

September 27, 2012

Via E-Mail

Michelle Moreno  
Arizona Department of Water Resources  
3550 North Central Avenue, Second Floor  
Phoenix, Arizona 85012-2105

**RE: Non-Indian Agricultural Priority Central Arizona Project  
Water Reallocation--Proposed Process and Evaluation Criteria**

Dear Ms. Moreno:

The Arizona Municipal Water Users Association (AMWUA) and its member municipalities have several questions about the Department's Proposed Process and Evaluation Criteria (Process and Criteria) for recommending reallocations of NIA Water. In order to facilitate the preparation of comments on the Process and Criteria by the due date of October 19, 2012, we are writing to give you advance notice of our questions with the hope that the Department can answer them at the public meeting scheduled for October 2, 2012. Our preliminary questions follow.

General Questions

1. The Department has identified three goals for this reallocation: (1) to reduce groundwater overdraft; (2) to provide an additional source of water to areas with limited physical availability of groundwater; and (3) to meet current and future water demands. How does the Process and Criteria meet the goal of providing an additional source of water to areas with limited physical availability of groundwater?
2. Does the 70% reliability estimate for NIA Water assume that the "supply availability charge" proposed by CAWCD will be collected and used to acquire or preserve senior Arizona Colorado River contract entitlements?

3. How will the Department ensure that the information contained in an applicant's submittals remains valid? For example, if a reallocation is made to a municipal provider based on a large Demand and Supply Imbalance in 2020, what will happen if the Imbalance does not occur? Will there be a mechanism to "recall" or reduce the reallocation?

### Municipal Pool

1. Is a municipal provider with a designation of assured water supply that does not expire until after 2020 eligible to apply for NIA Water from the Municipal Pool if the municipal provider cannot demonstrate a Demand and Supply Imbalance (as defined and determined by the Department) in 2020? Why was the 2020 date selected? What "previously submitted data and other available data typically used in Department planning studies" will the Department use when it substantiates the applicants' submittals?
2. Under the Department's Process and Criteria, municipal providers with assured water supply designations that will expire in 2021 and later will be required to relinquish Groundwater Allowance credits in order to obtain a reallocation.
  - a. Will the groundwater associated with these relinquished credits be available for "reallocation" to other users under future designations or certificates of assured water supply? What will be the impact on the drought exemption?
  - b. Will a member service area municipal provider that receives a reallocation that results in a reduction in CAGR's Demand and Supply Imbalance also be required to relinquish Groundwater Allowance credits?
3. How will CAGR's "projected actual 2020 replenishment obligation" be calculated? Will it be based on existing members only? Will it include excess groundwater that is considered in designations of assured water supply for member service areas that may never be pumped? How will the projected availability of Excess CAP Water affect CAGR's Demand and Supply Imbalance in 2020?
4. Are municipal providers that are eligible for the CAIDD and MSIDD Pools also eligible to apply for water from the Municipal Pool?

### Industrial Pool

1. Must an industrial user be an existing industrial user to apply for a reallocation?
2. Will the reallocation to an industrial user be for a specific use at a specific location?
3. Will an industrial user that receives a reallocation be required to give up rights to pump under a GIU permit?
4. Must NIA Water that is reallocated for industrial uses be used within the CAP service area?
5. Is an industrial user that is receiving water from a municipal provider or is located in a municipal provider's service area eligible for a reallocation?
6. What happens to the reallocation if the industrial use ceases?
7. What is the rationale for why this Pool is not deducted from the total NIA Water amount of 96,295 acre-feet before the 82/18 proration (based only on population) is applied?

### CAIDD and MSIDD Pools

1. What is the rationale for why these Pools are not deducted first from the total NIA Water amount of 96,295 acre-feet since they were required to be set aside under the AWS Agreement?
2. Why wouldn't CAGR be eligible to receive a reallocation from this Pool for replenishment on behalf of members within the boundaries of MSIDD and CAIDD?

### CAP Acquisition Pricing Methodology

While we understand that CAWCD prepared the pricing methodology document, the document does not indicate a contact person at CAWCD. Consequently, we are including our questions about the methodology in this letter and sending a copy of this letter to CAWCD.

1. What is CAWCD's authority to assess a supply availability charge?
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?

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?
4. Will CAWCD offer financing arrangements to pay for the cost of allocations of NIA water?

We look forward to hearing your responses to our questions at the public meeting. Please feel free to contact me if you need clarification of any of the points raised in this letter.

Sincerely,



Kathleen Ferris, Director

- c: Sandy Fabritz-Whitney, Director, ADWR  
Tom Buschatzke, Assistant Director, ADWR  
Tom McCann, Assistant General Manager, CAWCD