



**ARIZONA MINING ASSOCIATION**  
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August 5, 2014

Ms. Pamela Pickard  
President  
Central Arizona Water Conservation District Board  
P.O. Box 43020  
Phoenix, AZ 85024

Re: Comments on CAWCD Staff Proposed Standard Form of Wheeling Agreement and Supplemental Staff Position Statements on Wheeling Non-Project Water

Dear President Pickard:

The Arizona Mining Association is a diversified mining association that is the unified voice of responsible, sustainable and safe mining in Arizona. We support educational programs that demonstrate the importance and benefits of mining to the economy and the quality of life. Our members benefit from productive relationships and alliances with government, business associations and natural resource industry groups. Through our advocacy, we help Arizona continue to be a premier location for mining investment in the U.S.

We appreciate the effort that the Central Arizona Water Conservation District (CAWCD) staff has undertaken to develop a proposed standard form of wheeling agreement and also their supplemental statements regarding the wheeling of non-Project water. Our members also share CAWCD's desire to develop a viable wheeling program that provides predictability of outcome, remains beneficial, and can be utilized by our state's many water interests in the future.

Industrial and mining interests that do business in Arizona are looking at the prospective wheeling of non-Project water as an important opportunity to support and develop private industry, as well as economic expansion opportunities of existing industry that would serve to benefit Arizona's economy in the long-term. It is our understanding from the wheeling stakeholder process, that there may be concerns regarding what has been referred to as speculative activity and potentially intent to limit wheeling to real or near-term water demands. This was referred to as the "square-to-rectangle" wheeling of water supplies through the CAP system. We wish to emphasize that for the industrial sector, specifically mining, the wheeling of non-Project water to support such activities is not a speculative endeavor, but rather a necessity to realize this economic potential for Arizona.

In the case of Arizona's mining sector, in order to meet future water demands associated with existing operations and expansion opportunities in Arizona, we may require access to wheeled water. However,

CAWCD Staff Proposed Standard Form of Wheeling Agreement  
Supplemental Staff Position Statements on Wheeling Non-Project Water

due to the global exposure and cyclical nature of the industry, it becomes difficult to identify with absolute certainty, not unlike many of Arizona's water users, the specific timing of these water needs. Eventually the water will be put to beneficial use for mining purposes in a manner that benefits Arizona's economy. This type of strategic advanced planning for the real water needs of industrial users, including mines, is not a speculative activity, but a prudent business activity essential to our business model.

Likewise, there may be instances where mines may acquire a defined volume of water for wheeling purposes for a relatively short-time period, but would need to use the water over an extended time period. For example, this might entail securing a 20-year term for a specific volume/allocation of non-Project water, but due to economic variables it may become necessary to use this specific volume of non-Project water at a later time or over a longer time period to adequately match the available supply with the water needs at the mine. Ultimately the uses of this water would remain in support of a project that benefits Arizona and would not be a speculative use of non-Project water. In recognition of this situation, private industry and mining companies need to be able to generate Long-Term Storage Credits to support these future growth opportunities in a manner that allows for economic growth to occur in alignment with varying global economic cycles. Mining companies, in particular, need the flexibility to be able to extend blocks of non-Project water over longer time periods to accommodate economic fluctuations beyond their control.

We encourage the CAWCD Board and staff to consider our perspectives outlined in this letter, as it proceeds in finalizing a standard form of wheeling agreement that benefits all Arizona water users and also in establishing equitable requirements for a successful program for the wheeling of non-Project water.

Thank you for the opportunity to comment and we look forward to and are open to additional opportunities to discuss these points in further detail.

Sincerely,



Kelly Norton  
President

cc: David Modeer, General Manager  
Tom McCann, Assistant General Manager Operations, Planning & Engineering  
Leslie Meyers, US Bureau of Reclamation  
Michael Lacey, Director Arizona Department of Water Resources