



SOUTHERN ARIZONA WATER USERS ASSOCIATION
PO Box 35481
Tucson AZ 85740-5481

December 6, 2010

Tom McCann and Terri Sue Rossi
Central Arizona Project
PO Box 43020
Phoenix, AZ 85080-3020

MEMBERS

Aira Water Co-op

BKW Farms

*Community Water Company
of Green Valley*

FICO/Farmers Water Co.

Flowing Wells Irrigation District

*Green Valley Domestic Water
Improvement District*

Kal Farms

*Town of Marana Municipal
Water System*

Metro Water District

Oro Valley Water Utility

*Pima County Regional Wastewater
Reclamation Department*

Red Rock Utilities, LLC

Sahuarita Water Company

*Town of Sahuarita Wastewater
Treatment and Reclamation Facility*

Tucson Water Department

Dear Mr. McCann and Ms. Rossi:

At the November 17th Broad Implementation Group meeting, CAP staff presented its draft proposal for the CAP ADD Water Program. The Southern Arizona Water Users Association (SAWUA) reviewed the draft proposal and offers the following preliminary comments:

Phased Approach – SAWUA generally supports the proposed phased approach assuming some flexibility is built into the process. For example, consideration should be given for adjustment of launch dates for phases, length of phases and amount of water included in each phase.

Contracts – The draft proposal enables groups of eligible parties to form an entity to purchase an ADD Water contract for assignment to individual parties between phases; however, the proposal intends to prohibit “remarketing”. This concept appears to enable a form of remarketing and should consider potential impacts to costs and availability.

Market-Based Allocation Method – While it is understood the intent of the proposal is to allow participants to determine their own need, the auction concept may inadvertently drive potential contractors away due to their inability to compete financially. Other concerns may stem from the concept of carryover revenues in that earlier round contractors may feel they are subsidizing contractors in later rounds. One concept that may be worth considering is a prorated allocation based on demand. For example, should the demand in round one exceed the 50,000 acre-feet by twenty percent, then each requestor would be granted an allocation that is reduced by twenty percent. Additionally, the water could be sold at the “floor price” without the price escalation that would be expected through an auction process. This would enable participation from a broader group of potential ADD Water contractors, would provide an equitable means to allocate available water and would eliminate concerns regarding subsidies caused by carryover revenues.

CONTACT INFORMATION

Mary Bauer, Executive Assistant
(520) 406-2229
marycbauer@gmail.com

Stuart Goodman, Capitol Lobbyist
(602) 277-0911
sgoodman@goodmanschwartz.com

Achieving long-term quality water for Southern Arizona

www.sawua.org

Tom McCann and Terri Sue Rossi
Central Arizona Project
December 6, 2010
Page 2

Finances – It is understood that the concept is intended to prevent negative financial impacts to CAP. The proposal should consider repayment through ADD Water contracts to offset any upfront costs.

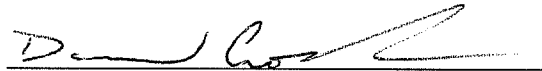
Pre-ADD CAGR D obligations – Uncertainty exists among some Member Service Areas regarding CAGR D obligations that would be considered Pre-ADD. Those obligations should be quantified and clarification should be provided to Member Service Areas for comment and/or input prior to finalizing the proposal.

Additional consideration should be made for cost recovery mechanisms, especially for ACC-regulated water companies.

SAWUA appreciates the effort CAP staff put into preparing this proposal and looks forward to continuing dialogue as the proposal and ongoing committee activities move through the stakeholder process.

Sincerely,

SOUTHERN ARIZONA WATER USERS ASSOCIATION



David Crockett
President