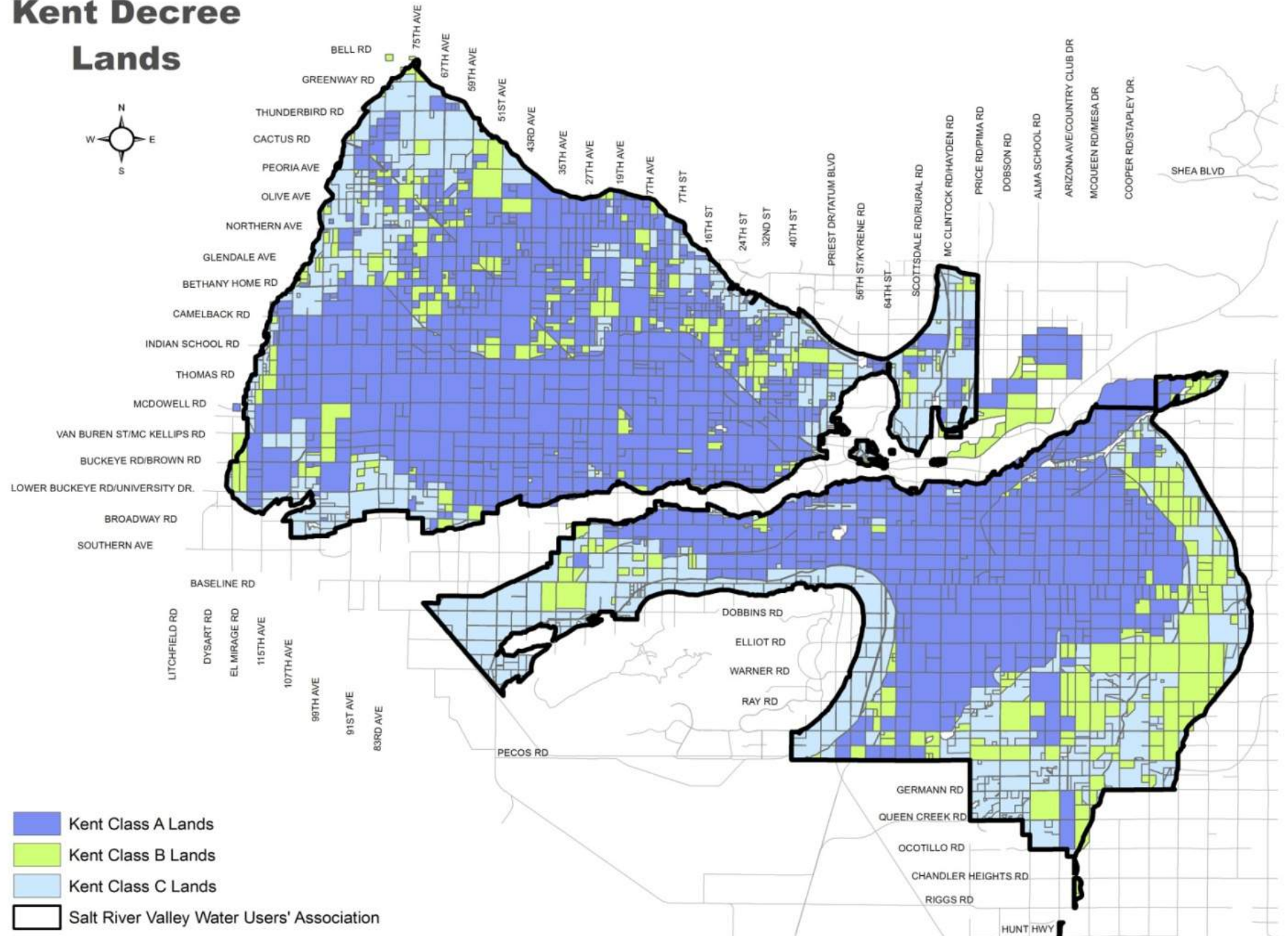
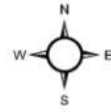


September 24, 2019

SRP Surface Water Sources

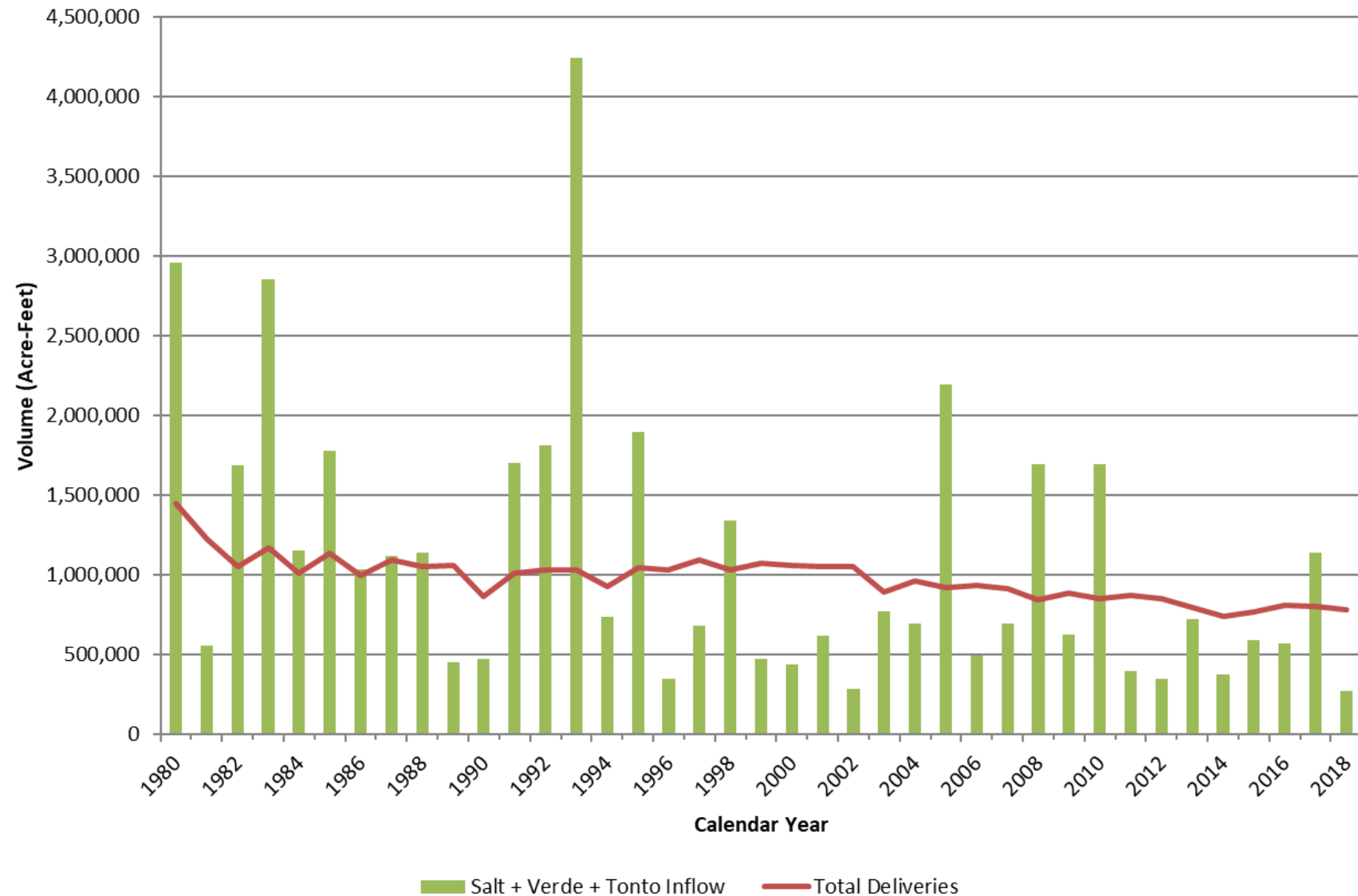


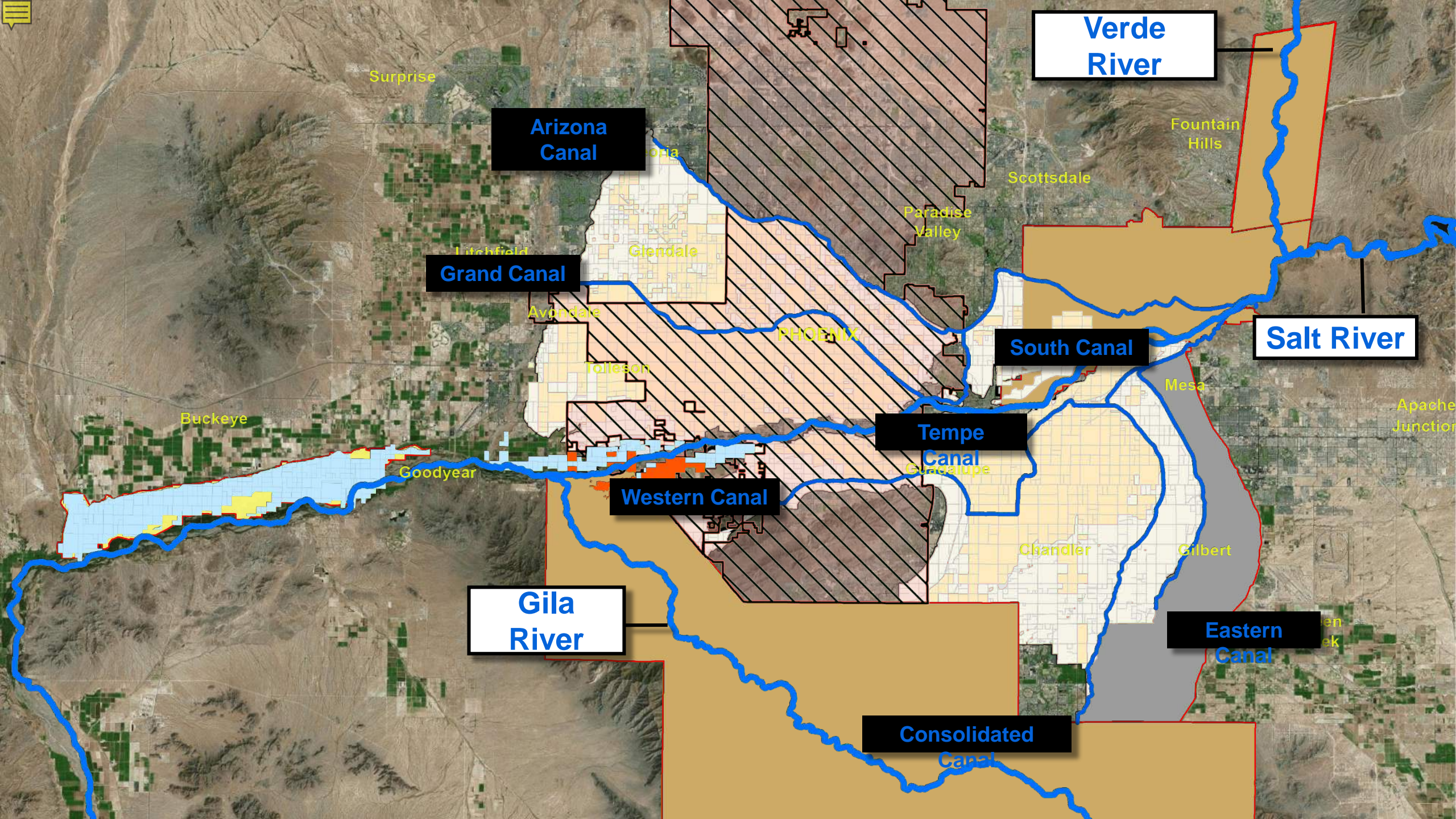
Kent Decree Lands



Delivering water and power™

Reliability from Variability





Verde River

Arizona Canal

Grand Canal

South Canal

Salt River

Tempe Canal

Western Canal

Gila River

Consolidated Canal

Eastern Canal

General Stream Adjudications

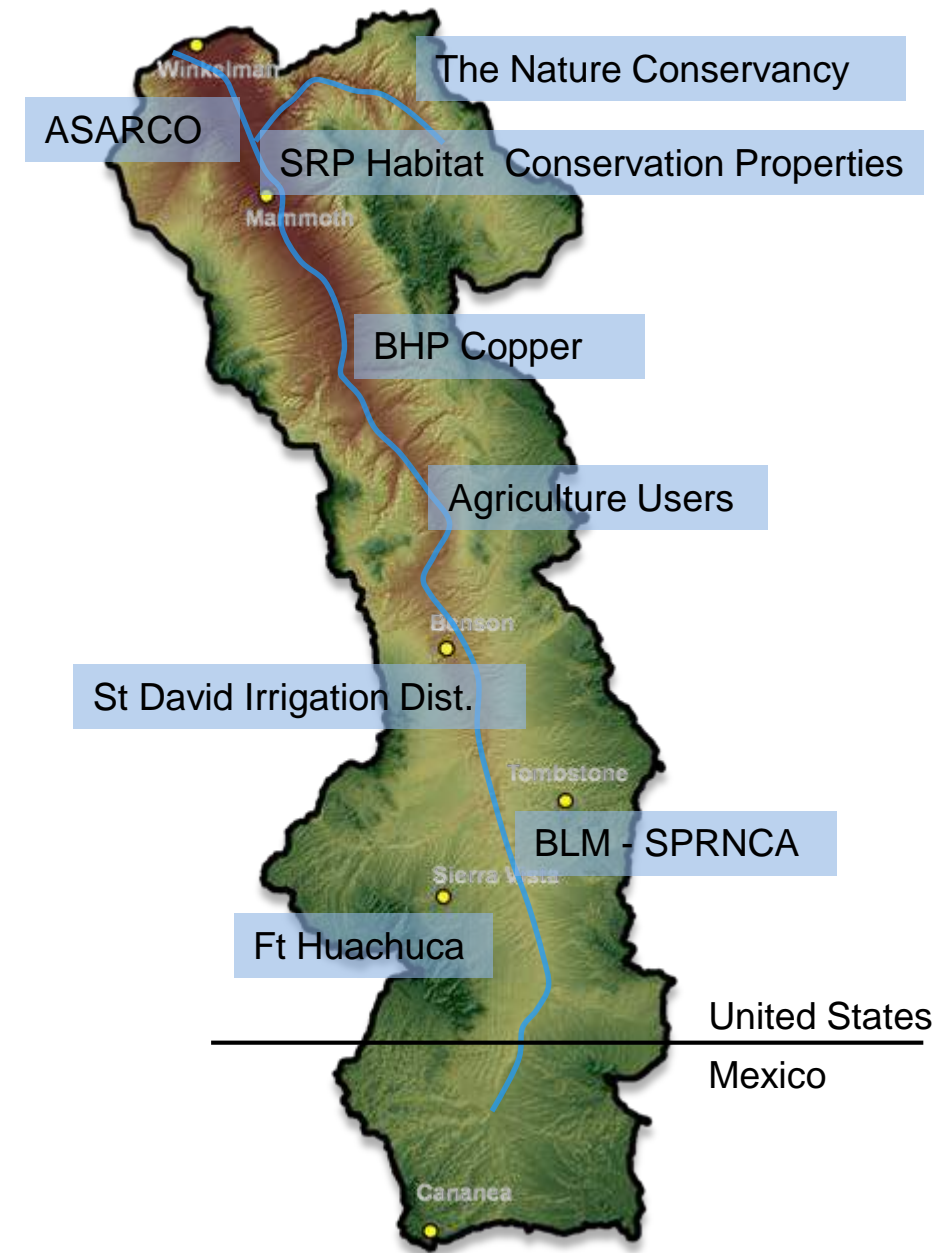
Adjudication	Gila River	Little Colorado River
Court	Maricopa County Superior Court	Apache County Superior Court
Watersheds	Upper Salt, Verde, Upper Gila, Lower Gila, San Pedro, Agua Fria, Upper Santa Cruz	LCR and tributaries
No. of parties	~24,000	~3,100
No. of claims	~87,000	~15,000
Judge	Hon. Mark Brain	Hon. Mark Brain
Special Master	Hon. Susan Ward Harris	Hon. Susan Ward Harris





San Pedro Contested Cases

- 60+ Active contested cases*
- 2 Contested cases for SRP's claims, 1 settled
- SRP is engaged in every contested case
- Recent Issues of broad legal significance
 - Irrigation quantification
 - Forfeiture
 - Chain of Title

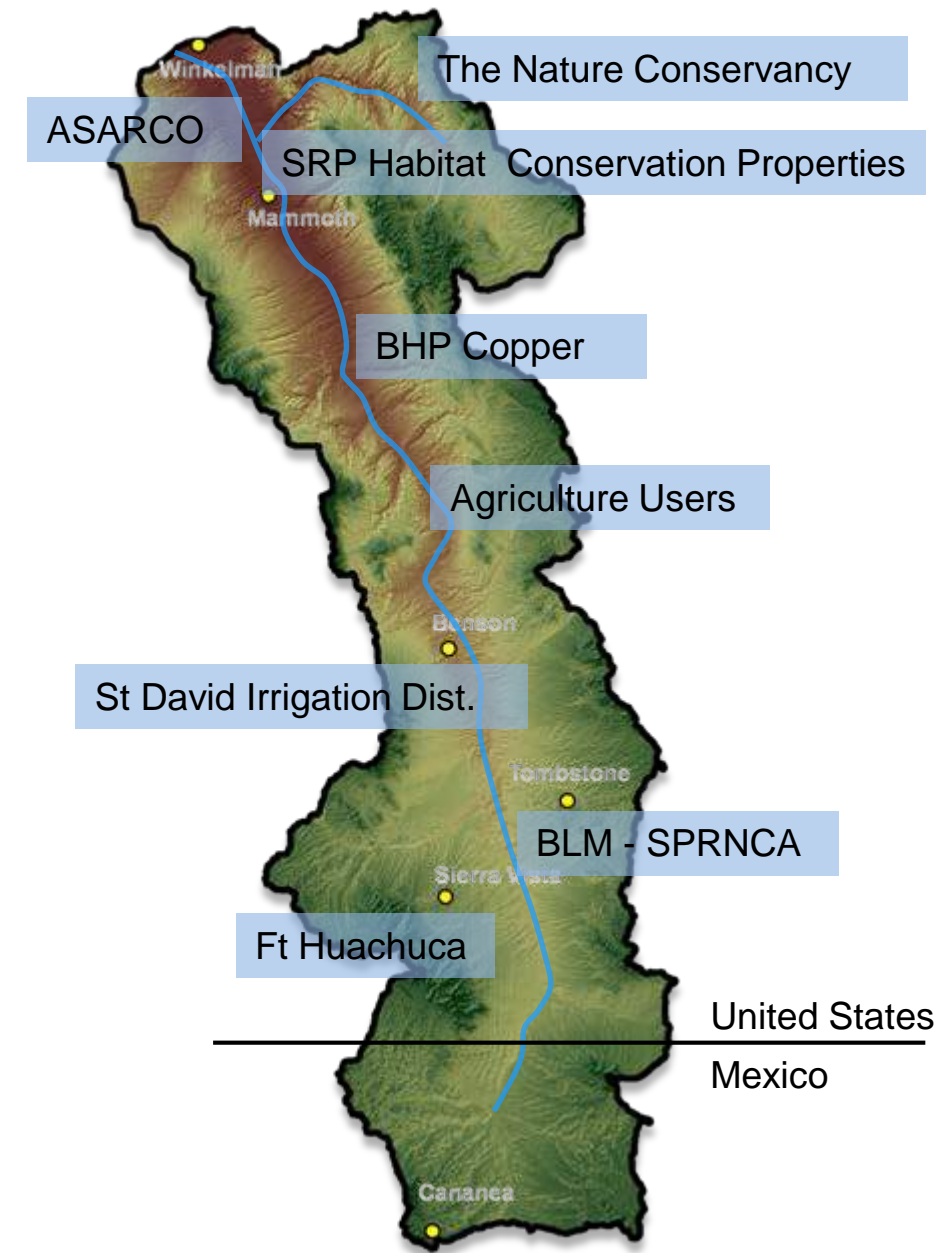




San Pedro Contested Cases

Takeaways

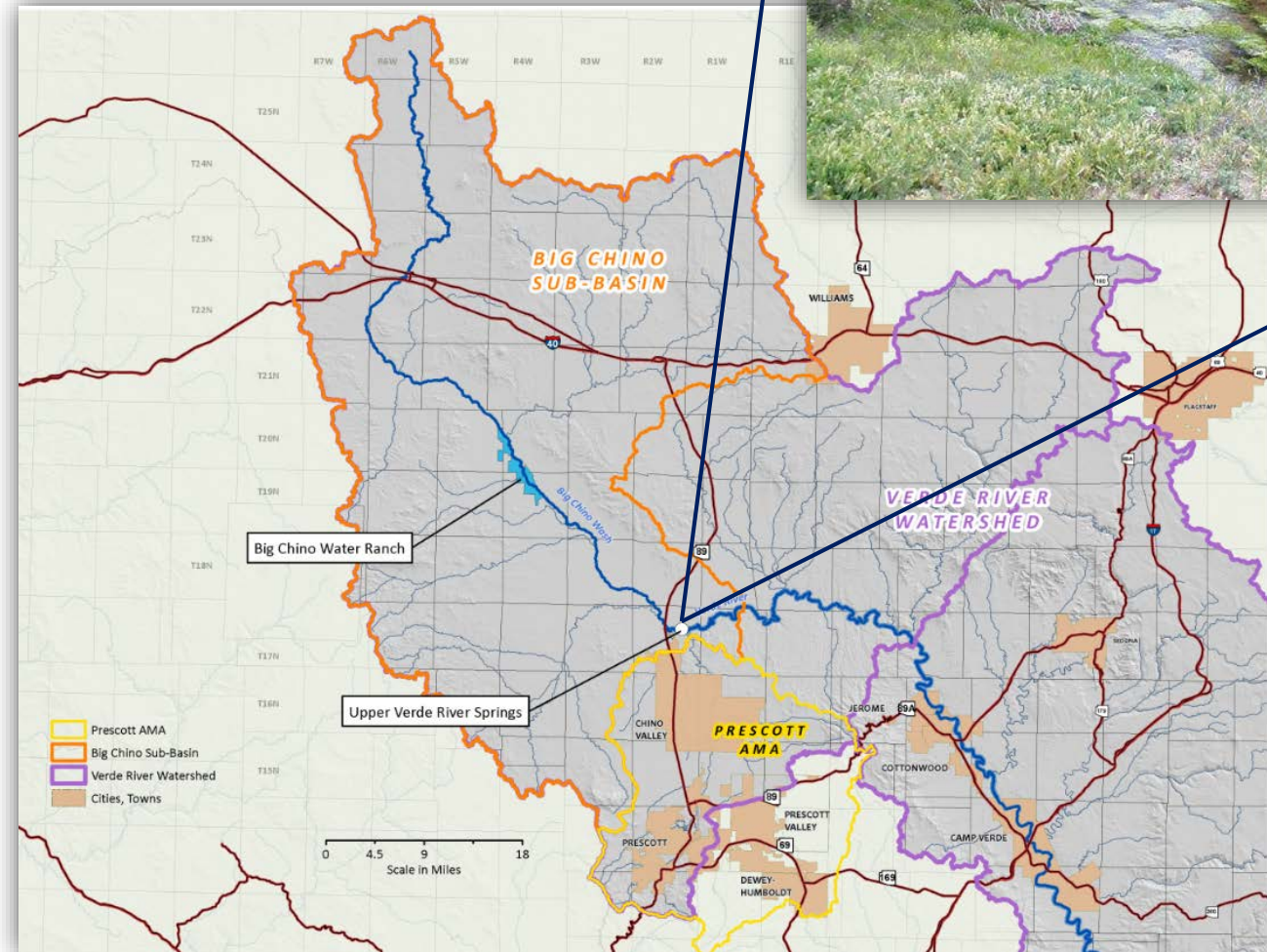
- Many water right claims are being dismissed
 - Non-responsive claimants
 - Expense of participation
- Many claimants are consolidating their claims with other claimants
- Settled cases are positive, but time consuming
- SRP historic information useful
- Settled cases have been for smaller claims



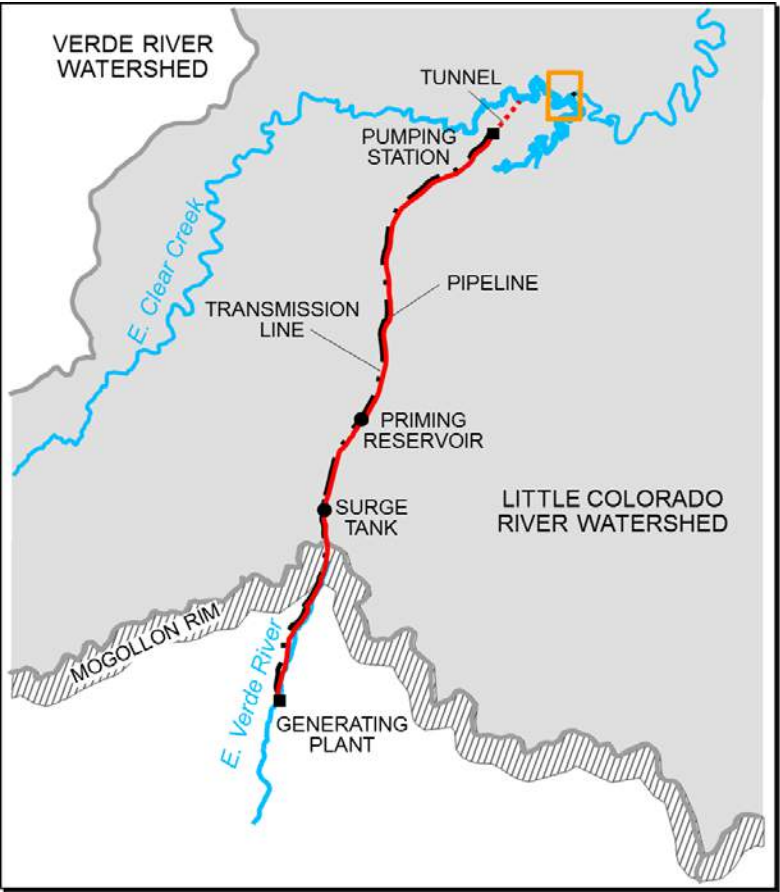
SRP/Prescott/Prescott Valley

Three Party Agreement:

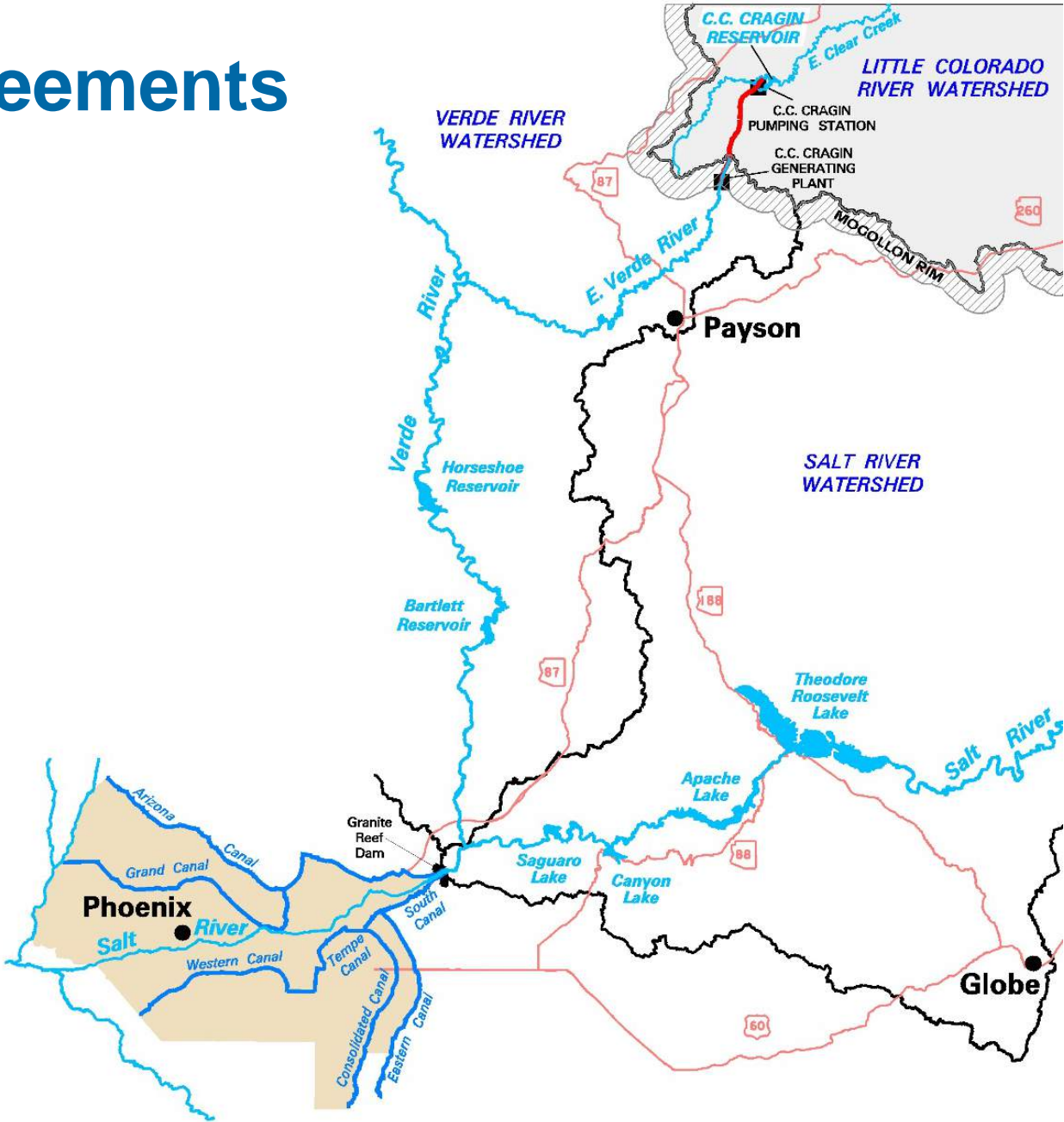
- Resolves litigation issues
 - Agreement based on 4 M's
 - Monitoring
 - Modeling
 - Management
 - Mitigation if necessary
- Protects the headwaters of Verde River



C. C. Cragin Water Right Agreements



- Transmission Line
- Pipeline
- Watershed Boundary
- Phelps Dodge Land sold to SRP



C.C. Cragin Water Right Agreements

Objectives

- Resolve water right conflicts
- Provide sustainable source of water supply
- Develop water delivery and use agreements
- Partial severance and transfer of water rights to community water service areas
- Water providers obtain a legal right to surface water





Water Issues facing the Verde Valley

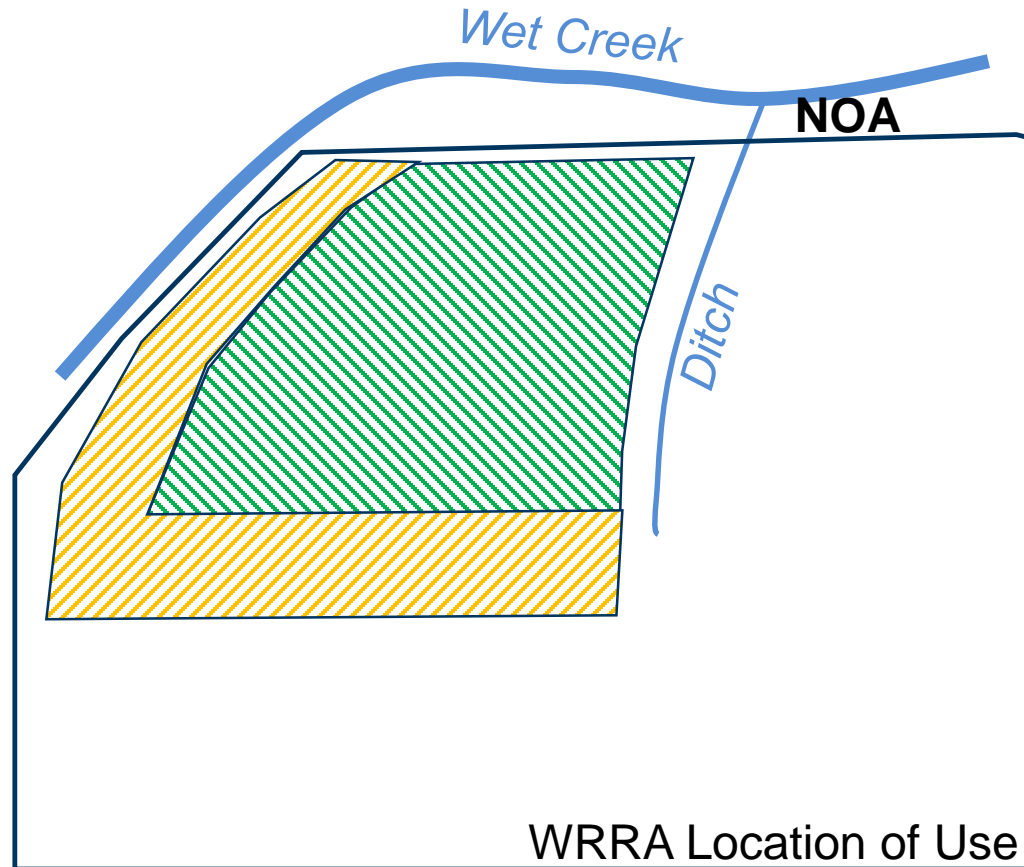
Groundwater withdrawals

- Growing communities need water
- Lack of groundwater regulation
- Lack of data
- Few tools for rural communities to transition from surface water irrigation to domestic water uses

Real estate transactions

- Questionable assertions about water rights
- Outdated water right filings
- Lack of information about water rights

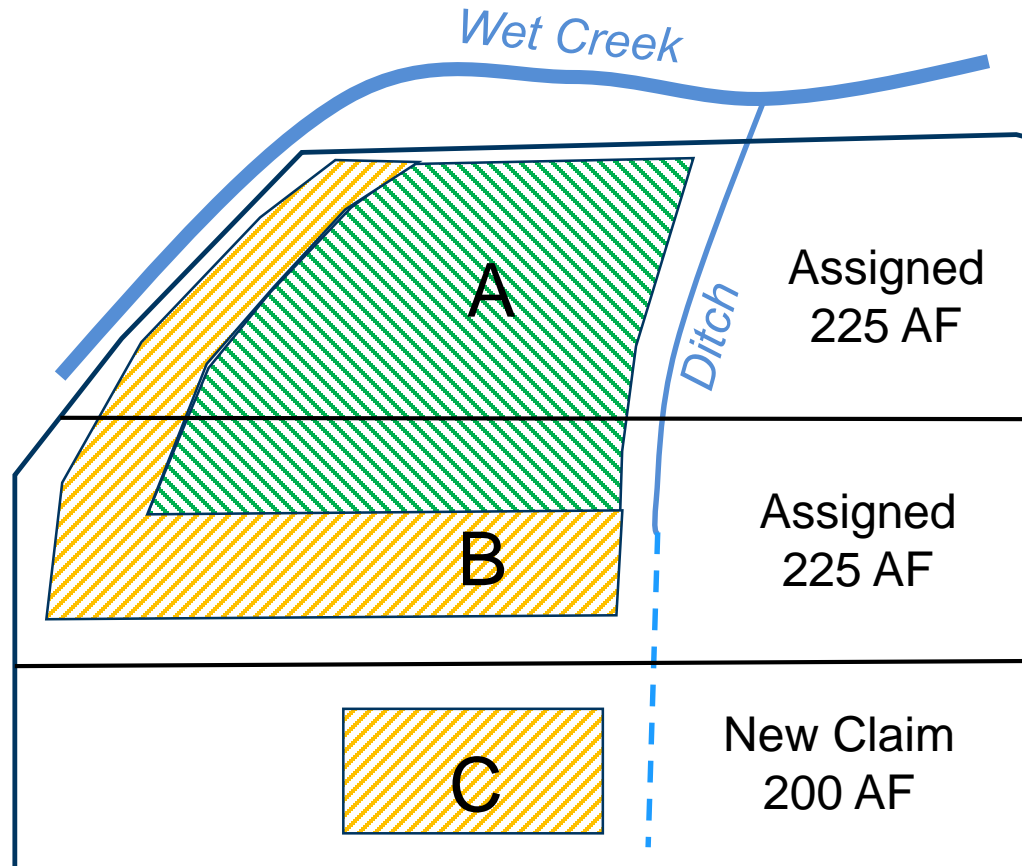
Water Rights Transaction Case Study: A-Z Ranch



How does this Happen?

- Land settlement on 75 acres (1895)
- Notice of Appropriation (1898)
- Actual water use begins (1895-1919)
~30 acres
- Expanded water use ~15 acres (1919-1950)
- Water Right Registration Act (36-) (1974)
 - Claims 45 acres as irrigated pre-1919
 - Claims 675 acre feet (15 AF/acre)
 - No documentation showing how quantity was calculated
 - Basis of Claim references the Notice of Appropriation, deed records, land patents.

Water Rights Transaction Case Study: A-Z Ranch



How does this Happen?

- Land is subdivided and sold (1980).
- Claim gets assigned to Landowners "A" and "B" (2002).
- Landowner "C" files new Statement of Claim using the original claim as the basis of claim (2008) for subdivided portion.
 - Claim is for 200 AF on 25 acres (8 AF/acre)
 - Expansion of Post-1919 water uses on ~5 acres (2010)
- Parcel "C" is marketed as having "25 acres with 200 acre feet of pre-statehood water rights from Wet Creek." (today).



Real Estate Buyer: Questions to Ask

- What ADWR filings have been filed for the water use on the property?
 - 39 – Statement of Claimant
 - 36 – Water Right Registration Act
 - 38 – Stockpond
 - 33 – Application to Appropriate (4A, 3R are similar)
 - 55 – Notice of Intention to Drill a Well
- Are the ADWR filings current?
 - Landowner name, address
 - Type and place of use
 - Point of diversion
 - Quantities claimed
- What is the basis of claim? Is there documentation provided in the claim?

Real Estate Buyer: Questions to Ask

- Do the quantities claimed correspond to current uses? Are they exaggerated?
- What summaries, appraisals, or agreements are there regarding the water rights on the property?
- What documentation is there about the history of water use on the property?
- Where can I get more information?
- When should I consult with a water attorney?

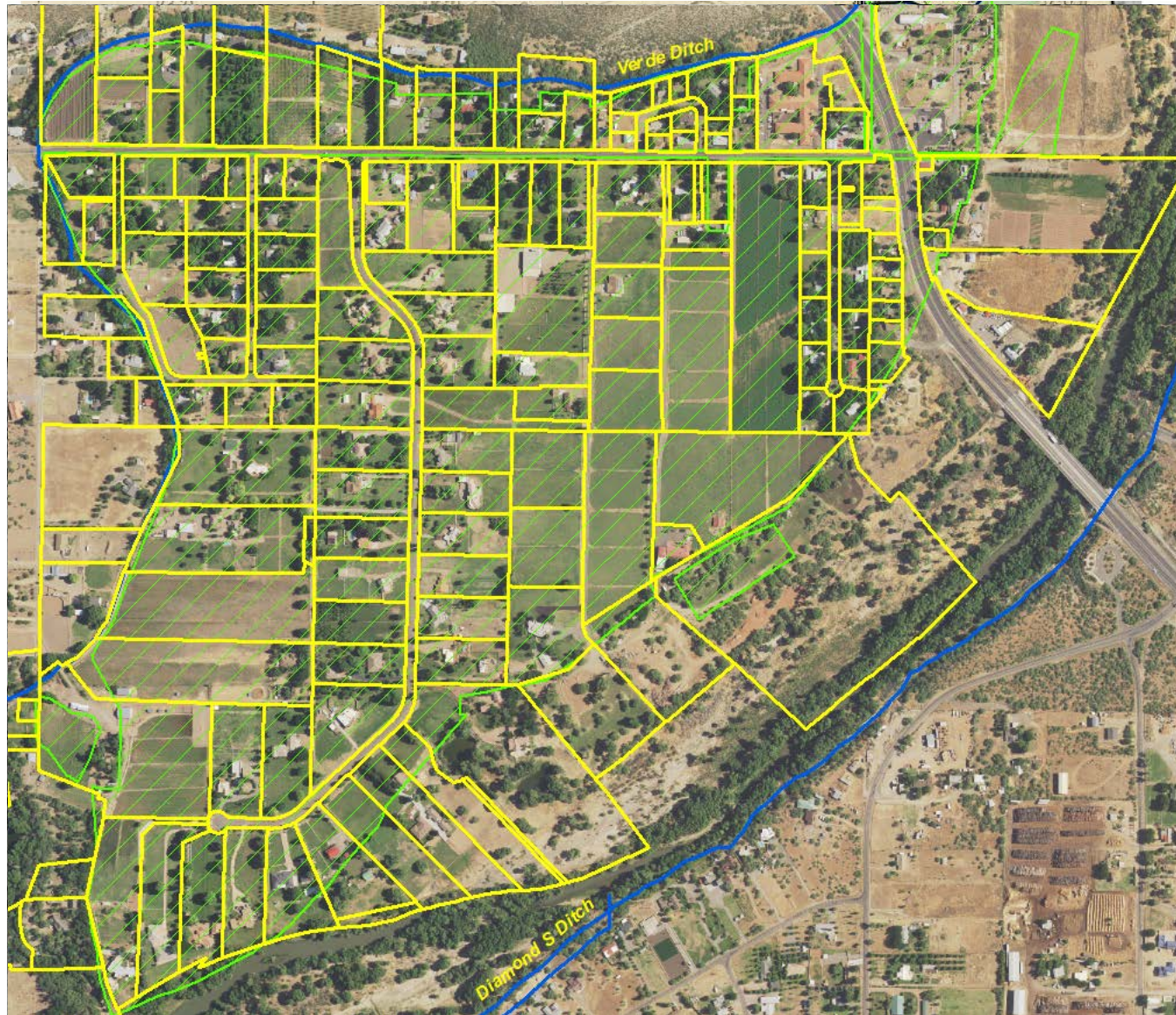
Verde Valley Historic Water Use Agreements

Goals:

- Resolve water right issues
- Enter into agreements between SRP and landowners under ditch systems
 - Recognize the extent of historic water use acres
 - Resolution prior to Adjudication provides greater certainty



HWU Summary Process



HWU Summary Letter



Delivering water and power™

John & Jane Green
PO BOX 1234
CAMP VERDE, AZ 86322

Water Rights & Contracts
PAB38IW | P.O. Box 52025
Phoenix, AZ 85072-2025
P: (602) 236-6548
verdeiver@srpnet.com | srpnet.com

April 12, 2019

Dear VDC Shareholder,

As you may or may not be aware, there is a legal case pending in the Superior Court of Arizona involving the right to use water in the Verde Valley. This case, known as the General Stream Adjudication, is intended to determine the rights to use water in the Verde Valley and elsewhere in Arizona.

For years there has been misunderstanding and fear about the adjudication and what it will mean for the thousands of water users. Because completing the Adjudication has languished, there is concern for those who have invested in the use of surface water on their lands, and it creates an impediment for individuals, entities, and communities to manage their water resources.

For the past several years, the Salt River Project (SRP) has been working with several irrigation ditch companies in the Verde Valley, including the Verde Ditch Company (VDC), to better understand, map, and agree upon those areas of beneficial water use established prior to the enactment of the State Water Code of 1919. Identifying these areas of pre-1919 or "historic water use" allows interested parties to enter into agreements that recognize water uses from the irrigation ditches. The ability of landowners and SRP to come to agreement between themselves has NOT changed in light of the recent Appeals Court decision relating to the Verde Ditch.

The reason for Verde Ditch shareholders to reach an agreement is to resolve any differences with SRP and its shareholders who have well established and significant water uses in the Phoenix metropolitan area. Resolving any differences over water rights with SRP now ensures that landowners in the Verde Valley can make decisions regarding the use of their lands with more certainty today, rather than continuing with uncertainty while the Adjudication progresses.

Approximately 90% of the lands served by the Verde Ditch are recognized as having a pre-1919 basis for their water use and are on par with those of SRP shareholders. Unfortunately, some

APN: 404-12-345A

1

SRP Water Use Summary - Verde Ditch

GREEN JOHN & JANE

404-12-345A

101 Easy St.

Due to the rectification process of aligning aerial photography and historic water use data, visual and acreage discrepancies may be noted. The photo on this page was taken during May 2013.



Parcel Boundary

Area of Historic Water Use
(Acres: 1.16)

Parcel Size per Yavapai County: 1.16
Shares per Verde Ditch Co.: 1.16

Status: All historically irrigated land is still irrigated.

This review is preliminary and based on current and historic information that SRP has access to, but does not necessarily represent all information that exists. We would like to meet to share information and explore ways that any concerns can be resolved. SRP's goal is to reach agreement with the VDC shareholders. By doing so, we build a more certain water supply future for everyone. Please call to talk about this work 602-236-6548. Subject to AZRE 408.



Verde Valley Historic Water Use Agreements

What the Agreement Says:

- Recognizes Historic Water Use
 - Pre-1919 water uses
 - Post-1919 water uses with certificate
 - Water Rights that have been S&T
- Recognizes the area (acres) of Historic Water Use
- Parties agree not to contest these uses in Adjudication or other legal proceedings
- Allows for state approved water rights transfers in the future
- Agreement is recorded with Yavapai County

What the Agreement Does Not Say:

- Does not require or mention water metering or reporting
- Does not address quantity
- Does not address priority date
- Does not prohibit or limit use of well (or other water sources) on Historic Water Use lands



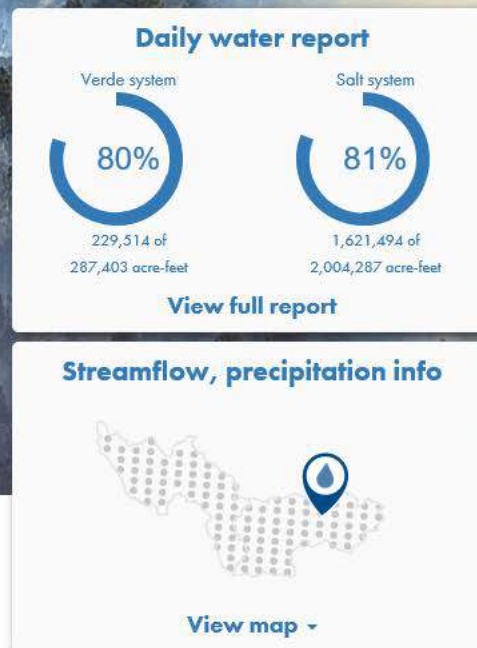
Questions?



Delivering water and power™

SAVING CRAGIN

Decision clears the way for prescribed burns, thinning to protect vital reservoir



A Healthy Watershed

SRP invests in 'Future Forests' to reduce wildfire risks



Protecting Native Species

SRP celebrates anniversary of wildlife conservation efforts



Story of the Century

Partnership that helped shape the West turns 100

Resources

- Teaching water safety [🔗](#)
- SRP's delivery system [🔗](#)
- Verde and Salt rivers reservoirs [🔗](#)

Other watershed initiatives

- Northern Arizona Forest Fund
- Annual bird surveys
- Trees for Change

SRP websites

- SRPnet.com [🔗](#)
- SRPwater.com [🔗](#)
- DroughtFacts.com [🔗](#)

