

Arizona Water Banking Authority

3550 N. Central Avenue, Phoenix, Arizona 85012
Telephone 602-771-8487
Fax 602-771-8685



December 15, 2010

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

EX OFFICIO MEMBERS
Honorable Steve Pierce
Honorable Kirk Adams

U.S. Department of the Interior
Bureau of Reclamation
Lower Colorado River Regional Office
Ms. Lorri Gray-Lee, Regional Director
P.O. Box 61470
Boulder City, Nevada 89006

Dear Ms. Gray-Lee:

In accordance with Article 3 of the Storage and Interstate Release Agreement, the Arizona Water Banking Authority (Authority) is to submit an estimate of long-term storage credits anticipated to be developed in 2011 on behalf of the Southern Nevada Water Authority (SNWA) based on the water deliveries in Table 2 of the Authority's Annual Plan of Operation for 2011 (Plan). The Plan was approved by the Authority on December 8, 2010 and does not include delivery and storage of water on behalf of Nevada (Table 2 enclosed).

Furthermore, a letter agreement between the Authority and SNWA was executed on December 9, 2010 that amends certain provisions of the Second Amended Agreement for Interstate Water Banking. These amendments include the Authority foregoing storage of additional water for SNWA through 2014 and SNWA foregoing the requirement of development of ICUA during this period in order to reduce the amount of water that would be delivered from Lake Mead.

If hydrologic conditions change during this period that would cause additional water to become available for storage, a new letter agreement may be executed allowing such storage to occur. The Plan would then be amended to include interstate deliveries. At that time, the Authority will provide an estimate to the Bureau of Reclamation of long-term storage credits anticipated to be developed.

Please do not hesitate to contact me if you require additional information.

Sincerely,

Kim Mitchell, Manager
Arizona Water Banking Authority

Enclosure

cc: Patricia Mulroy, SNWA
Richard Holmes, SNWA
George M. Caan, CRCN
Jeff Kightlinger, MWD
Paul Matuska, USBR

MR. OFFICIAL USE ONLY		
RECEIVED: 12/17/10		
REPLY DATE		
DATE	INITIALS	FOUR
1-10-11	Jim	1200
CLASSIFICATION		
PROJECT		
CONTROL NO.		
FOLDER ID.		
KEYWORD:		

cy CC-1000

Table 2
Water Delivery Schedule (Acre-Feet)
Calendar Year 2011

AWBA-Recharge Sites		Permitted Capacity (AF)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
PHOENIX AMA :															
USF	West Maricopa Combine	25,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	HIEROGLYPHIC	35,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	AGUA FRIA	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	TONOPAH DESERT ¹	150,000	0	0	0	1,600	9,000	9,000	9,000	9,000	9,000	9,000	4,350	0	59,950
															59,950
GSF	RWCD	105,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	NEW MAGMA	54,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	QUEEN CREEK	28,000	0	0	0	0	0	0	0	1,343	2,285	1,142	1,143	1,142	7,055
	TONOPAH ID	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0
															7,055
AMA TOTAL INTRASTATE			0	0	0	1,600	9,000	9,000	9,000	10,343	11,285	10,142	5,493	1,142	67,005
PINAL AMA :															
GSF	CAIDD	110,000	0	0	0	1,500	1,500	1,500	1,500	1,500	0	0	0	0	7,500
	HOHOKAM	55,000	0	0	500	0	0	0	0	0	750	750	750	250	3,000
	MSIDD	120,000	508	636	1,589	1,335	1,335	636	318	318	572	0	0	254	7,500
															18,000
AMA TOTAL INTRASTATE			508	636	2,089	2,835	2,835	2,136	1,818	1,818	1,322	750	750	504	18,000
TUCSON AMA:															
USF	AVRA VALLEY	11,000	0	0	0	0	0	0	0	0	236	0	700	700	1,636
	PIMA MINE RD	30,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	LOWER SANTA CRUZ	50,000	0	0	0	1,000	2,000	2,000	2,000	2,000	2,000	300	0	0	11,300
	CAVSARP	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	SAVSARP	60,000	0	0	0	0	4,000	5,000	5,000	5,000	5,000	5,000	3,000	4,000	36,000
															48,936
GSF	CORTARO-MARANA ID	20,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	KAI FARMS (Red Rock)	11,231		0	0	0	500	500	500	500	500	0	0	0	2,500
															2,500
AMA TOTAL INTRASTATE			0	0	0	1,000	6,500	7,500	7,500	7,500	7,736	5,300	3,700	4,700	51,436
TOTAL INTRASTATE			508	636	2,089	5,435	18,335	18,636	18,318	19,661	20,343	16,192	9,943	6,346	136,441
TOTAL INTERSTATE			0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL RECHARGE			508	636	2,089	5,435	18,335	18,636	18,318	19,661	20,343	16,192	9,943	6,346	136,441
DIRECT DELIVERY (Non-Storage):															
	Southside Replenishment Bank		1,000	0	0	0	0	0	0	0	0	0	0	0	1,000
	Southside Replenishment Obligation		0	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL DIRECT		1,000	0	0	0	0	0	0	0	0	0	0	0	1,000
TOTAL DELIVERIES			1,508	636	2,089	5,435	18,335	18,636	18,318	19,661	20,343	16,192	9,943	6,346	137,441

¹ Deliveries for November and December have been reduced by 11,659 acre-feet as pay back for an Inadvertent Overrun of Colorado River water in 2009.

cc: P. MATUSKA

Arizona Water Banking Authority

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December 8, 2010

Ms. Patricia Mulroy
General Manager
Southern Nevada Water Authority
1001 South Valley View Blvd.
Las Vegas, NV 89153

RE: Second Amended Agreement for Interstate Water Banking

Dear Ms. Mulroy:

The Agreement for Interstate Water Banking originally signed in July of 2001 has been amended twice. The latest amendment, executed April 1, 2009 ("Second Amended Agreement"), includes Subarticle 5.2, which allows the flexibility to modify certain subarticles of the Second Amended Agreement, including the payment schedules, to accommodate changing circumstances. For the last two years, SNWA and AWBA have agreed that the likelihood of AWBA storing water for the benefit of SNWA was minimal and agreed to modify the Operating Account payment schedule. Recognizing that the hydrologic conditions in the Colorado River Basin have not improved and that reservoir elevations will continue to decline in the immediate term, AWBA believes that it is appropriate to evaluate the storage of water for the benefit of SNWA over the next several years in the context of these hydrologic conditions and other changed circumstances.

Current projections by the Bureau of Reclamation indicate a strong probability that the elevation of Lake Mead will continue to decline over at least the next two years. Under the Interim Operating Guidelines, the Secretary of the Interior will declare a first-level shortage when Lake Mead's elevation drops below 1075 feet. If a shortage is declared, both Nevada and Arizona's normal-year water supplies will be reduced. In addition to the reduced supplies due to shortages, Nevada is at risk of further reductions if Lake Mead's elevation drops below 1050 feet (the elevation that impairs the operational capability of SNWA intake facilities). SNWA is currently constructing a lower intake to alleviate this problem.

To address these conditions, parties within Nevada, California and Arizona are working together to more effectively manage available Colorado River water. These measures have included requests to the Bureau of Reclamation to leave unused water in Lake Mead to minimize the mutual risk of shortage during the next several years and the joint funding of the pilot run of the Yuma Desalting Plant and the construction of the Brock Reservoir to allow water that was previously delivered to Mexico in excess of the amount it is entitled to receive under the 1944 Treaty to be retained in Lake Mead for the benefit of the entire system.

Given the dire condition of Lake Mead, the ongoing efforts of many parties in the lower basin to preserve water within Lake Mead to the extent possible, and the need for SNWA to focus its financial resources on the completion of a lower intake in Lake Mead, AWBA believes it is prudent at this juncture for it to forego storing additional water for SNWA through the end of calendar year 2014 and for SNWA to forego requiring the development of ICUA during this period in order to reduce the amount of water that would be delivered from Lake Mead. AWBA believes that these operational adjustments to the Second Amended Agreement will provide greater certainty for AWBA as it develops its Annual Plan of Operation and Ten-year Plan during this period and will allow the parties to the Second Amended Agreement to reevaluate the overall goals of the banking arrangement between Nevada and Arizona and determine whether any amendments or other modifications to that arrangement are appropriate.

Additionally, in order to accommodate these operational adjustments to the Second Amended Agreement, and unless otherwise agreed to by AWBA and SNWA, AWBA proposes that the payment dates specified in Subarticle 2.4.1.2 be extended by six years. This means that SNWA's obligation under Subarticle 2.4.1.2 to make ten payments of \$23 million each by January 10 of each year would resume in 2015 and end in 2024. SNWA would be credited for payments made under Subarticle 2.4.1.2 prior to 2015.

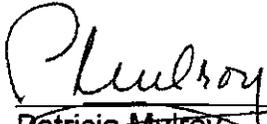
Please indicate your acceptance of the operational adjustments to the Second Amended Agreement and the modification of the payment schedule specified in Subarticle 2.4.1.2 described above by signing below and providing a duplicate copy of this letter agreement for our files. When signed by SNWA's General Manager, this letter agreement will supersede the previous letter agreements dated April 2, 2009, December 17, 2009, and June 15, 2010. Thank you.

Sincerely,



Herbert R. Guenther
Chairman, AWBA

By signing below I agree to the operational adjustments outlined above and to the modification of the payment schedule specified in Subarticle 2.4.1.2 of the Second Amended Agreement.


~~Patricia Mulroy~~
General Manager, SNWA

12-9-10
Date

cc: Ms. Lorri Gray-Lee, USBR
Mr. John Entsminger, SNWA
Mr. William Rinne, SNWA
Mr. George Caan, CRCN
AWBA Commission Members
Ms. Kim Mitchell, AWBA
Mr. David Modeer, CAWCD
Mr. Larry Dozier, CAWCD
Mr. Chris Harris, CRBC