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September 10, 2010

Mr. Paul Matuska
Bureau of Reclamation
Lower Colorado Regional Office
P.O. Box 61470
Boulder City, NV 89006

Subject: CAP Inadvertent Overrun Payback Plan for Calendar Year 2011

Dear Paul:

CAP strives to manage its annual Colorado River diversions by adjusting December pumping at the Mark Wilmer Pumping Plant to ensure that Arizona's full 2.8 million acre-feet entitlement is diverted for beneficial use. In 2009, CAP was determined to have incurred an overrun of 11,659 acre-feet following Reclamation's final end-of-year Decree accounting.

CAP will effect payback of the 2009 overrun in 2011 by forgoing delivery of 11,659 acre-feet of Colorado River water for underground storage. Specifically, CAP will reduce deliveries to the Arizona Water Banking Authority (AWBA) for storage at direct recharge facilities in Maricopa County.

The CAP Board of Directors has adopted a policy to distribute excess CAP water that establishes a pool of 175,000 acre-feet per year for the AWBA, Central Arizona Groundwater Replenishment District and Reclamation to share for firming obligations and storage goals. Under this payback plan, CAP will deliberately reduce the amount of water available to the AWBA from this pool.

This payback plan satisfies all requirements of Approved IOPP Conservation Measure No. 5 in Appendix A of the draft IOPP procedures:

- Recent banking history. In 2009, the AWBA stored 165,042 acre-feet of Colorado River water, including 23,781 acre-feet at underground storage facilities in Maricopa County. That total included all of the excess CAP water initially made available to AWBA, plus additional Colorado River water that became available during the year.
- Available funding. CAP currently has more than \$105 million of previously collected tax revenues that are available for use by AWBA to store water in Maricopa County.

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- Available capacity. CAP has sufficient aqueduct system capacity to deliver at least 1.8 million acre-feet of Colorado River water annually. At present, we anticipate diverting less than 1.6 million acre-feet in 2011. Total operational capacity of underground storage facilities in Maricopa County exceeds 290,000 acre-feet per year, and only 224,000 acre-feet of that capacity was used in 2009.
- Available operational resources. In 2011, CAP will have the full output of its share of Navajo Generating Station (NGS)—more than 4 million megawatt-hours—available to pump Project Water. Currently, CAP uses only about 2.8 million megawatt-hours of energy to pump 1.6 million acre-feet of Colorado River water. CAP has sufficient staff to operate and maintain six underground storage facilities and has delivered more than 1.7 million acre-feet.
- State approval. The Arizona Department of Water Resources has issued AWBA water storage permits that allow it to use any of the available underground storage capacity in Maricopa County.

CAP will continue to work with Reclamation on a monthly basis as the year progresses to ensure that CAP's entitlement (adjusted for the overrun payback) is diverted as closely as manageable and makes the River system whole.

If you have further questions on this matter, please contact me at 623-869-2343 or Brian Henning at 623-869-2567.

Sincerely,



Thomas W. McCann
Assistant General Manager
Operations, Planning and Engineering

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cc: Perri Benemelis, ADWR
Kim Mitchell, AWBA
Larry Dozier
Tim Kacerek
Brian Henning