

New Mexico Unit, Central Arizona Project

The Colorado River Basin Project Act of 1968 authorized the Central Arizona Project (CAP) to deliver Arizona's allocation of Colorado River water to central and southern Arizona. It also authorized the Secretary of the Interior to enter into contracts with water users in New Mexico for consumptive use of water from the Gila River in exchange for delivery of CAP water to downstream users in Arizona via "Hooker Dam and Reservoir or suitable alternative" in New Mexico.

Studies by Reclamation in the 1980s eliminated Hooker Dam from consideration and, for various reasons, including endangered species issues, recommended that existing water supplies be used in southwestern New Mexico until they were no longer able to meet local demands. This was estimated to occur in approximately 2010.

Arizona Water Settlements Act

In 2004, the Arizona Water Settlements Act (AWSA) modified the terms of the Gila exchange to reduce the quantity of water available to New Mexico for exchange, and provided funding to construct infrastructure (New Mexico Unit) to divert waters from the Gila River or its tributaries or develop other alternatives in the southwestern New Mexico region to meet demand. The AWSA also shifted the responsibility for deciding whether or not to build the Unit to the State of New Mexico, and required the State to notify the Secretary by December 2014 if they wanted to pursue construction of a Unit.

The Secretary may contract with users in New Mexico for up to an annual average of 14,000 acre-feet of water over any consecutive 10-year period.

Additionally, the AWSA ratified the Consumptive Use and Forbearance Agreement (CUFA), signed by Gila River users downstream in Arizona. The agreement details the conditions that must be met for New Mexico to be able to divert water from the Gila River and tributaries at any given time.

The AWSA provides \$66 million (in 2004 dollars) from the Lower Colorado River Basin Development Fund to be transferred to the State of New Mexico for costs of a Unit or other water utilization alternatives in southwestern New Mexico. The AWSA also sets aside \$34 million (in 2004 dollars) to be applied to the Unit's construction if a Record of Decision approving it is issued by the Secretary by 2019. This date may be extended to 2030 by the Secretary for reasons beyond the control of New Mexico. AWSA identified an additional \$28 million for construction of a Unit if there are sufficient earnings in the Lower Colorado River Basin Development Fund. Earnings to date do not support this additional level of funding.

If a Unit is ultimately constructed, New Mexico is responsible for capital costs in excess of funding provided by the AWSA, operation and maintenance costs, and the costs of the CAP exchanged water for delivery in Arizona per the CUFA. The current rate for this exchange water is \$157 per acre-foot for CAP fixed Operations, Maintenance, and Replacement costs and CAP pumping energy costs. This rate varies annually.

Reclamation is the lead agency for environmental compliance activities associated with a Unit, and the New Mexico Interstate Stream Commission is joint lead agency.

Current Activities

Since 2004, the New Mexico Interstate Stream Commission has investigated potential Unit alternatives and other water utilization alternatives to meet water demands in the region. Reclamation provided technical assistance to the Commission at their request. Reclamation's appraisal report, published in June 2014, identified numerous diversion, off-stream storage, and conveyance options as potential alternatives to Hooker Dam. To better develop and compare alternatives, a Value Study was being conducted and results will be available in early fall of 2015.

The State of New Mexico notified the Secretary in November 2014 that it intends to pursue

construction of the Unit. The AWSA requires that the Secretary and the New Mexico CAP Entity sign the New Mexico Unit Agreement within one year of the State's notification. This Entity was designated by New Mexico to enter into the Agreement and fulfill responsibilities outlined in the Agreement. The terms of the Agreement were largely negotiated prior to passage of the AWSA and are included in the CUFA document.

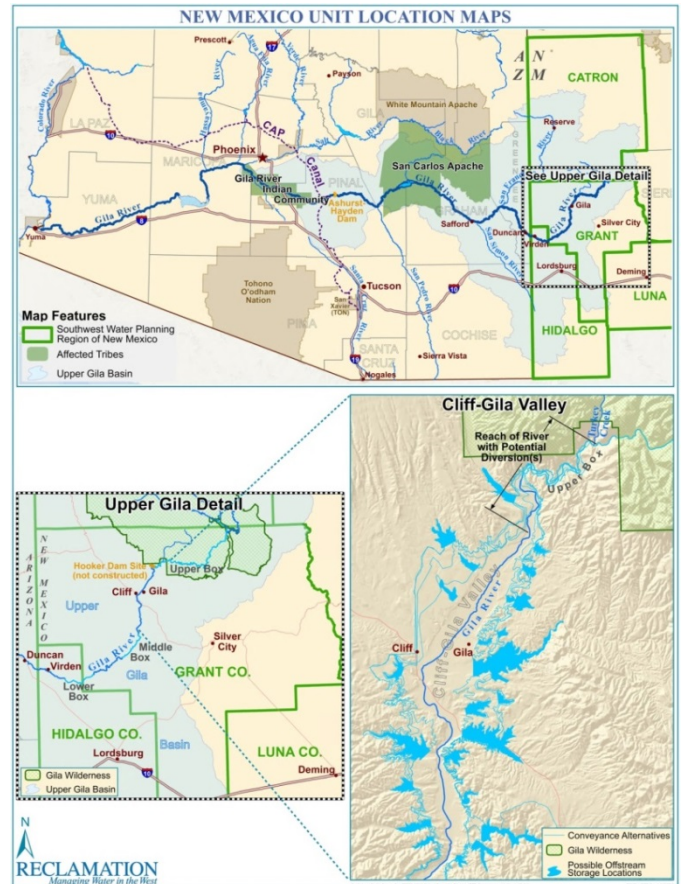
The Secretary and the New Mexico CAP Entity will finalize the terms of the Agreement, including the description of the Unit and supplemental terms, and sign the agreement by November 2015.

Upon execution of the Agreement, a National Environmental Policy Act (NEPA) analysis and other environmental compliance activities will commence. A memorandum of understanding (MOU) will be developed between Reclamation and the Commission as joint leads outlining roles and responsibilities, funding arrangements and other requirements of the environmental compliance process. The NEPA process – including public scoping - will be conducted within the timeframe allowed by the AWSA, culminating in the Secretary issuing a Record of Decision with a final recommendation on a preferred alternative.

If a Unit is identified as a result of the NEPA process and supported by the Secretary's Record of Decision, Reclamation is authorized to design, construct, operate and maintain the Unit. Any or all of these responsibilities would be transferred to the New Mexico CAP Entity if

requested. The New Mexico CAP Entity will also hold title to the Unit.

Many parties have approached Reclamation for information related to requirements of the AWSA and CUFA, and anticipated next steps. Reclamation will continue to respond to these requests and provide information in a transparent, timely, and inclusive manner.



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