



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT  
REGULAR MEETING OF THE BOARD OF DIRECTORS  
November 1, 2018**

A meeting of the Central Arizona Project ("CAWCD" or "CAP") Board of Directors was called to order by President Lisa Atkins on November 1, 2018, at 10:06 a.m. The meeting was held at CAP Headquarters, located at 23636 N. 7<sup>th</sup> St. in Phoenix, Arizona.

Board members present were President Lisa Atkins, Maricopa County; Vice President Jim Holway, Maricopa County; Secretary Sharon Megdal, Pima County; Alexandra Arboleda, Maricopa County; Jennifer Brown, Maricopa County; Karen Cesare, Pima County; Terry Goddard, Maricopa County; Jim Hartdegen, Pinal County; Pat Jacobs, Pima County; Heather Macre, Maricopa County; and Mark Taylor, Pima County.

Staff members present were Ted Cooke, General Manager; Jay Johnson, General Counsel; ; Bridget Schwartz-Manock, Director, Public Affairs; Phil Cook, Director, Technology; Suzanne Ticknor, Director, Water Policy; Laura Grignano, Manager, CAGR; Darrin Francom, Director of Operations and Engineering; Christopher Hall, Director, Finance and Administration; Patrick Dent, Water Operations Manager; Bryan Young, Power Programs Manager; Doug Dunlap, Manager, Finance and Accounting; Chuck Cullom, Manager, Colorado River Programs; Mohammed Mahmoud, Senior Policy Analyst, Colorado River Programs; and Jennifer Miller, Board Support Specialist.

**1. PLEDGE OF ALLEGIANCE, MOMENT OF SILENCE AND SAFETY MINUTE - MEGDAL**

Board member Megdal led the Pledge of Allegiance, a moment of silence, and gave a safety minute.

**2. RECOGNITION OF EMPLOYEES CELEBRATING SERVICE ANNIVERSARIES: 20 YEARS - KATHARINE FEHR, DAVID SIX, RICHARD WEISSINGER AND JIM HARRISON. 30 YEARS - MICHAEL VIGIL, RORY CRANE, REUBEN RUIZ AND SCOTT SPENCER - COOKE/ATKINS**

President Atkins and General Manager Cooke recognized employees who are celebrating their 20-year and 30-year service anniversaries.

**3. CONSIDERATION OF ACTION TO APPROVE ITEMS ON THE CONSENT AGENDA\*\***

**On a motion (Secretary Megdal) and a second (Board Member Taylor) the Board approved the Minutes of the October 4, 2018 Regular Meeting, Design and Construction Contract for Waddell CO2 System Replacement, Renewal of AWBA Intergovernmental Agreement, and Contract for Gartner Subscription Services. Motion passed.**

*Voting yes: Atkins, Holway, Megdal, Arboleda, Cesare, Hartdegen, Jacobs, Macre, Taylor*

*Not voting: Brown, Goddard*

**4. CONSIDERATION OF ACTION TO APPROVE ITEMS REMOVED FROM THE CONSENT AGENDA**

None.

**5. REPORTS OF COMMITTEES AND POSSIBLE CONSIDERATION OF COMMITTEE RECOMMENDATIONS**

**5.a. PUBLIC POLICY COMMITTEE - CESARE**

Board Member Cesare reported that the Public Policy Committee met on November 1 and began discussions of the proposed State and Federal Legislative Agendas. She summarized the agendas and invited Board members to submit any requests for the agendas to her prior to next month's meeting, where the Committee will vote on a recommendation to the Board. She also gave a short update on Federal Issues, noting that Congress may consider DCP legislation when they return from recess.

**5.a.i. POSSIBLE CONSIDERATION OF ACTION ON POLICY ISSUES THAT COULD IMPACT CAP**

None.

**5.b. FINANCE, AUDIT AND POWER COMMITTEE - HOLWAY**

Vice President Holway gave an update on the recent FAP Committee meeting, which included a report from the Internal Auditor on Security Policy and Purchasing audits and discussion of next year's Internal Audit plan. He also reported that the Committee heard an update on the 2019 budget outlook, for which no changes are currently recommended. Vice President Holway also noted that the Committee started a discussion of potential financial implications of the Drought Contingency Plan and encouraged members to watch the video of the hearing. He also reported on the presentation heard in Committee on the Captive and Insurance Programs. Board Member Brown noted that the Committee asked many questions of staff and indicated her support for the motion to approve funding for the program.

**5.b.i. DISCUSSION AND CONSIDERATION OF ACTION TO APPROVE THE INSURANCE PROGRAM AND CAPTIVE FUNDING FOR CALENDAR YEAR 2019 - PARKER**

On a motion (Vice President Holway) and a second (Board Member Taylor) the Board approved funding for the 2019 calendar year insurance program in the amount of \$10,822,903, of which \$10,624,634 is funding for the Captive and \$380,014 is for self-insured workers' compensation. Motion passed.

*Voting yes: Atkins, Holway, Megdal, Arboleda, Brown, Cesare, Goddard, Hartdegen, Jacobs, Macre, Taylor*

**5.c. CAGRD AND UNDERGROUND STORAGE COMMITTEE - MEGDAL**

Secretary Megdal reported on the last CAGRD Committee meeting, noting a presentation on the 2017 Annual Operations Report, which has been finalized and submitted to ADWR. Secretary Megdal also noted that the CAGRD Committee heard an update on the upcoming water acquisition item, taking comments from the audience. She thanked staff for summarizing the comments for the Board meeting packet.

**5.c.i. DISCUSSION AND CONSIDERATION OF ACTION TO APPROVE STANDARD FORM CAGRD MEMBER LAND ENROLLMENT DOCUMENTS FOR NEW MEMBER LANDS THAT CONTAIN CATEGORY 2 LANDS - GRIGNANO**

Secretary Megdal reported that the CAGRD Committee unanimously passed a recommendation to the full Board to approve standard form enrollment documents for Category 2 Lands, which are similar to the existing standard form documents for Category 1 Lands. Board Member Goddard asked, if the standard form was approved, whether golf courses would automatically be approved without coming before the Board and what the result of the change will be. Secretary Megdal replied

that standard forms are a common legal practice. Board Member Arboleda noted that there was discussion on why the Category 2 standard forms didn't already exist, and asked staff to provide that information. Laura Grignano, CAGRDR Manager, reported that the staff had researched that issue and did not find any mention of Category 2 lands in previous discussions about standard form documents. She noted that there are a small number of Category 2 Lands, which is likely why this had not come up in the past. Board Member Jacobs asked if applicants provide information on whether they use treated water, and Ms. Grignano said that the application does often contain that information. In response to a question from Board Member Taylor, Ms. Grignano noted that applicants that meet all qualifications cannot be legally denied, and that those applications only come to the Board because there is not a standard form enrollment. In response to a question from Board Member Goddard, Ms. Grignano said that Category 2 Land owners opt out of replenishment reserve credits. Secretary Megdal suggested that this item be postponed and have further discussion in Committee in January to ensure that all Board members get their questions answered. No action was taken.

6. **DISCUSSION AND CONSIDERATION OF ACTION TO APPROVE A WATER SUPPLY ACQUISITION AND ASSOCIATED AGREEMENTS BETWEEN CAGRDR, GILA RIVER INDIAN COMMUNITY (GRIC) AND GILA RIVER WATER STORAGE LLC (GRWS) - GRIGNANO**

Ms. Grignano presented information on the proposed water supply acquisition between the CAGRDR, Gila River Indian Community (GRIC) and Gila River Water Storage LLC (GRWS) that will provide a substantial supply to CAGRDR for 25 years beginning in 2020, and would secure a significant portion of the water needed to meet CAGRDR's obligations under the 2015 Plan of Operation, even under shortage conditions. The acquisition would provide an annual renewable supply of just over 33,000 acre feet of water per year for 25 years, plus over 70,000 acre feet of Phoenix AMA long term storage credits (LTSC) for a total of 900,000 acre feet of water over 25 years. She reviewed the three separate but related water agreements that make up the acquisition.

Ms. Grignano also reviewed the information presented to the CAGRDR Committee on October 18, 2018, including comments received from the public at the meeting. She noted that six of the eight speakers voiced support for the acquisition, while two spoke but did not offer support or opposition.

Ms. Grignano gave a presentation on the details of the acquisition, noting some changes to the presentation made in response to comments from the public to ensure clarity. The costs include \$65 million for LTSC due upon signing, with an additional \$30 million due in six-12 months for a total of \$95 million for 445, 375 acre feet LTSC, and \$2.5 million for infrastructure due at the end of 2019. Ms. Grignano noted that the initial funds due are already collected and available in the Infrastructure and Water Rights Fund. She also reviewed annual costs for the acquisition, the all-in costs, and a comparison of costs for other acquisition deals recently considered by the Board. She also presented the potential impacts on fees, dues and rates, with no change anticipated in enrollment fees, activation fees and annual membership dues and an increase of 11-15% anticipated in Phoenix AMA Water Replenishment and Replenishment Reserve rates. Finally, she noted that the GRIC Council will consider this acquisition on November 7.

Board Member Cesare noted that she watched the video of the CAGRDR meeting, and expressed appreciation to those that traveled to the meeting to share their perspectives. She also noted the importance of this acquisition conforming to the 2015 Plan of Operations.

In response to a question from Board Member Goddard, Ms. Grignano noted that the LTSC will come from GRWS, the wet water for the exchange will come from GRIC, and that all funding will

come from CAGR D.

Ms. Grignano noted that CAGR D has options for storing the water, and how long it will take for CAGR D funds to be replenished, in answer to questions from Board Member Taylor. Mr. Cooke provided additional information on how the funds will be replenished. Board Member Taylor also asked if there is a termination clause in the contract. Greg Adams, Senior Attorney, answered that there is a clause in the lease agreement for a December expiration. The remainder of the agreement cannot move forward without the GRIC Council approval, and would need to be reconsidered if the Council rejects the agreement.

Board Member Arboleda commented that she appreciated the opportunity to learn about this acquisition in Committee, and to hear from stakeholders prior to a vote. She also asked if the acquisition is consistent with the Arizona Water Settlements Act. Mr. Adams responded that GRIC has the authority to lease and exchange their water rates under the Act, and noted that the United States will have to review and sign off, and that an environmental review will also take place. Board Member Arboleda asked Ms. Grignano to explain how the recovery and exchange agreement will occur. Ms. Grignano also noted that there is a fixed cost for the acquisition. Board Member Arboleda also noted that, in Committee, staff verified that they are confident in the 11-15% increase in rates, which equates to about \$3 per month for homeowners.

Vice President Holway asked questions to clarify that the LTSC came from GRIC CAP water, and to clarify the assumptions on the graphs in Ms. Grignano's presentation. He also commented that he believes this acquisition won't fix the CAGR D's need to acquire a long-term permanent water supply. Vice President Holway also asked about the possibility of avoiding recovery costs, and Ms. Grignano clarified that all of the LTSC have already been accrued. Vice President Holway expressed support for an end date to the Board's approval if the GRIC Council does not approve as planned on November 7.

Board Member Hartdegen asked that staff go and listen to the GRIC Council meeting on November 7.

Board Member Jacobs asked Ms. Grignano to review the adverse impacts indicated by a stakeholder. She replied that there will be increased groundwater pumping in the Pinal AMA, and that Jake Lenderking of Global Water Resources wanted the Board to keep that in mind.

President Atkins recognized that six blue cards were submitted:

Greg Bushner from Vidler Water Company expressed appreciation for CAP staff's willingness to hear Vidler's concerns. He submitted a copy of his remarks (*see attachment 1*).

Chris Kuzdas of Environmental Defense Fund spoke on behalf of the Water For Arizona Coalition in support of the proposed acquisition.

Rob Anderson spoke on behalf of the Homebuilders of Central Arizona and the Southern Arizona Homebuilders in support of the proposed acquisition.

Patrick Adams from AMWUA expressed support for the acquisition.

Chairman Gary Watson of the Mohave County Board of Supervisors spoke in support of the proposed acquisition and submitted a copy of his remarks (*see attachment 2*).

Chairwoman Lois Wakimoto of the Mohave County Water Authority spoke in support of the proposed acquisition.

Secretary Megdal expressed her enthusiastic support for the acquisition as a very important transaction for the CAGR. The CAGR needs to acquire water to meet its replenishment obligation and additional supplies will need to be acquired.

Board Member Jacobs expressed his support for the acquisition because the Board has been able to thoroughly review the matter on two occasions.

**On a motion (Secretary Megdal) and a second (Board Member Taylor), the Board approved the water supply acquisition between CAWCD, the Gila River Indian Community and Gila River Water Storage LLC discussed today and the associated agreements, in substantially the same form as attached: 1) Purchase and Sale Agreement for Long-Term Storage Credits; 2) Stored Water Recovery and Central Arizona Project Water Exchange Agreement; 3) Lease Agreement for CAP Water Between Central Arizona Water Conservation District and the Gila River Indian Community; and 4) Contributed Funds Agreement. Motion passed.**

*Voting yes: Atkins, Holway, Megdal, Arboleda, Brown, Cesare, Goddard, Hartdegen, Jacobs, Macre, Taylor*

**7. DISCUSSION AND CONSIDERATION OF ACTION TO APPROVE THE CONSULTANT SELECTION FOR BINATIONAL STUDY OF WATER DESALINATION OPPORTUNITIES IN THE SEA OF CORTEZ - CULLOM**

Chuck Cullom, Colorado River Programs Manager, presented background on binational efforts, an outline of the scope of study of desalination opportunities in the Sea of Cortez under Minute 323, and an outline of the contributed funding agreement for the study. The scope of work was developed as part of a Binational Desalination Work Group, focusing on unmet demands in the Lower Colorado River in the United States and in Sonora and Baja California in Mexico. CAP conducted the procurement process on behalf of the Binational Desalination Work Group using CAP's existing procurement process. The selected consultant is Black & Veatch. Mr. Cullom reviewed the key tasks and deliverables of the study and noted that the study will not result in a specific project, but rather information to inform future activities. The agreement is funded in Arizona by CAWCD, ADWR, SRP and Freeport McMoRan; in California by the Colorado River Board of California; and in Nevada by SNWA. The contract is for \$600,000, with CAP contributing \$100,000 and serving as the contract administrator.

Board Member Taylor asked how the new sources of water may be distributed in Arizona when they are available. Mr. Cullom responded that those decisions will emerge in the next phase of these binational efforts.

Secretary Megdal commented that it is nice that Commissioner Jane Harkins, who is taking over at the IBWC, is already familiar with Colorado River issues. In response to a question from Secretary Megdal, Mr. Cullom said that the group is about equally made up of officials from Mexico and the US, emphasizing that it is truly a binational collaborative process.

Board Member Jacobs commented that he hopes the federal government will contribute money at some point, as well as non-governmental organizations.

Board Member Arboleda expressed her support for CAP's involvement in this process. She also clarified that Arizona parties are contributing at total of \$400,000, California and Nevada \$100,000 each. Mr. Cullom said this is because it is anticipated that Arizona may be the biggest benefactor of a successful project, but that future funding may be allocated differently based on who will benefit most.

Board Member Hartdegen asked why SRP and Freeport McMoRan are participating. Mr. Cullom said that could not speak for them, but suspects it is because such efforts will benefit all Arizona water users.

Brett Esslin with ADWR spoke in support of the study effort and complimented CAP's procurement team.

**On a motion (Board Member Arboleda) and a second (Board Member Cesare) the Board authorized the General Manager to execute the contract with Black & Veatch and the associated multi-party funding agreement for the Binational Study of Water Desalination Opportunities in the Sea of Cortez. Motion passed.**

*Voting yes: Atkins, Holway, Megdal, Arboleda, Brown, Cesare, Goddard, Hartdegen, Jacobs, Macre, Taylor*

**8. REPORT ON PROJECTED 2019 WATER DELIVERIES - DENT**

Patrick Dent, Water Operations Manager, presented information on the 2019 water supply, water deliveries and how excess water will be allocated. Water orders were received in October, and CAP staff has been coordinating those orders between contractors and operators, as well as with the Agricultural Settlement Pool. Mr. Dent noted that staff has made an effort to bring this information to the Board a little earlier than normal, and that the Annual Operating Plan is reflective of contracts and existing Board policy. Mr. Dent also noted that he will be back at the December Board meeting with final information on the 2019 Operating Plan and a report on 2018, as well as how CAP is preparing for potential shortage in 2020 and beyond.

In response to a question from Vice President Holway, Mr. Dent noted that the amount of water to be conserved in Lake Mead is still being determined.

Board Member Arboleda asked about the reduction in the available excess water supply for 2019, and Mr. Dent responded that the supply wasn't as large for three reasons: the increases in contract water deliveries, the reduction in the amount of system storage water available from Lake Pleasant, and the reduction of the amount of water that the Ag Pool wanted to make available under Ag forbearance programs. Mr. Dent further clarified that water supply in Lake Pleasant is being set aside as a potential mitigation for the DCP negotiations, in response to a question from Board Member Taylor.

**9. REPORT ON COLORADO RIVER CONDITIONS (WATER SUPPLY: RELIABILITY OF THE CAP WATER SUPPLY) - MAHMOUD**

Mohammed Mahmoud, Senior Policy Analyst, gave a report on the current Colorado River Conditions, including the volumes of all of the reservoirs in the system. He noted that there is no change in the project elevations in the October 24-month study from the August projections. Mr. Mahmoud also gave an overview of the 2018 water year precipitation throughout the Basin and reported on the impact of Tropical Storm Rosa, which did provide one to three inches of rainfall, but had little impact on the drought. Mr. Mahmoud also shared the outlook for precipitation for the next

few months.

10. **REPORT ON POST-NGS POWER PORTFOLIO - YOUNG (12:10)**

Brian Young, Power Programs Manager, gave a brief update on the plan for making energy purchases as part of the post-NGS portfolio. After the RFP that was approved a few months ago, CAP needs to obtain 25-40% of energy needs to reach the hedging target for the base load in 2020, and up to 40% of energy to reach the hedging target for the variable load. These needs would be met through monthly or daily purchases, which will be made from power auctions conducted by an outside vendor and will include only 2020 products in the initial auction. Mr. Young noted that the initial notices to suppliers will be in December 2018, with indicative bids solicited in January 2019, and final bids and awards targeted for March 2019. This would fill all hedging needs for 2020.

11. **REPORT AND POSSIBLE CONSIDERATION OF ACTION ON DROUGHT CONTINGENCY PLANNING (WATER SUPPLY: RELIABILITY OF THE CAP WATER SUPPLY) - TICKNOR**

Suzanne Ticknor, Director of Water Policy, gave an update on the Lower Basin Drought Contingency Program (LBDCP) activities since the last Board meeting. She reported that the Arizona ICS Framework group concluded its work on October 10, supporting the completion of the Arizona ICS Framework agreement between CAWCD, ADWR and BOR, and sent that recommendation forward to the Steering Committee. The agreement is still being finalized. At the Mitigation Meeting on October 10, CAWCD and ADWR presented a mitigation proposal to the work group, but did not receive consensus support from the work group. The Steering Committee was also not able to reach consensus on a mitigation proposal.

Ms. Ticknor also reported that, throughout October, CAWCD participated in a number of smaller group meetings with ADWR and BOR and other key stakeholders in an effort to find a consensus-based mitigation package. She noted that those meetings will continue. Throughout the month, several groups made statements on what mitigation they would support, including a letter from the Gila River Indian Community (GRIC), a resolution of Pinal Ag Districts CAIDD and MSIDD, a statement of the AMWUA Board of Directors, and a letter from Representative Cook. In response to their letter, CAWCD, ADWR and BOR met with GRIC, where GRIC presented a mitigation plan. Additional proposals are being developed as a result of these activities, with all parties working very hard and willing to discuss issues. The October 25 Steering Committee was cancelled to allow time for these additional discussions.

Ms. Ticknor also reported on activities by the seven Colorado River Basin States. Draft agreements were published on October 10, and governing bodies in the Lower Basin are scheduled to review agreements in November and take action in November/December. She noted that things are very fluid, but reiterated that all parties are working diligently on a package that can receive consensus support.

Vice President Holway commented that it seems that some of the parties may need to move to find a solution. Ms. Ticknor noted that there is very little room in the middle, but feels that there are solutions out there, and with continued effort and good faith negotiation and dialogue, there will be a way forward. Vice President Holway also commented that he is hearing that all parties are working well together, but there are some issues such as signature authority and forbearance authority that are coming up and he feels that those issues need to be addressed before the end of the process.

11.a. **REPORT ON DRAFT DCP DOCUMENTS - JOHNSON**

Jay Johnson, General Counsel, reviewed the draft DCP agreements that were released by the seven

Basin states. There are three agreements: the Lower Basin DCP Agreement, which contains the Lower Basin Drought Contingency Operations document; the Upper Basin Drought Response Operations Agreement; the Upper Basin Demand Management Storage Agreement. There is also a Companion Agreement that ties the Upper and Lower agreements together. Mr. Johnson reviewed the provisions of each and encourage the Board members to contact him with any questions.

12. **REPORT ON LEGAL MATTERS (LEADERSHIP & PUBLIC TRUST; RELATIONSHIPS-CUSTOMERS^) - JOHNSON**

12.a. **UPDATE ON PENDING LITIGATION**

Mr. Johnson gave an update on pending litigation. He reported that the Ak-Chin litigation is awaiting oral argument for each party's motion for summary judgment.

He also reported on the suit by the Hopi Tribe, Peabody and United Mine Workers to require CAWCD to purchase all of its power from NGS. CAWCD has filed a motion to dismiss and is awaiting oral argument.

12.b. **UPDATE ON HUALAPAI WATER RIGHTS SETTLEMENT**

Mr. Johnson reported that the Hualapai Water Rights Settlement Agreement will come to the Board for action in December. He reviewed the provisions of Phase I and Phase II of the Settlement. He noted that CAWCD can continue to show support for the Agreement with the action next month.

13. **DIRECTORS' REPORT ON CURRENT EVENTS**

Board members Taylor, Macre, Megdal, Holway, Cesare and Arboleda shared their recent outreach activities over the past month.

14. **FUTURE AGENDA ITEMS**

Board Member Macre requested a discussion on policy issues related to the CAGR, either in Committee or with the full Board, within the next couple of months.

15. **PRESIDENT'S REPORT ON CURRENT EVENTS - ATKINS**

President Atkins presented an updated map showing outreach by Board members year-to-date. She also reported on a presentation she made to the West Valley Mayors and Managers Meeting, the CAP Turnouts event at the Zoowalk for Autism, and the 20th Anniversary of the Scottsdale Water Campus. President Atkins also shared that *The Phoenix Business Journal* once again named CAP on its list of top volunteer programs for the fourth consecutive year. She also reviewed upcoming meeting dates.

16. **GENERAL MANAGER'S REPORT ON CURRENT EVENTS - COOKE**

General Manager Ted Cooke reported on items that will be on the December consent agenda, including a design contract for elevator replacement at pumping plants, a construction contract for canal repairs from recent storm damage, four water storage agreements with the Tohono O'odham Nation, and a consulting agreement for water supply acquisition program planning. Mr. Cooke also gave an update that there will be a recommendation for the annual AWBA credit purchase next month, and that CAP's participation in the AZ WARN program is being renewed.

17. **PUBLIC COMMENT**

None.

18. **CONSIDERATION OF ACTION TO GO INTO EXECUTIVE SESSION OF THE BOARD FOR THE**



**FOLLOWING PURPOSES:**

On a motion (Board Member Jacobs) and a second (Board Member Cesare), the Board entered into Executive Session at 2:30pm for the purposed listed on the agenda. Motion passed.

Voting yes:            *Atkins, Holway, Megdal, Arboleda, Brown, Cesare, Goddard, Hartdegen, Jacobs, Macre, Taylor*

**19. RECONVENE IN OPEN SESSION**

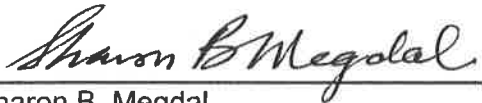
The Board reconvened in open session at 4:52 p.m.

**20. CONSIDERATION OF ACTION REGARDING ITEMS DISCUSSED IN EXECUTIVE SESSION**

None.

**21. ADJOURN**

There being no further business to come before the Board, the meeting adjourned at 4:52 p.m.



Sharon B. Megdal  
Board Secretary

November 1, 2018

Central Arizona Project  
Board of Directors  
23636 N. 7<sup>th</sup> Street  
Phoenix, Arizona 85024

**RE: Proposal for a Potential Water Acquisition between the CAGR D and the Gila River Indian Community and the Gila River Water Storage LLC**

Directors:

Vidler Water Company (Vidler) appreciates the efforts of Manager Ted Cooke and Laura Grignano to discuss our concerns relative to transparency and the appropriate pricing characteristics of Long-Term Storage Credits (LTSC) within the Pinal and Phoenix AMAs.

We are all aware of the multitude of variables affecting LTSCs from the factors that determine what is truly a “net” or usable LTSC from the uncertainty of flows in the Colorado River Basin; the undoubted increase in the recovery costs of LTSCs; the competing needs to withdraw LTSCs from aquifers by competing parties; the uncertainty of NIA shortages and the corresponding issues if shortages do occur. These are each difficult issues to quantify but identifying them as variables and uncertainties goes a long way in demonstrating the difficulty of foretelling the future costs of water for a growing Arizona.

We do believe that this initial agreement for LTSCs is good for Arizona and as acknowledged, the Phoenix AMA stored credits are currently ranging in the \$350 to \$360 price range.

Creativity and flexibility will undoubtedly be at the forefront as Arizona and the other Basin states deal with the limited water resources which are projected for the future. Vidler, nearly 20 years ago responded to the call to help recharge excess CAP water at a time when capital was scarce for recharge projects but the need was very real to start recharging excess CAP water for that future time of need which is now upon Arizona.

We look forward to working with CAGR D and the Arizona Water Banking Authority and again we do appreciate the conversations with Ted and Laura in dealing with the difficult issues of valuation and the “crystal ball” of future costs in creating and delivering stored water to water users in Arizona.

Should you have any questions or need additional information, please do not hesitate to contact me at 775.885.5004.

Sincerely,

VIDLER WATER COMPANY



Greg L. Bushner, R.G.  
Vice President Water Resources Development

**Talking Points  
Chairman Gary Watson**

**CENTRAL ARIZONA PROJECT Board of Directors  
CAP Offices, Phoenix, AZ  
November 1, 2018 - 10:00 AM**

**Agenda Item 6. Discussion and Consideration of Action to Approve a Water Supply Acquisition and Associated Agreements between CAGR, Gila River Indian Community (GRIC) and Gila River Water Storage LLC (GRWS) – Grignano (10:50)**

- **Good afternoon and for the record, I am Gary Watson, Chairman of the Mohave County Board of Supervisors and I appreciate the opportunity to make these public comments today on behalf of the Mohave County Board of Supervisors.**
- **I represent District 1 in Mohave County and have been the Chair or Vice Chair of the Board numerous times since 2009. My family came to Mohave County in 1955 from Phoenix, and yes, I am one of those rare Arizona natives.**
- **Thank you President Atkins and to all the Board for the opportunity to speak.**
- **First, you all know that my remarks from your CAGR committee on October 18, 2018 are in your Board Agenda and Books, and so you are probably wondering why I am here again today?**
- **I thought it was worth the drive to sunny Phoenix from Mohave County just to make the point of how important this issue is to our County. The issue is “how and from where” will CAGR and**

**this Board obtain water for CAGR D's development obligations now and in the future. This issue affects all Arizonans and thus my appearance before you today.**

- **It is my pleasure to be here to advise you that the Mohave Board of Supervisors supports the Potential Water Acquisition between CAGR D and the Gila River Indian Community (GRIC) and Gila River Water Storage LLC in your Agenda item # 6.**
- **We are pleased that CAGR D and the Gila River Indian Community have reached these terms on a potential water supply acquisition and we urge you to support it today.**
- **Second, you may recall that I journeyed to Tucson way back in October of 2017 to advise this Board that as a matter of public policy, Mohave County opposes the transfer of Fourth Priority Colorado River Water - that has already been allocated to communities along the river - away from the mainstream of the River for use in Central Arizona. It is the transfer of this water away from the mainstream of the River that Mohave County must oppose by all means, in all forums, and for as long as it takes.**
- **Since that time, Members of your board, General Manger Ted Cooke and senior CAP staff have met with us to hear our concerns here in Phoenix, and your President Lisa Atkins traveled to Kingman with a delegation of Board members and staff to discuss these transfers. Thank you for all of those efforts and communication.**
- **In particular we appreciate the hard work of Laura Grignano and Perri Bennemelis, and all of the CAP and CAGR D staff, and the**

**Board in negotiating this acquisition. We realize that in the middle of the DCP Steering Committee deliberations, and in the midst of the on-going discussions with the seven basin states and the Bureau of Reclamation on DCP, your committee members and CAGR and CAP Staff made this happen. We commend you for that effort.**

- Of course, I must state for the record, Mohave County continues to oppose the purchase and transfer of water from any users along the Colorado River to Central Arizona. We are aware that the Mohave Valley Irrigation and Drainage District (MVIDD) is interested in fallowing lands and transferring water to Central Arizona. They have passed Resolution 2018-04 at MVIDD to authorize use of water outside of the District.**
- Of course, not all fallowing results in a transfer of water to Central Arizona. We believe that fallowing that creates System Conservation water that stays in the River System and Lake Mead is a worthy goal. We will oppose transfer of 4<sup>th</sup> Priority water to Central Arizona.**
- Because we believe this MVIDD water issue will decide the future of our Colorado River Communities, Mohave County is expending significant resources to defend our water. We have worked to purchase agricultural land in Mohave Valley so we as a Board of Supervisors can secure standing to battle MVIDD in Court if we have to do so, and to provide representation of our 200,000 citizens in Mohave County in order to protect the future for those citizens.**
- We do not seek any battles, in court or otherwise. But we will NEVER RETREAT. Protecting water for our citizens is a top priority for Mohave County.**

- **We also commend Governor Lewis at the Gila River Indian Community and his team for their efforts to provide water to CAGR. From the time they provided to us a simple email from the Gila River Indian Community on March 1, 2018, we have understood that they stand ready to provide water for CAP and CAGR's needs. We very much appreciate the hard work they have put in to make this acquisition that you have before you a reality.**

**Thanks for permitting me to speak for my constituents and for all the People of Mohave County.**