

COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
130 W. CONGRESS, TUCSON, AZ 85701-1317
(520) 740-8661 FAX (520) 740-8171

C.H. HUCKELBERRY
County Administrator

December 14, 2007

Arturo Gabaldón, President
Community Water Company of Green Valley
1501 South La Cañada Drive
Green Valley, Arizona 85614-1600

Re: Prepared December 4, 2007 Remarks Regarding a Proposed CAP Water Delivery System

Dear Mr. Gabaldón:

Thank you for the comments you presented at the December 4, 2007 Board of Supervisors meeting on the proposed CAP Water Delivery System. I would like to respond to some of the comments you made.

- **Sizing of the CAP Pipeline** - You stated there is not enough capacity at the 54-inch CAP terminus at Pima Mine Road to fill a 72-inch pipeline. The Sahuarita-Green Valley Area Central Arizona Project Water Use Feasibility Study prepared by Malcolm Pirnie in 1998 (Malcolm Pirnie Report) stated that the Reach 6 pipeline consists of approximately 37,900 feet of 72-inch concrete cylinder pipe and 1,200 feet of 54-inch diameter concrete cylinder pipe.

The report also noted that CAWCD connected a 36-inch pipeline to the 54-inch section of the terminus to convey CAP water to the Pima Mine Road Recharge Facility. The report goes on to say that because CAWCD is still pursuing an easement leading to the 72-inch section of the Reach 6 pipeline from Pima Mine Road, it will be assumed that if a pipeline is extended from the terminus to serve the Sahuarita-Green Valley area, the Pima Mine Road Recharge Facility pipeline will be re-routed to tie into the 72-inch pipeline. Therefore, a proposed CAP line could connect to the existing 72-inch pipeline.

- **Offer to Build the Pipeline** - You stated that Community Water Company initiated negotiations with Augusta Resource Corporation. We stand corrected. We would have no way of knowing, since the negotiations are private.

Arturo Gabaldón

Prepared December 4, 2007 Remarks Regarding the Proposed CAP Water Delivery System

December 14, 2007

Page 2

- **Financial Responsibility to Mitigate Large-Scale Water Use** - We both agree it is not feasible or responsible to expect water providers to shoulder the entire responsibility of mitigating the water usage of large-scale agriculture and industrial users. In my October 2, 2007 report to the Board of Supervisors, I noted that mines and agriculture consume most of the groundwater and hence cause most of the groundwater overdraft in the Upper Santa Cruz Basin.

I noted that these water use sectors need to financially participate in and become a partner in the long-term solution. I am encouraged by the formation of the Upper Santa Cruz Providers and Users Group as it includes the major water use sectors. Their mission statement "is to bring CAP and other renewable water resources to the greater Green Valley-Sahuarita region to meet the long-term demands on the local aquifer supporting growth, lifestyle and the environment."

- **The Issue That There is No Requirement That Rosemont Fund the Project if the Mine is Not Developed** - You feel this issue is not relevant. Until a contract between Community Water Company and Augusta Resource or Rosemont Copper Company is executed that expressly states that Rosemont will pay for the CAP Pipeline, irrespective of the mine development, there is no contractual obligation decoupling the two issues.
- **The Pipeline Can Be Upsized at This Phase of the Design Effort** - The planning schedule provided in the Letter of Intent called for the design, construction, operation and management agreements to be in place by November 2007 and for construction to occur between December 2007 and July 2009. Assuming the pipeline could be upsized, additional land for recharge facilities or provisions for direct delivery (including water treatment) are all factors that would need to be incorporated into the design along with any engineering issues associated with the increase in pipeline size. With the time limits identified in the Letter of Intent, it is not clear how design changes could be made. At the October 30, 2007 community forum, you stated the Augusta Resource agreement would need to be extended to accommodate the land acquisition process. It is not clear how long this agreement has been extended. If the pipeline can still be upsized, what is the time frame for doing so?
- **The Proposed Recharge Site is in a Different, Unrelated Location from Where Rosemont will be Drawing Groundwater** - At the October 30, 2007 CAP forum, you stated the preferred option is an artificial recharge facility located on State Trust Land east of Nogales Highway. Our concern is that the recharge will occur three miles southwest of the Rosemont recovery wells located east of the Town of Sahuarita on Davis Road.

The terminus of the CAP pipeline at Pima Mine Road is only 6.5 miles from the Rosemont recovery wells. Rosemont could take direct delivery of CAP water for its mining operations by building a 6.5-mile pipeline from the terminus of the existing CAP line to the 53-acre Rosemont Mine well site. Our concern with Augusta's current recharge and

Arturo Gabaldón

Prepared December 4, 2007 Remarks Regarding the Proposed CAP Water Delivery System
December 14, 2007

Page 3

recovery plan is that the recovery pumping would occur adjacent to Pima County residents in Sahuarita Heights. Residents are concerned that recovery of water by Augusta Resource for mining purposes will lower the water table and cause harm to those who rely on existing wells.

Farmers' Investment Company and Farmers' Water Company also have filed objections with the Arizona Department of Water Resources in the issuance of a Permit to Withdraw Groundwater in this area and officials with the Town of Sahuarita have questioned Augusta Resource's groundwater pumping in this area. Augusta Resource's use of groundwater pumping in this area is directly linked to Community Water's agreement with Augusta.

An additional concern with the Community Water Company's proposed recharge site is its proximity to the Green Valley Wastewater Treatment Facility. We believe the proposed site is within ½-mile of the Facility and the Quail Creek Effluent Storage site. However, we do not have sufficient information on the location of the proposed site. The potential for mounding to the surface and interfering with reclaimed water recharge storage is eminent. An impact analysis should be conducted to evaluate the intersection of Community Water Company's recharge mounds of CAP water and the existing Pima County wastewater percolation basins and Quail Creek's underground storage facility.

Additional groundwater modeling may provide more information on the impacts of CAP recharge and Augusta's withdrawal. Until all these impacts are known, we understandably have concerns about this proposal.

- **No Commitment Regarding the Fate of CAP Water Stored by Rosemont is Both Incorrect and Not Relevant** - The Letter of Intent has no provisions detailing what will happen to storage credits in the event the Rosemont Mine is not built. Augusta Resource may extinguish, sell, or otherwise dispose of the credits at its sole discretion. Long-term storage credits may be sold to an entity that will recover in areas that may have adverse impacts to Pima County residents or natural resources. This is relevant because the storage credits would be generated at a facility owned and operated by Community Water Company. Unfortunately, these issues would not be resolved until the final contract is executed.
- **The Agreement Clearly Advantages Rosemont and Fails to Recognize That Community Water is Also Given Advantages** - Community Water Company is to be commended for actively seeking to bring renewable and potable water to the Green Valley area. The long-term sustainability for the Upper Santa Cruz Basin centers on all the water use sectors participating in bringing Central Arizona Project water to the area, with costs shared in proportion to the use. However, the advantages to Rosemont at the expense of this area's best interests should not be overlooked:

Arturo Gabaldón

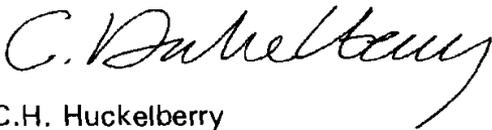
Prepared December 4, 2007 Remarks Regarding the Proposed CAP Water Delivery System
December 14, 2007

Page 4

- Any potential new mine development should be using CAP water directly, rather than recharging water and then recovering it in an area that will negatively impact Pima County residents, businesses and the natural environment.
- The Letter of Intent states that Augusta Resource has first priority over the use of the water delivery system and recharge facilities design capacity for 15 years from the initial operation.
- The project team (which includes Community Water Company) will make its best effort to obtain sufficient water to meet Augusta Resource's recharge commitment, which essentially means Community Water Company will help provide the mine sufficient water.
- **One Can Oppose the Development of the Rosemont Mine and Still Support a Rosemont-funded CAP Pipeline** - Given the benefits this agreement gives Augusta Resource and Pima County's opposition of the Rosemont Mine, the two issues are not mutually exclusive.

In summary, our goals are not dissimilar; the County simply does not agree with using the Rosemont Mine as a mechanism to extend the Central Arizona Project water delivery system to Green Valley. As stated previously, it is encouraging to see the formation of the Upper Santa Cruz Providers User Group. I hope Community Water Company will be a willing participant as we seek sustainable water options in the Sahuarita-Green Valley area.

Sincerely,



C.H. Huckelberry
County Administrator

CHH/jj

- c: The Honorable Chairman and Members, Pima County Board of Supervisors
John Bernal, Deputy County Administrator - Public Works
Suzanne Shields, Regional Flood Control District Director
Kathleen Chavez, Water Policy Manager, Regional Flood Control District