SOUTHERN NEVADA WATER AUTHORITY

A G E N D A

SOUTHERN NEVADA WATER AUTHORITY
BOARD OF DIRECTORS

REGULAR MEETING
9:00 A.M. – APRIL 18, 2013

COLORADO RIVER CONFERENCE ROOMS
SOUTHERN NEVADA WATER AUTHORITY
100 CITY PARKWAY, SEVENTH FLOOR, LAS VEGAS, NEVADA
(702) 258-3100

Board of Directors
Shari Buck, Chair
Mary Beth Scow, Vice Chair
Sam Bateman
Susan Brager
Bob Coffin
Duncan McCoy
Steve Sisolak

Patricia Mulroy, General Manager

The Southern Nevada Water Authority makes reasonable efforts to assist and accommodate persons with physical disabilities who desire to attend the meeting. For assistance, call Katie Horn at (702) 870-2011 at least 24 hours prior to the meeting.

THIS MEETING HAS BEEN PROPERLY NOTICED AND POSTED IN THE FOLLOWING LOCATIONS:

City of Boulder City, City Hall
401 California Street
Boulder City, Nevada

City of Henderson, City Hall
240 Water Street
Henderson, Nevada

City of North Las Vegas, City Hall
2250 Las Vegas Boulevard North
North Las Vegas, Nevada

City of Las Vegas, City Hall
495 South Main Street
Las Vegas, Nevada

Clark County Government Center
500 S. Grand Central Parkway
Las Vegas, Nevada

Clark County Water Reclamation District
5857 E. Flamingo Road
Las Vegas, Nevada

Southern Nevada Water Authority
100 City Parkway, Suite 700
Las Vegas, Nevada

Las Vegas Valley Water District
1001 S. Valley View Boulevard
Las Vegas, Nevada

All items on the agenda are for action by the Board of Directors, unless otherwise indicated. Items may be taken out of order. The board may combine two or more agenda items for consideration, and the board may remove an item from the agenda or delay discussions relating to an agenda item at any time.

CALL TO ORDER

COMMENTS BY THE GENERAL PUBLIC

NO ACTION MAY BE TAKEN: This is a period devoted to comments by the general public pertaining to items on this agenda. If you wish to speak to the Board about items within its jurisdiction, but not appearing on this agenda, you must wait until the "Comments by the General Public" period listed at the end of this agenda. Please limit your comments to three minutes or less and refrain from making comments that are repetitious, offensive, or amounting to personal attacks. No action may be taken upon a matter not listed on the posted agenda.

ITEM NO.

1. *For Possible Action:* Approve agenda with the inclusion of tabled and/or reconsidered items, emergency items and/or deletion of items, and approve the minutes of the regular meeting of March 21, 2013.

2. *For Possible Action:* Receive an overview and discuss the Fiscal Year 2013/2014 Tentative Budget.

3. *For Possible Action*: Approve an increase in the Wholesale Delivery Charge, effective July 1, 2013.

4. *For Possible Action:* Approve the Third Amended and Restated Agreement for Interstate Water Banking among the Arizona Water Banking Authority, the Colorado River Commission of Nevada, and the Authority for the storage and recovery of Colorado River water in Arizona.

5. *For Possible Action:* Appoint a Technical Review Committee to review any data being utilized by the Integrated Resource Planning Advisory Committee for the purposes of : verifying the reasonableness and adequacy of assumptions used to drive the water rate model, including assumptions regarding rates of growth for population, sales tax revenue, connection charge revenue, general inflation related to operating expenditures, and water consumption; and verifying the impact analysis on various user groups to assure the impacts being reviewed by the Integrated Resource Planning Advisory Committee adequately reflect the spectrum of impacts.

COMMENTS BY THE GENERAL PUBLIC

NO ACTION MAY BE TAKEN: At this time, the Board of Directors will hear general comments from the public on matters under the jurisdiction of the Southern Nevada Water Authority. Please limit your comments to three minutes or less and refrain from making comments that are repetitious, offensive, or amounting to personal attacks. No action may be taken upon a matter not listed on the posted agenda.

Visit our website at www.snwa.com/apps/agenda/snwa/index.cfml
for Southern Nevada Water Authority Agenda Postings and Approved Minutes

SOUTHERN NEVADA WATER AUTHORITY
BOARD OF DIRECTORS
REGULAR MEETING
MARCH 21, 2013
MINUTES

CALL TO ORDER	9:01 a.m., SNWA Board Chambers, Southern Nevada Water Authority 100 City Parkway, Seventh Floor, Las Vegas, Nevada
BOARD MEMBERS PRESENT	Shari Buck, Chair Mary Beth Scow, Vice Chair Sam Bateman Susan Brager Bob Coffin Duncan McCoy Steve Sisolak
BOARD MEMBERS ABSENT	None
STAFF PRESENT	Pat Mulroy, Greg Walch, John Entsminger, Ron Zegers, Phil Speight, Marc Jensen
OTHERS PRESENT	

Unless otherwise indicated, all members present voted in the affirmative.

COMMENTS BY THE GENERAL PUBLIC

Gary Perea, Baker, Nevada, noted his concerns about board meetings being held every other month and offered suggestions to receive additional information and public comment regarding the Authority's Clark, Lincoln and White Pine Counties Groundwater Development Project.

1. Approval of Agenda & Minutes

FINAL ACTION: A motion was made by Director Brager to approve the agenda for this meeting and the minutes of the regular meeting of February 21, 2013. The motion was approved.

2. Approve an intergovernmental agreement between the Regional Municipality of Halton and the Authority for a joint study on bromate formation within a water treatment system, and accept funds in the amount of $49,900 for this research work.

FINAL ACTION: A motion was made by Director Brager to follow staff's recommendation. The motion was approved.

3. Approve an agreement between Clarkson University and the Authority for a U.S. Environmental Protection Agency-awarded project on a drinking-water treatment technology for small systems, and accept funds in the amount of $88,000 for this research work.

Director Coffin asked what is required of small systems for water treatment, beyond standard drinking water treatment practices. Ron Zegers, Director of Engineering and Operations, explained that the approach is to develop a simpler system. Director Coffin asked if this type of treatment would be any benefit to Southern Nevada's local purveyors. Mr. Zegers explained that additional treatment would still be required due to organic content after wastewater treatments. Director Coffin asked what additional steps are needed. Ms. Mulroy noted that declining lake elevations in Lake Mead will require additional treatment techniques, paired with stricter Safe Drinking Water Act regulations, which will also impact drinking water treatment systems.

FINAL ACTION: A motion was made by Director Brager to follow staff's recommendation. The motion was approved.

4. Make appointments to the Advisory Committee for Groundwater Management in the Las Vegas Valley Groundwater Basin.

Ms. Mulroy noted that the individuals recommended for appointment included John Hiatt, Richard Avila, Trent Scarlett, Stacey Lindburg, Kumiko-Katie Moore, Kelli Ross and Kirk Medina

Director Sisolak asked if the process for appointment was made public. Ms. Mulroy noted that it was a public application process, advertised to all well owners through a direct mailing. Director Brager asked that in the future, the application be available on the city and county websites. She also wanted to confirm that all well owners – not just the community well user who received the power bill – received notification of the committee appointments. John Entsminger, Senior Deputy General Manager, confirmed all well owners received notification.

FINAL ACTION: A motion was made by Director Brager to follow staff's recommendation. The motion was approved.

5. Receive an update from staff on water resources including, but not limited to, drought conditions in the Colorado River Basin, the results of the implementation of the Authority's Water Resource and Conservation Plans, activities on the Colorado River, the development of in-state water resources, and the status of the third intake project.

Director Coffin asked about potential legislation regarding oversight of the Authority. Pat Mulroy noted that a hearing is set for April 1, 2013, to discuss the issue. Ms. Mulroy noted the challenges of additional oversight, and noted that the Integrated Resource Planning Advisory Committee is working to address many of the concerns that came from the last water rate increase. Director Sisolak noted that legislators should be made aware of how Public Utility Commission oversight could jeopardize the Authority's bond covenants.

John Entsminger, Senior Deputy General Manager, provided the Board with an update of drought conditions and local water use information. A copy of his presentation is included with these minutes.

Director Sisolak asked how many acre-feet are attributed to one foot of elevation in Lake Mead. Mr. Entsminger noted that in the upper elevations of Lake Mead (1,075 feet and above), one foot is approximately 100,000 acre-feet. In lower elevations (1,075 feet and below), it's approximately 80,000 acre-feet. Director Sisolak asked about the water quality in different elevations. Mr. Zegers noted that higher lake elevations produce better water quality. When Lake Mead elevations hit 1,075 feet, Mr. Zegers stated that the Authority's approach to water treatment will change.

Director Bateman asked what other states are doing in regards to infrastructure and planning for water shortages. Ms. Mulroy outlined the strategies of other Colorado River basin states including desalination in San Diego, California, groundwater banking in Arizona and watering restrictions in Denver, Colorado.

Marc Jensen provided the Board with an update on Intake No. 3. The connector tunnel project between the new intake and the existing intakes is progressing – the contractor has less than 40 feet before making the connection. The contractor for Intake No. 3 is still performing maintenance activities on the tunnel boring machine.

NO ACTION REQUIRED

Public Comment

Gary Perea, Baker, Nevada, noted his concerns about declining lake levels and groundwater tables. He discussed his involvement with the Central Nevada Regional Water Authority, its mission and its annual meeting, the Great Basin Water Forum. He extended an invitation to Board members to attend the meeting and participate in a tour of Owens Valley, hosted by the Los Angeles Department of Water and Power.

Adjournment

There being no further business to come before the board, the meeting adjourned at 9:40 a.m.

APPROVED:

Shari Buck, Chair

Patricia Mulroy, General Manager

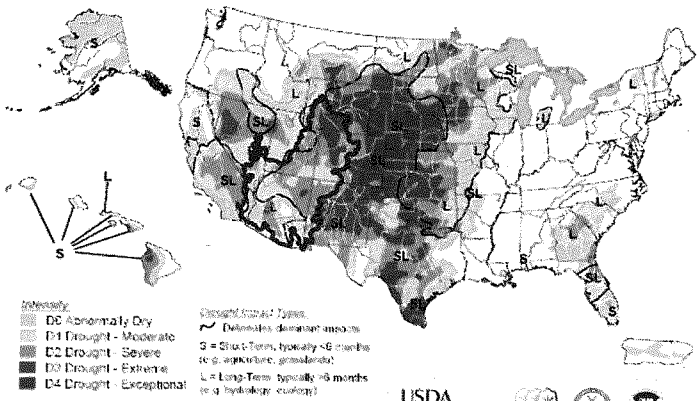
SOUTHERN NEVADA WATER AUTHORITY

snwa.com

Update on Drought Conditions and Water Use

March 21, 2013

Drought Monitor



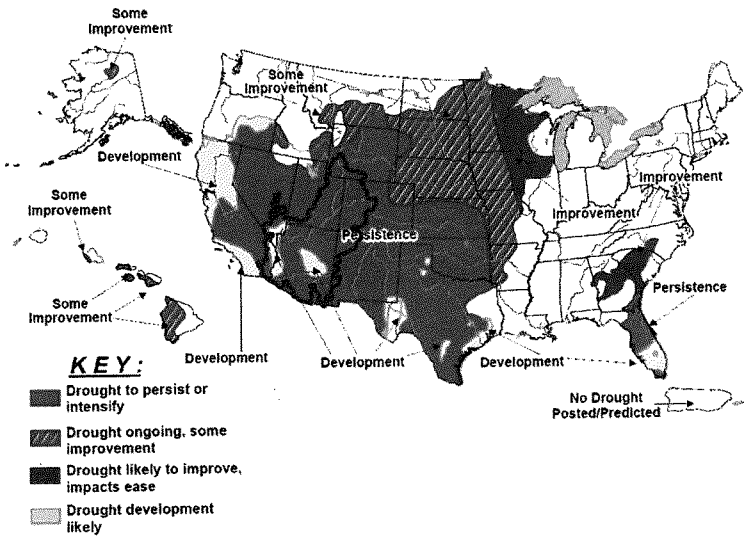
http://droughtmonitor.unl.edu/

Released Thursday, March 14, 2013

Author: Matthew Rosencrans, NOAA/NWS/NCEP/CPC

Seasonal Drought Outlook

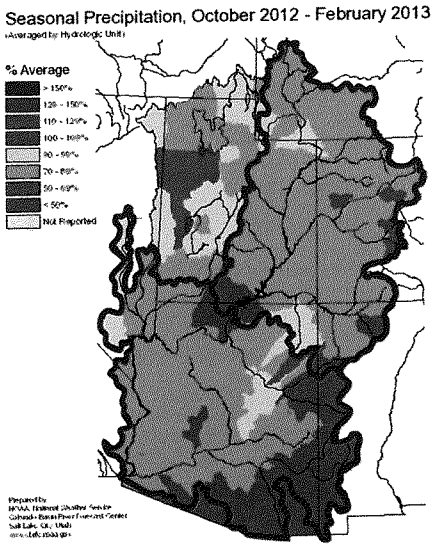
(Valid March – May, 2013)



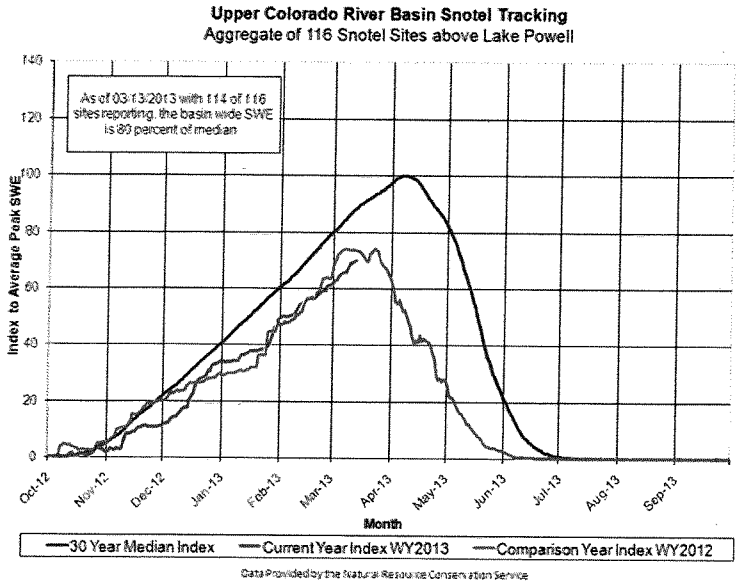
Source: National Oceanic Atmospheric Administration and the U.S. Department of Commerce

Colorado River Basin Conditions

- **February inflow to Lake Powell:** 67% of average
- **Snow pack:** 80% of average
- **Water Year 2013 Precipitation:** 76% of average
- **Forecasted Water Year 2013 Inflow to Lake Powell :** 49% of average



Upper Colorado River Basin Snow Accumulation



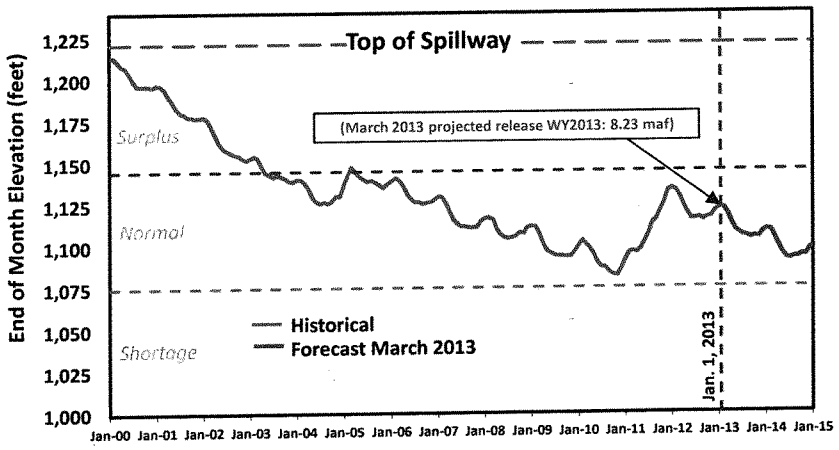
Precipitation and Inflow Forecast – Lake Powell

	2012 Water Year		2013 Water Year	
Month	Actual Precipitation	Inflows Forecast	Actual Precipitation	Inflows Forecast
Jan	75%	79%	72%	61%
Feb	84%	78%	78%	54%
Mar	86%	80%	76%	49%
Apr	78%	63%		
May	74%	51%		
Jun	71%	47%		
Jul	71%	46%		
Aug	74%	48%		
Sept	74%	46%		
Actual	74%	45%		

Source: Bureau of Reclamation, Lower Colorado Water Supply Reports

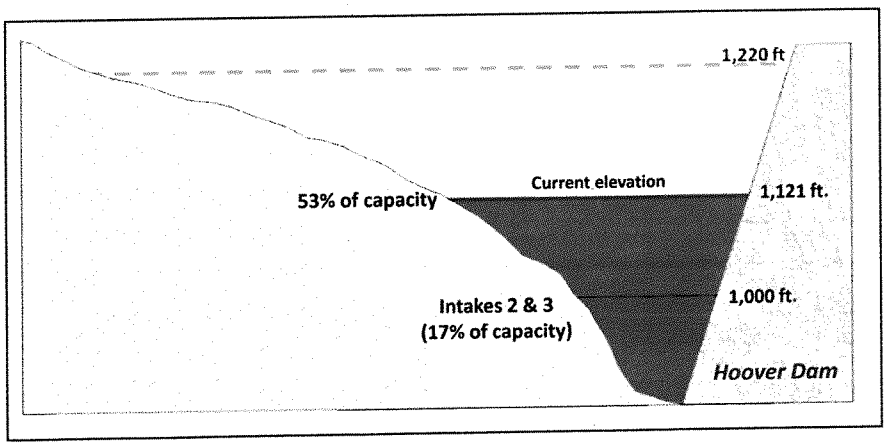
Lake Mead Elevations

(Historical and Forecasted)

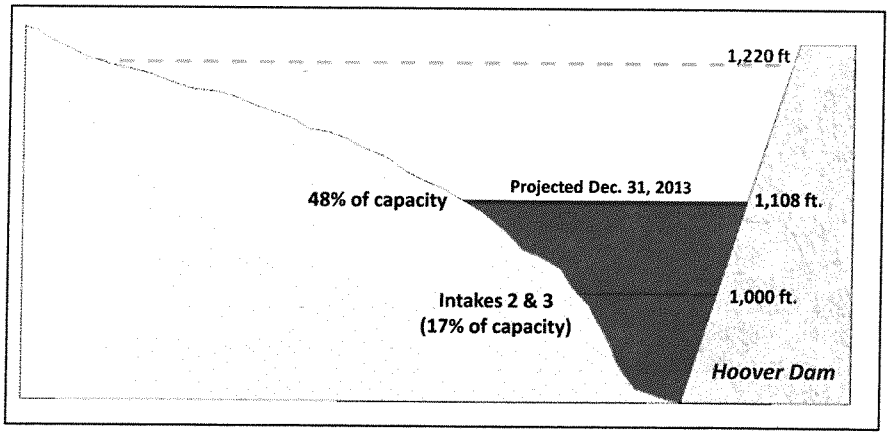


Source: Bureau of Reclamation, March 2013

Lake Mead Capacity - Current

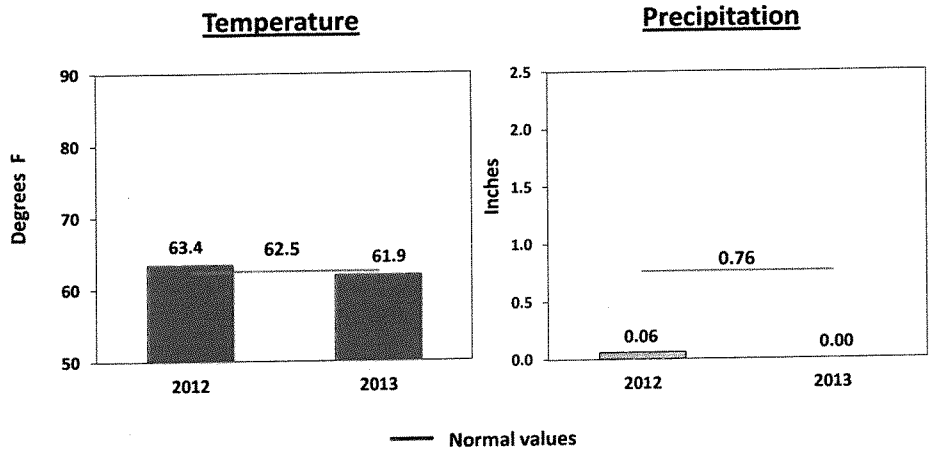


Lake Mead Capacity - Projected (12/31/13)

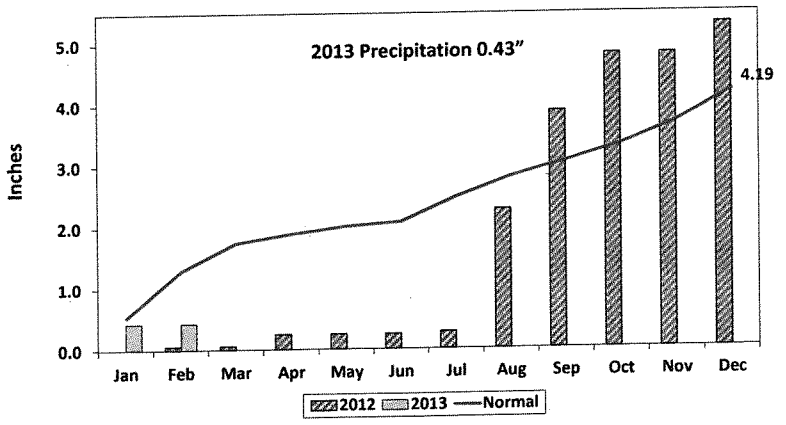


SNWA Water Use

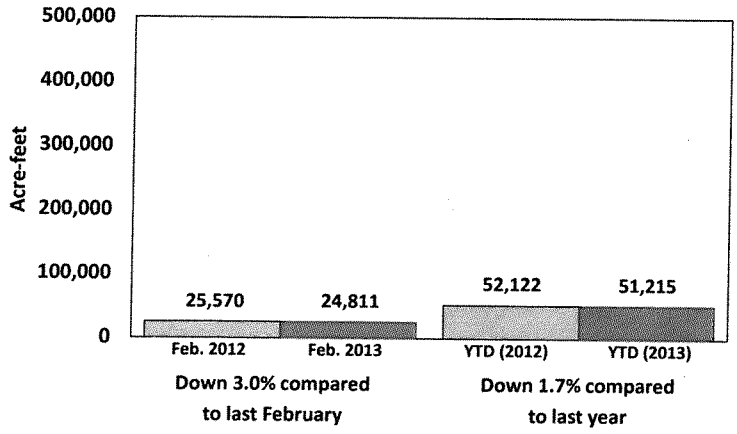
Weather Comparison (February 2013)



Annual Precipitation



SNWA Total Water Use



SOUTHERN NEVADA WATER AUTHORITY
BOARD OF DIRECTORS
AGENDA ITEM

April 18, 2013

Subject: Budget Workshop	**Director's Backup**
Petitioner: Philip D. Speight, Deputy General Manager, Administration	
Recommendations: That the Board of Directors receive an overview and discuss the Fiscal Year 2013/2014 Tentative Budget.	

Fiscal Impact:
None by approval of the above recommendation.

Background:
The Authority conducts annual budget workshops to provide the Board of Directors the opportunity to receive an overview of the upcoming fiscal year budget. The workshop is intended to facilitate discussion regarding the Authority's budget prior to the Authority's Budget Hearing held in May.

At this time, the Board is being asked to receive an overview on the Authority's Fiscal Year 2013/2014 Tentative Budget.

This action is authorized pursuant to NRS Chapter 354 and Section 22 of the SNWA 1995 Amended Cooperative Agreement. The office of the General Counsel has reviewed and approved this agenda item.

Respectfully submitted:

P Mulroy

Patricia Mulroy, General Manager
PM:PDS:JAW:AMB:LS:KH

AGENDA ITEM # 2

SOUTHERN NEVADA WATER AUTHORITY
BOARD OF DIRECTORS
AGENDA ITEM

April 18, 2013

Subject: Wholesale Delivery Charge	**Director's Backup**
Petitioner: Philip D. Speight, Deputy General Manager, Administration	
Recommendations: That the Board of Directors approve an increase in the Wholesale Delivery Charge to $303 per acre-foot for treated water and $232 per acre-foot for untreated water, effective July 1, 2013.	

Fiscal Impact:
Approval of this action will increase the Wholesale Delivery Charge paid by purveyor members for treated Colorado River water from $293 to $303 (3.4 percent) per acre-foot and increase the charge for untreated water from $220 to $232 (5.4 percent) per acre-foot, effective July 1, 2013. This rate increase is projected to increase Authority revenues and purveyor member expenses by approximately $4.5 million for the fiscal year ending June 30, 2014.

Background:
The Authority's 2012 Amended Facilities and Operations (F&O) Agreement, dated September 5, 2012, provides for the establishment of a Wholesale Delivery Charge to be paid by purveyor members of the Authority for treated and untreated Colorado River water. According to the F&O Agreement, the Authority is to set the Wholesale Delivery Charge at levels that will provide rate stability over a multi-year period.

Current economic conditions, an escalation in the Authority's fixed cost for debt service, drought, and water conservation efforts, however, have resulted in a situation where the Authority's costs are rising while water deliveries are declining. Consequently, it is necessary to increase the Wholesale Delivery Charge to provide the revenue to cover costs.

At this time, the Board of Directors is being asked to approve an increase in the Wholesale Delivery Charge from $293 to $303 per acre-foot for treated water and from $220 to $232 per acre-foot for untreated water. This action was recommended by the Authority's purveyor members at their annual Financial Work Group meeting on January 30, 2013.

The increase to the Wholesale Delivery Charge is authorized pursuant to Section 6(c) of the SNWA 1995 Amended Cooperative Agreement and Section 7.5 of the 2012 Amended Facilities and Operations Agreement. The office of the General Counsel has reviewed and approved this item.

Respectfully submitted:

P Mulroy

Patricia Mulroy, General Manager
PM:PDS:JRB:kah

AGENDA ITEM # 3

SOUTHERN NEVADA WATER AUTHORITY
BOARD OF DIRECTORS
AGENDA ITEM

April 18, 2013

Subject: Amendment	**Director's Backup**
Petitioner: John J. Entsminger, Senior Deputy General Manager	

Recommendations:
That the Board of Directors approve the Third Amended and Restated Agreement for Interstate Water Banking among the Arizona Water Banking Authority, the Colorado River Commission of Nevada, and the Authority for the storage and recovery of Colorado River water in Arizona.

Fiscal Impact:
By approval of the above recommendation, the Authority's bond fund commitment for payments to the Arizona Water Banking Authority (AWBA) will decline from $330,000,000 to $112,685,000, which reflects the amount already expended by the Authority. Approval also will authorize an annual payment of $20,000 to the AWBA for administration of the Authority's storage credits.

Background:
On February 18, 1993, and March 30, 1995, the Board of Directors approved resolutions authorizing participation in a demonstration project for the underground storage of Colorado River water in Arizona. The demonstration project resulted in 50,000 acre-feet of water stored by the Central Arizona Water Conservation District for the Authority at a cost of $3,484,305. On June 12, 2001, the Board approved the Agreement for Interstate Water Banking among the Colorado River Commission of Nevada, the AWBA, and the Authority, under which the AWBA agreed to use its best efforts to store up to 1.2 million acre-feet of additional water for the Authority. The Authority paid the AWBA $10,053,945 under this agreement for storage of approximately 70,000 acre-feet.

On December 16, 2004, the Board approved the first amendment to the 2001 agreement, which guaranteed Nevada access to 1.25 million acre-feet of storage credits, including water previously stored for the Authority. The cost for this guarantee was an initial payment of $100 million, and $230 million paid through annual payments of $23 million from years 2009 through 2018. A second amendment, approved by the Board on March 19, 2009, provided more flexibility in managing the storage and recovery of long-term storage credits.

In December 2010, the AWBA and the Authority agreed to defer payment of the annual 10-year $23 million obligation until 2015 and continue through 2024. To date, the Authority has paid the AWBA $122,738,945, including payment of $112,685,000 under this agreement, for a total of 600,651 acre-feet of Colorado River water stored in Arizona.

Approval of this third amendment would relieve the Authority from its obligation to pay the AWBA $217,315,000 with annual payments resuming in 2015. In exchange, the AWBA would

AGENDA ITEM # 4

complete any additional storage of Colorado River water on a pay-as-you-go basis. In addition to paying for any future storage, an annual administrative fee of $20,000 would be paid to the AWBA by the Authority for maintenance of the Authority's storage credits.

Interstate water banking in Arizona remains an important component of the Authority's Water Resource Plan, and the recovery of storage credits will be used in conjunction with other temporary one-time use resources to meet demands while more permanent water resources are being developed.

This amendment is being entered into pursuant to NRS 277.180 and Sections 6(a) and 6(j) of the SNWA 1995 Amended Cooperative Agreement. The office of the General Counsel has reviewed and approved the amendment.

Respectfully submitted:

P Mulroy

Patricia Mulroy, General Manager
PM:JJE:ZLM:AB:JJ:TM:lmv
Attachment

THIRD AMENDED AND RESTATED AGREEMENT FOR INTERSTATE WATER BANKING

among

The Arizona Water Banking Authority
and
The Southern Nevada Water Authority and The Colorado River Commission of Nevada

This Third Amended and Restated Interstate Water Banking Agreement (Agreement) is made as of this ___ day of _____, 201__ (Effective Date), among the Arizona Water Banking Authority (AWBA), the Southern Nevada Water Authority (SNWA), and the Colorado River Commission of Nevada (CRCN), collectively referred to as "Parties" and individually as "Party." This Agreement amends, restates in its entirety, and supersedes that certain Agreement for Interstate Water Banking dated July 3, 2001, together with all prior amendments and modifications thereto.

Recitals

A. The Arizona Water Banking Authority is an agency of the State of Arizona expressly authorized by A.R.S. § 45-2401 *et seq.* to engage in the interstate banking of Colorado River water on behalf of the State of Arizona. The statutory conditions of A.R.S. §§ 45-2427 and 45-2471 have been satisfied, this Agreement conforms to all of the requirements of such sections and all other applicable provisions of Arizona law, and AWBA is empowered to enter into this Agreement.

B. The Southern Nevada Water Authority is a Nevada joint powers agency and political subdivision of the State of Nevada, created by agreement dated July 25, 1991, as amended November 17,1994 and January 1, 1996, pursuant to N.R.S. §§ 277.074 and 277.120. SNWA is authorized by N.R.S. § 538.186 to enter into this Agreement and, pursuant to its contract issued under section 5 of the Boulder Canyon Project Act of 1928, SNWA has the right to divert Intentionally Created Unused Apportionment released by the Secretary for use within the State of Nevada pursuant to Art. II(B)(6) of the Consolidated Decree.

C. The Colorado River Commission of the State of Nevada (CRCN) is an agency of the State of Nevada, authorized generally by N.R.S. §§ 538.041 and 538.251. More specifically, CRCN is authorized by N.R.S. §§ 538.161 and 538.186 to enter into this Agreement. The CRCN, in furtherance of the State of Nevada's responsibility to promote the health and welfare of its people in Colorado River matters, makes this Agreement to facilitate the banking of Colorado River water, the crediting of Long-term Storage Credits, and the development of ICUA for SNWA.

D. On July 3, 2001, the Parties entered into the original Agreement for Interstate Water Banking (Original Agreement). In the Original Agreement, and subject to its limitations, AWBA committed to use its best efforts to create for SNWA Long-term Storage Credits in an initial amount of 1,200,000 acre-feet, to be held in an SNWA Interstate Account established with the Arizona Department of Water Resources and, on request of SNWA, to recover for SNWA such credits and cause the development of Intentionally Created Unused Apportionment of Colorado River water (ICUA). SNWA agreed to reimburse AWBA for its costs on an annual basis.

E. On December 18, 2002, the United States, acting through the Secretary of the Interior, AWBA, SNWA, and CRCN entered into a Storage and Interstate Release Agreement (SIRA) pursuant to the Secretary's regulations at 43 C.F.R. Part 414, Offstream Storage of Colorado River Water and Development of and Release of Intentionally Created Unused Apportionment in the Lower Division States. In the SIRA, the Secretary committed to release ICUA developed by AWBA in accordance with the request of SNWA, the terms of the SIRA, and certain specified determinations of the Secretary.

F. The Original Agreement was amended on January 1, 2005 (Amended Agreement) and again on April 1, 2009 (Second Amended Agreement) whereby the Parties amended and restated in its entirety the Original Agreement to provide (1) a specific commitment by AWBA to have credited to the SNWA Interstate Account Long-Term Storage Credits in an aggregate amount, including those theretofore credited, of 1,250,000 acre-feet, (2) a commitment by AWBA, on request of SNWA, to recover such credits and to develop ICUA for SNWA's benefit up to a specified annual maximum, and (3) specified payments to be made by SNWA in consideration of AWBA's commitments respecting the crediting of such Long-Term Storage Credits.

G. Prior to the effective date of the Amended Agreement, AWBA established a long-term storage sub-account entitled "SNWA Interstate Account" with the Arizona Department of Water Resources (ADWR). As of the effective date of the Amended Agreement, the following Long-term Storage Credits had been credited to the SNWA Interstate Account: (1) 50,000 acre-feet of Long-term Storage Credits held by CAWCD for the benefit of SNWA as of the effective date of the Original Agreement; and (2) all of the Long- term Storage Credits existing by virtue of Colorado River water stored, or other Long-term Storage Credits transferred to such account, pursuant to the Original Agreement.

H. The Second Amended Agreement was further modified by "letter agreements" dated April 2, 2009, December 17, 2009, June 15, 2010, and December 8, 2010. The letter agreements addressed operational adjustments to the Second Amended Agreement and modification to the payment schedule.

I. AWBA has accrued 600,651 acre feet of the Long-term Storage Credits on behalf of the SNWA in the SNWA Interstate Account pursuant to the previous agreements, including 50,000 acre feet of Long-term Storage Credits described in Recital G created for the benefit of the SNWA under a separate agreement between SNWA and CAWCD and transferred to the AWBA under the Original Agreement.

J. SNWA has provided $122,738,945 to AWBA for the delivery and storage of Colorado River water in Arizona on SNWA's behalf. This amount was exclusive of any funding provided to CAWCD for the Long-term Storage Credits described in Recital G.

K. On June 9, 2010, the Parties along with CAWCD entered into a Recovery Agreement addressing some of the details of interstate and intrastate recovery of Long-term Storage Credits. As described in the Recovery Agreement, there is no charge for recovery of the 50,000 acre-feet of Long-Term Storage Credits described in Recital G as SNWA has already pre-paid those costs.

L. SNWA, CRCN, and AWBA desire to enter into this Agreement to amend, restate, and supersede the Original Agreement and all amendments and modifications thereto such that this Agreement and the Recovery Agreement will govern the future rights and obligations of the Parties with respect to SNWA's existing Long-term Storage Credits in the SNWA Interstate Account, banking of additional Colorado River water in Arizona on behalf of SNWA, and related matters as set forth herein.

ARTICLE 1

DEFINITIONS, FUNDAMENTAL PRINCIPLES AND TERMS

1.1 Definitions. For purposes of this Agreement, terms that are defined in Article I of the Consolidated Decree, terms that are defined in Arizona Revised Statutes (A.R.S.) Title 45, Chapter 3.1, and terms that are defined in 43 C.F.R. Part 414 shall have the meaning there stated. The following terms shall have the meaning defined here, unless the context manifestly requires otherwise. Defined terms are identified by initial letter capitalization.

1.1.1 "ADWR" shall mean Arizona Department of Water Resources.

1.1.2 "Agreement" shall mean this Third Amended and Restated Agreement for Interstate Water Banking.

1.1.3 "AWBA" shall mean the Arizona Water Banking Authority.

1.1.4 "AWBA Plan of Operation" shall mean the plan by which AWBA shall operate during the Year as defined in A.R.S. § 45-2456.

1.1.5 "Bureau of Reclamation" shall mean the United States Bureau of Reclamation, Lower Colorado Region.

1.1.6 "CAP" shall mean the Central Arizona Project, as authorized by the Colorado River Basin Project Act, 43 U.S.C. § 1501 *et seq.*, and as operated under that certain Master Repayment Contract dated December 1, 1988, Contract No. 14-06-W-245 between CAWCD and the United States Bureau of Reclamation, as amended.

1.1.7 "CAWCD" shall mean the Central Arizona Water Conservation District.

1.1.8 "CRCN" shall mean the Colorado River Commission of Nevada.

1.1.9 "Consolidated Decree" shall mean the Consolidated Decree entered by the United States Supreme Court in *Arizona v. California*, 126 S.Ct. 1543, 547 U.S. 150 (2006).

1.1.10 "Excess CAP Water" shall mean CAP water that is available for distribution by CAWCD in accordance with §8.7(e) of the Master Repayment Contract or §5(d)(2) of the Stipulation Regarding a Stay of Litigation, Resolution of Issues During the Stay and Ultimate Judgment upon Satisfaction of Conditions, filed with the United States District Court on May 3, 2000, in *Central Arizona Water Conservation District v. United States, et al.*, No. CIV 95-625-TUC-WDB (EHC) and CIV 95-1720-PHX-EHC (consolidated), and in accordance with policies established by the CAWCD Board.

1.1.11 "ICUA" shall mean Intentionally Created Unused Apportionment as that term is defined in 43 C.F.R. § 414.2.

1.1.12 "Interstate Recovery Schedule" shall have the meaning defined in the Agreement for Development of Intentionally Created Unused Apportionment.

1.1.13 "Long-term Storage Credit" shall mean Long-term Storage Credit as defined in A.R.S. § 45-802.01(11).

1.1.14 "Master Repayment Contract" shall mean that Contract No. 14-06-W-245 dated December 1, 1988, between CAWCD and the United States Bureau of Reclamation, as amended.

1.1.15 "Recovery Agreement" shall mean that agreement entitled "Recovery Agreement Among Arizona Water Banking Authority, Central Arizona Water Conservation District, Southern Nevada Water Authority and Colorado River Commission of Nevada," dated June 9, 2010.

1.1.16 "Recovery Facilities" shall mean constructed facilities capable of recovering both intrastate and interstate Long-term Storage Credits.

1.1.17 "Secretary" shall mean the Secretary of the Interior for the United States, Department of the Interior.

1.1.18 "SNWA" shall mean the Southern Nevada Water Authority.

1.1.19 "SNWA Interstate Account" shall mean the Long-term Storage Credit Sub-account established by AWBA with ADWR pursuant to Subarticle 2.2.4 of the Original Agreement.

1.1.20 "Storage Facility" or "Storage Facilities" shall mean an Underground Storage Facility or a Groundwater Savings Facility as those terms are defined in A.R.S. § 45-802.01.

1.1.21 "Year" shall mean a calendar year.

1.2 Fundamental Principles of this Agreement

1.2.1 This Agreement is among AWBA and SNWA and CRCN. It is intended to create a program of interstate banking of Colorado River water. AWBA will not engage in interstate banking to the detriment of any water user in Arizona in fulfilling its obligations under this Agreement.

1.2.2 Under the terms of this Agreement, AWBA shall utilize the existing Long-term Storage Credits accrued in the SNWA Interstate Account, as well as any new Long-term Storage Credits created pursuant to this Agreement, at a later date to develop ICUA for the benefit of SNWA. The Secretary is required to release this ICUA for consumptive use within the State of Nevada pursuant to the Storage and Interstate Release Agreement entered into by the Secretary under the regulations adopted by the Secretary in 43 CFR Part 414. This Agreement is one part of a four part contractual relationship, which also includes the Storage and Interstate Release Agreement (SIRA), an Agreement for the Development of Intentionally Created Unused Apportionment and a Recovery Agreement. In furtherance of its performance under this Agreement, the AWBA has also entered into an Intergovernmental Agreement among AWBA, CAWCD, and ADWR, as amended, and a series of water storage agreements between AWBA and Storage Facility operators in the State of Arizona.

1.2.3 This Agreement and the Recovery Agreement shall govern the relative rights and responsibilities of AWBA, SNWA and CRCN for the delivery, storage and recovery of Colorado River water in Arizona and for the development of ICUA. No ownership rights in specific storage facilities shall accrue to either SNWA or CRCN by this Agreement. Neither SNWA nor CRCN shall have any rights in this interstate banking arrangement except as provided in this Agreement.

1.2.4 AWBA shall recognize priorities or preferences for the storage and recovery of water in Arizona established by the Agreement Relating to Implementation of Interim Colorado River Surplus Guidelines between SNWA and The Metropolitan Water District of Southern California, dated May 16, 2002.

1.2.5 This Agreement is intended to operate for the mutual benefit of the citizens of the State of Arizona and the citizens of the State of Nevada. It is entered into with the understanding that it is an act of comity, and with the understanding that interstate banking of Colorado River water among the States of the Lower

Division must be undertaken in accordance with express authority granted under each state's law.

1.3 Term of Agreement

This Agreement becomes effective when executed by all Parties. This Agreement shall terminate when all of the Long-term Storage Credits accrued in the SNWA Interstate Account as of the Effective Date or developed thereafter have subsequently been recovered, unless this Agreement is extended by written agreement of all Parties. Recovery of the Long-term Storage Credits accrued in the SNWA Interstate Account as of the Effective Date shall be complete by December 31, 2063. Recovery of any Long-term Storage Credits created after the Effective Date shall be complete no later than 50 years after the date of storage. Unless SNWA and AWBA mutually agree otherwise, Long-term Storage Credits accrued in the SNWA Interstate Account as of the Effective Date shall be recovered before Long-term Storage Credits created after the Effective Date. Unless SNWA and AWBA mutually agree otherwise, Long-term Storage Credits accrued in the SNWA Interstate Account after the Effective Date will be recovered on a first in, first out basis so that the oldest credits will be recovered first.

ARTICLE 2

DELIVERY AND STORAGE

2.1 Current Balance in SNWA Interstate Account

As of the Effective Date, AWBA has created 600,651 acre feet of Long-term Storage Credits in the SNWA Interstate Account. Upon the request by SNWA for development of ICUA as described in Article 3, the AWBA shall use Long-term Storage Credits available in the SNWA Interstate Account to fulfill that request.

2.2 Payments Previously Made by SNWA

In consideration of the Long-term Storage Credits created by AWBA prior to the Effective Date, SNWA made payments to AWBA aggregating to the sum of $122,738,945. These payments are exclusive of any payments SNWA made to CAWCD for the 50,000 acre-feet of Long-term Storage Credits described in Recital G. The Parties acknowledge that the payments described above made by SNWA to AWBA for the delivery and storage of Colorado River water covered at least all costs specified in A.R.S. §§ 45-2471(C) and are not refundable.

2.3 Request for Additional Water Storage by SNWA

2.3.1 On or before September 1, AWBA, SNWA, and CRCN shall confer concerning the amount of water anticipated to be available for storage, including any Nevada apportionment, and the proposed location, manner, and

cost by which the interstate banking could be accomplished in the following Year.

2.3.2 Annually, AWBA develops a draft AWBA Plan of Operation. The draft AWBA Plan of Operation may include an interstate component.

2.3.3 On or before November 1, AWBA shall determine and advise SNWA and CRCN in writing as to the quantity of water and storage capacity available for interstate banking under the terms of this Agreement for the following Year. AWBA shall also provide an estimate of the costs calculated pursuant to Subarticle 2.5 associated with the delivery and storage of water available for interstate banking. AWBA shall also provide the data upon which the determinations and estimates in this Subarticle were based.

2.3.4 Within 30 days of the notice provided in Subarticle 2.3.3, SNWA shall specify in writing to AWBA its decision to accept all or any portion of the water and storage capacity available at the estimated cost.

2.3.5 After consultation with SNWA, the final decision on the quantity of water to be stored and the location of the storage under the terms of this Agreement shall be at the discretion of AWBA. However, except as otherwise provided in Subarticle 2.3.8.1, the maximum quantity of water to be stored in any Year shall not be greater than the amount specified by SNWA pursuant to Subarticle 2.3.4.

2.3.6 The quantity of water to be stored in accordance with the terms of this Agreement shall be identified in the final AWBA Plan of Operation by January 1 of each Year. Unless the final AWBA Plan of Operation is modified, this quantity of water shall be stored. AWBA shall provide SNWA and CRCN with a copy of the final AWBA Plan of Operations and any amendments thereto.

2.3.7 At any time after approval of the AWBA Plan of Operation, SNWA may request a change in the quantity of SNWA storage for the current Year. Such request for change shall be in writing to AWBA and, if the request results in a decrease in storage, it shall not be greater than the difference between the amount of water already stored in that Year for the benefit of SNWA and the amount of water scheduled in that Year to be stored for the benefit of SNWA. AWBA may, at its discretion and after discussion at an open public meeting, modify the AWBA Plan of Operation to reflect such a change.

2.3.8 AWBA may modify the AWBA Plan of Operation for reasons other than a request from SNWA.

2.3.8.1 If the modification results in an increase in the amount of Excess CAP Water available for storage for interstate banking, AWBA

shall notify SNWA and CRCN in writing of the estimated cost for delivery and storage of the increase. SNWA shall have 30 days after receipt of such notice to specify in writing to AWBA its decision to decline any or all of the increase.

2.3.8.2 If the modification results in a decrease in Excess CAP Water available for storage for interstate banking, AWBA will notify SNWA and CRCN in writing of such a modification, the reasons for the decrease in storage, the data upon which such determination was based, and the revised amount of water that AWBA will store for SNWA during the Year.

2.3.8.3 If SNWA directs Nevada unused apportionment to AWBA for storage pursuant to this Agreement, AWBA agrees that no decrease in the amount of storage for SNWA will be made after October 1 of each Year.

2.3.8.4 AWBA agrees to notify SNWA if costs are expected to increase by more than 20% due to the modification of the AWBA Plan of Operation or any other reason.

2.3.9 The schedule dates and periods contained in this Subarticle 2.3 can be changed upon written agreement of AWBA and SNWA.

2.4 Delivery and Storage of Additional Water by AWBA for SNWA. Delivery and storage of additional water under the terms of this Agreement shall be subject to the following:

2.4.1 The delivery of additional water to storage shall be pursuant to the agreement between CAWCD and the AWBA providing for the Delivery of Excess CAP Water, whereby AWBA is entitled to purchase Excess CAP Water from CAWCD for interstate banking purposes.

2.4.2 AWBA has obtained and shall continue to maintain all necessary water storage permits from ADWR to allow storage under the terms of this Agreement.

2.4.3 The storage of water shall be pursuant to AWBA's contracts with various Storage Facility operators whereby AWBA is entitled to store water at those various Storage Facilities.

2.4.4 AWBA shall monitor the accrual and maintenance of Long-term Storage Credits in the SNWA Interstate Account from Year to Year. AWBA shall exercise due diligence in ensuring that all Long-term Storage Credits developed in accordance with the terms of this Agreement have accrued and are properly accounted for in such account.

2.4.5 AWBA agrees that it shall timely file with ADWR an annual report for all water delivered and stored in accordance with the terms of this Agreement by March 31 of the Year following the delivery and storage. AWBA, SNWA and CRCN shall cooperate in the preparation of such report, and shall agree upon the accuracy of the data to be filed. ADWR determines the quantity of Long-term Storage Credits that accrue in the SNWA Interstate Account in any Year and makes a report available to AWBA detailing the credits available in AWBA's Long-term Storage Account. Upon receipt of the report from ADWR, AWBA shall make that report available to SNWA and CRCN. The report may include adjustments or corrections made by ADWR to the Long-term Storage Credits in the SNWA Interstate Account created after the Effective Date of this Agreement.

2.5 Charges for Additional Delivery and Storage

2.5.1 SNWA agrees that all costs of the additional delivery and storage of water as described in Subarticle 2.4 (including the costs referred to in A.R.S. § 45-2471(C)) shall be borne by SNWA. Such costs shall be calculated and charged to SNWA in accordance with this Subarticle 2.5, and billed to and paid by SNWA as provided in Subarticle 2.6. The Parties acknowledge that, for purposes of A.R.S. § 45-2471(C)(1), AWBA's cost of acquiring Colorado River water is the cost charged by the United States to CAWCD under CAWCD's federal water delivery contract for delivering such water.

2.5.2 The charges to SNWA for the cost of water delivered under this Agreement shall consist of the following pricing components computed on a per acre-foot basis:

2.5.2.1 The fixed operation, maintenance and replacement (OM&R) rate for water deliveries, set annually by the CAWCD Board for CAP (excluding any costs for non-CAP project water);

2.5.2.2 The M&I capital charge, set annually for CAP M&I subcontractors by the CAWCD Board;

2.5.2.3 A pumping energy rate established by the CAWCD Board for interstate banking. SNWA or CRCN may provide energy sufficient to fully or partially meet the pumping requirements for the delivery of water under the terms of this Agreement, if mutually agreeable among SNWA, CRCN, AWBA and CAWCD;

2.5.2.4 A payment *in lieu* of property taxes, calculated as described in A.R.S. § 48-3715; and

2.5.2.5 Such additional costs as may be reasonably incurred by AWBA with approval by SNWA.

2.5.3 The charges to SNWA for the cost of water storage under this Agreement shall consist of the following pricing components computed on a per acre foot of delivery basis:

2.5.3.1 Underground Storage Facility charges as paid by AWBA based on contractual agreements with those facility operators;

2.5.3.2 A capital charge for storage at Underground Storage Facilities constructed with State Demonstration Project funds as determined by CAWCD as owner/operator of the facilities;

2.5.3.3 If storage under the terms of this Agreement is accomplished at Groundwater Savings Facilities, SNWA shall pay a charge for storage as determined by AWBA in that Year; and

2.5.3.4 Such additional costs as may be reasonably incurred by AWBA with approval by SNWA.

2.6 Billing of and Payment for Additional Delivery and Storage

2.6.1 In any Year that additional water is to be delivered and stored by the AWBA for the benefit of SNWA, the AWBA will on or before January 1 of that Year, provide SNWA a statement detailing the total annual charge for the water to be delivered and stored in that Year for the benefit of the SNWA. The charges are described in Subarticle 2.5.

2.6.2 AWBA shall provide SNWA monthly invoices equaling one-twelfth of the total annual charge on or before the first of each month. SNWA shall pay the total amount of the invoice on or before the 10^{th} of each month. If such day is not a business day, the payment shall be made on the next succeeding business day. Following receipt of the SNWA payment, AWBA shall remit the appropriate payment to CAWCD in accordance with AWBA's Master Water Storage Agreement with CAWCD.

2.6.3 The total annual charge for water delivery may be subject to a mid-year correction if the charges described in Subarticle 2.5.2 are changed by the CAWCD Board. In the event of a correction, AWBA shall re-compute the remaining equal monthly payments and invoice SNWA the corrected amount in the first monthly invoice following the correction.

2.6.4 No later than March 15 of the Year following a Year in which water was delivered and stored under the terms of this Agreement, AWBA shall provide SNWA a Year end account reconciliation. The payment account of SNWA shall be adjusted first to reflect the amount of water actually delivered by AWBA, and second to reflect any change in the OM&R and pumping energy

rates applicable to the water delivered. If additional funds are owed to AWBA, SNWA shall remit those funds within 10 business days of the date the notice is provided by AWBA. If funds are due to SNWA, they shall be remitted to SNWA within 10 business days, including interest accrued on those funds, unless SNWA requests that the funds including interest be used to offset the water delivery charge for a future Year in which additional storage and delivery occurs. If additional delivery and storage has not occurred within three years, SNWA may request that the AWBA remit all remaining funds.

2.6.5 The schedule dates and periods contained in this Subarticle 2.6 can be changed upon written agreement of AWBA and SNWA.

2.7 Administrative Service Cost for Stored Water

2.7.1 In any Year when AWBA does not deliver and store water for SNWA pursuant to this Agreement, SNWA shall be charged $20,000 per year for AWBA's continuing administrative services in accordance with the terms of this Agreement.

2.7.2 Charges for administrative services as described in Subarticle 2.7.1 shall be paid on a quarterly basis. Unless otherwise agreed in advance, each quarterly payment shall be an equal one-fourth of the administrative charge for the Year. AWBA shall provide an invoice for one quarter of the annual administration charge to SNWA on or before the 15th day of December, March, June, and September for the quarter immediately following. If such day is not a business day, the invoice shall be made on the next succeeding business day.

2.7.2.1 The first payment for administrative costs due under this Agreement will be invoiced on June 15, 2013.

2.7.3 In any Year when AWBA delivers and stores water for SNWA pursuant to this Agreement, SNWA shall pay AWBA 15% of AWBA's actual administrative costs. AWBA's actual administrative costs are computed as a lump sum for the Year in which the storage occurred and includes salaries, employee-related expenses and indirect costs.

2.7.4 Charges for administrative services as described in Subarticle 2.7.3 shall be paid in arrears on an annual basis. AWBA shall provide an invoice for the annual administration charge to SNWA on or before the 15th day of January for the actual administrative costs incurred in the previous Year. Such invoice shall apply a credit for any payments made pursuant to Subarticle 2.7.1. If such day is not a business day, the invoice shall be made on the next succeeding business day.

2.7.5 SNWA shall pay the administrative service charges on or before the first day of the month following the notice of the charges. If such day is not a business day, the payment shall be made on the next succeeding business day.

2.7.6 The administrative service cost is not refundable.

ARTICLE 3

DEVELOPMENT OF INTENTIONALLY CREATED UNUSED APPORTIONMENT

3.1 Extent of Annual Development of ICUA for SNWA

3.1.1 SNWA shall have the right to require the recovery of Long-term Storage Credits in the SNWA Interstate Account and the development of ICUA in any Year, as follows:

3.1.1.1 The initial year request for ICUA shall not exceed 20,000 acre-feet, the second year request for ICUA shall not exceed 30,000 acre-feet and any request for ICUA thereafter shall not exceed 40,000 acre-feet.

3.1.2 During any Year as to which the Secretary has determined under Article II(B)(3) of the Consolidated Decree that a shortage condition exists, SNWA may require the development of ICUA (1) in such amount that, when considered together with the amount of basic apportionment available for use in Nevada, will allow 300,000 acre-feet to be consumptively used in Nevada, plus (2) the amount specified for such Year in Subarticle 3.1.1. SNWA may require the development of ICUA under this Subarticle only if after consultation with SNWA and CRCN, the AWBA has determined that sufficient recovery facilities are in place for that Year to meet the needs of CAP M&I subcontractors and any post 1968 domestic use Colorado River contractor in Arizona and SNWA's request. If it is determined that sufficient recovery facilities are not available, SNWA may require the development of ICUA only to the extent that SNWA has contributed to new facilities in Subarticle 3.4.2.1 or additional facilities in Subarticle 3.5.1 plus any available existing recovery capacity not utilized by the CAP M&I subcontractors and post 1968 domestic use Colorado River contractors.

3.1.2.1 If a shortage determination by the Secretary under Article II(B)(3) of the Consolidated Decree causes a reduction in the Colorado River water available for use by non-Indian municipal and industrial (M&I) CAP subcontractors in any Year under their subcontracts or any other post 1968 domestic use Colorado River

contractor in any Year under their contract, SNWA's right to require the recovery of Long-term Storage Credits and the development of ICUA shall be reduced proportionately to the reduction in M&I water supply sustained by CAP subcontractors and any other post 1968 domestic use contractor.

3.2 SNWA Notices for Development of ICUA

3.2.1 By September 1, 2015 and each Year after that, SNWA shall provide AWBA and CAWCD a plan describing any potential ICUA requests for the following ten year period. SNWA and CRCN shall confer with AWBA and CAWCD when developing such a plan. The plan is for information and planning purposes only and is not binding.

3.2.2 For any Year in which SNWA will require the development of ICUA by AWBA and the release of ICUA by the Secretary, SNWA shall confer with the AWBA prior to June 1 of the preceding Year and provide notice of the amount of such ICUA to AWBA by June 1 of the preceding Year.

3.2.3 Between June 1 and September 15 of the Year in which a notice has been given under Subarticle 3.2.2, AWBA staff shall meet and confer with SNWA concerning the proposed location, manner and estimated cost of the development of the specified ICUA.

3.2.4 On or before September 15 of the Year in which a notice for the development of ICUA has been given to AWBA under Subarticle 3.2.2, or as otherwise required by the Secretary, SNWA shall make a request of the Secretary for the release of such ICUA during the following Year and shall provide a copy of such notice to AWBA.

3.3 Development of ICUA

3.3.1 Upon receipt of a notice under Subarticle 3.2.2 for the development of ICUA, AWBA shall meet and confer with CAWCD to develop an Interstate Recovery Schedule under the terms of the Agreement for the Development of Intentionally Created Unused Apportionment. The Interstate Recovery Schedule shall utilize the recovery of Long-term Storage Credits to develop the ICUA through recovery methods identified in the corresponding Storage and Interstate Release Agreement. These methods include recovery and exchange of Long-term Storage Credits for Colorado River water and/or credit exchange of Long-term Storage Credits for Colorado River water that would have otherwise been delivered for underground storage in that Year.

3.3.1.1 AWBA shall meet and confer with SNWA concerning the location, manner and cost of recovery when developing the Interstate Recovery Schedule.

3.3.1.2 AWBA agrees that the development of the Interstate Recovery Schedule shall take into account the location, manner and cost of recovering all water stored by AWBA in the State of Arizona. AWBA agrees that the selection of recovery facilities included in the Interstate Recovery Schedule shall not be made in a manner that unreasonably allocates the higher recovery cost to the recovery of water for the development of ICUA under the terms of this Agreement.

3.3.1.3 Factors to be considered when preparing the Interstate Recovery Schedule shall include but are not limited to:

3.3.1.3.1 Arizona water management goals,

3.3.1.3.2 CAP operational requirements,

3.3.1.3.3 Water quality requirements,

3.3.1.3.4 Opportunities for shared or joint facilities, and

3.3.1.3.5 Opportunities to reduce recovery costs that will not burden Arizona water users.

3.3.2 Upon receipt of a copy of SNWA's request under Subarticle 3.2.4 to the Secretary for the release of ICUA during the following Year, AWBA shall prepare the following certifications, in accordance with the Agreement for the Development of Intentionally Created Unused Apportionment: (1) an Upcoming Year Delivery Certification; (2) an Interstate Recovery Schedule Certification; and, (3) a Development of ICUA Certification. These three certifications shall be prepared and delivered to the Bureau of Reclamation no later than December 1 of the Year in which a notice for the development of ICUA was given to AWBA under Subarticle 3.2.2. AWBA shall identify the amount of ICUA specified to be developed in SNWA's notice under Subarticle 3.2.2 in the AWBA Plan of Operation for the following Year, and in such Year shall recover Long-term Storage Credits and develop ICUA in such amount, subject to the Secretary's determination and release of ICUA under Subarticles 5.4 and 5.5 of the SIRA. Recovery shall not commence until verification by the Secretary that ICUA will be released to SNWA under the terms of the Storage and Interstate Release Agreement.

3.3.3 The choice of facilities utilized to recover the Long-term Storage Credits used to develop the ICUA during any year shall be at the discretion of AWBA.

3.3.4 After the Secretary's notice of determination pursuant to Subarticle 5.4 of the SIRA respecting the availability and release of ICUA, AWBA shall recover Long-term Storage Credits and cause ICUA to be developed in the amount specified in the Secretary's notice. SNWA shall be responsible for all costs of developing the specified ICUA as provided in this Agreement.

3.3.5 Upon written request by SNWA to cease the development of ICUA, AWBA shall cease the development of ICUA by the amount of the request or by the amount of verified ICUA not yet developed, whichever is less. AWBA shall certify to the Secretary the amount of ICUA previously requested that will not be developed and shall request that the Secretary act in accordance with that certification and the terms of the Storage and Interstate Release Agreement.

3.3.6 AWBA shall notify ADWR of the actual amount of credits recovered in accordance with the terms of this Agreement and shall request that ADWR debit the SNWA Interstate Account by the amount of credits recovered when AWBA submits its annual report to ADWR. AWBA and SNWA shall cooperate in the preparation of such report, and shall agree upon the accuracy of the data to be filed.

3.4 Charges for Developing ICUA

3.4.1 SNWA agrees that, except as provided in Subarticle 3.4.3, all costs of the development of ICUA as described in Subarticle 3.3 shall be borne by SNWA. Such costs shall be calculated and charged to SNWA in accordance with this Subarticle 3.4, and billed to and paid by SNWA as provided in Subarticle 3.5.

3.4.2 The charges to SNWA for the cost of ICUA caused to be developed by AWBA under this Agreement shall consist of the following pricing components:

3.4.2.1 A capital component consisting of (1) the cost to develop any new recovery facility as to which the SNWA shall have a prior right of use, such cost to be paid in advance in a lump sum, or (2) a charge computed on a per acre-foot of ICUA developed basis to recover SNWA's proportionate share of the annual capital cost of other recovery facilities to be used for SNWA's benefit during the Year.

3.4.2.2 An operation and maintenance (O&M) component computed on a per acre-foot of ICUA developed basis to recover SNWA's proportionate share of the O&M cost (including pumping energy) incurred by the owner/operator of any recovery facility used during the Year to develop ICUA for SNWA.

3.4.2.3 An administrative component calculated as a lump sum to recover the actual administrative cost reasonably incurred by AWBA.

3.4.2.4 In the event that the cost of recovery for all or some of the water stored by AWBA in the State of Arizona increases due to unforeseen circumstances such as a cost for water treatment, or new state or federal regulations such as new water quality standards or additional environmental compliance requirements, SNWA agrees to share a reasonable proportion of such unanticipated costs, regardless of the location of such storage.

3.4.3 SNWA shall specify in its notice given under Subarticle 3.2.2 if, and the extent to which, ICUA is to be developed through the recovery of Long-term Storage Credits previously held by CAWCD for the benefit of SNWA under its October 15, 1992 agreement with The Metropolitan Water District of Southern California (identified in Recital G). The Parties acknowledge that pursuant to the terms of such agreement and prior to the effective date of the Original Agreement, SNWA made advance payments of the entire cost to recover such credits and to develop such ICUA.

3.5 Billing and Payment for Developing ICUA

3.5.1 AWBA shall notify SNWA of any charges for the development of recovery facilities as described in Subarticle 3.4.2.1(2) after agreement between AWBA and SNWA that additional recovery facilities are required for the development of the certified ICUA.

3.5.2 SNWA shall agree to an acceptable repayment schedule for costs specified in AWBA's Subarticle 3.5.1 notice prior to the construction of any additional recovery facilities. Following receipt of the SNWA payments pursuant to that schedule, AWBA shall remit the appropriate payments to the appropriate recovery facility owner/operators in accordance with AWBA's contractual agreements with those operators.

3.5.3 AWBA shall provide an estimate of the charges for any capital component described in Subarticle 3.4.2.1(2) and the recovery facility O&M described in Subarticle 3.4.2.2 to SNWA on or before the fifteenth of each month prior to the actual recovery. Such estimates may include adjustments or corrections to previous estimates.

3.5.4 SNWA shall pay the estimate of the capital component described in Subarticle 3.4.2.1(2) and the recovery facility O&M charge described in Subarticle 3.4.2.2 on or before the tenth day of the month following receipt of the estimate. If such day is not a business day, the payment shall be made on the next succeeding business day. Following receipt of the SNWA payment, AWBA shall remit the appropriate payment to the appropriate recovery facility operators in accordance with AWBA's contractual agreements with those operators.

3.5.5 No later than March 15 of the Year following the Year in which ICUA was recovered under the terms of this Agreement, AWBA shall provide SNWA and CRCN a Year end account reconciliation showing the actual Long-term Storage Credits recovered and whether charges for recovering the credits exceed payments made or payments exceed the amount owed. If additional funds are owed to AWBA by SNWA, they shall be paid within 10 business days of the date notice is provided by AWBA. If funds are due to SNWA, they shall be applied to SNWA's current Year recovery facility O&M charge and used to offset current payments in an amount equal to the excess payment. If no recovery under the terms of this Agreement is included in the AWBA Plan of Operation for the current Year, the funds shall be carried over and used to offset the recovery facility O&M charge for the Year in which recovery resumes. If recovery has not resumed within three years, AWBA shall remit the remaining funds to SNWA.

3.5.6 Charges for administrative services as described in Subarticle 3.4.2.3 shall be paid on a quarterly basis. Unless otherwise agreed in advance, each quarterly payment shall be an equal one-fourth of the administrative charge agreed upon for the fiscal year. AWBA shall provide an invoice for one quarter of the annual administration charge to SNWA on or before the 15th day of June, September, December and March for the quarter immediately following. If such day is not a business day, the invoice shall be made on the next succeeding business day.

3.5.7 SNWA shall pay administrative charges on or before the first day of the month following the receipt of the notice. If such day is not a business day, the payment shall be made on the next succeeding business day.

ARTICLE 4

DELINQUENT CHARGES AND SURETY OF PERFORMANCE

4.1 Delinquency Charges under the Terms of this Agreement

4.1.1 All payments due under this Agreement shall be paid promptly on the date required and, if not paid, shall be delinquent. Interest on delinquent payments may be assessed from the business day of the month on which the charge was due and shall accrue at the prime rate of interest as established by the Bank of America, plus 6% per annum, prorated by days of the unpaid principal, computed daily until payment is received. Any payment received shall first be applied to any interest owed, and then to any charges owed.

4.1.2 In the event any portion of the charges is disputed, the disputed amount shall be paid when due, but may be accompanied by a written statement indicating

the basis for any dispute. If the dispute is found to be valid, SNWA shall be refunded any overpayment plus interest, accrued at the rate set forth in Subarticle 4.1.1, prorated by days from the date payment was credited to SNWA to the date the refund check is issued.

4.1.3 In the event any delinquent amount is not paid by SNWA within thirty (30) days after receipt by SNWA of written notice from AWBA of the delinquency, AWBA shall have the right, without liability of any kind, to suspend recovery of any water under the terms of this Agreement so long as the delinquent amount remains unpaid. Such suspension shall not affect the Long-term Storage Credits remaining in the SNWA Interstate Account. Nothing herein shall limit the rights of AWBA to use any other available legal remedy to effect collection of delinquent amounts.

4.2 Surety of Performance under the Terms of this Agreement

4.2.1 In the event that a dispute arises over any action to be undertaken pursuant to the terms of this Agreement, all Parties recognize and acknowledge that time is of the absolute essence in the conduct of the Parties under the terms of this Agreement.

4.2.2 The Parties agree that the water resources being stored, forborne, and made available through exchange for use by SNWA under the terms of this Agreement are unique and very likely cannot be replaced in a timely fashion by other resources. Accordingly, the Parties agree that in any dispute over the development and release of ICUA, SNWA will likely be requesting an injunction ordering specific performance of the terms of this Agreement. The Parties agree that if AWBA opposes the specific enforcement of this Agreement with respect to ICUA, AWBA shall have the burden to show by clear and convincing evidence that it has the ability to, and will, make alternative water resources, other than water controlled by the United States under the Consolidated Decree, available at the SNWA system, free of adverse claims. If AWBA proposes to deliver such alternative water to SNWA, AWBA shall bear any additional costs that may be incurred over the costs that would have otherwise been incurred by SNWA for the delivery of ICUA under terms of this Agreement. SNWA shall be required to accept such alternative water resources if so ordered by a court of competent jurisdiction. Nothing in this Subarticle shall limit SNWA's rights to seek money damages or a remedy at law.

4.2.3 AWBA shall ensure that there are in effect all third party contracts necessary for the development of ICUA as provided in Article 3, the provisions of such contracts to be consistent with the provisions of this Agreement. AWBA shall insure that all such third party contracts are enforced in a manner consistent with the terms of this Agreement.

4.2.4 As required by A.R.S § 45-2471(E), if the terms of this Agreement are breached by SNWA or CRCN, AWBA shall cease the creation of ICUA until the breach is cured.

ARTICLE 5

OTHER PROVISIONS

5.1 Consultation on the AWBA Annual Report

5.1.1 AWBA is required to submit an annual report of its transactions and proceedings for the preceding year by July 1 each Year pursuant to A.R.S. § 45-2426. SNWA agrees to confer with AWBA staff in the development of the report.

5.2 The terms established by Subarticles 3.1, 3.2 and 3.5 may be changed upon written agreement of AWBA's authorized representative and the SNWA's General Manager.

5.3 Payment of federal charges relating to the Execution of a Storage and Interstate Release Agreement.

5.3.1 SNWA agrees that all federal charges associated with any amendment to the SIRA shall be borne by SNWA.

5.3.2 These charges shall be calculated by and paid directly to the Secretary by SNWA in accordance with the Secretary's requirements.

5.4 Successors to AWBA and SNWA

In the event that the AWBA should be dissolved or cease to perform any of the functions provided for in this Agreement, the rights and obligations of the AWBA shall be binding upon, and inure to the benefit of, any agency of the State of Arizona that succeeds to such functions or, in the absence of any such agency, the State of Arizona. In the event that the SNWA should be dissolved or cease to perform any of the functions provided for in this Agreement, the rights and obligations of the SNWA shall be binding upon, and inure to the benefit of, any successor joint powers agency or other legal subdivision of the State of Nevada that succeeds to such functions or, in the absence of any such agency, the members of the SNWA.

5.5 Uncontrollable Forces

No Party to this Agreement shall be considered in default in the performance of any of its obligations under the Agreement (other than the obligation of SNWA to make payment) when a failure of performance shall be due to uncontrollable forces. The term "uncontrollable force" shall mean any cause beyond the control of the Party unable to perform such obligation, including, but not limited to, failure or threat of failure of facilities, flood, earthquake, storm, fire, lighting, and other natural catastrophes, epidemic, war, civil disturbance or disobedience,

strike, labor dispute, labor or material shortage, sabotage, restraint by order of a court or regulatory agency of competent jurisdiction, and action or non-action by, or failure to obtain the necessary authorizations or approvals from, any federal governmental agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. Nothing contained herein shall be construed to require any Party to settle any strike or labor dispute in which it is involved.

5.6 Notices, Requests and Payments

5.6.1 All notices and other communications provided for in this Agreement shall be in writing and may be given in either of the following manners:

5.6.1.1 Notices and requests shall be in writing and maybe mailed first class postage paid to the Parties at the following addresses:

AWBA: Arizona Water Banking Authority
3550 North Central Avenue
Phoenix, Arizona 85012
Attn: Manager

SNWA: Southern Nevada Water Authority
1001 S. Valley View Boulevard
Las Vegas, Nevada 89153
Attn: General Manager

CRCN: Colorado River Commission of Nevada
555 E. Washington Avenue, Suite 3100
Las Vegas, Nevada 89101
Attn: Executive Director

5.6.1.2 Notices and requests may be given by facsimile and shall be deemed complete upon receipt from sender's facsimile machine indicating that the transmission was satisfactorily completed and after phone communication with administrative offices of the recipient notifying the recipient that a facsimile has been sent.

5.6.2 All payments required under the terms of this Agreement shall be made by Electronic Fund Transfer (EFT).

5.6.2.1 AWBA will notify the Treasury, State of Arizona monthly of any anticipated EFTs to be made by SNWA.

5.6.2.2 SNWA will submit all EFTs to the Treasury, State of Arizona at the account number designated by AWBA, or to such other destination as AWBA may designate by notice.

5.6.2.3 AWBA will ensure that all EFTs submitted by SNWA are properly accrued in the Nevada sub-account maintained at ADWR.

5.7 On request, AWBA shall provide SNWA with a copy of all contracts, rate schedules, and other documents that are relevant to or that form the basis for the charges specified in the Agreement.

5.8 The Parties to this Agreement are hereby notified of Arizona Revised Statutes section 38-511.

5.9 On reasonable advance written notice to AWBA and during normal business hours, SNWA shall have the right to inspect and audit all records of AWBA pertaining to the performance of AWBA's obligations pursuant to this Agreement.

5.10 This Agreement is not intended to confer any rights on any person other than the Parties hereto, and it shall not be construed as a third-party beneficiary contract or as conferring third-party beneficiary status or rights of any nature on any person.

5.11 This Agreement contains the entire understanding between the Parties relating to the transactions contemplated by this Agreement, notwithstanding any previous negotiations or agreements, oral or written, between the Parties with respect to the subject matter hereof. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, regarding the subject matter of this Agreement are merged in this Agreement and shall be of no further force or effect.

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In Witness of this Agreement, the Parties affix their official signatures below.

SOUTHERN NEVADA WATER AUTHORITY

DATE _____

_____
Patricia Mulroy, General Manager

Approved as to form:

_____
Dana R. Walsh, Deputy Counsel

COLORADO RIVER COMMISSION OF NEVADA

DATE _____

_____
Jayne Harkins, Executive Director

Approved as to form:

_____
Jennifer Crandell, Senior Deputy Attorney General

ARIZONA WATER BANKING AUTHORITY

DATE _____

_____
Sandra Fabritz-Whitney, Chair

Approved as to form:

_____
Nicole D. Klobas, Deputy Counsel

SOUTHERN NEVADA WATER AUTHORITY
BOARD OF DIRECTORS
AGENDA ITEM

April 18, 2013

Subject: Technical Review Committee	**Director's Backup**
Petitioner: Patricia Mulroy, General Manager	

Recommendations:
That the Board of Directors appoint a Technical Review Committee to review any data being utilized by the Integrated Resource Planning Advisory Committee for the purposes of : verifying the reasonableness and adequacy of assumptions used to drive the water rate model, including assumptions regarding rates of growth for population, sales tax revenue, connection charge revenue, general inflation related to operating expenditures, and water consumption; and verifying the impact analysis on various user groups to assure the impacts being reviewed by the Integrated Resource Planning Advisory Committee adequately reflect the spectrum of impacts.

Fiscal Impact:
None by approval of the above recommendation.

Background:
Following the adoption of the infrastructure surcharge by the Authority and its member entities in 2012, the Board of Directors established the Integrated Resources Planning Advisory Committee (IRPAC) to review the infrastructure surcharge, consider appropriate alternatives, and consider other appropriate revenue modifications in order to enable the Authority to continue to meet its debt service obligations. As this process has continued, it has been suggested that a Technical Review Committee comprised of members with significant expertise in economics, finance, and utility rate-making would assist both the IRPAC and the Board in ensuring that any rates adopted by the Board pursuant to an IRPAC recommendation are fair, equitable, do not disproportionately impact any group of water user and are based on sound data, assumptions and methods.

It is recommended that the Board appoint a Technical Review Committee at its meeting of May 16, 2013. The committee shall include three members, and shall be comprised of representatives from among the following backgrounds or affiliations:

- a local investor-owned utility
- a faculty representative from the Department of Economics or Department of Finance at the University of Nevada, Las Vegas
- a representative with experience with a public water utility (which may be a current employee or a retired professional from a non-Nevada comparably-sized utility).
- An individual with other relevant experience

AGENDA ITEM # 5

Each of the foregoing representatives must have experience with, and expertise in, utility rate-setting processes and principles. All members of the rate review committee shall serve as volunteer members without compensation.

This action is authorized pursuant to Section 6(c) of the SNWA 1995 Amended Cooperative Agreement. The office of the General Counsel has reviewed and approved this agenda item.

Respectfully submitted:

Patricia Mulroy, General Manager
PM:JJE:mlt:jw