

From: Tom McCann [mailto:tmccann@cap-az.com]

Sent: Thursday, September 27, 2012 5:01 PM

To: 'Marilee Avina'; 'Kathleen Ferris'

Cc: Sandra A. Fabritz; Thomas Buschatzke

Subject: AMWUA questions regarding NIA water reallocation

Kathy,

I thought it might be helpful to respond to your questions in advance of the NIA reallocation workshop coming up Tuesday. In the interest of time, I am responding by this email, rather than by letter. Below are your questions directed at CAP and our responses:

1. What is CAWCD's authority to assess a supply availability charge? The CAWCD Board has the authority to assess and collect charges and enter contracts to carry out the purposes of A.R.S. Title 48, Chapter 22. One of the core purposes of CAWCD is to deliver CAP water. CAWCD has undertaken numerous projects intended to enhance the availability of CAP water for delivery. Recent examples include the Brock Reservoir project, the Yuma Desalting Plant pilot run and ongoing weather modification projects in the Upper Basin. As in those projects, the proposed supply availability charge would be used to improve the availability of CAP NIA priority water for delivery. Reliability of the CAP water supply is a key component of the 2010 Strategic Plan adopted by CAWCD's Board.
2. The supply availability charge is "based on a concept level estimate." Are there any additional analyses planned that will better define the potential costs and benefits of the proposed program? No additional analysis is planned at this time. The benefits of the program will be directly proportionate to the volume of water/rights that are acquired. If the decision is made to collect this component, then CAWCD will initiate discussions with on-river users that will help define the ultimate cost of the program. CAWCD is confident that the funds that would be collected from this pricing component will be insufficient to fully resolve the issue.
3. If CAWCD is not able to "acquire or preserve the amount of Colorado River water necessary to maintain some or all of the 'normal' year availability" of the NIA Water, what will happen to the revenues generated by the supply availability charge? If CAWCD does not need or cannot use all of the

funds collected from this component, then we will refund the unused amount pro rata to the NIA reallocation contractors.

4. Will CAWCD offer financing arrangements to pay for the cost of allocations of NIA water? In the past, CAWCD has offered financing for the acquisition of CAP water supplies, which has been over five years with interest based on CAWCD's earnings rate on investments with the Arizona State Treasurer. Staff intends to ask the CAWCD Board for authorization to offer similar financing for the NIA reallocation.

Tom