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**ARIZONA DEPARTMENT of WATER RESOURCES**

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January 16, 2014

The Honorable Sally Jewell  
Secretary of the Interior  
Interior Building  
Washington, D.C. 20240

Re: Arizona Department of Water Resources Recommendation for Reallocation of Non-Indian Agricultural Priority Central Arizona Project Water

Dear Secretary Jewell:

This letter transmits the state of Arizona's recommendation for Reallocation of Non-Indian Agricultural Priority Central Arizona Project water (NIA Priority CAP water) pursuant to Section 104(a)(2)(C)(i)(I) of the Arizona Water Settlements Act, Public Law 108-451 (Settlements Act). Section 104(a)(2)(C)(i)(II) of the Settlements Act provides that as soon as practicable after receiving the recommendation, the Secretary of the Interior (Secretary) shall carry out all necessary reviews of the proposed reallocation in accordance with applicable Federal law. Section 104(a)(2)(C)(i)(III) of the Settlements Act provides that if the recommendation is rejected by the Secretary, the Secretary shall request a revised recommendation from the Director of the Arizona Department of Water Resources (ADWR) and proceed with any necessary reviews in accordance with applicable Federal law.

The Settlements Act was enacted on December 10, 2004. The Settlements Act ratified the Arizona Water Settlement Agreement (Agreement) between the United States, the ADWR, and the Central Arizona Water Conservation District (CAWCD) and provided for the reallocation of up to 96,295 acre-feet of NIA Priority CAP water for non-Indian municipal and industrial uses in the state of Arizona.

Both the Settlements Act and the Agreement require the Secretary to reallocate up to the 96,295 acre-feet of NIA Priority CAP water to ADWR "to be held under contract in trust for further allocation (Trust Water)."<sup>1</sup> Both the Settlements Act and the Agreement also specified that the Director of ADWR shall submit a recommendation for reallocation to the Secretary. The Agreement further provided that ADWR shall make the NIA Priority CAP water available for reallocation "at periodic intervals, starting in 2010," and that "...only those M&I users that meet the criteria established by ADWR shall be eligible to receive Trust Water."<sup>2</sup> On August 22, 2006, the Secretary reallocated 96,295 acre-feet of NIA Priority

<sup>1</sup> Settlements Act § 104(a)(2)(A); see also Agreement Paragraphs 3.1 and 9.3.1.

<sup>2</sup> Agreement Paragraph 9.3.4.2.

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CAP water to ADWR acknowledging that "...before [the] water may be further allocated the Director of ADWR shall submit to the Secretary of the Interior a recommendation for reallocation." This letter shall serve as ADWR's recommendation for an initial phase of the reallocation of 46,629 acre-feet of NIA Priority CAP water.

ADWR initiated the process of developing reallocation recommendations on October 2, 2012 with a public meeting to discuss its Proposed Process and Evaluation Criteria with stakeholders. At that meeting, ADWR identified the goals for reallocation as follows: to reduce groundwater overdraft; to provide an additional source of water to areas with limited physical availability of groundwater; and to meet the near-term demands for existing municipal water providers and industrial users of groundwater or Excess CAP water that have permanent demands. ADWR also outlined the plan to offer the NIA Priority CAP water to existing non-Indian municipal and industrial water providers and industrial water users both within and outside the CAP service area in a tiered process beginning in 2012 (later changed to 2013). The public meeting also included presentations by CAP staff regarding the proposed costs associated with the reallocation of this water and by Bureau of Reclamation (Reclamation) staff regarding the contracting process and necessary environmental compliance actions. ADWR accepted written comments from interested parties through November 9, 2012.

ADWR responded in writing to public comments on January 18, 2013. In response to the public comments, ADWR made two substantive changes to its Proposed Process and Evaluation Criteria. The changes were made to maintain flexibility to adapt to changing water management goals, and economic and hydrologic conditions.

In February 2013, ADWR posted the Non-Indian Agricultural Priority Central Arizona Project Water Reallocation Final Process and Evaluation Criteria (Final Process and Evaluation Criteria). This document set forth specific information regarding the final structure of the reallocation process and the final selection criteria for the 2013 CAP Service Area Reallocation phase. The Department stated in the document that it would recommend the reallocation of a total of 46,629 acre-feet of NIA Priority CAP water in this reallocation phase, consisting of the following two pools: (1) a Municipal Pool of 34,629 acre-feet for municipal and industrial water providers within the CAP service area and the Central Arizona Groundwater Replenishment District; and (2) an Industrial Pool of 12,000 acre-feet for Industrial water users within the CAP service area. A copy of the document is attached for your information as Attachment 1.

In March 2013, ADWR made available the Requirements for NIA Reallocation Application at a public meeting and announced that June 14, 2013 would be the deadline for application submittal. The public meeting was also attended by CAP and Reclamation staff who responded to questions from stakeholders regarding the contracting process and required environmental compliance actions. In April, ADWR staff met with Reclamation staff from the Lower Colorado Regional Office to update them on ADWR's progress.

In this reallocation phase, ADWR is recommending reallocation of 46,629 acre-feet per year of NIA Priority CAP water. ADWR received 17 applications for the Municipal Pool supplies requesting a total of 93,879 acre-feet per year. Six applications were received for the Industrial Pool requesting a total of 41,248 acre-feet per year. As stated above, the volumes available for

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the pools were 34,629 acre-feet per year and 12,000 acre-feet per year, respectively. No applications were received that would qualify for the water held for reallocation in the Central Arizona Irrigation and Drainage District (CAIDD) or the Maricopa Stanfield Irrigation and Drainage District (MSIDD) areas as specified in the Agreement. In September 2013, ADWR requested additional information from a number of applicants to facilitate further evaluation of the applications. Responses were submitted to ADWR by October 15, 2013.

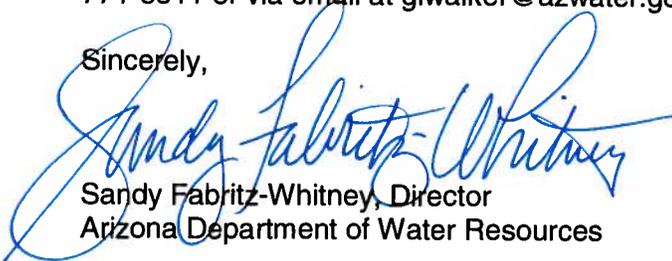
On October 29, 2013, ADWR again met with staff from Reclamation's Lower Colorado Regional Office and Phoenix Area Office to further update them on ADWR's progress and to receive their feedback regarding ADWR's analysis of the reallocation applications.

Table 1 details ADWR's recommendation for reallocation of 46,629 acre-feet of NIA Priority CAP water for 2013. The criteria and assumptions utilized by ADWR in making this recommendation are presented in the Final Process and Evaluation Criteria and in the document titled Non-Indian Agricultural Priority Central Arizona Project Water Reallocation Application Evaluation Criteria and Assumptions, which is attached for your information as Attachment 2.

In recognition of the intense competition for scarce renewable water supplies in an era of increasing demand, ADWR undertook a careful evaluation in the course of developing its recommendation. Additionally, ADWR involved stakeholders, CAWCD, and Reclamation throughout the process to ensure that criteria were developed that resulted in a recommendation that met the water management needs of the state of Arizona. ADWR recommends that the proposed allocations listed in Table 1 be approved, and that each applicant for NIA Priority CAP water listed in Table 1 be offered a CAP water service sub-contract for the water amount shown for that applicant in Table 1.

Please contact Gerry Walker, ADWR Colorado River Management Section Manager at 602-771-8511 or via email at [glwalker@azwater.gov](mailto:glwalker@azwater.gov) if you require additional information.

Sincerely,



Sandy Fabritz-Whitney, Director  
Arizona Department of Water Resources

Attachments (2)

cc: Terry Fulp; Bureau of Reclamation Regional Director, Lower Colorado Regional Office  
Steven Hvinden; Bureau of Reclamation Area Manager, Boulder Canyon Operations Office  
Randy Chandler; Bureau of Reclamation Area Manager, Phoenix Area Office

Table 1. ADWR Recommendation for Reallocation of NIA Priority CAP water

<b>Municipal Pool</b>		<b>Industrial Pool</b>	
Applicant	Volume (acre-feet)	Applicant	Volume (acre-feet)
Carefree Water Company	112	Viewpoint RV and Golf Resort	400
Metropolitan Domestic Water Improvement District	299	New Harquahala Generating Company	400
Town of Cave Creek	386	Rosemont Copper Co.	1,124
EPCOR – Sun City West	1,000	Salt River Project	2,160
H <sub>2</sub> O Water Company <sup>1</sup>	1,000	Resolution Copper Mining	2,238
Town of Marana	515	Freeport-McMoRan – Sierrita Inc.	5,678
Apache Junction WUCFD	817	<b>Total</b>	<b>12,000</b>
City of El Mirage	1,318		
Town of Gilbert	1,832		
Town of Buckeye <sup>2</sup>	2,786		
Town of Queen Creek	3,162		
Johnson Utilities	3,217		
Central Arizona Groundwater Replenishment District	18,185		
	<b>34,629</b>		

<sup>1</sup>H<sub>2</sub>O Water Company has been acquired by Town of Queen Creek since the application was made and ADWR anticipates that the Bureau will contract this volume of reallocation recommendation to the Town of Queen Creek.

<sup>2</sup>The Town of Buckeye is now the City of Buckeye.