

Sign-in Sheet for March 20, 2013 Meeting
(Not hearing from us? Please check and correct!)

ID	First Name	Last Name	Organization	E-Mail Address	Attended March 20, 2013 Meeting
1	Tom	Arnold	Tucson Water	tarnold1@ci.tucson.az.us	
2	Lisa	Atkins	CAP	laatkins@gmail.com	
3	Christopher	Avery	Tucson Water	Christopher.Avery@tucsonaz.gov	
4	Mary	Bauer		marycbauer@gmail.com	
5	Perri	Benemelis	CAP	pbenemelis@cap-az.com	
6	Brian	Betcher	MSIDD	brian@msidd.com	
7	Orson	Bevins		orson.bevins@gmail.com	
8	Mike	Block	Metro Water	mblock@metrowater.com	✓
9	Eric	Braun	Mesa, City of	eric.braun@mesaaz.gov	✓
10	George	Brooks		editor@theebonycactus.com	
11	Kay	Brothers	LVVWD	Kay.Brothers@lvvwd.com	
12	Grant	Buma	CRIT	crith2o2@rraz.net	
13	Gayle	Burns	CAP	gburnsaz@cox.net	
14	Tom	Buschatzke	ADWR	tbuschatzke@azwater.gov	
15	Greg	Bushner	Vidler	GBushner@vidlerwater.com	
16	Gregg	Capps	Chandler, City of	Gregg.Capps@chandleraz.gov	
17	Guy	Carpenter	CAP	guy@arizonawaterguy.com	
18	Randy	Chandler	USBOR	rchandler@usbr.gov	
19	Tom	Collazo	Nature Conservancy	tcollazo@tnc.org	
20	Leo	Commandeur	Global Water Resources	Leo.Commandeur@gwresources.com	
21	David	Crockett	Flowing Wells Irrigation District	dcrockett@fwid.org	✓
22	Chuck	Cullom	CAP	ccullom@cap-az.com	
23	Peter	Culp		pculp@ssd.com	
24		Curtis		MCURTIS401@aol.com	
25	Wayne	Damas		wdames@sunbeltholdings.com	
26	Val	Danos	AMWUA	vdanos@amwua.org	✓
27	Tony	DeMarco	CAP	ademarco@cap-az.com	

ID	First Name	Last Name	Organization	E-Mail Address	Attended March 3, 2013 Meeting
28	Marilyn	DeRosa	Avondale, City of	mderosa@avondale.org	
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31	James	Downing		Jim@harcuvarco.com	
32	Doug	Dunham	ADWR	dwdunham@azwater.gov	
33	Doug	Dunlap	CAP	ddunlap@cap-az.com	
34	Jeff	Ehlers	SRP	jwehlers@srpnet.com	
35	John	Entsminger	LVVWD	John.Entsminger@lvvwd.com	
36	Evelyn	Erlandsen	ADWR	ejerlandsen@azwater.gov	
37	Sandra	Fabritz-Whitney		safabritz@azwater.gov	
38	Frank	Fairbanks	CAP	frank.fairbanks@cox.net	
39	Tom	Farley		tomfarley@aaronline.com	
40	Scott	Farmer		scott@land-homes.com	
41	Dan	Ferguson		dferg@email.arizona.edu	
42	Nan	Flores		nxf@cox.net	
43	Denise	Forbes	Ryley Carlock & Applewhite	dforbes@rcalaw.com	
44	Ron	Fowler		Ronald.W.Fowler@usace.army.mil	
45	Gene	Franzoy	Franzoy Consulting	Franzoyconsulting@cox.net	
46	Dee	Fuerst	CAP	dfuerst@cap-az.com	✓
47	Yvonne	Garcia		yvonne.garcia@phoenix.gov	
48	Dustin	Garrick		dustingarrick@gmail.com	
49	Maureen	George		mrglaw1@frontier.com	
50	Gary	Given	CAP	ggiven@cap-az.com	✓
51	Terry	Goddard	CAP	terry@terrygoddard.com	no
52	Gail	Griffin	Arizona Senate	ggriffin@azleg.gov	
53		Haberman		mhaberman@lrlaw.com	
54	Tom	Harbour	CAP	tharbour@cap-az.com	✓
55	Jim	Hartdegen	CAP	hartdegen@cgaz.com	
56	Jim	Hartdegen		hartdegen@cgaz.com	
57	Mitch	Haws	USBOR	mhaws@usbr.gov	

ID	First Name	Last Name	Organization	E-Mail Address	Attended March 3, 2013 Meeting
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61	Eric	Holler	USBOR	eholler@usbr.gov	
62	Jim	Holway	CAP	HolwayforCAWCD@gmail.com	
63	Deanna	Ikeya	ADWR	dkikeya@azwater.gov	
64	Pat	Jacobs	CAP	lmjiv@lion-1.com	
65		Jardee		jhardee@cox.net	
66	MJ	Jesser	CAP	mjesser@cap-az.com	
67	David	Johnson	ADWR	dsjohnson@azwater.gov	
68	Jeff	Johnson	LVVWD	jeff.johnson@lvvwd.com	
69	Herb	Kai	Kai Farms	herb@kaifarms.com	HK
70	Eric	Kamienski	Tempe, City of	eric_kamienski@tempe.gov	
71		King		mlking@iid.com	
72	Nicole	Klobas	ADWR	ndklobas@azwater.gov	✓
73	Kathi	Knox	<i>Knox Consulting</i>	kathiknox@cox.net	kk
74	Dee	Korich	Tucson Water	Dee.Korich@tucsonaz.gov	DK
75	Doug	Kukino	Glendale, City of	kukino@ci.glendale.az.us	
76	Doug	Kupel	Glendale, City of	DKupel@GLENDALEAZ.COM	D91L
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78	Colleen	Lane	ADWR	cklane@azwater.gov	
79	Jake	Lenderking	Epcor	jlenderking@epcor.com	
80	Mark	Lewis	CAP	mark@marklewis.com	
81	Val	Little		vlittle@ag.arizona.edu	SL
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108	Paul	Orme		paulorme@gmail.com	<i>P/O</i>
109	Jack	Ozomaro	CAP	jozomaro@cap-az.com	
110	Mike	Pearce		mpearce@mpwaterlaw.com	
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114	Larry	Purcell	SDCWA	lpurcell@sdcwa.org	
115	Andrew	Quigley	Tucson Water	andrew.quigley@tucsonaz.gov	
116		Ray		mray@azleg.gov	
117	Mary	Reece	USBOR	mreece@usbr.gov	

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122	Stephen	Rot	Scottsdale, City of	srot@scottsdaleaz.gov	
123	Dennis	Rule	CAGR D	drule@cap-az.com	
124	Candice	Rupprecht		candicer@cals.arizona.edu	
125	Harry	Ruzgerian		hruzgerian@mwdh2o.com	
126	Phil	Saletta	Oro Valley, Town of	psaletta@orovalleyaz.gov	
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131	Ken	Seasholes	CAP	kseasholes@cap-az.com	✓
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143	Scott	Stirling		sstirling@beusgilbert.com	
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145		Swan		whswan@aol.com	
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158	Grant	Ward	MSIDD	grant@msidd.com	
159	Magill	Weber	Nature Conservancy	mweber@tnc.org	
160	Ron	Whitler	Buckeye, Town of	rwhitler@buckeyeaz.gov	
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163	Roger	Williams		rwilliams@torrentresources.com	
164	Richard	Wilson		wilsonwater@aol.com	
165	Walley	Wilson	Tucson Water	wally.wilson@tucsonaz.gov	
166		Wilson		mwilson21@cox.net	
167	Ron	Wong	BKW Famrs	ron@bkwfarms.com	
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182				wbaldo@azleg.gov	
183				yqliu@hwr.arizona.edu	

Lana Grignano CAP lgrignano@cap-az.com

Sign-in Sheet for March 20, 2013 Meeting

(Want to hear from us? Sign up!)

ID	First Name	Last Name	Organization	E-Mail Address	Attended March 3, 2013 Meeting
1	PATRICK	DENT	CAWCD	pdent@cap-az.com	
2	John				
3	Loren	Mike	ADWR		
4	George	Sullivan	CITY OF PHOENIX		
5	Patricia	FERRIS	AMUWA		
6	Don	GROSS	ADWR	djgross@azwater.gov	
7	Laura	Mignano	CAP	lmignano@cap-az.com	
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**NOTICE AND AGENDA OF MEETING OF THE
ARIZONA WATER BANKING AUTHORITY COMMISSION**

Pursuant to A.R.S. § 38-431.02, notice is hereby given that there will be a meeting of the Arizona Water Banking Authority Commission on **March 20, 2013 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.

The agenda for the meeting is as follows:

- I. Welcome/Opening Remarks
- II. Election of Commission Officers
- III. Approval of Minutes of December 19, 2012 Meeting
- IV. Interstate Water Banking Agreement
 - Discussion of Draft Third Amended and Restated Interstate Banking Agreement
 - Potential approval of Draft Third Amended and Restated Interstate Banking Agreement
- V. Water Banking Staff Activities
 - Deliveries
 - Meetings
 - Update on Indian settlements
- VI. Update on Recovery Planning
 - Interagency Recovery Planning Group
 - Ad Hoc Recovery Planning Group
- VII. Evaluation of Future AWBA Storage
 - Discussion of draft outline for evaluating future AWBA storage
- VIII. Call to the Public

Future Meeting Dates:

Wednesday, June 19, 2013
Wednesday, September 18, 2013
Wednesday, December 18, 2013

Dated this 18th day of March, 2013

* This is a tentative agenda that is subject to change prior to the scheduled meeting date. Please contact the AWBA at (602) 771-8487 24 hrs in advance of meeting for final agenda.

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.

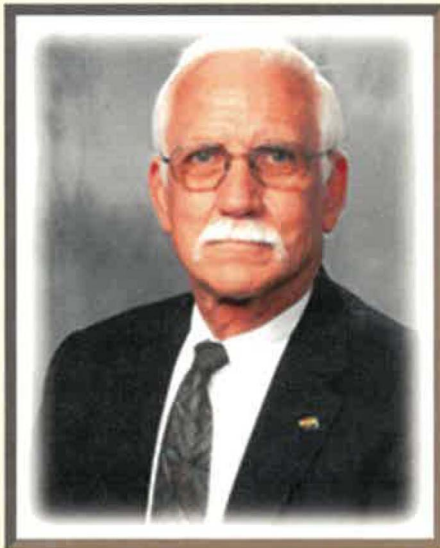
I. Welcome/Opening Remarks

Commission member Clifford Neal will be attending the meeting via teleconference

NOTES:

1. Commission member Clifford A. Neal's appointment to the AWBA Commission by the Governor Brewer has been confirmed by the Legislature.
2. Pamela Pickard, CAWCD Board President, has designated Jim Hartdegen to represent her as AWBA Commission member. Commission member Hartdegen replaces Commission member Lisa Atkins who served since March 2009 and also served as Secretary since 2011.
3. Senate President Andy Biggs has designated Senator Gail Griffin to represent him as ex-officio member on the Arizona Water Banking Authority. This is Senator Griffin's second time serving on the Authority. She replaced Representative McGibbon in November of 1997 and she served until December of 2000.

James Alan Hartdegen



James Alan Hartdegen serves as a member of the Authority as the representative designated by the president of the Central Arizona Water Conservation District (CAWCD). Mr. Hartdegen was appointed to the CAWCD Board by Governor Brewer in May of 2012, to represent Pinal County and to complete the term vacated by Terri Kibler. Prior to that, Mr. Hartdegen was elected and served two six-year terms (1997 – 2008) representing Pinal County on the CAWCD Board of Directors

Hartdegen served in the United States Army and in Vietnam, attaining the rank of Sargent E-5. He is a member of Who's Who in American Politics, American Legion, Arizona Town Hall, Casa Grande Chamber, and a Life Member of the Veterans of Foreign Wars

While a Representative in the Arizona State Legislature from 1977 to 1991, he served as Chairman of the Natural Resources and Agriculture Committee for a number of years. He was a member of the Arizona Groundwater Study Commission that led to the 1980 Groundwater Act. In 1999, he founded The Hartdegen Group, a professional lobbying organization that represents electrical districts. Mr. Hartdegen attended Mesa Community College and Arizona State University

An Arizona native, Mr. Hartdegen resides in Casa Grande with his wife, Vickie. They have two adult children

Senator Gail Griffin



Senator Gail Griffin is Chair of the Committee on Government & Environment and Vice-Chair of the Natural Resources & Rural Affairs Committee. She is also a member of the Committees on Appropriations, Public Safety and Rules

Senator Griffin came to the Senate in January 2011. She had previously served in the House of Representatives. While serving in the House of Representatives, then Representative Griffin also served on the AWBA Commission. She was appointed to serve as the representative for the Speaker of the House in November of 1997, and she served until the end of 2000.

Senator Griffin has lived in Arizona since 1968, is a resident of Hereford. Senator Griffin is a real estate associate broker.

II. Election of Commission Officers

NOTES: Call on **Virginia O'Connell** to discuss the terms of the commission officers.

ACTION: Election of Vice-Chairperson and Secretary.

Chairman Sandy Fabritz-Whitney will open the floor for nominations of Vice-Chair.

Commission members will make the motions for nomination.

1. Motion: I move to nominate _____ for Vice-Chair of the AWBA.

The floor will remain open for nominations of Secretary.

2. Motion: I move to nominate _____ for Secretary of the AWBA.

III. Approval of Minutes of Meeting

NOTES:

Move approval of December 19, 2012 AWBA meeting minutes

ACTION:

Approve minutes with any needed corrections.

**ARIZONA WATER BANKING AUTHORITY
Draft Minutes**

**December 19, 2012
Arizona Department of Water Resources**



AUTHORITY MEMBERS
Sandra Fabritz-Whitney, Chairman
Maureen R. George, Vice-Chairman
Lisa A. Atkins, Secretary
John Mawhinney
Clifford A. Neal

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 *ex-officio* members, Senate President Steve Pierce and Speaker of the House Andy Tobin. Chairman Fabritz-Whitney welcomed Cliff Neal as the newest AWBA member. Mr. Neal represents an entity that holds a CAP M&I subcontract. Virginia O'Connell recognized Ajita Athayle who is retiring after 26 years of service.

Approval of Minutes

John Mawhinney moved to approve the minutes of the September 19, 2012 meeting. Lisa Atkins provided the second to the motion. The Authority approved the minutes of the September 19, 2012 AWBA meeting.

Consideration of Executive Session regarding the Third Amended and Restated Agreement for Interstate Water Banking

Nicole Klobas, attorney for the AWBA, updated the members on the draft agreement. She indicated there had been several changes from the existing structure. She told the members that under the new agreement, the AWBA would no longer have an obligation to accrue future long-term storage credits to be held in the Southern Nevada Water Authority (SNWA) account. She reminded the members that 600,651 acre-feet of credits are already held in the Nevada account. SNWA paid nearly \$123 million to date for these credits and their financial obligation has been met.

The new agreement allows the parties to agree to future storage/accrual of long-term storage credits including authorizing the use of Nevada's unused apportionment as the source water. All costs, associated with future delivery and storage, are born by SNWA. The agreement terminates when all credits (existing and future) have been recovered. Existing credits must be recovered by December 31, 2063. Future credits must be recovered within 50 years of the date of storage with the oldest credits being recovered first. SNWA will pay \$20,000 per year for continuing administrative services in years when the AWBA does not deliver and store water. There is no longer an operating Account and a Resource Account.

Maureen George began the conversation indicating she has a long list of questions. She received the draft agreement on Monday, and she does not feel comfortable acting during the meeting. Mr. Neal asked if there was any rush. AWBA staff indicated there was no rush. Mr. Mawhinney asked what we would have to provide to SNWA during a shortage. Ms. O'Connell responded saying the maximum liability would be 52,000 acre-feet contingent upon Arizona's ability to do so. Ms. George reiterated that she had several questions but was fine forwarding her questions to Ms. Klobas. Ms. George further stated she would like to hear from the public, and she has not had sufficient time to digest the terms of the agreement. Mr. Mawhinney indicated that he wanted to hear

Ms. George's questions. The Commission asked if a decision could be postponed until the next meeting. Ms. O'Connell indicated that the current letter agreement defers storage and payments through 2014, so waiting to make a decision until the March meeting is acceptable.

Chairman Fabritz-Whitney asked if the Commission wished to hear public comment at this time. She also asked if Commission members wanted to go into Executive Session. Commission members preferred moving on to the other agenda items and then hearing from the public at the end of the meeting just prior to going into Executive Session. There was a discussion regarding how much time members of the public would have to provide comments written or otherwise. Chairman Fabritz-Whitney indicated the AWBA would give members of the public through the end of January to provide comments.

Water Banking Staff Activities

Deliveries. Regarding deliveries, Ms. O'Connell directed the members to the monthly delivery graphs in their books current through November. She explained that the AWBA went into the year expecting to have about 120,000 AF of deliveries. Additional deliveries were made in the spring to the Tonopah Desert Recharge Project in anticipation of storing Nevada's unused apportionment. If the AWBA were to store this water, it needed to take advantage of canal capacity. However, that deal did not go through. As the year progressed, Ms. O'Connell explained, there was some turn back water in the Phoenix AMA, particularly from the GSFs, allowing the AWBA to offset earlier storage at Tonopah Desert. In the Pinal AMA, even though it shows the AWBA is slightly behind schedule, Ms. O'Connell anticipates the remaining deliveries will be made this month. In the Tucson AMA, deliveries are on target, although deliveries have shifted between facilities. At the end of the year, the AWBA expects to have stored about 135,000 AF. She added that the number might be lower given recent rains.

For informational purposes, the AWBA is providing a letter addressed to Terry Fulp, the Regional Director of the United States Bureau of Reclamation (Reclamation), Lower Colorado River Region from CAWCD, the Metropolitan Water District of Southern California, and the SNWA. Ms. O'Connell provided a summary of the letter which requests that any unused apportionment for this year be retained in Lake Mead. She noted the parties explained that water levels in Lake Mead have dropped significantly this year with Mead at just 52% full. They described 2012 as the third driest year on record and indicated that even though conservation and augmentation efforts over the last several years have resulted in additional water in Lake Mead and Brock Reservoir, if drought conditions continue, there is a risk of a shortage declaration in the next few years. Keeping unused apportionment in Lake Mead rather than reallocating it would provide an overall benefit to the Colorado River system. Mr. Neal asked about Reclamation's reaction to the letter. Tom McCann, CAP, replied indicating he has not heard back from Reclamation.

Credit Distribution Discussions. Regarding the issue of distributing AWBA credits, Ms. O'Connell informed the members that the AWBA continues to meet with staff from CAP and ADWR to discuss issues related to credit distribution. The credit distribution group prepared a paper concerning one aspect of distributing credits accrued with the 4¢ *ad valorem* tax monies. The paper proposes that AWBA credits be distributed to

CAP to meet up to 20% of M&I priority subcontract orders during shortage consistent with existing M&I firming goals. The paper also provides for a consultation process in the event shortages to M&I supplies are greater than 20%. Current modeling suggests such an event would have a low probability of occurring. The credit distribution group intends to distribute the paper to the Ad Hoc group for additional review and comment. The Ad Hoc group continues to discuss its list of issues and establish who is responsible for addressing the issues. The credit distribution group will continue to evaluate and respond to the issues that have been presented. The expectation is to have a comprehensive program on not only how shortages are addressed, but also the recovery of AWBA credits for meeting other contractual obligations.

Ms. O'Connell reminded Authority members that the AWBA had also been meeting with staff from ADWR's Colorado River Management section and CAP to develop consistent baseline assumptions for the Arizona Colorado River System Simulation (CRSS) model. Ms. O'Connell indicated that Deanna Ikeya from ADWR has been leading this group. Ms. O'Connell directed members to the table of assumptions in their notebooks. She cautioned members that the work product is a work in progress. For example, she indicated that with the adoption of Minute 319 the modeling group will need to determine how to incorporate the provisions of the minute into the model.

Ms. O'Connell asked Tim Henley, AWBA consultant, to provide an overview of the assumptions. Mr. Henley explained that there are two sets of assumptions. The first set he described as "givens" used by Reclamation. This includes things such as hydrology and reservoir levels. He pointed out however that things change. Minute 319 and the Basin Study results are examples of how things change. Reclamation is currently working with Colorado River interests to incorporate these two specific items into the "givens" for the model. These givens are significant and they will affect how Arizona will go in and out of the defined shortage tiers.

The second set of assumptions is basically end user assumptions such as Arizona's demand. Mr. Henley explained that while Reclamation has assumed demands for Arizona, the state typically uses its own demand schedule. Additionally, Arizona has also developed demand schedules for other states in the basin.

Mr. Henley explained that the three agencies are working together to establish a baseline for all the agencies to use. This baseline needs to be consistent in terms of the assumptions. He indicated that the baseline would be maintained by Colorado River Management at ADWR. He cautioned that this does not mean the agencies cannot test various sensitivities. He posited, however, that the three agencies would meet to discuss changes to baseline assumptions.

Ms. Atkins asked about the timing of Reclamation making its changes to the assumptions in the model. Mr. Henley responded that there is no timeframe. Ms. Atkins then questioned how the modeling group intended to move forward if there is no timeframe. Mr. Henley replied saying the group would keep the assumptions as they are until Reclamation notifies the states differently, positing that the model would be run as it has been. He added that part of his job and others is to make sure everything stays the same until notified otherwise.

Mr. Henley then pointed the conversation toward what it all means to the AWBA. He told the members that the modeling results are not crucial. The AWBA has its goals, and they are still valid. He reminded the members that while the firming goals are numeric, the actual goal or objective is to store water as long as water and money are available. Statute does require that the AWBA define a reasonable firming amount for on- river water users. In the course of doing this, the issue of establishing goals in the AMAs was pushed. He described modeling as a tool to plan for when to expect drought and to determine where to store and recover water.

Ms. George asked where she should send her comments. Chairman Fabritz-Whitney asked that the comments be sent through Tom Buschatzke to Ms. Ikeya. Mr. Neal asked if Mr. Henley intended to wait for Reclamation. Mr. Henley replied saying no, the three agencies will move forward as quickly as possible. Arizona will decide what these changes mean to the state and what assumptions will be used. He expects Arizona to incorporate the new information into the model and provide the model to others. He indicated, however, that there is no schedule for a new model run. Ms. George expressed concern that some sectors have not had a chance to provide input into the modeling assumptions. She also asked how the new assumptions and results compare with the original ones. Mr. Henley concluded his comments saying the modeling process is a dynamic process. Even with the incorporation of these changes, there will be more changes in the future. For example, post 2025 there will be many changes as the current shortage sharing guidelines will expire.

Chairman Fabritz-Whitney anchored the conversation back to the basic point that the three agencies understand they need to coordinate and they have agreed to do so through this modeling group. Chairman Fabritz-Whitney recalled that Ms. George had requested a special study session to go over the modeling in more detail. She asked if the time was right to do the special study session. Ms. O'Connell replied that it would be best to wait until the Minute 319 assumptions have been rolled in. Chairman Fabritz-Whitney directed Ms. O'Connell to be ready for a special session by mid-summer, specifically June, to address the modeling assumptions.

AWBA coordination with ADWR on Fourth Management Plan. Regarding the AWBA's comments on a concept paper prepared by ADWR titled, "Enhanced Aquifer Management: Alternative Cut to the Aquifer", Ms. O'Connell indicated that as part of the Fourth Management Plan goal of comprehensive aquifer management, ADWR has proposed to modify certain provisions of the recharge and recovery program specifically the "cut to the aquifer". Ms. O'Connell explained the concept encourages recharged water to be recovered from within the area in which it was stored to address the imbalance of groundwater levels within the AMAs. The paper proposes that the farther away the recovery, the greater the cut to the aquifer. The program would be dynamic and evaluated every several years.

Ms. O'Connell then reviewed the AWBA's comments on ADWR's concept. While generally supportive of recovery in the area of impact, Ms. O'Connell explained the proposal could have impacts on the AWBA's operations. The AWBA does not currently have priority with regard to storage locations. Further, the AWBA must rely on others as recovery agents. If credits cannot be recovered from within the area of hydrologic impact, fewer credits will be available for firming during shortages. For interstate

storage under the Storage and Interstate Release Agreement (SIRA), the AWBA is required to report the amount of credits that have accrued in a given year to Reclamation who then incorporates that information into its Article 5 accounting report. Ms. O'Connell explained that not knowing in advance what that amount is would make this reporting requirement very difficult or nearly impossible. Mr. Henley added to Ms. O'Connell's comments saying the issue would be the creation of Intentionally Created Unused Appointment (ICUA). Nevada cannot request more water than what Reclamation has accounted for in its Article 5 accounting. A question is whether Arizona would expect Reclamation to modify its Article 5 accounting each time the cut to the aquifer is re-evaluated. This would also create uncertainty for Nevada.

The proposed concept indicates there could be some flexibility for entities that are storing water for drought protection. Because the AWBA stores water for that purpose and provides other water management benefits, the AWBA requested that credits stored by the AWBA be exempt from the cut to the aquifer altogether. If there is a cut to the aquifer, then the AWBA recommends continuing the 5% cut to the aquifer for intrastate. For interstate, however, Ms. O'Connell indicated that because interstate storage does not provide drought protection, the 5% cut to the aquifer is appropriate and provides some benefit to the aquifer. It also does not conflict with SIRA reporting requirements and developing ICUA and gives Nevada certainty.

White Mountain Apache Indian Tribe Settlement Update. David Johnson, legal counsel for ADWR, gave the Authority members an update on the settlement. He explained the settlement discussions have been going on for three years. The agreement was approved by some of the parties in 2009. The detail concerning the AWBA relates to the State's agreement to firm up to 3,750 acre-feet of water. Mr. Johnson indicated the federal government will firm the same amount. The federal government approved the agreement in 2010 in the form of federal legislation. Since then, the parties have spent the last two years conforming the agreement to the Federal legislation. ADWR recently submitted the amended and restated agreements to the Governor's Office for signature. After obtaining the Governor's signature and signatures from other state parties, ADWR will submit the agreements to Gila River and Little Colorado Adjudication Courts for approval. This is a requirement for enforceability. Once done, ADWR will submit the final agreement to the Secretary of Interior who will then issue a Record of Decision. At that juncture, the settlement will be approved and Arizona will be obligated to firm the 3,750 acre-feet of water. Mr. Johnson did not provide a timeframe, but did tell AWBA members that the parties expect to submit the signed agreements to the two adjudications courts in early 2013.

Mr. Mawhinney asked if the settlement provided any funding to pay for this obligation. Ms. O'Connell noted that this firming requirement is part of the 8,724 acre-foot identified in the Arizona Water Settlements Act (Settlements Act) for future settlements and explained that absent a general fund appropriation, the AWBA can use withdrawal fees to meet the obligation. Mr. Mawhinney expressed concern that the State has taken on this responsibility and has made no plan to pay for it beyond using withdrawal fees. Ms. O'Connell and Mr. Johnson replied affirmatively. Ms. George asked if any firming had occurred already since there has been no approval from the Secretary. Ms. O'Connell replied that no withdrawal fee credits have been dedicated to Indian firming, except the roughly 5,000 acre-feet of withdrawal fee credits in the Tucson AMA that were used to

meet the State's obligation to the federal government under the Settlements Act. Mr. Mawhinney asked that the AWBA request an appropriation for general fund dollars in its next budget to cover this firming obligation and any future obligations. Chairman Fabritz-Whitney indicated that the AWBA could discuss this at the meeting in June. Ms. Atkins asked if there was any impact on the current fiscal year. Ms. Fabritz-Whitney replied there was no impact.

2013 Annual Plan of Operation

Ms. O'Connell gave a presentation on the 2013 Annual Plan of Operation. A copy of her PowerPoint presentation can be found on the website under meeting materials for this meeting.

Before detailing the 2013 Plan, however, Ms. O'Connell updated the Authority on the 2012 Plan of Operation indicating that while the AWBA planned to store only 120,000 acre-feet, projected deliveries are expected to exceed 135,000 acre-feet. The largest volume of water was stored at the Tonopah Desert Recharge Project, roughly 47,000 acre-feet. There was no interstate storage in 2012. To date, Ms. O'Connell explained that the AWBA has accrued over 3.8 million acre-feet of credits including estimated credits for 2012. Additionally, pursuant to the Arizona Water Settlements Act, the AWBA has delivered 4,000 acre-feet to the Southside Replenishment Bank.

Ms. O'Connell then presented the 2013 Annual Plan of Operation. She explained that the Plan of Operation takes three components into consideration: water availability, funding and storage facility capacity. For 2013, the limiting factor will be water availability. Ms. O'Connell explained that based on CAP's policy for distributing Excess CAP water, the 175,000 acre-feet AWBA/CAGRDR Replenishment Reserve Pool would have only 61,371 acre-feet. Of that, the AWBA's share would be 52,546 acre-feet. She noted that this amount is nearly 61,000 acre-feet less than what had been identified in preliminary plan presented in September. To account for the reduced volume, deliveries for direct uses (GSFs) were scheduled first, based on historic priorities, then USF deliveries to the Phoenix AMA were prorated downward and USF deliveries to the Tucson AMA were prioritized based on previous feedback from water users in that AMA. Consequently, deliveries to the Lower Santa Cruz Recharge Project (LSCRPR) were eliminated. In addition, GSF operators in the Tucson AMA revised their preliminary schedules opting not to partner with the AWBA in 2013. The 4,000 acre-feet previously scheduled for these GSFs were rescheduled to the Pima Mine Road Recharge Project. In all, roughly 38% of the water available to the AWBA is expected to be stored in the Pinal AMA, 32% in the Tucson AMA and the remaining 30% in the Phoenix AMA. Ms. O'Connell explained that there is an estimated \$23 million available to the AWBA. The 2013 Plan is expected to cost just under \$7 million and is expected to produce 47,420 acre-feet of credits.

Mr. Mawhinney stated he believes we will be told to become accustomed to shortage in the future. He explained that under such conditions, we should consider the utility of using underground storage facilities (USFs) instead of groundwater savings facilities (GSFs). While GSFs may be better from a dollar perspective today, we know the farmers will return to the pump eventually putting the water stored at risk and failing to meet groundwater management objectives. He suggested we need to look at the pros and cons of each type of facility and think about how we prioritize the use of each. We

are also building a dependency of agriculture by using GSFs.

Chairman Fabritz-Whitney agreed that it would be a prudent time to look at the issue. She reminded the Authority that there is still a firming goal in the Pinal AMA that has not been met and there are no USFs in Pinal. She also expressed concern that Indian firming commitments rely heavily on the use of GSFs because of cost. She countered the claim that GSFs were not helping the Pinal AMA reach its water management goals.

She suggested that it may be different in other AMAs. Finally, Chairman Fabritz-Whitney added that Scott Miller is looking into the benefits of GSF storage on water management goals in the Pinal AMA and hopes AWBA staff will work with him on this issue. Mr. Mawhinney suggested that since dollars will not be a limiting factor, we should balance our resources and objectives. He asked Chairman Fabritz-Whitney to put an item on the next agenda regarding how the AWBA will balance obligations with diminishing supplies. She agreed to have staff put together a preliminary outline for how we might explore this issue for the next meeting.

Mr. Neal asked if there is a facility capacity issue in Tucson coupled with Tucson area interests restricting where water should be stored in the Tucson AMA. He was concerned the AWBA has been given conflicting messages. He specifically cited a letter saying the Tucson interests did not want any water stored at LSCR. Since no other capacity is being made available in Tucson, he suggested this pushed the water to Pinal where there was capacity. Ms. O'Connell added that the AWBA also considered how much water had been stored to date at LSCR. Mr. Mawhinney countered Mr. Neal's remarks saying there is no conflicting message. The Tucson interests have consistently said make M&I firming the priority. Then within the Tucson AMA, Tucson interests prioritized the facilities and LSCR was the fourth priority. He continued saying Tucson interests have repeatedly asked to meet the Tucson AMA goals. He lauded efforts by the AWBA to date. He just wants us to take a closer look. The plan says prioritize GSFs. Tucson believes the decision about prioritizing storage locations should focus on where M&I firming is most needed and not where direct use facilities (i.e. GSFs) happen to be located. Mr. Neal asked for a copy of the letter sent by Tucson interests outlining what Mr. Mawhinney described. He asked if the AWBA has a priority listing, to which Ms. O'Connell replied they did not. Mr. Mawhinney pointed out that the plan prioritizes direct use facilities (i.e. GSFs) without consideration of the M&I firming goal. This is what the Tucson interests oppose.

Ms. Atkins asked if the AWBA is still on track for the big picture long-term goals. Ms. O'Connell responded saying Tucson is only 57% of goal even with withdrawal fee credits. Ms. George argued that in the past water has not been the issue, dollars were the issue. Now it's flipped. It is the perfect time to revisit storage priorities. Ms. George expressed the Tucson AMA goal should be a priority given the progress made on the Tucson AMA goal relative to the goals of the other AMAs. She noted she appreciates the State has Indian firming goals, but like Mr. Mawhinney, she believes the Legislature has a responsibility to step up financially to meet Indian settlement obligations. She suggested we not cut Pinal to zero, but perhaps we could cut Maricopa to zero given the GRIC/SRP deal. Finally, she suggested that if extra water becomes available, the AWBA could store it in the Tucson AMA. Chairman Fabritz-Whitney asked if she wanted to make such a decision without any analysis. Ms. George responded affirmatively saying the spread is large enough to warrant moving forward without

analysis. Mr. Neal agreed with Ms. George.

Mr. Neal asked about past GSF partners deciding not to partner with the AWBA in 2013. Based on his understanding, other water storage permit holders may be offering more competitive pricing. He asked if the \$34 rate is set in stone and if the AWBA should revisit that number. He then described his deeper concern about the AWBA storing more water at Tonopah Desert than at a storage facility in the east valley. He further stated that storing at GSFs in the east valley would be preferable over storing at TDRP. Ms. O'Connell stated the AWBA has historically stored at GSFs in the east valley, including New Magma and QCID, and accrued a significant amount of credits. Charges are set based on rates slightly less than pumping costs to make in-lieu water more desirable. Mr. Neal clarified his comments stating the AWBA should not compete with cities who want to store at these facilities, but he was fine with the AWBA competing with speculators. Ms. O'Connell stated that the 2013 Plan identifies storage at TDRP, but may have opportunities to store elsewhere and keeps those options in play throughout the year.

Finally, Mr. Neal asked if the CAGR is fully using its 35,000 acre-feet of excess water. He questioned whether the CAGR's demand was this high. Ms. O'Connell responded that CAP staff indicated the CAGR would need its share of the pool. Mr. Neal noted he would check with CAGR staff about this matter.

Ms. Atkins moved to approve the 2013 Plan of Operation with minor technical changes. Mr. Neal provided the second to the motion. As such, the 2013 Plan of Operation was approved by the Authority members.

2013 Water Delivery Budget

Mr. Henley indicated that the AWBA needed to adopt the budget associated with the Plan. He reminded AWBA members the amount they are approving is a \$4.6 million budget as the remaining \$2.37 million is an offset from CAP's 4¢ *ad valorem* tax, the use of which is approved by the CAP board through its budgetary process.

Mr. Mawhinney moved to adopt the water delivery budget. Ms. George provided the second the motion and the budget was adopted.

Call to the Public

Mr. Grant Buma, Acting Director of Water Resources for the Colorado River Indian Tribes (CRIT), asked a question related to the model. He noted it appears there are differences of opinion on assumptions between the Arizona model and the Reclamation model. He indicated the CRITs divert 662,000 acre-feet and use 97% of that water. He also commented on the on-river goal of 442,000 acre-feet of credits. He told the AWBA the CRIT returns 250 to 300,000 acre-feet to the river, which is 75% of the on-river goal. He was concerned the modeling used by the AWBA did not take these matters into account in the same manner as Reclamation models do. Mr. Henley suggested that Mr. Buma's comments are excellent and the AWBA would ask ADWR's modeling group to contact Mr. Buma to discuss modeling assumptions relative to diversions and return flows.

Chairman Fabritz-Whitney asked if the Commission wished to enter Executive Session.

A motion and second were made to adjourn Open Session and convene to Executive Session, and the motion carried.

Chairman Fabritz-Whitney announced the next AWBA meeting is scheduled for Wednesday, March 20, 2013. The meeting adjourned at 11:50 a.m.

Executive Session

Executive Session convened at 11:55 a.m. and ended at 12:15 a.m.

Reconvene in Open Session

Chairman Fabritz-Whitney reconvened the Open Session of the AWBA at 12:20. She indicated there was no consideration of action related to items discussed in Executive Session. Ms. Atkins moved to adjourn Open Session. Mr. Mawhinney provided the second to the motion.

The meeting was adjourned at 12:21 p.m.

IV. Interstate Water Banking Agreement

NOTES: (Potential Action required)

Call on **Nicole Klobas** to update members on the Draft Third Amended and Restated Agreement for Interstate Water Banking

POTENTIAL ACTION:

Make a motion authorizing the Chairman to sign the Third Amended and Restated Agreement for Interstate Water Banking upon approval by the SNWA and CRCN Boards of Directors absent substantive changes

THIRD AMENDED AND RESTATED AGREEMENT FOR INTERSTATE WATER BANKING

Summary of Changes

ARTICLE 1- Definitions, Fundamental Principles and Terms

1.3 Term of Agreement

This Agreement becomes effective when executed by all Parties. This Agreement shall terminate when all of the Long-term Storage Credits accrued in the SNWA Interstate Account as of the Effective Date or developed thereafter have subsequently been recovered, unless this Agreement is extended by written agreement of all Parties. Recovery of the Long-term Storage Credits accrued in the SNWA Interstate Account as of the Effective Date shall be complete by December 31, 2063. Recovery of any Long-term Storage Credits created after the Effective Date shall be complete no later than 50 years after the date of storage. Unless otherwise requested by SNWA, Long-term Storage Credits accrued in the SNWA Interstate Account as of the Effective Date shall be recovered before Long-term Storage Credits created after the Effective Date. Unless otherwise requested by SNWA, Long-term Storage Credits accrued in the SNWA Interstate Account after the Effective Date will be recovered on a first in, first out basis so that the oldest credits will be recovered first.

ARTICLE 2 – Delivery and Storage

2.5 Charges for Additional Delivery and Storage

- 2.5.1 The charges to SNWA for the cost of water delivered under this Agreement shall consist of the following pricing components computed on a per acre-foot basis:
 - 2.5.2.1 The fixed operation, maintenance and replacement (OM&R) rate for water deliveries, set annually by the CAWCD Board for CAP municipal and industrial (M&I) subcontractors (excluding any costs for non-CAP project water) water deliveries by the CAWCD Board;
 - 2.5.2.2. The M&I capital charge, set annually for CAP M&I subcontractors by the CAWCD Board;
 - 2.5.2.3. A pumping energy rate established by the CAWCD Board for M&I subcontractors interstate banking. SNWA or CRCN may provide energy sufficient to fully or partially meet the pumping requirements for the delivery of water under the terms of this Agreement, if mutually agreeable among SNWA, CRCN, AWBA and CAWCD;

ARTICLE 3 – Development of Intentionally Created Unused Apportionment

3.3 Development of ICUA

3.3.1.1 Factors to be considered when preparing the Interstate Recovery Schedule shall include but are not limited to:

3.3.1.3.1 Arizona water management goals,

3.3.1.3.2 CAP operational requirements,

3.3.1.3.3 Water quality requirements,

3.3.1.3.4 Opportunities for shared or joint facilities, and

3.3.1.3.5 Opportunities to reduce recovery costs **that will not burden Arizona water users.**

**THIRD AMENDED AND RESTATED AGREEMENT FOR INTERSTATE
WATER BANKING**

among

**The Arizona Water Banking Authority
and
The Southern Nevada Water Authority and The
Colorado River Commission of Nevada**

This Third Amended and Restated Interstate Water Banking Agreement (Agreement) is made as of this ___ day of _____, 201__ (Effective Date), among the Arizona Water Banking Authority (AWBA), the Southern Nevada Water Authority (SNWA), and the Colorado River Commission of Nevada (CRCN), collectively referred to as "Parties" and individually as "Party." This Agreement amends, restates in its entirety, and supersedes that certain Agreement for Interstate Water Banking dated July 3, 2001, together with all prior amendments and modifications thereto.

Recitals

A. The Arizona Water Banking Authority is an agency of the State of Arizona expressly authorized by A.R.S. § 45-2401 *et seq.* to engage in the interstate banking of Colorado River water on behalf of the State of Arizona. The statutory conditions of A.R.S. §§ 45-2427 and 45-2471 have been satisfied, this Agreement conforms to all of the requirements of such sections and all other applicable provisions of Arizona law, and AWBA is empowered to enter into this Agreement.

B. The Southern Nevada Water Authority is a Nevada joint powers agency and political subdivision of the State of Nevada, created by agreement dated July 25, 1991, as amended November 17, 1994 and January 1, 1996, pursuant to N.R.S. §§ 277.074 and 277.120. SNWA is authorized by N.R.S. § 538.186 to enter into this Agreement and, pursuant to its contract issued under section 5 of the Boulder Canyon Project Act of 1928, SNWA has the right to divert Intentionally Created Unused Apportionment released by the Secretary for use within the State of Nevada pursuant to Art. II(B)(6) of the Consolidated Decree.

C. The Colorado River Commission of the State of Nevada (CRCN) is an agency of the State of Nevada, authorized generally by N.R.S. §§ 538.041 and 538.251. More specifically, CRCN is authorized by N.R.S. §§ 538.161 and 538.186 to enter into this Agreement. The CRCN, in furtherance of the State of Nevada's responsibility to promote the health and welfare of its people in Colorado River matters, makes this Agreement to facilitate the banking of Colorado River water, the crediting of Long-term Storage Credits, and the development of ICUA for SNWA.

D. On July 3, 2001, the Parties entered into the original Agreement for Interstate Water Banking (Original Agreement). In the Original Agreement, and subject to its limitations, AWBA committed to use its best efforts to create for SNWA Long-term Storage Credits in an initial amount of 1,200,000 acre-feet, to be held in an SNWA Interstate Account established with the Arizona Department of Water Resources and, on request of SNWA, to recover for SNWA such credits and cause the development of Intentionally Created Unused Apportionment of Colorado River water (ICUA). SNWA agreed to reimburse AWBA for its costs on an annual basis.

E. On December 18, 2002, the United States, acting through the Secretary of the Interior, AWBA, SNWA, and CRCN entered into a Storage and Interstate Release Agreement (SIRA) pursuant to the Secretary's regulations at 43 C.F.R. Part 414, Offstream Storage of Colorado River Water and Development of and Release of Intentionally Created Unused Apportionment in the Lower Division States. In the SIRA, the Secretary committed to release ICUA developed by AWBA in accordance with the request of SNWA, the terms of the SIRA, and certain specified determinations of the Secretary.

F. The Original Agreement was amended on January 1, 2005 (Amended Agreement) and again on April 1, 2009 (Second Amended Agreement) whereby the Parties amended and restated in its entirety the Original Agreement to provide (1) a specific commitment by AWBA to have credited to the SNWA Interstate Account Long-Term Storage Credits in an aggregate amount, including those theretofore credited, of 1,250,000 acre-feet, (2) a commitment by AWBA, on request of SNWA, to recover such credits and to develop ICUA for SNWA's benefit up to a specified annual maximum, and (3) specified payments to be made by SNWA in consideration of AWBA's commitments respecting the crediting of such Long-Term Storage Credits.

G. Prior to the effective date of the Amended Agreement, AWBA established a long-term storage sub-account entitled "SNWA Interstate Account" with the Arizona Department of Water Resources (ADWR). As of the effective date of the Amended Agreement, the following Long-term Storage Credits had been credited to the SNWA Interstate Account: (1) 50,000 acre-feet of Long-term Storage Credits held by CAWCD for the benefit of SNWA as of the effective date of the Original Agreement; and (2) all of the Long-term Storage Credits existing by virtue of Colorado River water stored, or other Long-term Storage Credits transferred to such account, pursuant to the Original Agreement.

H. The Second Amended Agreement was further modified by "letter agreements" dated April 2, 2009, December 17, 2009, June 15, 2010, and December 8, 2010. The letter agreements addressed operational adjustments to the Second Amended Agreement and modification to the payment schedule.

I. AWBA has accrued 600,651 acre feet of the Long-term Storage Credits on behalf of the SNWA in the SNWA Interstate Account pursuant to the previous agreements, including 50,000 acre feet of Long-term Storage Credits described in Recital G created for the benefit of the SNWA under a separate agreement between SNWA and CAWCD and transferred to the AWBA under the Original Agreement.

J. SNWA has provided \$122,738,945 to AWBA for the delivery and storage of Colorado River water in Arizona on SNWA's behalf. This amount was exclusive of any funding provided to CAWCD for the Long-term Storage Credits described in Recital G.

K. On June 9, 2010, the Parties along with CAWCD entered into a Recovery Agreement addressing some of the details of interstate and intrastate recovery of Long-term Storage Credits. As described in the Recovery Agreement, there is no charge for recovery of the 50,000 acre-feet of Long-Term Storage Credits described in Recital G as SNWA has already pre-paid those costs.

L. SNWA, CRCN, and AWBA desire to enter into this Agreement to amend, restate, and supersede the Original Agreement and all amendments and modifications thereto such that this Agreement and the Recovery Agreement will govern the future rights and obligations of the Parties with respect to SNWA's existing Long-term Storage Credits in the SNWA Interstate Account, banking of additional Colorado River water in Arizona on behalf of SNWA, and related matters as set forth herein.

ARTICLE 1

DEFINITIONS, FUNDAMENTAL PRINCIPLES AND TERMS

- 1.1 Definitions. For purposes of this Agreement, terms that are defined in Article I of the Consolidated Decree, terms that are defined in Arizona Revised Statutes (A.R.S.) Title 45, Chapter 3.1, and terms that are defined in 43 C.F.R. Part 414 shall have the meaning there stated. The following terms shall have the meaning defined here, unless the context manifestly requires otherwise. Defined terms are identified by initial letter capitalization.
- 1.1.1 "ADWR" shall mean Arizona Department of Water Resources.
 - 1.1.2 "Agreement" shall mean this Third Amended and Restated Agreement for Interstate Water Banking.
 - 1.1.3 "AWBA" shall mean the Arizona Water Banking Authority.
 - 1.1.4 "AWBA Plan of Operation" shall mean the plan by which AWBA shall operate during the Year as defined in A.R.S. § 45-2456.
 - 1.1.5 "Bureau of Reclamation" shall mean the United States Bureau of Reclamation, Lower Colorado Region.
 - 1.1.6 "CAP" shall mean the Central Arizona Project, as authorized by the Colorado River Basin Project Act, 43 U.S.C. § 1501 *et seq.*, and as operated under that certain Master Repayment Contract dated December 1, 1988, Contract No. 14-06-W-245 between CAWCD and the United States Bureau of Reclamation, as amended.

- 1.1.7 "CAWCD" shall mean the Central Arizona Water Conservation District.
- 1.1.8 "CRCN" shall mean the Colorado River Commission of Nevada.
- 1.1.9 "Consolidated Decree" shall mean the Consolidated Decree entered by the United States Supreme Court in *Arizona v. California*, 126 S.Ct. 1543, 547 U.S. 150 (2006).
- 1.1.10 "Excess CAP Water" shall mean CAP water that is available for distribution by CAWCD in accordance with §8.7(e) of the Master Repayment Contract or §5(d)(2) of the Stipulation Regarding a Stay of Litigation, Resolution of Issues During the Stay and Ultimate Judgment upon Satisfaction of Conditions, filed with the United States District Court on May 3, 2000, in *Central Arizona Water Conservation District v. United States, et al.*, No. CIV 95-625-TUC-WDB (EHC) and CIV 95-1720-PHX-EHC (consolidated), and in accordance with policies established by the CAWCD Board.
- 1.1.11 "ICUA" shall mean Intentionally Created Unused Apportionment as that term is defined in 43 C.F.R. § 414.2.
- 1.1.12 "Interstate Recovery Schedule" shall have the meaning defined in the Agreement for Development of Intentionally Created Unused Apportionment.
- 1.1.13 "Long-term Storage Credit" shall mean Long-term Storage Credit as defined in A.R.S. § 45-802.01(11).
- 1.1.14 "Master Repayment Contract" shall mean that Contract No. 14-06-W-245 dated December 1, 1988, between CAWCD and the United States Bureau of Reclamation, as amended.
- 1.1.15 "Recovery Agreement" shall mean that agreement entitled "Recovery Agreement Among Arizona Water Banking Authority, Central Arizona Water Conservation District, Southern Nevada Water Authority and Colorado River Commission of Nevada," dated June 9, 2010.
- 1.1.16 "Recovery Facilities" shall mean constructed facilities capable of recovering both intrastate and interstate Long-term Storage Credits.
- 1.1.17 "Secretary" shall mean the Secretary of the Interior for the United States, Department of the Interior.
- 1.1.18 "SNWA" shall mean the Southern Nevada Water Authority.
- 1.1.19 "SNWA Interstate Account" shall mean the Long-term Storage Credit Sub-account established by AWBA with ADWR pursuant to Subarticle 2.2.4 of the Original Agreement.

1.1.20 "Storage Facility" or "Storage Facilities" shall mean an Underground Storage Facility or a Groundwater Savings Facility as those terms are defined in A.R.S. § 45-802.01.

1.1.21 "Year" shall mean a calendar year.

1.2 Fundamental Principles of this Agreement

1.2.1 This Agreement is among AWBA and SNWA and CRCN. It is intended to create a program of interstate banking of Colorado River water. AWBA will not engage in interstate banking to the detriment of any water user in Arizona in fulfilling its obligations under this Agreement.

1.2.2 Under the terms of this Agreement, AWBA shall utilize the existing Long-term Storage Credits accrued in the SNWA Interstate Account, as well as any new Long-term Storage Credits created pursuant to this Agreement, at a later date to develop ICUA for the benefit of SNWA. The Secretary is required to release this ICUA for consumptive use within the State of Nevada pursuant to the Storage and Interstate Release Agreement entered into by the Secretary under the regulations adopted by the Secretary in 43 CFR Part 414. This Agreement is one part of a four part contractual relationship, which also includes the Storage and Interstate Release Agreement (SIRA), an Agreement for the Development of Intentionally Created Unused Apportionment and a Recovery Agreement. In furtherance of its performance under this Agreement, the AWBA has also entered into an Intergovernmental Agreement among AWBA, CAWCD, and ADWR, as amended, and a series of water storage agreements between AWBA and Storage Facility operators in the State of Arizona.

1.2.3 This Agreement and the Recovery Agreement shall govern the relative rights and responsibilities of AWBA, SNWA and CRCN for the delivery, storage and recovery of Colorado River water in Arizona and for the development of ICUA. No ownership rights in specific storage facilities shall accrue to either SNWA or CRCN by this Agreement. Neither SNWA nor CRCN shall have any rights in this interstate banking arrangement except as provided in this Agreement.

1.2.4 AWBA shall recognize priorities or preferences for the storage and recovery of water in Arizona established by the Agreement Relating to Implementation of Interim Colorado River Surplus Guidelines between SNWA and The Metropolitan Water District of Southern California, dated May 16, 2002.

1.2.5 This Agreement is intended to operate for the mutual benefit of the citizens of the State of Arizona and the citizens of the State of Nevada. It is entered into with the understanding that it is an act of comity, and with the understanding that interstate banking of Colorado River water among the States of the Lower

Division must be undertaken in accordance with express authority granted under each state's law.

1.3 Term of Agreement

This Agreement becomes effective when executed by all Parties. This Agreement shall terminate when all of the Long-term Storage Credits accrued in the SNWA Interstate Account as of the Effective Date or developed thereafter have subsequently been recovered, unless this Agreement is extended by written agreement of all Parties. Recovery of the Long-term Storage Credits accrued in the SNWA Interstate Account as of the Effective Date shall be complete by December 31, 2063. Recovery of any Long-term Storage Credits created after the Effective Date shall be complete no later than 50 years after the date of storage. Unless otherwise requested by SNWA, Long-term Storage Credits accrued in the SNWA Interstate Account as of the Effective Date shall be recovered before Long-term Storage Credits created after the Effective Date. Unless otherwise requested by SNWA, Long-term Storage Credits accrued in the SNWA Interstate Account after the Effective Date will be recovered on a first in, first out basis so that the oldest credits will be recovered first.

ARTICLE 2

DELIVERY AND STORAGE

2.1 Current Balance in SNWA Interstate Account

As of the Effective Date, AWBA has created 600,651 acre feet of Long-term Storage Credits in the SNWA Interstate Account. Upon the request by SNWA for development of ICUA as described in Article 3, the AWBA shall use Long-term Storage Credits available in the SNWA Interstate Account to fulfill that request.

2.2 Payments Previously Made by SNWA

In consideration of the Long-term Storage Credits created by AWBA prior to the Effective Date, SNWA made payments to AWBA aggregating to the sum of \$122,738,945. These payments are exclusive of any payments SNWA made to CAWCD for the 50,000 acre-feet of Long-term Storage Credits described in Recital G. The Parties acknowledge that the payments described above made by SNWA to AWBA for the delivery and storage of Colorado River water covered at least all costs specified in A.R.S. §§ 45-2471(C) and are not refundable.

2.3 Request for Additional Water Storage by SNWA

- 2.3.1 On or before September 1, AWBA, SNWA, and CRCN shall confer concerning the amount of water anticipated to be available for storage, including any Nevada apportionment, and the proposed location, manner, and

cost by which the interstate banking could be accomplished in the following Year.

- 2.3.2 Annually, AWBA develops a draft AWBA Plan of Operation. The draft AWBA Plan of Operation may include an interstate component.
- 2.3.3 On or before November 1, AWBA shall determine and advise SNWA and CRCN in writing as to the quantity of water and storage capacity available for interstate banking under the terms of this Agreement for the following Year. AWBA shall also provide an estimate of the costs calculated pursuant to Subarticle 2.5 associated with the delivery and storage of water available for interstate banking. AWBA shall also provide the data upon which the determinations and estimates in this Subarticle were based.
- 2.3.4 Within 30 days of the notice provided in Subarticle 2.3.3, SNWA shall specify in writing to AWBA its decision to accept all or any portion of the water and storage capacity available at the estimated cost.
- 2.3.5 After consultation with SNWA, the final decision on the quantity of water to be stored and the location of the storage under the terms of this Agreement shall be at the discretion of AWBA. However, except as otherwise provided in Subarticle 2.3.8.1, the maximum quantity of water to be stored in any Year shall not be greater than the amount specified by SNWA pursuant to Subarticle 2.3.4.
- 2.3.6 The quantity of water to be stored in accordance with the terms of this Agreement shall be identified in the final AWBA Plan of Operation by January 1 of each Year. Unless the final AWBA Plan of Operation is modified, this quantity of water shall be stored. AWBA shall provide SNWA and CRCN with a copy of the final AWBA Plan of Operations and any amendments thereto.
- 2.3.7 At any time after approval of the AWBA Plan of Operation, SNWA may request a change in the quantity of SNWA storage for the current Year. Such request for change shall be in writing to AWBA and, if the request results in a decrease in storage, it shall not be greater than the difference between the amount of water already stored in that Year for the benefit of SNWA and the amount of water scheduled in that Year to be stored for the benefit of SNWA. AWBA may, at its discretion and after discussion at an open public meeting, modify the AWBA Plan of Operation to reflect such a change.
- 2.3.8 AWBA may modify the AWBA Plan of Operation for reasons other than a request from SNWA.
 - 2.3.8.1 If the modification results in an increase in the amount of Excess CAP Water available for storage for interstate banking, AWBA

shall notify SNWA and CRCN in writing of the estimated cost for delivery and storage of the increase. SNWA shall have 30 days after receipt of such notice to specify in writing to AWBA its decision to decline any or all of the increase.

- 2.3.8.2 If the modification results in a decrease in Excess CAP Water available for storage for interstate banking, AWBA will notify SNWA and CRCN in writing of such a modification, the reasons for the decrease in storage, the data upon which such determination was based, and the revised amount of water that AWBA will store for SNWA during the Year.
- 2.3.8.3 If SNWA directs Nevada unused apportionment to AWBA for storage pursuant to this Agreement, AWBA agrees that no decrease in the amount of storage for SNWA will be made after October 1 of each Year.
- 2.3.8.4 AWBA agrees to notify SNWA if costs are expected to increase by more than 20% due to the modification of the AWBA Plan of Operation or any other reason.

2.3.9 The schedule dates and periods contained in this Subarticle 2.3 can be changed upon written agreement of AWBA and SNWA.

2.4 Delivery and Storage of Additional Water by AWBA for SNWA. Delivery and storage of additional water under the terms of this Agreement shall be subject to the following:

- 2.4.1 The delivery of additional water to storage shall be pursuant to the agreement between CAWCD and the AWBA providing for the Delivery of Excess CAP Water, whereby AWBA is entitled to purchase Excess CAP Water from CAWCD for interstate banking purposes.
- 2.4.2 AWBA has obtained and shall continue to maintain all necessary water storage permits from ADWR to allow storage under the terms of this Agreement.
- 2.4.3 The storage of water shall be pursuant to AWBA's contracts with various Storage Facility operators whereby AWBA is entitled to store water at those various Storage Facilities.
- 2.4.4 AWBA shall monitor the accrual and maintenance of Long-term Storage Credits in the SNWA Interstate Account from Year to Year. AWBA shall exercise due diligence in ensuring that all Long-term Storage Credits developed in accordance with the terms of this Agreement have accrued and are properly accounted for in such account.

2.4.5 AWBA agrees that it shall timely file with ADWR an annual report for all water delivered and stored in accordance with the terms of this Agreement by March 31 of the Year following the delivery and storage. AWBA, SNWA and CRCN shall cooperate in the preparation of such report, and shall agree upon the accuracy of the data to be filed. ADWR determines the quantity of Long-term Storage Credits that accrue in the SNWA Interstate Account in any Year and makes a report available to AWBA detailing the credits available in AWBA's Long-term Storage Account. Upon receipt of the report from ADWR, AWBA shall make that report available to SNWA and CRCN. The report may include adjustments or corrections made by ADWR to the Long-term Storage Credits in the SNWA Interstate Account created after the Effective Date of this Agreement.

2.5 Charges for Additional Delivery and Storage

2.5.1 SNWA agrees that all costs of the additional delivery and storage of water as described in Subarticle 2.4 (including the costs referred to in A.R.S. § 45-2471(C)) shall be borne by SNWA. Such costs shall be calculated and charged to SNWA in accordance with this Subarticle 2.5, and billed to and paid by SNWA as provided in Subarticle 2.6. The Parties acknowledge that, for purposes of A.R.S. § 45-2471(C)(1), AWBA's cost of acquiring Colorado River water is the cost charged by the United States to CAWCD under CAWCD's federal water delivery contract for delivering such water.

2.5.2 The charges to SNWA for the cost of water delivered under this Agreement shall consist of the following pricing components computed on a per acre-foot basis:

2.5.2.1 The fixed operation, maintenance and replacement (OM&R) rate for water deliveries, set annually by the CAWCD Board for CAP municipal and industrial (M&I) subcontractors (excluding any costs for non-CAP project water) water deliveries by the CAWCD Board;

2.5.2.2 The M&I capital charge, set annually for CAP M&I subcontractors by the CAWCD Board;

2.5.2.3 A pumping energy rate established by the CAWCD Board for M&I subcontractors interstate banking. SNWA or CRCN may provide energy sufficient to fully or partially meet the pumping requirements for the delivery of water under the terms of this Agreement, if mutually agreeable among SNWA, CRCN, AWBA and CAWCD;

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

Comment [A1]: CAP historically and currently has only one fixed OM&R rate, which is computed by dividing total annual fixed OM&R costs by total annual CAP water deliveries. In the future, if CAP is delivering non-Project water (i.e., wheeling), there could be an additional fixed OM&R fee component assessed against the non-Project water to cover costs specific to that source water. The suggested language will insure that Nevada is charged the same fixed OM&R rate as CAP Project water, but not the additional increment for non-Project water.

Comment [A2]: Before 2011, CAP had multiple energy rates computed based on the cost of the incremental energy that CAP had to acquire to pump the additional water for Nevada. At that time, the amount of NGS energy that CAP could use each year was limited, so storing for Nevada required CAP to buy additional energy on the market, generally at higher prices. Now, CAP can use NGS energy for all Project water deliveries, so we currently have only one energy rate. If NGS were to close, that situation could change, and CAP may be back to acquiring energy from multiple sources at varying costs, which may lead to multiple energy rates again. In all cases, the rate set by CAP will be based on cost of service.

2.5.2.5 Such additional costs as may be reasonably incurred by AWBA with approval by SNWA.

2.5.3 The charges to SNWA for the cost of water storage under this Agreement shall consist of the following pricing components computed on a per acre foot of delivery basis:

2.5.3.1 Underground Storage Facility charges as paid by AWBA based on contractual agreements with those facility operators;

2.5.3.2 A capital charge for storage at Underground Storage Facilities constructed with State Demonstration Project funds as determined by CAWCD as owner/operator of the facilities;

2.5.3.3 If storage under the terms of this Agreement is accomplished at Groundwater Savings Facilities, SNWA shall pay a charge for storage as determined by AWBA in that Year; and

2.5.3.4 Such additional costs as may be reasonably incurred by AWBA with approval by SNWA.

2.6 Billing of and Payment for Additional Delivery and Storage

2.6.1 In any Year that additional water is to be delivered and stored by the AWBA for the benefit of SNWA, the AWBA will on or before January 1 of that Year, provide SNWA a statement detailing the total annual charge for the water to be delivered and stored in that Year for the benefit of the SNWA. The charges are described in Subarticle 2.5.

2.6.2 AWBA shall provide SNWA monthly invoices equaling one-twelfth of the total annual charge on or before the first of each month. SNWA shall pay the total amount of the invoice on or before the 10th of each month. If such day is not a business day, the payment shall be made on the next succeeding business day. Following receipt of the SNWA payment, AWBA shall remit the appropriate payment to CAWCD in accordance with AWBA's Master Water Storage Agreement with CAWCD.

2.6.3 The total annual charge for water delivery may be subject to a mid-year correction if the charges described in Subarticle 2.5.2 are changed by the CAWCD Board. In the event of a correction, AWBA shall re-compute the remaining equal monthly payments and invoice SNWA the corrected amount in the first monthly invoice following the correction.

2.6.4 No later than March 15 of the Year following a Year in which water was delivered and stored under the terms of this Agreement, AWBA shall provide

SNWA a Year end account reconciliation. The payment account of SNWA shall be adjusted first to reflect the amount of water actually delivered by AWBA, and second to reflect any change in the OM&R and pumping energy rates applicable to the water delivered. If additional funds are owed to AWBA, SNWA shall remit those funds within 10 business days of the date the notice is provided by AWBA. If funds are due to SNWA, they shall be remitted to SNWA within 10 business days, including interest accrued on those funds, unless SNWA requests that the funds including interest be used to offset the water delivery charge for a future Year in which additional storage and delivery occurs. If additional delivery and storage has not occurred within three years, SNWA may request that the AWBA remit all remaining funds.

2.6.5 The schedule dates and periods contained in this Subarticle 2.6 can be changed upon written agreement of AWBA and SNWA.

2.7 Administrative Service Cost for Stored Water

2.7.1 In any Year when AWBA does not deliver and store water for SNWA pursuant to this Agreement, SNWA shall be charged \$20,000 per year for AWBA's continuing administrative services in accordance with the terms of this Agreement.

2.7.2 Charges for administrative services as described in Subarticle 2.7.1 shall be paid on a quarterly basis. Unless otherwise agreed in advance, each quarterly payment shall be an equal one-fourth of the administrative charge for the Year. AWBA shall provide an invoice for one quarter of the annual administration charge to SNWA on or before the 15th day of December, March, June, and September for the quarter immediately following. If such day is not a business day, the invoice shall be made on the next succeeding business day.

2.7.2.1 The first payment for administrative costs due under this Agreement will be invoiced on June 15, 2013.

2.7.3 In any Year when AWBA delivers and stores water for SNWA pursuant to this Agreement, SNWA shall pay AWBA 15% of AWBA's actual administrative costs. AWBA's actual administrative costs are computed as a lump sum for the Year in which the storage occurred and includes salaries, employee-related expenses and indirect costs.

2.7.4 Charges for administrative services as described in Subarticle 2.7.3 shall be paid in arrears on an annual basis. AWBA shall provide an invoice for the annual administration charge to SNWA on or before the 15th day of January for the actual administrative costs incurred in the previous Year. Such invoice

shall apply a credit for any payments made pursuant to Subarticle 2.7.1. If such day is not a business day, the invoice shall be made on the next succeeding business day.

2.7.5 SNWA shall pay the administrative service charges on or before the first day of the month following the notice of the charges. If such day is not a business day, the payment shall be made on the next succeeding business day.

2.7.6 The administrative service cost is not refundable.

ARTICLE 3

DEVELOPMENT OF INTENTIONALLY CREATED UNUSED APPORTIONMENT

3.1 Extent of Annual Development of ICUA for SNWA

3.1.1 SNWA shall have the right to require the recovery of Long-term Storage Credits in the SNWA Interstate Account and the development of ICUA in any Year, as follows:

3.1.1.1 The initial year request for ICUA shall not exceed 20,000 acre-feet, the second year request for ICUA shall not exceed 30,000 acre-feet and any request for ICUA thereafter shall not exceed 40,000 acre-feet.

3.1.2 During any Year as to which the Secretary has determined under Article II(B)(3) of the Consolidated Decree that a shortage condition exists, SNWA may require the development of ICUA (1) in such amount that, when considered together with the amount of basic apportionment available for use in Nevada, will allow 300,000 acre-feet to be consumptively used in Nevada, plus (2) the amount specified for such Year in Subarticle 3.1.1. SNWA may require the development of ICUA under this Subarticle only if after consultation with SNWA and CRCN, the AWBA has determined that sufficient recovery facilities are in place for that Year to meet the needs of CAP M&I subcontractors and any post 1968 domestic use Colorado River contractor in Arizona and SNWA's request. If it is determined that sufficient recovery facilities are not available, SNWA may require the development of ICUA only to the extent that SNWA has contributed to new facilities in Subarticle 3.4.2.1 or additional facilities in Subarticle 3.5.1 plus any available existing recovery capacity not utilized by the CAP M&I subcontractors and post 1968 domestic use Colorado River contractors.

3.1.2.1 If a shortage determination by the Secretary under Article II(B)(3) of the Consolidated Decree causes a reduction in the Colorado

River water available for use by non-Indian municipal and industrial (M&I) CAP subcontractors in any Year under their subcontracts or any other post 1968 domestic use Colorado River contractor in any Year under their contract, SNWA's right to require the recovery of Long-term Storage Credits and the development of ICUA shall be reduced proportionately to the reduction in M&I water supply sustained by CAP subcontractors and any other post 1968 domestic use contractor.

3.2 SNWA Notices for Development of ICUA

- 3.2.1 By September 1, 2015 and each Year after that, SNWA shall provide AWBA and CAWCD a plan describing any potential ICUA requests for the following ten year period. SNWA and CRCN shall confer with AWBA and CAWCD when developing such a plan. The plan is for information and planning purposes only and is not binding.
- 3.2.2 For any Year in which SNWA will require the development of ICUA by AWBA and the release of ICUA by the Secretary, SNWA shall confer with the AWBA prior to June 1 of the preceding Year and provide notice of the amount of such ICUA to AWBA by June 1 of the preceding Year.
- 3.2.3 Between June 1 and September 15 of the Year in which a notice has been given under Subarticle 3.2.2, AWBA staff shall meet and confer with SNWA concerning the proposed location, manner and estimated cost of the development of the specified ICUA.
- 3.2.4 On or before September 15 of the Year in which a notice for the development of ICUA has been given to AWBA under Subarticle 3.2.2, or as otherwise required by the Secretary, SNWA shall make a request of the Secretary for the release of such ICUA during the following Year and shall provide a copy of such notice to AWBA.

3.3 Development of ICUA

- 3.3.1 Upon receipt of a notice under Subarticle 3.2.2 for the development of ICUA, AWBA shall meet and confer with CAWCD to develop an Interstate Recovery Schedule under the terms of the Agreement for the Development of Intentionally Created Unused Apportionment. The Interstate Recovery Schedule shall utilize the recovery of Long-term Storage Credits to develop the ICUA through recovery methods identified in the corresponding Storage and Interstate Release Agreement. These methods include recovery and exchange of Long-term Storage Credits for Colorado River water and/or credit exchange of Long-term Storage Credits for Colorado River water that would have otherwise been delivered for underground storage in that Year.

- 3.3.1.1 AWBA shall meet and confer with SNWA concerning the location, manner and cost of recovery when developing the Interstate Recovery Schedule.
- 3.3.1.2 AWBA agrees that the development of the Interstate Recovery Schedule shall take into account the location, manner and cost of recovering all water stored by AWBA in the State of Arizona. AWBA agrees that the selection of recovery facilities included in the Interstate Recovery Schedule shall not be made in a manner that unreasonably allocates the higher recovery cost to the recovery of water for the development of ICUA under the terms of this Agreement.
- 3.3.1.3 Factors to be considered when preparing the Interstate Recovery Schedule shall include but are not limited to:
 - 3.3.1.3.1 Arizona water management goals,
 - 3.3.1.3.2 CAP operational requirements,
 - 3.3.1.3.3 Water quality requirements,
 - 3.3.1.3.4 Opportunities for shared or joint facilities, and
 - 3.3.1.3.5 Opportunities to reduce recovery costs that will not burden Arizona water users.

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- 3.3.2 Upon receipt of a copy of SNWA's request under Subarticle 3.2.4 to the Secretary for the release of ICUA during the following Year, AWBA shall prepare the following certifications, in accordance with the Agreement for the Development of Intentionally Created Unused Apportionment: (1) an Upcoming Year Delivery Certification; (2) an Interstate Recovery Schedule Certification; and, (3) a Development of ICUA Certification. These three certifications shall be prepared and delivered to the Bureau of Reclamation no later than December 1 of the Year in which a notice for the development of ICUA was given to AWBA under Subarticle 3.2.2. AWBA shall identify the amount of ICUA specified to be developed in SNWA's notice under Subarticle 3.2.2 in the AWBA Plan of Operation for the following Year, and in such Year shall recover Long-term Storage Credits and develop ICUA in such amount, subject to the Secretary's determination and release of ICUA under Subarticles 5.4 and 5.5 of the SIRA. Recovery shall not commence until verification by the Secretary that ICUA will be released to SNWA under the terms of the Storage and Interstate Release Agreement.
- 3.3.3 The choice of facilities utilized to recover the Long-term Storage Credits used to develop the ICUA during any year shall be at the discretion of AWBA.

- 3.3.4 After the Secretary's notice of determination pursuant to Subarticle 5.4 of the SIRA respecting the availability and release of ICUA, AWBA shall recover Long-term Storage Credits and cause ICUA to be developed in the amount specified in the Secretary's notice. SNWA shall be responsible for all costs of developing the specified ICUA as provided in this Agreement.
- 3.3.5 Upon written request by SNWA to cease the development of ICUA, AWBA shall cease the development of ICUA by the amount of the request or by the amount of verified ICUA not yet developed, whichever is less. AWBA shall certify to the Secretary the amount of ICUA previously requested that will not be developed and shall request that the Secretary act in accordance with that certification and the terms of the Storage and Interstate Release Agreement.
- 3.3.6 AWBA shall notify ADWR of the actual amount of credits recovered in accordance with the terms of this Agreement and shall request that ADWR debit the SNWA Interstate Account by the amount of credits recovered when AWBA submits its annual report to ADWR. AWBA and SNWA shall cooperate in the preparation of such report, and shall agree upon the accuracy of the data to be filed.

3.4 Charges for Developing ICUA

- 3.4.1 SNWA agrees that, except as provided in Subarticle 3.4.3, all costs of the development of ICUA as described in Subarticle 3.3 shall be borne by SNWA. Such costs shall be calculated and charged to SNWA in accordance with this Subarticle 3.4, and billed to and paid by SNWA as provided in Subarticle 3.5.
- 3.4.2 The charges to SNWA for the cost of ICUA caused to be developed by AWBA under this Agreement shall consist of the following pricing components:
 - 3.4.2.1 A capital component consisting of (1) the cost to develop any new recovery facility as to which the SNWA shall have a prior right of use, such cost to be paid in advance in a lump sum, or (2) a charge computed on a per acre-foot of ICUA developed basis to recover SNWA's proportionate share of the annual capital cost of other recovery facilities to be used for SNWA's benefit during the Year.
 - 3.4.2.2 An operation and maintenance (O&M) component computed on a per acre-foot of ICUA developed basis to recover SNWA's proportionate share of the O&M cost (including pumping energy) incurred by the owner/operator of any recovery facility used during the Year to develop ICUA for SNWA.
 - 3.4.2.3 An administrative component calculated as a lump sum to recover the actual administrative cost reasonably incurred by AWBA.

3.4.2.4 In the event that the cost of recovery for all or some of the water stored by AWBA in the State of Arizona increases due to unforeseen circumstances such as a cost for water treatment, or new state or federal regulations such as new water quality standards or additional environmental compliance requirements, SNWA agrees to share a reasonable proportion of such unanticipated costs, regardless of the location of such storage.

3.4.3 SNWA shall specify in its notice given under Subarticle 3.2.2 if, and the extent to which, ICUA is to be developed through the recovery of Long-term Storage Credits previously held by CAWCD for the benefit of SNWA under its October 15, 1992 agreement with The Metropolitan Water District of Southern California (identified in Recital G). The Parties acknowledge that pursuant to the terms of such agreement and prior to the effective date of the Original Agreement, SNWA made advance payments of the entire cost to recover such credits and to develop such ICUA.

3.5 Billing and Payment for Developing ICUA

3.5.1 AWBA shall notify SNWA of any charges for the development of recovery facilities as described in Subarticle 3.4.2.1(2) after agreement between AWBA and SNWA that additional recovery facilities are required for the development of the certified ICUA.

3.5.2 SNWA shall agree to an acceptable repayment schedule for costs specified in AWBA's Subarticle 3.5.1 notice prior to the construction of any additional recovery facilities. Following receipt of the SNWA payments pursuant to that schedule, AWBA shall remit the appropriate payments to the appropriate recovery facility owner/operators in accordance with AWBA's contractual agreements with those operators.

3.5.3 AWBA shall provide an estimate of the charges for any capital component described in Subarticle 3.4.2.1(2) and the recovery facility O&M described in Subarticle 3.4.2.2 to SNWA on or before the fifteenth of each month prior to the actual recovery. Such estimates may include adjustments or corrections to previous estimates.

3.5.4 SNWA shall pay the estimate of the capital component described in Subarticle 3.4.2.1(2) and the recovery facility O&M charge described in Subarticle 3.4.2.2 on or before the tenth day of the month following receipt of the estimate. If such day is not a business day, the payment shall be made on the next succeeding business day. Following receipt of the SNWA payment, AWBA shall remit the appropriate payment to the appropriate recovery facility operators in accordance with AWBA's contractual agreements with those operators.

- 3.5.5 No later than March 15 of the Year following the Year in which ICUA was recovered under the terms of this Agreement, AWBA shall provide SNWA and CRCN a Year end account reconciliation showing the actual Long-term Storage Credits recovered and whether charges for recovering the credits exceed payments made or payments exceed the amount owed. If additional funds are owed to AWBA by SNWA, they shall be paid within 10 business days of the date notice is provided by AWBA. If funds are due to SNWA, they shall be applied to SNWA's current Year recovery facility O&M charge and used to offset current payments in an amount equal to the excess payment. If no recovery under the terms of this Agreement is included in the AWBA Plan of Operation for the current Year, the funds shall be carried over and used to offset the recovery facility O&M charge for the Year in which recovery resumes. If recovery has not resumed within three years, AWBA shall remit the remaining funds to SNWA.
- 3.5.6 Charges for administrative services as described in Subarticle 3.4.2.3 shall be paid on a quarterly basis. Unless otherwise agreed in advance, each quarterly payment shall be an equal one-fourth of the administrative charge agreed upon for the fiscal year. AWBA shall provide an invoice for one quarter of the annual administration charge to SNWA on or before the 15th day of June, September, December and March for the quarter immediately following. If such day is not a business day, the invoice shall be made on the next succeeding business day.
- 3.5.7 SNWA shall pay administrative charges on or before the first day of the month following the receipt of the notice. If such day is not a business day, the payment shall be made on the next succeeding business day.

ARTICLE 4

DELINQUENT CHARGES AND SURETY OF PERFORMANCE

- 4.1 Delinquency Charges under the Terms of this Agreement
- 4.1.1 All payments due under this Agreement shall be paid promptly on the date required and, if not paid, shall be delinquent. Interest on delinquent payments may be assessed from the business day of the month on which the charge was due and shall accrue at the prime rate of interest as established by the Bank of America, plus 6% per annum, prorated by days of the unpaid principal, computed daily until payment is received. Any payment received shall first be applied to any interest owed, and then to any charges owed.
- 4.1.2 In the event any portion of the charges is disputed, the disputed amount shall be paid when due, but may be accompanied by a written statement indicating

the basis for any dispute. If the dispute is found to be valid, SNWA shall be refunded any overpayment plus interest, accrued at the rate set forth in Subarticle 4.1.1, prorated by days from the date payment was credited to SNWA to the date the refund check is issued.

- 4.1.3 In the event any delinquent amount is not paid by SNWA within thirty (30) days after receipt by SNWA of written notice from AWBA of the delinquency, AWBA shall have the right, without liability of any kind, to suspend recovery of any water under the terms of this Agreement so long as the delinquent amount remains unpaid. Such suspension shall not affect the Long-term Storage Credits remaining in the SNWA Interstate Account. Nothing herein shall limit the rights of AWBA to use any other available legal remedy to effect collection of delinquent amounts.

4.2 Surety of Performance under the Terms of this Agreement

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

- 4.2.2 The Parties agree that the water resources being stored, forborne, and made available through exchange for use by SNWA under the terms of this Agreement are unique and very likely cannot be replaced in a timely fashion by other resources. Accordingly, the Parties agree that in any dispute over the development and release of ICUA, SNWA will likely be requesting an injunction ordering specific performance of the terms of this Agreement. The Parties agree that if AWBA opposes the specific enforcement of this Agreement with respect to ICUA, AWBA shall have the burden to show by clear and convincing evidence that it has the ability to, and will, make alternative water resources, other than water controlled by the United States under the Consolidated Decree, available at the SNWA system, free of adverse claims. If AWBA proposes to deliver such alternative water to SNWA, AWBA shall bear any additional costs that may be incurred over the costs that would have otherwise been incurred by SNWA for the delivery of ICUA under terms of this Agreement. SNWA shall be required to accept such alternative water resources if so ordered by a court of competent jurisdiction. Nothing in this Subarticle shall limit SNWA's rights to seek money damages or a remedy at law.

- 4.2.3 AWBA shall ensure that there are in effect all third party contracts necessary for the development of ICUA as provided in Article 3, the provisions of such contracts to be consistent with the provisions of this Agreement. AWBA shall insure that all such third party contracts are enforced in a manner consistent with the terms of this Agreement.

- 4.2.4 As required by A.R.S § 45-2471(E), if the terms of this Agreement are breached by SNWA or CRCN, AWBA shall cease the creation of ICUA until the breach is cured.

ARTICLE 5

OTHER PROVISIONS

5.1 Consultation on the AWBA Annual Report

- 5.1.1 AWBA is required to submit an annual report of its transactions and proceedings for the preceding year by July 1 each Year pursuant to A.R.S. § 45-2426. SNWA agrees to confer with AWBA staff in the development of the report.

5.2 The terms established by Subarticles 3.1, 3.2 and 3.5 may be changed upon written agreement of AWBA's authorized representative and the SNWA's General Manager.

5.3 Payment of federal charges relating to the Execution of a Storage and Interstate Release Agreement.

- 5.3.1 SNWA agrees that all federal charges associated with any amendment to the SIRA shall be borne by SNWA.

- 5.3.2 These charges shall be calculated by and paid directly to the Secretary by SNWA in accordance with the Secretary's requirements.

5.4 Successors to AWBA and SNWA

In the event that the AWBA should be dissolved or cease to perform any of the functions provided for in this Agreement, the rights and obligations of the AWBA shall be binding upon, and inure to the benefit of, any agency of the State of Arizona that succeeds to such functions or, in the absence of any such agency, the State of Arizona. In the event that the SNWA should be dissolved or cease to perform any of the functions provided for in this Agreement, the rights and obligations of the SNWA shall be binding upon, and inure to the benefit of, any successor joint powers agency or other legal subdivision of the State of Nevada that succeeds to such functions or, in the absence of any such agency, the members of the SNWA.

5.5 Uncontrollable Forces

No Party to this Agreement shall be considered in default in the performance of any of its obligations under the Agreement (other than the obligation of SNWA to make payment) when a failure of performance shall be due to uncontrollable forces. The term "uncontrollable force" shall mean any cause beyond the control of the Party unable to perform such obligation, including, but not limited to, failure or threat of failure of facilities, flood, earthquake, storm, fire, lighting, and other natural catastrophes, epidemic, war, civil disturbance or disobedience,

strike, labor dispute, labor or material shortage, sabotage, restraint by order of a court or regulatory agency of competent jurisdiction, and action or non-action by, or failure to obtain the necessary authorizations or approvals from, any federal governmental agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. Nothing contained herein shall be construed to require any Party to settle any strike or labor dispute in which it is involved.

5.6 Notices, Requests and Payments

5.6.1 All notices and other communications provided for in this Agreement shall be in writing and may be given in either of the following manners:

5.6.1.1 Notices and requests shall be in writing and maybe mailed first class postage paid to the Parties at the following addresses:

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

SNWA: Southern Nevada Water Authority
1001 S. Valley View Boulevard
Las Vegas, Nevada 89153
Attn: General Manager

CRCN: Colorado River Commission of Nevada
555 E. Washington Avenue, Suite 3100
Las Vegas, Nevada 89101
Attn: Executive Director

5.6.1.2 Notices and requests may be given by facsimile and shall be deemed complete upon receipt from sender's facsimile machine indicating that the transmission was satisfactorily completed and after phone communication with administrative offices of the recipient notifying the recipient that a facsimile has been sent.

5.6.2 All payments required under the terms of this Agreement shall be made by Electronic Fund Transfer (EFT).

5.6.2.1 AWBA will notify the Treasury, State of Arizona monthly of any anticipated EFTs to be made by SNWA.

5.6.2.2 SNWA will submit all EFTs to the Treasury, State of Arizona at the account number designated by AWBA, or to such other destination as AWBA may designate by notice.

5.6.2.3 AWBA will ensure that all EFTs submitted by SNWA are properly accrued in the Nevada sub-account maintained at ADWR.

- 5.7 On request, AWBA shall provide SNWA with a copy of all contracts, rate schedules, and other documents that are relevant to or that form the basis for the charges specified in the Agreement.
- 5.8 The Parties to this Agreement are hereby notified of Arizona Revised Statutes section 38-511.
- 5.9 On reasonable advance written notice to AWBA and during normal business hours, SNWA shall have the right to inspect and audit all records of AWBA pertaining to the performance of AWBA's obligations pursuant to this Agreement.
- 5.10 This Agreement is not intended to confer any rights on any person other than the Parties hereto, and it shall not be construed as a third-party beneficiary contract or as conferring third-party beneficiary status or rights of any nature on any person.
- 5.11 This Agreement contains the entire understanding between the Parties relating to the transactions contemplated by this Agreement, notwithstanding any previous negotiations or agreements, oral or written, between the Parties with respect to the subject matter hereof. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, regarding the subject matter of this Agreement are merged in this Agreement and shall be of no further force or effect.

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

SOUTHERN NEVADA WATER
AUTHORITY

DATE _____

Patricia Mulroy, General Manager

Approved as to form:

Dana R. Walsh, Deputy Counsel

COLORADO RIVER COMMISSION OF
NEVADA

DATE _____

Jayne Harkins, Executive Director

Approved as to form:

Jennifer Crandell, Senior Deputy Attorney General

ARIZONA WATER BANKING
AUTHORITY

DATE _____

Sandra Fabritz-Whitney, Chair

Approved as to form:

Nicole D. Klobas, Deputy Counsel

V. Water Bank Staff Activities

NOTES: (No action required, for discussion only)

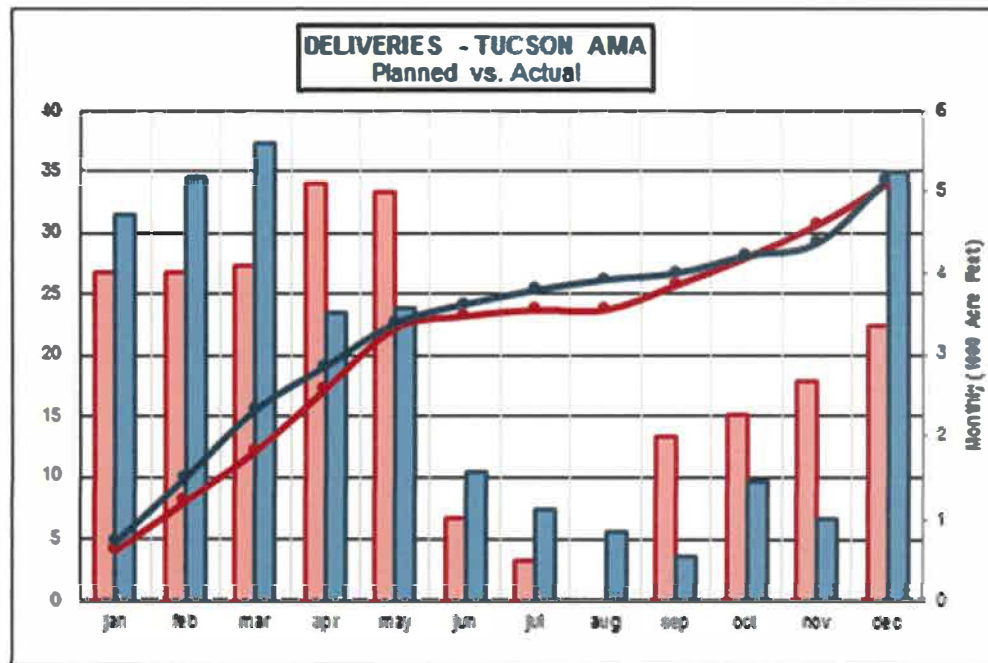
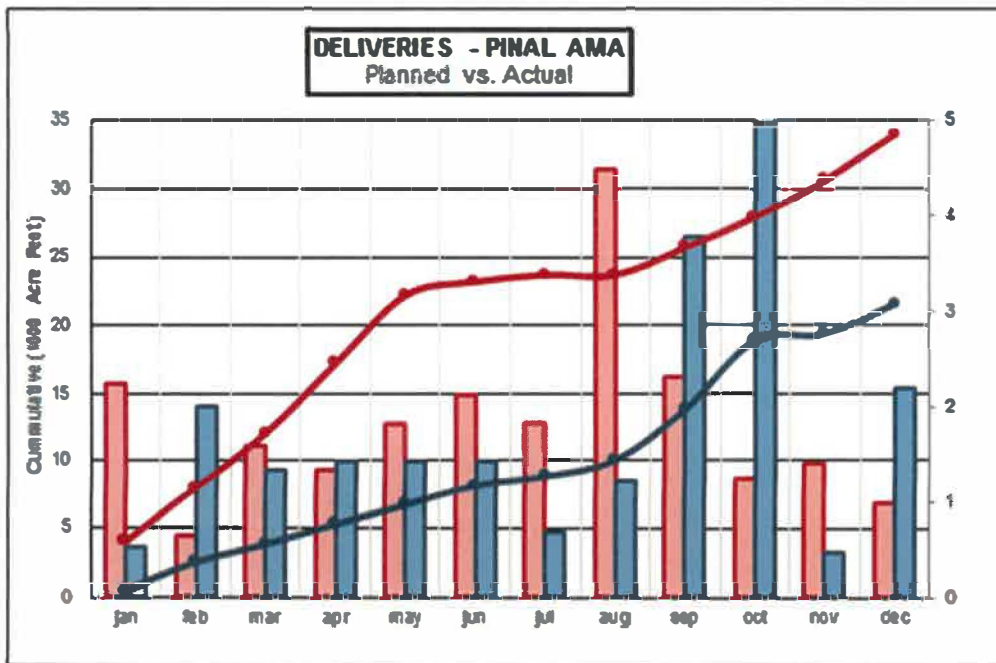
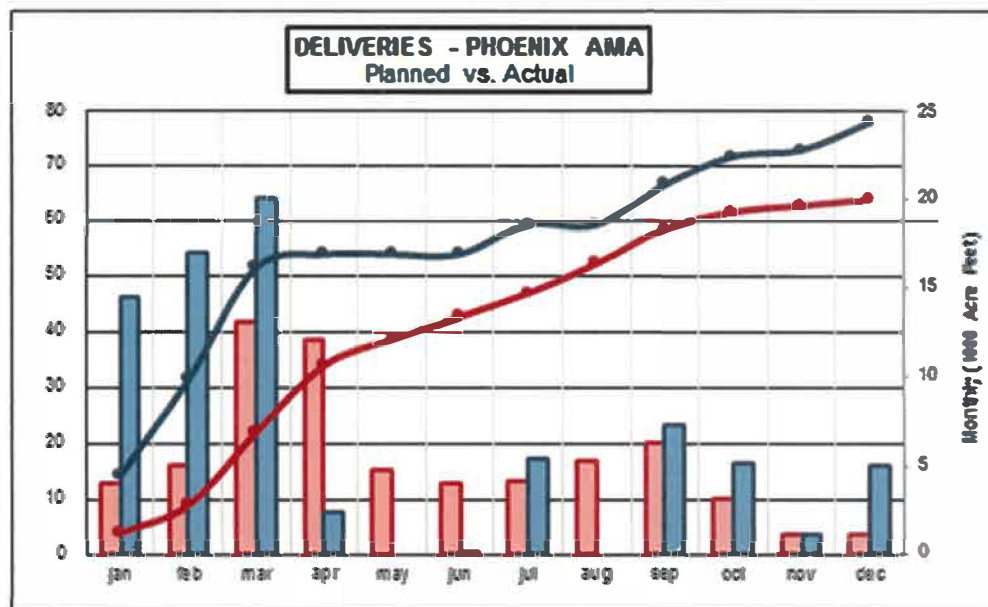
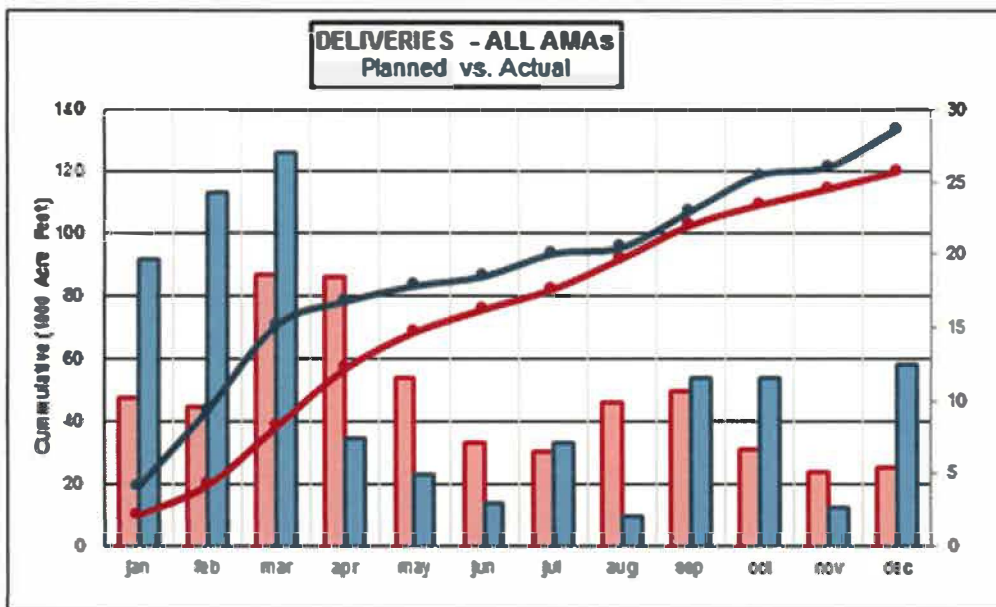
Call on **Virginia O'Connell** to update members on:

- Monthly deliveries
- Meetings
 - Tucson AMA storage partner meetings
 - Colorado River Modeling Group – modeling assumptions
 - CAWCD Board Meeting- Workshop on Reserves & Financial Issues

Call on **Tim Henley** to update members on Indian settlements

ACTION: None

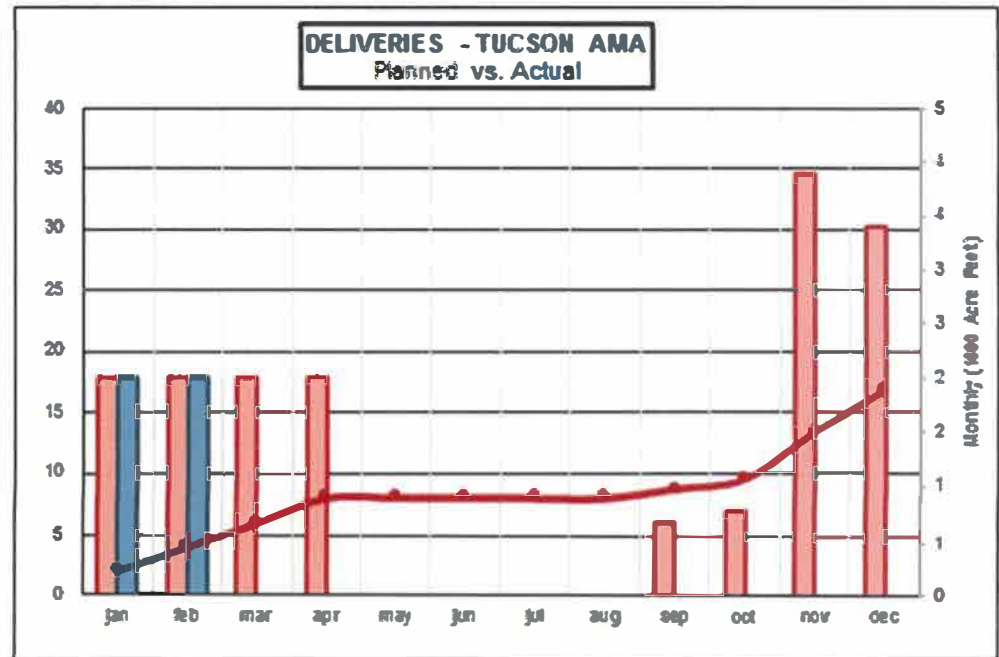
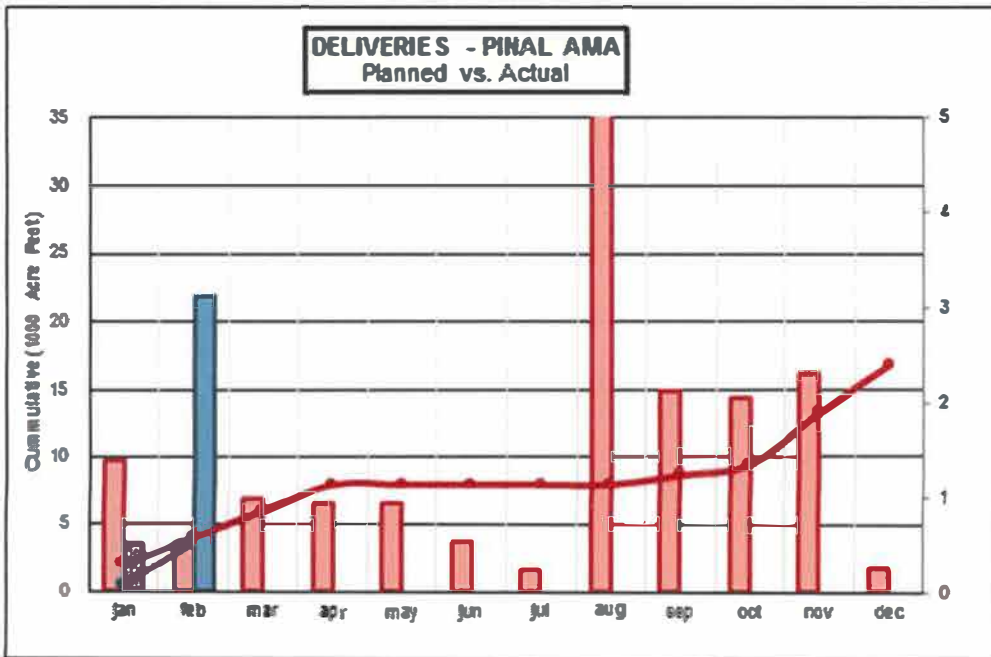
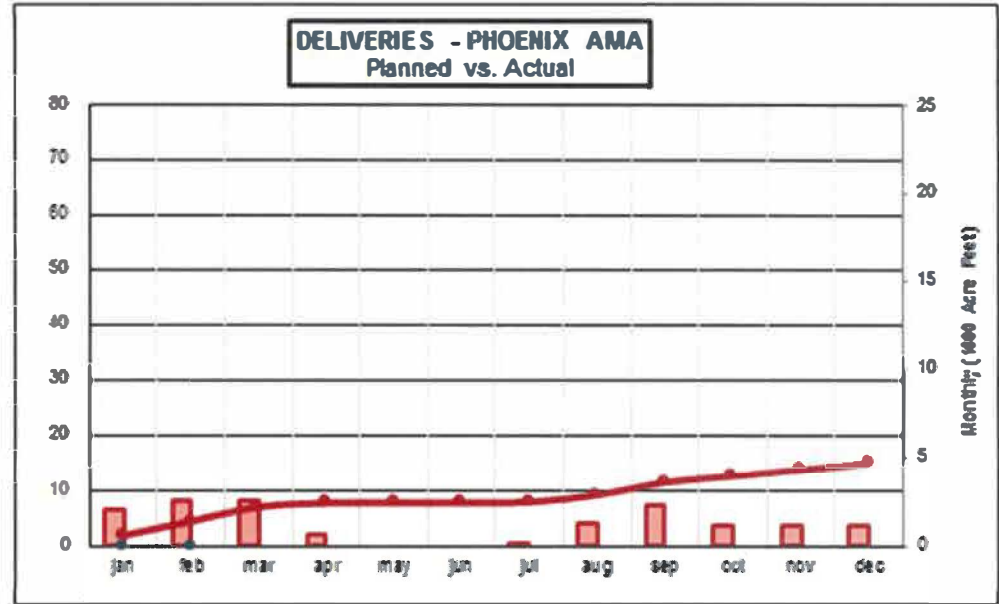
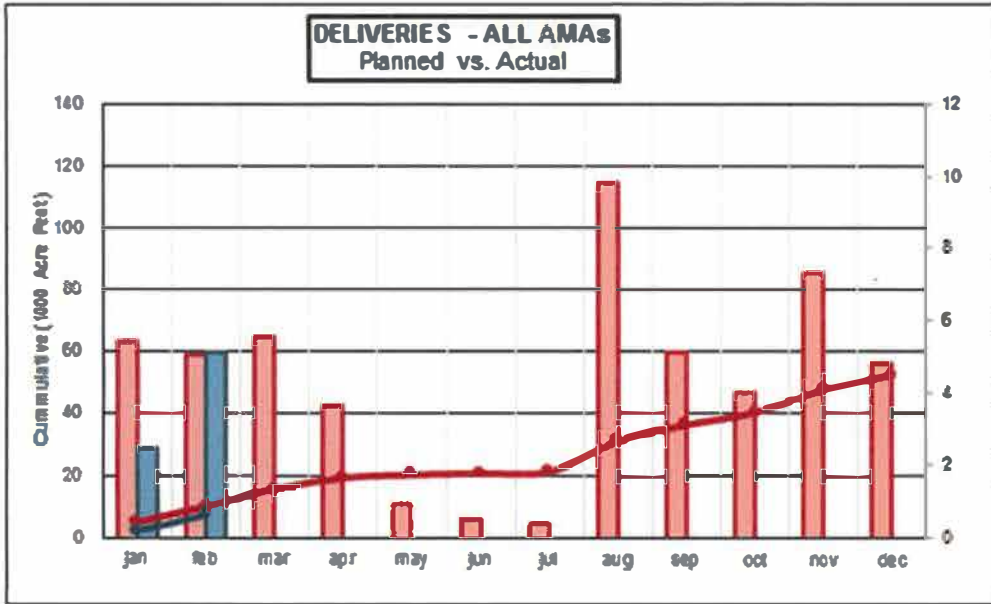
2012 Plan of Operation - INTRASTATE



■ PLANNED (MONTHLY)
 ■ ACTUAL (MONTHLY)
 — PLANNED (CUM)
 — ACTUAL (CUM)

Actual deliveries updated <i>Plan of Operation</i>	18-Mar-13 <i>7-Dec-11</i>	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
Phoenix AMA														
TONOPAHS DESERT	13,414	16,005	16,933	463	0	0	0	0	0	0	0	0	2	46,817
	<i>4,000</i>	<i>4,000</i>	<i>8,000</i>	<i>7,000</i>	<i>412</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>23,412</i>
NMIDD	1,013	0	3,128	1,999	0	49	5,215	0	6,646	1,908	172	3,736	0	23,866
	<i>0</i>	<i>0</i>	<i>4,000</i>	<i>4,000</i>	<i>4,000</i>	<i>4,000</i>	<i>4,000</i>	<i>4,000</i>	<i>4,000</i>	<i>2,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>30,000</i>
QCID	0	0	0	0	0	0	175	0	637	1,872	1,025	1,248	0	4,957
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>175</i>	<i>1,343</i>	<i>2,285</i>	<i>1,142</i>	<i>1,143</i>	<i>1,142</i>	<i>0</i>	<i>7,230</i>
SUPERSTITION MTNS	0	1,000	0	0	0	0	0	0	0	1,386	0	0	0	2,386
	<i>0</i>	<i>1,000</i>	<i>1,000</i>	<i>1,000</i>	<i>350</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>3,350</i>
Subtotal	14,427	17,005	20,061	2,462	0	49	5,390	0	7,283	5,166	1,197	4,986	0	78,026
Total to date	14,427	31,432	51,493	53,955	53,955	54,004	59,394	59,394	66,677	71,843	73,040	78,026	78,026	78,026
<i>Projected total to date</i>	<i>4,000</i>	<i>9,000</i>	<i>22,000</i>	<i>34,000</i>	<i>38,762</i>	<i>42,762</i>	<i>46,762</i>	<i>50,762</i>	<i>54,762</i>	<i>56,762</i>	<i>56,762</i>	<i>56,762</i>	<i>56,762</i>	<i>63,992</i>
Pinal AMA														
CAIDD	0	0	0	0	0	0	0	0	2,000	4,045	0	2,201	0	8,246
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>500</i>	<i>1,500</i>	<i>1,500</i>	<i>4,170</i>	<i>1,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>8,670</i>
MSIDD	510	1,020	1,330	1,440	1,440	1,440	690	490	310	0	0	0	0	8,670
	<i>508</i>	<i>636</i>	<i>1,589</i>	<i>1,335</i>	<i>1,335</i>	<i>636</i>	<i>318</i>	<i>571</i>	<i>500</i>	<i>670</i>	<i>254</i>	<i>0</i>	<i>0</i>	<i>8,670</i>
HIDD	0	0	0	0	0	0	0	734	1,468	1,000	468	0	0	3,670
	<i>734</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>734</i>	<i>734</i>	<i>734</i>	<i>734</i>	<i>734</i>	<i>734</i>	<i>3,670</i>
Southside Bank	0	1,000	0	0	0	0	0	0	0	0	0	0	0	1,000
	<i>1,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,000</i>
Subtotal	510	2,020	1,330	1,440	1,440	1,440	690	1,224	3,778	5,045	468	2,201	0	21,586
Total to date	510	2,530	3,860	5,300	6,740	8,180	8,870	10,094	13,872	18,917	19,385	21,586	21,586	21,586
<i>Projected total to date</i>	<i>2,242</i>	<i>2,878</i>	<i>4,467</i>	<i>5,802</i>	<i>7,637</i>	<i>9,773</i>	<i>11,591</i>	<i>16,079</i>	<i>18,384</i>	<i>19,618</i>	<i>21,022</i>	<i>22,010</i>	<i>22,010</i>	<i>22,010</i>
Tucson AMA														
AVRA VALLEY	0	0	0	0	0	0	0	0	0	312	51	411	0	774
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>260</i>	<i>670</i>	<i>670</i>	<i>0</i>	<i>1,600</i>
CAVSARP	0	0	0	0	0	0	0	0	0	0	0	51	0	51
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
SAVSARP	2,000	2,000	2,000	2,000	2,000	0	0	0	0	1,000	751	3,781	0	15,532
	<i>2,000</i>	<i>2,000</i>	<i>2,000</i>	<i>2,000</i>	<i>2,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,000</i>	<i>2,000</i>	<i>2,000</i>	<i>0</i>	<i>15,000</i>
LOWER SANTA CRUZ	2,731	3,194	3,405	1,531	0	0	0	0	0	0	0	394	0	11,255
	<i>2,000</i>	<i>2,000</i>	<i>2,000</i>	<i>2,000</i>	<i>2,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2,000</i>	<i>1,000</i>	<i>0</i>	<i>700</i>	<i>0</i>	<i>13,700</i>
PIMA MINE ROAD	0	0	0	0	0	0	0	0	0	0	0	601	0	601
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
CMID	0	0	0	400	1,221	1,128	835	513	0	0	0	0	0	4,097
	<i>0</i>	<i>0</i>	<i>0</i>	<i>500</i>	<i>500</i>	<i>500</i>	<i>500</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2,000</i>
BKW FARMS	0	0	200	0	0	0	0	0	0	0	0	0	0	200
	<i>0</i>	<i>0</i>	<i>100</i>	<i>100</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>200</i>
KAI FARMS - Red Rock	0	0	0	1,178	322	0	21	129	201	0	0	0	0	1,851
	<i>0</i>	<i>0</i>	<i>0</i>	<i>500</i>	<i>500</i>	<i>500</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,500</i>
Subtotal	4,731	5,194	5,605	3,531	3,578	1,543	1,128	835	534	1,441	1,003	5,238	0	34,361
Total to date	4,731	9,925	15,530	19,061	22,639	24,182	25,310	26,145	26,679	28,120	29,123	34,361	34,361	34,361
<i>Projected total to date</i>	<i>4,000</i>	<i>8,000</i>	<i>12,100</i>	<i>17,200</i>	<i>22,200</i>	<i>23,200</i>	<i>23,700</i>	<i>23,700</i>	<i>25,700</i>	<i>27,960</i>	<i>30,630</i>	<i>34,000</i>	<i>34,000</i>	<i>34,000</i>
TOTAL	19,668	24,219	26,996	7,433	5,018	3,032	7,208	2,059	11,595	11,652	2,668	12,425	133,973	133,973
Total to date	19,668	43,887	70,883	78,316	83,334	86,366	93,574	95,633	107,228	118,880	121,548	133,973	133,973	133,973
<i>Projected total to date</i>	<i>10,242</i>	<i>19,878</i>	<i>38,567</i>	<i>57,002</i>	<i>68,599</i>	<i>75,735</i>	<i>82,053</i>	<i>90,541</i>	<i>98,846</i>	<i>104,340</i>	<i>108,414</i>	<i>112,772</i>	<i>120,002</i>	<i>120,002</i>

2013 Plan of Operation - INTRASTATE



■ PLANNED (MONTHLY)
 ■ ACTUAL (MONTHLY)
 — PLANNED (CUM)
 — ACTUAL (CUM)

Actual deliveries updated
Plan of Operation

18-Mar-13
7-Dec-11

Phoenix AMA

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	total
TONOPAH DESERT	0	0	0	0	0	0	0	0	0	0	0	0	0
	2,000	2,000	2,030	0	0	0	0	0	0	0	0	0	6,030
NMIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
QCID	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	175	1,343	2,285	1,142	1,143	1,142	7,230
SUPERSTITION MTNS	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	500	500	702	0	0	0	0	0	0	0	0	1,702
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0
Total to date	0	0	0	0	0	0	0	0	0	0	0	0	0
Projected total to date	2,000	2,500	2,530	702	0	0	175	1,343	2,285	1,142	1,143	1,142	14,962

Pinal AMA

CAIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	6,600	0	0	0	0	6,600
MSIDD	510	3,140	0	0	0	0	0	0	0	0	0	0	3,650
	0	0	0	0	0	0	0	1,650	1,650	1,650	1,650	0	6,600
HIDD	0	0	0	0	0	0	0	0	0	0	0	0	0
	408	536	989	935	935	536	247	218	472	400	670	254	6,600
Southside Bank	0	0	0	0	0	0	0	0	0	0	0	0	0
	1,000	0	0	0	0	0	0	0	0	0	0	0	1,000
Subtotal	510	3,140	0	0	0	0	0	0	0	0	0	0	3,650
Total to date	510	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650
Projected total to date	1,408	536	989	935	935	536	247	8,468	2,122	2,050	2,320	254	20,800

Tucson AMA

AVRA VALLEY	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	183	700	883
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	2,000	2,000	0	0	0	0	0	0	0	0	0	0	4,000
	2,000	2,000	2,000	2,000	0	0	0	0	0	0	2,000	1,901	11,901
LOWER SANTA CRUZ	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
PIMA MINE ROAD	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	700	800	1,700	800	4,000
CMID	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
BKW FARMS	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
KAI FARMS - Red Rock	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	2,000	2,000	0	0	0	0	0	0	0	0	0	0	4,000
Total to date	2,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Projected total to date	2,000	2,000	2,000	2,000	0	0	0	0	700	800	3,883	3,401	16,784

TOTAL	2,510	5,140	0	0	0	0	0	0	0	0	0	0	7,650
Total to date	2,510	7,650	7,650	7,650	7,650	7,650	7,650	7,650	7,650	7,650	7,650	7,650	7,650
Projected total to date	5,408	5,036	5,519	3,637	935	536	422	9,811	5,107	3,992	7,346	4,797	52,546

Tools Available

	Strategic Reserves	2014-2018 Rates	NGS Lease & Coal Contract	BART	AG Incentive Program
Use Remaining SO2 Credit Proceeds	✓	✓			
Reconcile Rates	✓				
Increase rates	✓	✓	✓	✓	✓
Increase ad valorem taxes	✓	✓	✓	✓	✓
Use 4-cent tax	✓	✓	✓	✓	✓
Extend 4-cent tax		✓	✓	✓	
Bonds/ Financing			✓	✓	

3/7/2013

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Tools Available

Financial Resources (\$M)	2013	2014	2015	2016	Total
1) SO2 Credits	5.1	2.4	-	-	7.5
2) 2012 Rate Reconciliation	6.5	-	-	-	6.5
3a) 2013 Rate Adjustment	13.0	-	-	-	13.0
3b) 2013 Rate Reconciliation	-	8.8	-	-	8.8
4a) 1st cent ad valorem tax	2.1	4.2	4.4	4.6	15.3
4b) 2nd cent ad valorem tax	2.1	4.2	4.4	4.6	15.3
4c) 3rd cent ad valorem tax	2.1	4.2	4.4	4.6	15.3
4d) 4th cent ad valorem tax	2.1	4.2	4.4	4.6	15.3
	8.4	16.8	17.6	18.4	61.2
5a) 4-cent tax available	70.0				70.0
5b) 4-cent tax designated	56.3				56.3
5c) 4-cent tax future collections	8.4	17.0	17.6	19.0	62.0

* Note: Some combinations of alternatives may not be available.

3/7/2013

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VI. Update on Recovery Planning

NOTES: (No action required, for discussion only and providing staff direction)

Call on **Virginia O'Connell** to provide an update on Interagency Recovery Planning Group Activities:

- Overview of 4¢ Tax Briefing Paper
- Overview of Outline for "Recovery of Water Stored by the AWBA"
 - Virginia O'Connell will introduce **Laura Grignano** to provide overview on outline

Call on **Mike Lacey** to provide an update on Ad Hoc Recovery Planning Group activities

ACTION:

Direction to staff:

- continue collaborative effort with staff from CAWCD and ADWR on developing a recovery plan
- provide guidance on how to proceed

Staff Consensus Recommendation on the Distribution of Long-term Storage Credits Accrued with 4¢ Ad valorem Tax Monies

Staff of AWBA, ADWR, and CAWCD have reached consensus on one aspect of the distribution of 4¢ *ad valorem* tax long-term storage credits (credits) to CAWCD to meet the demand of its non-Indian Municipal and Industrial (M&I) priority subcontractors (M&I subcontractors) during times in which CAWCD's diversions from the Colorado River have been reduced by shortages on the Colorado River.

Background

Arizona relies on a multi-faceted approach to mitigating and responding to shortages on the CAP system, including shortage-sharing guidelines, tiered priorities of CAP water, banking and recovery of CAP water, water providers' drought response programs, and drought exemption provisions under the State's Assured Water Supply (AWS) rules. Current modeling suggests that this approach is an effective strategy for mitigating shortages within the three tiers identified in the 2007 Interim Guidelines that affect M&I priority CAP water for the AWBA's 100-year planning period.

There are, however, at least three circumstances in which that may not be the case. First, if elevations in Lake Mead drop below 1,025 feet, the current shortage-sharing guidelines require consultations among the Basin States and Reclamation, which could result in a different system of sharing shortage impacts. Second, the guidelines for Colorado River operations, and Arizona's shortage-sharing recommendations, are subject to future negotiations, which could change how the river operations are implemented after 2026. Third, the current modeling may not capture the full range of shortage risks and uncertainties that could be encountered in a 100-year modeling period. To address these long term uncertainties, the three organizations have committed to periodic updates of planning assumptions.

When it established the goals for firming M&I subcontracts, the AWBA determined that for planning purposes, M&I firming would not exceed 20% of the M&I subcontract amounts in any year. The AWBA made this decision primarily because the AWS rules allow a drought exemption for municipal providers. The drought exemption allows a provider to replace up to 80% of a surface water supply with groundwater without impacting the groundwater allowance in a year when 80% or less of the surface water supply is available. Therefore, the modeling used by the AWBA to set firming targets assumes that if the shortage volume to the M&I priority pool exceeds 20%, the portion that exceeds 20% would not be met with recovered credits. Instead, the provisions of the State's AWS program would likely go into effect. It is anticipated that during shortages, AWBA credits distributed to CAWCD, or through CAWCD to its recovery agents, for the purpose of meeting up to a 20% reduction in CAP M&I supplies, will not be counted against a municipal provider to determine eligibility for a drought exemption under the AWS rules.

Roles During Shortages to CAP M&I Priority Water

CAWCD's role is to deliver water to meet the demands of its M&I subcontractors to the extent water is available. During a shortage when CAWCD does not have sufficient supplies to meet demands of M&I subcontractors, CAWCD will determine the difference between the volumes ordered and the volume of water available. CAWCD retains the discretion to use the credits to best fit operations and the needs of all M&I subcontractors while maintaining consistency with statutes, rules, policies, and contract obligations. CAWCD will provide a credit recovery schedule to the AWBA that identifies the projected number of credits that are needed and the locations where the recovered water will be utilized.

The AWBA's role is to distribute credits accrued with 4¢ tax dollars to CAWCD to assist in meeting the demands of its M&I subcontractors during times of shortage. The AWBA will distribute credits to CAWCD for an amount up to 20% of entitlements. The AWBA will review the CAWCD recovery schedule for consistency with AWBA statutes and policies and incorporate the recovery schedule into the AWBA's Annual Plan of Operation. The assignment of credits to CAWCD, or through CAWCD to its recovery agents, will occur by the end of the year based on actual use.

ADWR serves two roles: regulatory and advisory. In its regulatory role, ADWR administers and enforces the Underground Storage and Recovery Program. In its advisory role, ADWR will work closely with CAWCD and the AWBA to ensure CAWCD's recovery activities are consistent with ADWR statutes, rules and policies and that AWBA credits are properly transferred.

Proposed Recommendations

For shortages affecting up to 20% of the M&I subcontract entitlements, AWBA, CAWCD and ADWR staff recommend that the AWBA distribute the amount of credits requested by CAWCD to meet water orders made pursuant to M&I subcontracts. The AWBA would distribute the credits earned with 4¢ *ad valorem* funds based on the following:

- Up to 20% of the entitlements for each of the three counties
- Credits used to benefit the county for which they were accrued
- Recovery schedule is consistent with statutes, rules and policies
- AWBA has credits available to firm supplies

Modeling suggests that the volume of shortages to M&I priority supplies rarely exceeds 20%. However, in the event real-time projections indicate that shortages are anticipated to exceed 20%, the AWBA, CAWCD, and ADWR will initiate a consultation process, with input from stakeholders, to determine the most appropriate way to address the portion of the shortage that exceeds 20%.

Recovery of Water Stored by the Arizona Water Banking Authority

A Joint Plan of the Arizona Water Banking Authority, the Arizona Department of Water Resources and the Central Arizona Project

1) Context

- a) **Issue Background** – For nearly two decades, the Arizona Water Banking Authority (AWBA), the Arizona Department of Water Resources (ADWR) and the Central Arizona Project (CAP) have been engaged in an ambitious program to store Colorado River water in the aquifers of Central and Southern Arizona. The need to recover this water will unfold over many decades and will be triggered by different factors such as shortages on the Colorado River, specific interstate contractual obligations and possible outages on the CAP system. Many factors will determine the timing, magnitude, location and methods of this recovery and numerous agencies and stakeholders will be involved; therefore, effective planning and coordination among AWBA, ADWR, CAP and stakeholders is essential to the successful recovery of this water.
- b) **Scope and Purpose of Joint Plan** – This Plan is a collaborative effort among these key water entities to provide a roadmap for the recovery of water stored by the AWBA. It builds on past planning efforts, practical experience and couples it with clarified roles, updated analysis and the identification of key decision points and actions. Specifically the Plan will:
- Clarify institutional roles and interactions of key agencies involved in the recovery and identify policies and procedures that may require additional specific action by the respective governing bodies (e.g., agreements, policies, etc.).
 - Establish planning-level certainty around central recovery concepts associated with water stored by AWBA—for firming CAP M&I priority subcontracts, on-River Priority 4 M&I contracts, and certain Indian water contracts, as well as the interstate banking obligations with Nevada. Identify recovery triggers both shortage and non-shortage related
 - Forecast projected recovery needs through 2045 by analyzing a range of future conditions and evaluate how those affect timing, magnitude and impact of recovery
 - Identify potential recovery partners and opportunities to meet projected recovery needs

- Identify key recovery decision points (near-term, mid-term and far term) and actions to be taken by agencies
- Analyze findings to improve future storage decisions

Like any long range planning effort, there are elements that are uncertain and subject to change, but by jointly producing this Plan, ADWR, AWBA, CAP and stakeholders are also recommitting to ongoing collaboration.

2) Roles & Responsibilities

- a) **Institutional Framework** – Understanding the roles and responsibilities of the agencies involved in the recovery of AWBA water is an essential first step in the planning process.
- i) Roles and Responsibilities
1. AWBA
 2. CAP
 3. ADWR
 4. USBR
 5. Stakeholders
 - (a) Recovery Partners
 - (b) Beneficiaries
 - (c) Others
- ii) Interactions – Description (and diagram) of how the agencies and stakeholders interact during the recovery process
- b) **Major Policy Points** –Due to the number of agencies involved in the recovery of AWBA water and the multitude of issues associated with this recovery, there is a strong desire by many stakeholders, for planning level certainty on key recovery issues such as:
- i) Credit Management and Distribution
 - ii) Colorado River and CAP Modeling Assumptions (specifically, is there consensus among the parties on what assumptions to use in modeling?)
 - iii) Use of Project Facilities/Project Power for recovery (CAP and the USBR)
 - iv) Recovery Related Costs

3) Timing, Magnitude & Duration of Recovery

- a) **Factors Affecting Recovery**
- i) Shortage Related
1. What is a shortage?
 2. Shortage likelihood and duration

- (a) Basin Hydrology
- (b) Upper Basin Demand (Depletions)
- (c) Reservoir Operational Rules
- (d) Shortage Tiers
- 3. Shortage Impact to 4th Priority Colorado River Entitlements (CAP and On-river)
 - (a) AZ shortage sharing agreement
- 4. Triggers for Recovery
 - (a) Utilization of long-term CAP sub/contracts
 - (i) Intersection of shortage with State-firmed NIA priority Indian supplies
 - (ii) Intersection of shortage with M&I priority subcontracts
 - 1. Role of LTSCs
 - 2. Drought response
 - (b) Utilization of On-River P4 rights
 - (i) Participation in MCWA agreement
 - (ii) Voluntary request for firming
- ii) Non-Shortage Related
 - 1. Nevada Interstate Agreement
 - (a) Contractual provisions
 - (b) Preferences of SNWA
 - 2. CAP Outages – *[AWBA credits are available for use during major CAP outage. However, this type of large-scale emergency event is outside the scope of this document. CAP prepares separately for a range of catastrophic events as part of its ongoing Business Disaster Recovery planning.]*
- b) **Recovery Scenarios** – Understanding the range of possible future recovery scenarios can guide planning efforts and decision-making. By modeling certain factors, future scenarios can be generated to better evaluate the timing and magnitude of potential shortages to Arizona and the resulting shortfalls that can trigger recovery.
 - i) Scenarios for Individual Factors
 - 1. Shortages traces *[e.g., Moderate & Occasional, etc.]*
 - 2. On-River P4 uses
 - 3. CAP utilization schedules
 - 4. Nevada requests
 - 5. Drought response
 - 6. *[Other]*
 - ii) Composite Recovery Scenarios
 - 1. Scenario A
 - 2. Scenario B
 - 3. Scenario C

- c) **Scenario Results**
 - i) Recovery Timing, Magnitude & Duration
 - ii) Evaluation of remaining AWBA credit balances

4) **Methods, Costs & Opportunities**

- a) **Methods**
 - i) Direct Recovery
 - ii) Indirect Recovery
 - iii) Credit Exchange
 - iv) Recap of Roles (e.g., Subcontractor: place order, get water; Partner: place order, get some of it in credits; etc.)
- b) **Costs**
 - i) Relative Costs
 1. General cost comparison of the major methods
 2. [Inset: example CAP OM&R costs during shortage]
 - ii) Collecting Payment
 1. On-River
 - (a) MCWA Agreement
 2. Interstate
 - (a) Existing Recovery Agreement
 3. M&I & Indian
 - (a) USBR/CAP Qualifying Activities, etc.
- c) **Opportunities & Requirements**
 - i) AWBA credit funding, purposes and location
 1. "Stacking Order" for M&I credits (e.g., 4-cent before WD Fee)
 2. 4-cent distribution policy
 3. State-firmed NIA-priority Indian supplies
 4. Flexible characterization of intrastate credits
 - ii) Potential Recovery Partnerships
 1. Credit Exchange
 - (a) CAGR D
 - (b) LTSC earners *[mostly pre-M&I shortage]*
 - (c) Subcontractors performing AS&R
 2. Indirect Recovery
 - (a) With Ag Pool recipients
 - (i) Recovery Incentive program
 - (b) With Subcontractors

(c) With MSIDD/Ak Chin

- iii) Development of Recovery Capacity Targets (short term, mid-term, long term forecast)

5) Implementation

- a) **Operational Timeline**
 - i) Shortage notification, orders, AWBA Annual Plan, credit transfers, etc.
- b) **Agreements**
 - i) *[increasing degree of specificity and commitment between CAP and recovery partners as recovery draws closer, i.e. start with standard agreement of intent and becoming more specific as time goes by]*

6) Future Activities & Commitments

- a) **Monitoring**
 - i) Colorado River status
 1. Hydrology
 2. Operational rules
 3. New data
 - ii) CAP & On-River utilization
 1. Use characteristics
 - iii) AWBA Credit balances
- b) **Updating**
 - i) Projections
 - ii) (Pre)Agreements
- c) **Storing**
 - i) Recovery implications of storing in one location versus another

7) Background

- a) Glossary
- b) Credit balances
- c) Agreements

VII. Evaluation of Future AWBA Storage

NOTES: (No action required, for discussion only and providing staff direction)

Call on **Virginia O'Connell** to provide an overview of the draft outline for evaluating future AWBA storage

ACTION:

Direction to staff on how to proceed

Evaluation of Future AWBA Storage

- 1) **AWBA Goals and Obligations** – Identify AWBA goals and obligations achieved through 2012
 - a) M&I Firming
 - b) Indian Firming
 - c) On-River Firming
 - d) Interstate
- 2) **Resources Available to AWBA** – Estimates for the next 10-years.
 - a) Water
 - b) Storage Capacity
 - c) Funding
- 3) **Location of Storage**
 - a) AWBA Storage
 - i) Existing credits
 - ii) Effects of storage
 - b) Storage Facilities
 - i) Type of recharge facility (GSF, USF)- description of the two types of recharge
 - ii) Hydrology – effects of recharge
 - (1) General trends in groundwater storage change - Look at information, when available, on average water level change and hydrographs of wells in the vicinity of various USFs and GSFs
 - (2) Information on depth to water, typical aquifer and vadose zone thickness in areas of recharge sites
 - (3) Vertical movement of stored water at USFs – analyze information (to the extent it is available) on estimated deep percolation rates through vadose zone and vertical groundwater flow rates through aquifer units (from model zone budget analysis) in the vicinity of recharge sites
 - c) Water Management Objectives
 - i) Phoenix AMA – goal of safe-yield
 - ii) Pinal AMA – goal of preserving agricultural economy as long as feasible while preserving water supplies for future non-irrigation use
 - iii) Tucson AMA – goal of safe-yield

iv) Fourth Management Plan

- (1) Enhanced aquifer management - moving locations of water storage and recovery locations closer together to mitigate water level declines, subsidence, earth fissuring, water quality issues and lack of physical availability for assured water supply purposes.
- (2) Short and long-term drought planning
- (3) Achieving the agency mission of obtaining a safe, secure long-term water supply.
- (4) Increased use of reclaimed water in all three water demand sectors: AG, Municipal, and Industrial

d) Recovery/Pumping

- (1) Wells located at recharge sites
- (2) Where are wells perforated? (upper, middle, lower units, etc.)
- (3) Total groundwater recharge and withdrawals in the vicinity of recharge sites – tabulated data showing net stresses to aquifers in such areas

- 4) **Use of Future AWBA Resources** – matrix evaluating storage within the three AMAs using the information generated from the sections identified above.

VIII. Call to the Public

Future Meeting Dates:

Wednesday, June 19, 2013

Wednesday, September 18, 2013

Wednesday, December 18, 2013