional capital charge of \$15 per acre-foot for interstate storage.

³ Additional capital charge of \$9 per acre-foot for interstate storage.

ACCOUNTING

The AWBA's enabling legislation required the development of an accounting system that allows the tracking of all credits accrued by the AWBA and the funding sources from which they were developed. The ADWR maintains the accounting of the credits. The AWBA accounts for the expenditure of the funds.

The estimated total cost of the AWBA's 2012 Plan is approximately \$15 million. Table 5 provides estimates of the funds available to be utilized by the AWBA, an estimate of funds to be collected during the year, the funds to be utilized, the entity that holds the funds, and the credits that will accrue to those accounts based on the 2012 Plan.

Table 5. Funding for 2012 Annual Plan of Operation

	Funds Available (\$)		Funds Utilized (\$)		Credits (AF)
	AWBA	CAWCD	AWBA	CAWCD	
Withdrawal Fees					
Phoenix AMA	\$1,500,000	-	\$1,500,000	-	11,390
Pinal AMA ¹	\$1,200,000	-	\$1,200,000	-	9,540
Tucson AMA	\$400,000	-	\$400,000	-	2,470
Four Cent Tax					
Phoenix AMA	\$0	\$129,000,000	\$0	\$6,252,000	47,480
Pinal AMA	\$0	\$1,300,000	\$0	\$1,107,000	9,790
Tucson AMA ²	\$0	\$5,420,000	\$0	\$4,660,000	28,810
Other					
General	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
Gifts, Grants, Donations					
Shortage Reparations (NV):	\$0				
Phoenix AMA		-	\$0	-	0
Pinal AMA		-	\$0	-	0
Tucson AMA		-	\$0	-	0
Interstate Banking- Nevada					
Operating ³		\$0		\$0	0
	Total Funds Available		Total Funds Expended		Credits
	\$138,820,000		\$15,119,000		109,480

¹ Includes expenditure for 1,000 acre-feet of direct deliveries to establish the Southside Replenishment Bank under the Gila River Indian Water Settlement Program.

² Includes revenue from CAWCD's capital charge for construction of state demonstration projects when facilities are used for interstate purposes and by entities that do not pay the 4¢ *ad valorem* tax. Revenue through 2011 is estimated to be \$2,194,811.

³ Pursuant to a letter agreement between AWBA and SNWA executed December 9, 2010, storage of water on behalf of SNWA and annual payments to the Operating account have been suspended through 2014.

The 2012 Plan was developed expending all available withdrawal fees in the three AMAs. The Plan also shows CAWCD utilizing a portion of the four-cent tax collected in Maricopa County and all of the four-cent tax collected in Pinal and Pima Counties to offset water costs to the AWBA.

Table 6 provides an estimate of the AWBA funds expended and the location of the credits accrued since inception.

Table 6. Cumulative Totals of Long-term Storage Credits 1997-2011

	FUNDS		CREDITS ¹	
	EXPENDED	AMOUNT (AF)	LOCATION	
Withdrawal Fee				
Phoenix AMA	\$17,134,991	277,760	Phoenix AMA	
Pinal AMA ²	\$14,290,367	380,741	Pinal AMA	
Tucson AMA ³	\$7,378,472	94,889	Tucson AMA	
Four Cent Tax				
Maricopa County	\$80,093,703	1,271,155	Phoenix AMA	
Pinal County	\$8,465,665	177,650	Pinal AMA	
Pima County	\$35,902,315	360,618	Tucson AMA	
Other				
General Fund ⁴	\$11,100,865	403,830		
	\$1,522,115	42,316	Phoenix AMA	
	\$6,394,964	306,968	Pinal AMA	
	\$3,183,786	54,546	Tucson AMA	
Indian Firming Appropriation	\$2,338,171	28,481		
	\$0	0	Phoenix AMA	
	\$0	0	Pinal AMA	
	\$2,338,171	28,481	Tucson AMA	
Shortage Reparatons	\$2,999,742	82,050		
	\$1,099,339	20,642	Phoenix AMA	
	\$1,708,580	60,181	Pinal AMA	
	\$191,823	1,227	Tucson AMA	
Pinal Redirect ⁵	N/A	13,800	Pinal AMA	
Interstate				
Nevada ⁶	\$109,087,822	600,651		
	\$10,053,945	51,009	Phoenix AMA	
	\$86,589,032	439,851	Pinal AMA	
	\$12,444,845	109,791	Tucson AMA	
TOTAL	\$288,792,113	3,691,625		

¹ Actual credits used for 1997-2010; credits estimated for 2011.

² Includes expenditure of \$348,000 for Southside Replenishment Bank deliveries.

³ Includes expenditure of \$22,698 for the assignment of 234 acre-feet of credits to the AWBA from the Tohono O'odham Nation pursuant to §45-841.01.

⁴ 256,174 AF of credits reserved pursuant to contract with Mohave County Water Authority.

⁵ Credits accrued from water scheduled for the Tucson AMA and redirected to the Pinal AMA for storage at GSFs. Facility operators paid 100% of the water delivery rate.

⁶ Includes 50,000 acre-feet of credits transferred from CAWCD pursuant to Amended Agreement for Interstate Water Banking.

Table 7 identifies the progress made on the AWBA's goals and obligations through 2012.

Table 7. Projected Percent of Goals and Obligations Achieved through 2012

Location and Objective	Funding Source	Goal	Obligation	Non-Credit Goal/Oblig. Achieved	Credits Accrued (AF)	Percent Goal/Oblig. Achieved
Phoenix AMA M&I Firming Groundwater Mgmt ¹	Ad valorem tax Withdrawal Fees	1,566,000 AF			1,318,328 289,461	84% 103%
Pinal AMA M&I Firming Groundwater Mgmt ¹	Ad valorem tax Withdrawal Fees	243,000 AF			187,443 390,277	77% 238%
Tucson AMA M&I Firming Groundwater Mgmt ^{1,2}	Ad valorem tax Withdrawal Fees	864,000 AF			389,415 91,753	45% 56%
On-River M&I Firming ³	General Fund	420,000 AF			403,830	96% ⁴
Indian Settlements:						
GRIC Firming	Withdrawal Fees	350,000 AF ⁵	up to 15,000 AF/YR		0	0%
Future Settlements	Withdrawal Fees	200,000 AF ⁵	up to 8,724 AF/YR		0	N/A
Federal Assistance Tucson AMA	Appropriation Withdrawal Fees		\$3,000,000	\$3,000,000 \$2,338,171	39,723 34,102	100%
	Cost of Services ⁶			\$630,490 \$31,339	5,621 n/a	
Southside Repl. Bank	Withdrawal Fees		15,000 AF Direct Delivery		4,000	27%
Interstate Water Banking - NV	Contract with Nevada		1,250,000 AF ⁷		600,651	48%
Other:						
Shortage Reparations- Nevada	Gifts, Grants, Donations	\$8,000,000		\$2,999,748	82,050	37%
Pinal Redirect Credits ⁸	N/A				13,800	N/A

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

² Includes 234 AF credits acquired from the Tohono O'odham Nation pursuant to §45-841. 01.

³ By resolution passed in 2002, the AWBA established on-river firming as the highest priority of use for credits accrued through expenditure of general fund appropriations. 256,174 AF of credits reserved pursuant to contract with Mohave County Water Authority.

⁴ This percentage reflects full utilization of general fund credits accrued to date and would change as other objectives are identified by the AWBA.

⁵ Based on estimates from the Indian Firming Study Commission Report dated January 6, 2006.

⁶ Include \$14,883 and \$16,456 deducted for payment of cost of services for FY08 and FY09, respectively.

⁷ Pursuant to the Amended Agreement for Interstate Water Banking, the AWBA has committed to have this number of long-term storage credits within the Nevada sub-account.

⁸ Credits accrued from 15,000 AF of water that was scheduled for the Tucson AMA and redirected to the Pinal AMA for storage at GSFs. These credits will be used for M&I firming in the Tucson AMA and would meet 1% of the firming goal.

PUBLIC REVIEW AND COMMENT

The AWBA staff held meetings with the GUACs for the Phoenix, Pinal and Tucson AMAs as required by statute. The Plan was distributed to the public and was posted on the AWBA web page for public review and comment. In general, the GUACs supported the Plan and had no requests for changes to it.

The City of Tucson/Tucson Water provided comments in support of the 2012 Plan and the AWBA's efforts to meet the M&I firming goal for the Tucson AMA. They also suggested future storage at recharge facilities with existing recovery capabilities, noting the importance of developing a recovery plan and encourage the AWBA's involvement in that process (see letter attached).



CITY OF
TUCSON
TUCSON WATER
DEPARTMENT

November 30, 2011

Virginia O'Connell, Manager
Arizona Water Banking Authority
3550 North Central Avenue
Phoenix, Arizona 85012

Re: Arizona Water Banking Authority 2012 Plan of Operation

Dear Ms. O'Connell:

Tucson Water has reviewed the Arizona Water Banking Authority (AWBA) 2012 Draft Plan of Operation and notes that Table 2 of the Plan was developed with the input of Tucson Water and other interested parties and reflects the 15,000 AF of storage available for the AWBA at SAVSARP. Tucson Water supports the AWBA in its efforts to meet its M&I firming goal of 846,000 AF in the Tucson Active Management Area (TAMA). Tucson Water also supports the storage of as much of this volume as possible in facilities which can provide recovery for wet water management. To that end, should additional water be made available for storage in TAMA in 2012, Tucson Water would like the opportunity to provide additional storage capacity at either SAVSARP or CAVSARP. In future years it would be advantageous for AWBA to store firming water in facilities with existing recovery capacity, such as Pima Mine Road Recharge and Recovery Project (PMRRP) rather than facilities that have no current capability of recovery such as the Lower Santa Cruz Recharge Project (LSCR) and Groundwater Savings Facilities (GSFs). Tucson Water would also like to take this opportunity to reiterate the importance of the development of a Recovery Plan for future wet water recovery of these long-term storage credits and to encourage the AWBA's continued involvement in the development of such a plan.

If you have any questions regarding the information provided, please contact me at 791-2666.

Respectfully yours,

Sandy Elder
Interim Director

SE/DK/lr

cc: Andrew H. Quigley, Interim Assistant City Manager
Christopher Avery, Assistant City Attorney
Wally Wilson, Tucson Water



ARIZONA WATER BANKING AUTHORITY		2012 WATER RECHARGE BUDGET		\$3,100,000
REVENUES AVAILABLE for 2012 DELIVERIES				
4 cent tax¹				N/A
Withdrawal Fee				\$3,100,000
Phoenix AMA ²				\$1,500,000
Pinal AMA ²				\$1,200,000
Tucson AMA ²				\$400,000
General Fund Appropriation				\$0
Interstate				\$0
TOTAL				\$3,100,000
¹ 4-cent tax retained by the Central Arizona Water Conservation District to offset costs.				
² Projected based on 2011 collections.				
DELIVERY and RECHARGE RATES				
Water Delivery				
Recharge Rate (Intrastate)				\$137
Interstate Rate				\$163
Replenishment Bank Rate				\$122
Direct Recharge Facility Rate				
		<u>Intrastate</u>	<u>Interstate</u>	
Clearwater Facility (CAVSARP/SAVSARP)		\$15.17	\$15.17	
Avra Valley		\$15	\$15	
Pima Mine Road		\$15	\$24	
Lower Santa Cruz		\$15	\$24	
Hieroglyphic Mountains		\$8	\$23	
Agua Fria Recharge Project		\$8	\$23	
Tonopah Desert		\$8	\$23	
Cost Recovery for In-lieu Recharge:				
Phoenix & Pinal				\$33
Tucson				\$15
WATER and RECHARGE COSTS				
	Water Delivered	Cost	Total	
	(AF)	\$/AF		
4 cent tax				N/A
Withdrawal Fee				\$3,100,000
Phoenix AMA	12,382	\$121		\$1,500,000
Pinal AMA	10,365	\$104		\$1,078,000
Direct delivery ³	1,000	\$122		\$122,000
Tucson AMA	2,688	\$149		\$400,000
Interstate	-	-	-	-
Total 2012	26,435			\$3,100,000
³ Pinal W/F used for direct deliveries to the GRIC for Southside Replenishment Bank.				
PROJECTED CARRYOVER				
Withdrawal Fees				
Phoenix AMA				\$0
Pinal AMA				\$0
Tucson AMA				\$0
Interstate				NA

Central Arizona Water Conservation District			
4 cent tax Available			
Maricopa ⁴			\$129,000,000
Pinal ⁴			\$1,300,000
Pima ⁴			\$5,420,000
Total 2012			\$135,720,000
	Water Stored	\$/AF	Total
	(AF)		
4 cent tax Utilized			
Maricopa	51,610	\$121	\$6,252,000
Pinal	10,645	\$104	\$1,107,000
Pima	31,312	\$149	\$4,660,000
Total 2012	93,567		\$12,019,000
⁴ Estimate based on carryover and projections for 2012 collections.			

POLICIES, STATUTES AND RULES BASIC CONCEPTS

Summary of potential policies and concerns that are included in the draft Conceptual IGA:

- **AWBA Policies/Rules/Statutes**
 - a. Considering water conservation savings when distributing AWBA credits during a shortage year
 - b. limiting the amount of credits to up to 20% of the shortage amount (This has been the AWBA staff assumption, based on A.A.C. R12-15-722(G)(1) and R12-15-701(35), if this will be implemented it should be formally adopted as an AWBA policy.)
 - c. credits for the purpose of accruing long-term storage credits
 - d. distribution of the credits within the AMA or County that is being benefitted
 - e. four cent tax credits vs. withdrawal fee credits

- **CAWCD Policies/Rules/Statutes**
 - a. meet its CAP M&I subcontractors' full orders during a shortage event using a combination of Project Water and AWBA credits (45-2457.B.7)
 - b. delivery of recovered credits as Project Water
 - c. creation of a credit recovery schedule
 - d. recovery agreements CAWCD may have with entities that will be recovering credits on behalf of CAWCD
 - e. managing the shortage and distribution of supplies

- **ADWR Policies/Rules/Statutes**
 - a. develop credit transfer form and fees (ADWR should consider whether fees will be per form or per transfer, whether fee will be different than current fee for transfer, and if so, whether a rule change is necessary.)
 - b. recovery for M&I firming
 - c. use of AWBA long-term storage credits
 - d. annual recovery reports
 - e. long-term storage accounting

IGA among AWBA, ADWR and CAWCD
BASIC CONCEPTS

This is NOT a draft agreement. This document is intended to capture general concepts for discussion among Commission members and other interested parties and to assist in determining what a potential agreement might include.

The concepts included in this draft currently address AWBA credits for firming M&I subcontract water. The agreement could be expanded to include firming for other purposes, such as fourth priority On-river M&I users, Indian settlement obligations, and other water management objectives.

RECITALS

- A. Includes statutory authorities, such as authorities for participation in IGA, requirements for distributing credits, requirements for each party, and any other statutory requirements that are necessary.

AGREEMENT

B. Definitions

Any definitions needed in the IGA.

C. Term

D. Use of AWBA Long-term Storage Credits

- Shortage or CAP System Outage
 - a. Secretary Shortage Declaration
 - b. unplanned or extraordinary system outages
- AWBA Policies/Rules/Statutes
 - a. considering water conservation savings when distributing AWBA credits during a shortage year
 - b. limiting the amount of credits to up to 20% of the shortage amount (This has been the AWBA staff assumption, based on A.A.C. R12-15-722(G)(1) and R12-15-701(35), if this will be implemented it should be formally adopted as an AWBA policy.)
 - c. distributing credits for the purpose of accruing long-term storage credits
 - d. distribution of the credits within the AMA or County that is being benefitted

- e. four cent tax credits vs. withdrawal fee credits

Questions raised:

- Should credits be distributed for water that is requested for the purpose of accruing long-term storage credits?
 - Should the AWBA be concerned about an equitable distribution of the credits within the county?
 - Should the AWBA reserve a quantity of withdrawal fee credits that will be available for M&I firming?
 - Should the AWBA establish a priority for the use of withdrawal fee credits?
 - Should the AWBA wait until there is an actual demand for the credits before they are dedicated for a specific use?
 - Does the AWBA distribute withdrawal fee credits for M&I firming in conjunction with the use of the four-cent tax credits or wait until the four-cent tax credits are fully utilized?
- CAWCD Policies/Rules/Statutes
 - a. meet its CAP M&I subcontractors' full orders during a shortage event using a combination of Project Water and AWBA credits (45-2457.B.7)
 - b. delivery of recovered credits as Project Water
 - c. creation of a credit recovery schedule
 - d. recovery agreements CAWCD may have with entities that will be recovering credits on behalf of CAWCD
 - e. managing the shortage and distribution of supplies

Questions raised:

- Is recovered CAP water considered Project water when delivering water to meet CAP M&I subcontract orders?
 - How will shortages be distributed among subcontractors?
- ADWR Policies/Rules/Statutes
 - a. develop credit transfer form and fees (ADWR should consider whether fees will be per form or per transfer, whether fee will be different than current fee for transfer, and if so, whether a rule change is necessary.)
 - b. recovery for M&I firming
 - c. use of AWBA long-term storage credits
 - d. annual recovery reports
 - e. long-term storage accounting

Questions raised:

- Should credits be distributed for water that is requested for the purpose of accruing long-term storage credits?

- Should the AWBA reserve a quantity of withdrawal fee credits that will be available for M&I firming?

E. Credit Distribution Projection

- CAWCD gets USBR preliminary notification of shortage year (June)
- CAWCD preliminary notification to AWBA, ADWR and M&I Subcontractors (June)
 - a. available water supply
 - b. how shortages to the CAP water supply will potentially impact CAP customers within its priority delivery system
- AWBA will confirm location of credits available for CAWCD's planning (June)
- CAWCD will submit to AWBA a preliminary credit recovery schedule for the following water delivery year (July)
 - a. CAWCD prepares preliminary recovery schedule based on its customer's 2-year projections submitted the previous year and any adopted policies that may place limitations on delivery amounts
 - b. discussion with AWBA and ADWR
 - c. the schedule will include
 - i. purpose of the distribution, e.g., shortage of Colorado River supplies
 - ii. projected number of credits that will be utilized
 - iii. county and AMA in which the credits will be utilized
 - iv. location where the credits are needed
- AWBA and ADWR will review the preliminary credit recovery schedule (August)
 - a. for conformity to statutes and policies
 - b. notify CAWCD of any discrepancies
 - c. identify the amount of credits that will be provided from each storage facility
- CAWCD revise the preliminary credit recovery schedule (September)
 - a. based on estimated demand schedule
 - b. submit to AWBA to be included into AWBA preliminary Annual Plan of Operation
- Secretary's Colorado River Determination (October)
- CAP subcontractors submit their final water order (October)
- CAWCD will submit to AWBA a final credit recovery schedule for the following water delivery year (November)

- AWBA will include the final credit recovery schedule in its draft Annual Plan of Operation (fourth quarter meeting in mid- December)

F. Delivery of CAP M&I Subcontract Water during Shortages or CAP Outage

- CAWCD retains the discretion to use the AWBA credits
 - a. to best fit CAP operation schedules
 - b. to best fit basic recovery methods:
 - i. Direct Recovery
 - ii. Indirect Recovery
 - iii. Credit Exchange Recovery
 - c. to be consistent with adopted statutes, rules and regulations
- CAWCD Conceptual Recovery Schedule
 - a. operation schedule
 - b. CAWCD conceptual recovery agreements

G. AWBA Annual Plan of Operation (APO)

- Preliminary Annual Plan of Operation (third quarter meeting mid-September)
 - a. based on preliminary credit recovery schedule
 - b. will include the following (A.R.S. § 45-2456(E)(7))
 - i. the purpose of the distribution, e.g., shortage of Colorado River supplies
 - ii. the projected number of credits that will be distributed
 - iii. the county and AMA in which the credits will be distributed
 - iv. the location where the credits were stored
 - v. the persons receiving the credits.
 - c. approved by Commission as draft
- The draft APO including the preliminary credit recovery schedule presented to the public for comment at GUAC meetings in each AMA. (October –November)
- A Draft APO including final credit recovery schedule approved by the AWBA (fourth quarter meeting – December)
- Amending the AWBA APO
 - a. substantive changes to the projected amount or location of credits
 - i. CAWCD documented and submitted to the AWBA and ADWR in an updated credit recovery schedule
 - ii. AWBA and ADWR review and concur with updated credit recovery schedule
 - b. change in Secretary's Colorado River Determination
 - c. CAP system outage
 - i. CAWCD documented and submitted to the AWBA reason for outage
 - ii. AWBA reviews documentation to determine if substantial change to APO

H. Assignment of AWBA Credits

- Preliminary assignment of credits acknowledged by AWBA during planning year.
- Final APO is the formal documentation of commitment to assignment of AWBA credits to CAWCD for use during the shortage year
 - a. AWBA reduces credits available based on credit reductions in the final APO
 - b. provide documentation of reduction in available credits
- CAWCD will submit a recovery report to AWBA (December of the recovery year)
 - a. actual credits recovered by
 - i. location
 - ii. method of recovery
 - iii. CAWCD's recovery agent
- AWBA will submit executed long-term storage credit assignment form(s) to ADWR before the end of the recovery year
 - a. based on information in CAWCD's recovery report
 - b. **FORM to be developed**
 - c. copies of executed assignment forms will be provided to CAWCD or CAWCD's recovery agents
 - d. CAWCD pays for ADWR fees for processing the assignment of credits
 - e. ADWR informs CAWCD when payment is due and processing begins

I. Credit Accounting and Reconciliation

- CAWCD will submit its annual recovery reports to ADWR for each AMA (by March 31st in the year following the recovery year)
 - a. based on recover well permit requirements
 - b. with copies to AWBA
- ADWR verifies the information in the annual recovery reports submitted by CAWCD, its M&I Subcontractors, and recovery agents (by June 1st in the year following the recovery year)
 - a. for accuracy
 - b. identifies any discrepancies
 - c. notifies AWBA and CAWCD of the number of long-term storage credits recovered
- Reconciliation (coincide with ADWR's annual report review period)
 - a. inadvertent errors
 - b. reporting deficiencies
- AWBA will include in its Annual Report an accounting of the credits that were distributed and recovered (approved at the second quarter AWBA meeting mid-June).

Questions raised:

- When are the credits distributed (assigned) to CAWCD?
- Are credits returned to the AWBA if CAWCD did not actually need them or do they stay with CAWCD until they are needed?
- What accounting is required for the AWBA to be sure the credits are used for the benefit of the county where the money is collected?
- Does the AWBA retain any control over the credits once distributed to CAWCD?

J. Dispute Resolution

K. Notices

L. Execution date

M. Signature page

FACT SHEET

Probability of Occurring

Before 2022	6%
Before 2032	13%
Before 2042	19%
Before 2052	24%

First Shortage

Year	2016
Probability	1%

Maximum Annual Recovery

Maximum Firming	137,200 AF
AWBA Base	189,200 AF
AWBA Base (-10%)	175,480 AF

General Assumptions

Initial Reservoir Elevation 2012; 103 Traces per Case;

Lower Basin Shortages 400 KAF, 500KAF, 600 KAF; 17.8% shortage to Mexico, 4% shortage to Nevada;

CAP shortage distribution (pro rata based on 3/1/211 CAP SUBCONTRACTING STATUS REPORT);

Maricopa County (61.48%), Pinal County (6.32%), Pima County (31.71%), Other (.49%);

Maximum CAP M&I firming volume limited to 20% of M&I sub-contract amount (through 2043 = 127.8 kaf, after 2043 = 137.2 kaf);

Credits include projected credits identified 2010 Annual Report 10 Year-Plan; Nevada begins recovery in 2019

On-River and CAP M&I Firming through 2097, Indian Firming through 2108; 15,000 af GRIC firming, 3,750 af WMAT firming, 4,974 af other (Indian firming based on examples in 2007 Firming Agreement)

ADWR Upper Basin Demand Assumptions; No YDP operation; Interim Guidelines Extended beyond 2016;

Withdrawal Fee Credits used for Indian Firming, General Fund Credits used for On-River Firming,

4 cent tax Credits used for firming Maricopa and Pinal Counties, 4 cent Tax and Withdrawal Fee used for firming Pima County Firming

Summary Sheet

AWBA Planning Scenario

Prorata CAP/On-River Split

Shortage Sharing Agreement

		Median	AWBA Base	Maximum Firming	AWBA Base minus 10%
Shortages	# of Shortage Years	29	29	43	29
	# of 600 kaf Shortages	4	5	8	5
	# of 500 kaf Shortages	15	15	17	15
	# of 400 kaf Shortages	10	9	18	9
	# of Indian Water Shortages	65	67	74	67
	# of Normal Year Indian Water Shortages	36	38	31	38
	# Shortage Year Indian Shortages	29	29	43	29
	# of Normal Years with 0 NIA Water	0	0	0	0
	# of On-River Shortages	29	28	35	28
	# of M&I Shortages	26	28	35	28
	First Year of AZ Shortage	2032	2034	2022	2034
Probability of Shortage	29.1%	27.2%	6.2%	27.2%	
Firming and Shortage Volume (Acre-Feet)	Total Firming	3,186,752	3,391,607	4,429,465	3,145,147
	Indian Firming	778,580	768,213	1,020,313	768,213
	On-River firming	390,074	158,796	213,607	158,796
	CAP M&I Firming	2,018,098	2,464,598	3,195,545	2,218,138
	Total CAP M&I Shortage	2,032,433	2,561,171	3,397,367	2,561,171
	Difference between M&I Shortage and M&I firming	14,335	96,573	201,822	343,033
	First M&I Firming	2038	2038	2035	2038
	Probability of M&I Firming	33.0%	17.2%	15.4%	17.2%
	First On-River Firming	2032	2038	2037	2038
	Probability of On-River Firming	29.1%	17.2%	16.6%	17.2%
	First Year of Indian Firming	2030	2030	2022	2030
Probability of Indian Firming	27.2%	11.8%	6.2%	11.8%	
Long Term Storage Credits (Acre-Feet)	Withdrawal Fee Credits Remaining (Maricopa and Pinal County)	113,785	124,152	-127,948	0
	First Year of Deficit			2091	
	General Fund Credits Remaining	13,756	245,034	190,223	245,034
	First Year of Deficit				
	Maricopa County Four Cent Tax Credits Remaining	897,917	623,427	174,070	774,941
	First Year of Deficit				
	Pinal County Four Cent Tax Credits Remaining	92,972	64,740	18,523	80,324
	First Year of Deficit				
Pima County Four Cent Tax and Withdrawal Fee Credits Remaining	-35,861	-177,432	-409,193	-99,288	
First Year of Deficit	2084	2057	2060	2083	
	First year Nevada Firming		2019	2119	2119
	First Year Nevada Deficit		2035	2033	2035
	Nevada Deficit		(597149)	(597149)	(597149)