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March 8, 2012

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

Subject: Verification Report for the Calendar Year 2011 CAP Inadvertent Overrun
and Payback Plan

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.

In accordance with the Inadvertent Overrun and Payback Policy (IOPP) and the draft Procedures for Administering the IOPP, CAP submitted a 2011 Payback Plan outlining the extraordinary conservation measure (Forgone Banking of Colorado River Water Off-stream) to be used to pay back the 2009 overrun in full during 2011. The IOPP requires that Reclamation monitor implementation of the payback plan and that a verification report is submitted by CAP certifying the amount of water conserved by implementation of the payback measure described in the approved 2011 Payback Plan and consumptive use of Colorado River water was reduced by an amount equivalent to the payback obligation.

Pursuant to the 2011 CAP Inadvertent Overrun and Payback Plan dated September 10, 2010, CAP completed payback of the 2009 overrun in 2011 by forgoing delivery of 11,659 acre-feet of Colorado River water for underground storage. Specifically, CAP reduced deliveries to the Arizona Water Banking Authority (AWBA) for storage at direct recharge facilities in Maricopa County. All requirements of IOPP Conservation Measure No. 5 in Appendix A of the draft IOPP procedures have been satisfied:

IOPP Payback Verification

Contractor: Central Arizona Project
Payback Year: 2011
Approved Payback Measure: Forgone Banking of Colorado River Water Off-stream
Payback Amount: 11,659 acre-feet

Recent banking history

- 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.

For 2011, under this payback plan, CAP deliberately reduced the amount of water available to the AWBA from this pool.

175,000 acre-feet (Pool)
(-) 10,900 acre-feet (CAGR)
(-) 15,000 acre-feet (Reclamation)
(-) 11,659 acre-feet (Payback Obligation)
137,441 acre-feet (Total amount available to AWBA)

Actual 2011 AWBA deliveries: **136,576 acre-feet**

- 2011 AWBA Deliveries to Direct Recharge Facilities in Maricopa County (acre-feet)

| <u>Recharge Facility</u> | <u>Planned¹</u> | <u>Actual</u> |
|-------------------------------|----------------------------|---------------|
| Tonopah Desert | 59,950 | 53,830 |
| Hieroglyphic Mountains | 0 | 0 |
| Agua Fria | 0 | 0 |
| <u>Superstition Mountains</u> | <u>0</u> | <u>2,444</u> |
| <u>Total</u> | <u>59,950</u> | <u>56,274</u> |

¹Planned deliveries incorporate a reduction of 11,659 acre-feet for the IOPP payback.

For additional information, refer to the attached file for AWBA Water Use by County (2011)

- Total AWBA Deliveries and Total Deliveries to Facilities in Maricopa County²

| <u>Year</u> | <u>Total (acre-feet)</u> | <u>Maricopa County (acre-feet)</u> |
|-------------|--------------------------|------------------------------------|
| 2009 | 165,042 | 23,781 |
| 2010 | 195,989 | 87,295 |
| 2011 | 136,576 | 65,651 |

²Includes deliveries to Groundwater Savings Facilities (In-Lieu Recharge) and Underground Storage Facilities (Direct Recharge)

Available funding

- Four Cent Tax Revenues - \$121 million in the Maricopa County account as of January 2011.
- AWBA cost - if CAP had delivered the equivalent payback volume and banked in a recharge facility in Maricopa County - 11,659 AF at \$145/AF: \$1.69 million

Available capacity

- CAP diverted 1.625 million acre-feet of Colorado River water in 2011, and there was sufficient aqueduct system capacity to deliver at least 1.7 million acre-feet.
- Total operational capacity of CAP underground storage facilities in Maricopa County was 230,000 acre-feet, and the aggregate use by all customers was 146,880 acre-feet in 2011.
- 83,120 acre-feet of additional capacity was available to store and bank the equivalent payback volume of 11,659 acre-feet.

Available operational resources

- In 2011, CAP had the full output of its share of Navajo Generating Station (NGS)—more than 4 million megawatt-hours—available to pump Project Water.
- In 2011, CAP used 2.71 million megawatt-hours for system diversions and water deliveries.
- More than 1.3 million megawatt-hours of additional energy was available to CAP. The energy needed to divert and bank the equivalent payback volume of 11,659 acre-feet is about 14,000 megawatt-hours.
- CAP has sufficient staff to operate and maintain six underground storage facilities. More than \$1 million was expended for operations and maintenance of the recharge facilities in 2011.

State approval

- The Arizona Department of Water Resources (ADWR) has issued CAP an underground storage facility permit for four underground storage facilities in Maricopa County:

| <u>Underground Storage Facility</u> | <u>Facility Permit No.</u> |
|-------------------------------------|----------------------------|
| Superstition Mountains USF | 71-207702.0000 |
| Agua Fria USF (Managed) | 71-569775.0005 |
| Agua Fria USF (Constructed) | 71-569776.0005 |
| Hieroglyphic Mountains USF | 71-584466.0002 |
| Tonopah Desert USF | 71-593305.0002 |

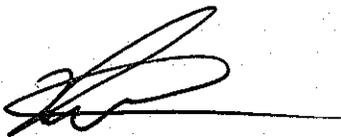
- ADWR has issued the AWBA a water storage permit for each CAP underground storage facility in Maricopa County:

| <u>Underground Storage Facility</u> | <u>Water Storage Permit No.</u> |
|-------------------------------------|---------------------------------|
| Superstition Mountains USF | 73-207702.0200 |
| Agua Fria USF (Managed) | 73-569775.0200 |
| Agua Fria USF (Constructed) | 73-569776.0200 |
| Hieroglyphic Mountains USF | 73-584466.0200 |
| Tonopah Desert USF | 73-593305.0300 |

CAP and Reclamation held conference calls on a monthly basis up to the end of year to ensure that CAP's entitlement (adjusted for the overrun payback) was diverted as closely as manageable in 2011.

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

cc: Perri Benemelis, ADWR
Virginia O'Connell, AWBA
Brian Henning