

EVALUATION PROCESS AND APPLICATION FOR PROJECTS OR WATER UTILIZATION ALTERNATIVES PROPOSALS TO BE FUNDED UNDER THE ARIZONA WATER SETTLEMENTS ACT

SUMMARY OF PROCESS

Pursuant to the Arizona Water Settlements Act of 2004 (AWSA), P.L. 108-251, the New Mexico Interstate Stream Commission (ISC) will accept applications for the New Mexico Unit of the Central Arizona Project (NM Unit) or water utilization alternatives that meet water supply demands to be funded with funds available under the AWSA. Application submission and evaluation will be in a two-tiered format. Applications for proposals satisfying both tiers may be considered by the ISC for further review and possible funding as the State develops a plan for developing AWSA water and available funding.

Tier-1: Tier-1 applications must provide, as best and with as much detail as the applicant is able, the information required in Section 1. Applicants seeking an optional preliminary review of an application must submit the Tier-1 application by May 1, 2011. Final Tier-1 applications must be submitted no later than June 30, 2011. **Applications to develop AWSA water or funding will not be accepted after June 30, 2011.**

Tier-2: Only those applications that satisfy Tier-1 requirements will be eligible for Tier-2 consideration. Applicants seeking an optional preliminary review of a Tier 2 application must submit the by October 14, 2011. Final Tier 2 applications must be submitted by December 15, 2011. Only those applications that qualify for Tier-2 consideration will be eligible for selection by the ISC for initial funding and/or further study and assessment.

Individuals and entities eligible to submit applications include: (i) local governments or municipalities; (ii) soil and water conservation districts, irrigation districts or commissions, acequias, or other political subdivision of the State of New Mexico; (iii) institutions of higher education or a consortium of such institutions; (iv) non-profit organizations or associations; (v) private individual/s; (vi) corporations; and (vii) federal agencies.

Section 1. Tier-1 Applications

Tier-1 applicants must use the Tier-1 application form. The application and schedule is attached or is available on the ISC's website at http://www.ose.state.nm.us/isc_colorado_gila_sanfran_committee.html. The preferred method to submit Tier-1 applications is electronically via email to craig.roepke@state.nm.us. Alternatively, ten (10) hardcopies may be delivered via postal mail or courier service with a postmark or courier service's time and date stamp dated on or before 5:00 pm MST on June 30, 2011. Hardcopy applications may be requested from the New Mexico Interstate Stream Commission, Attn: Craig Roepke, P.O. Box 25102, Santa Fe, NM 87504-5102. Completed hardcopy applications should be sent to the New Mexico Interstate Stream Commission, Attn: Craig Roepke, P.O. Box 25102, Santa Fe, NM 87504-5102, or delivered to the ISC at 407 Galisteo Street, Bataan Memorial Bldg. in Santa Fe.

Comprehensive responses to each criteria listed should be supported by the best available science and scientific data, studies, models, and, where applicable, cite state, regional, or other water plans. Where such data and information is not available, applications should include best estimates and describe how such information would be obtained. Applications that do not include the requested information will not satisfy Tier-1 standards and, therefore, will not be eligible for Tier-2 consideration.

Tier-1 Evaluation Panel. The Tier-1 Evaluation Panel will consist of technical staff representing New Mexico Environment Department,; New Mexico Energy, Minerals and Natural Resources Department; New Mexico Department of Game and Fish; Office of State Engineer, and ISC. ISC shall also provide legal counsel. The Panel will evaluate each application according to the Tier-1 criteria below.

Tier-1 Evaluation Method. The Tier-1 Evaluation Panel will evaluate Tier-1 applications against the Tier-1 criteria and will score the application on a pass/fail basis. An application failing any of the criteria shall be judged to have failed the Tier-1 evaluation. The Panel will complete initial evaluations by July 31, 2011 and submit the Panel's final evaluations to the ISC by August 29, 2011.

Optional Preliminary Review. Applicants may request an optional preliminary review by submitting the application with a request for a preliminary review by May 1, 2011. The Tier-1 Evaluation Panel will conduct the preliminary review and responses will be mailed to applicants no later than June 1, 2011. The preliminary review will only examine the application for completeness; i.e., look for missing required responses or information. At the sole discretion of the Panel, the Panel may indicate where information or data should be clarified or strengthened. The Panel's response to a preliminary review does not guarantee or certify that an application is complete or that it satisfies Tier-1 criteria. Request for a preliminary review does not constitute application submission by the June 30, 2011 deadline; an applicant must submit a final Tier-1 application by the June 30, 2011 deadline for full consideration by the Tier-1 Evaluation Panel.

TIER-1 CRITERIA

1. State whether the proposal is for the "New Mexico Unit," a "water utilization alternative," or both. A "New Mexico Unit" is a project or activity that will develop additional water from the Gila basin above that allocated to New Mexico prior to the 2004 AWSA and require the Secretary of the Interior to exchange CAP water for any additional depletions in New Mexico. A "water utilization alternative" is a project or activity that does not develop additional water from the Gila basin above that allocated to New Mexico prior to the 2004 AWSA or does not require exchange of CAP water for additional depletions by New Mexico in the Gila basin. (see Exhibit A. **Interstate Stream Commission Gila Policy Statement, September 2004, and 2004 Arizona Water Settlements Act, Section 212 (i)**)
2. Describe how the proposal will meet a "water supply demand" in the Southwest New Mexico Water Planning Region, comprised of Catron, Grant, Hidalgo and Luna Counties. The 2004 AWSA requires a "New Mexico Unit," a "water utilization alternative," or both to meet a

water supply demand in the Southwest New Mexico Water Planning Region. The proposal must identify the demand that will be met and how the proposal will meet the demand identified. (see Exhibit A. **Interstate Stream Commission Gila Policy Statement, September 2004, and 2004 Arizona Water Settlements Act, Section 212 (i)**)

3. Describe how the proposal considers the Gila environment and describe how any negative impacts might be mitigated. The ISC Gila Policy requires full consideration of the Gila environment. If the proposal impacts the Gila environment, the proposal must describe the impact, whether negative or positive, or both. The proposal must indicate how negative impacts are to be mitigated. (see Exhibit A. **Interstate Stream Commission Gila Policy Statement, September 2004, and 2004 Arizona Water Settlements Act, Section 212 (i)**)

4. Describe how the proposal considers the historic uses of and future demands for water in the Southwest New Mexico Water Planning Region and the traditions, cultures and customs affecting those uses. The proposal must demonstrate how it conforms to the ISC Gila Policy to fully consider historic uses of and future demands for water in the Basin and the traditions, cultures and customs affecting those uses. Describe any impacts on historic uses of and future demands for water in the Basin and the traditions, cultures and customs affecting those uses, whether negative or positive, or both. The proposal must indicate how the negative impacts are to be mitigated. (see Exhibit A. **Interstate Stream Commission Gila Policy Statement, September 2004, and 2004 Arizona Water Settlements Act, Section 212 (i)**)

TIER-1 SCHEDULE (New July 14, 2011 deadline):

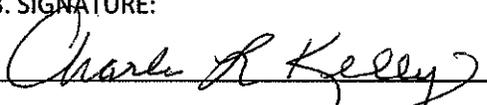
| <u>Date</u> | <u>Action</u> |
|--------------------|--|
| March 23, 2011 | : Commission Approval of process and criteria |
| May 1, 2011 | : Submission of preliminary Tier-1 proposals for review |
| June 1, 2011 | : Review and return of preliminary Tier-1 proposals |
| July 14, 2011 | : Final Tier-1 submission deadline |
| August 16, 2011 | : Evaluation panel review and ranking of Tier-1 proposals complete |
| August 23, 2011 | : Deadline for request for reconsideration of evaluation panel rankings |
| August 30, 2011 | : Response to request for reconsideration |
| September 1, 2011 | : Evaluation panel submission to Commission of ranking of Tier-1 proposals |
| September 28, 2011 | : Commission action on Tier-1 proposals |

(TIER-2 TIER-2 PROCESS, CRITERIA, APPLICATION, AND SCHEDULE ARE TO BE FINALIZED AND NOT CURRENTLY AVAILABLE.)

**TIER-1 APPLICATION TO THE NEW MEXICO INTERSTATE STREAM COMMISSION
FOR NEW MEXICO UNIT OR WATER UTILIZATION ALTERNATIVE
UNDER THE ARIZONA WATER SETTLEMENTS ACT**

APPLICANT INFORMATION - PRINT OR TYPE

DATE: July 10, 2011

| | |
|---|---|
| 1. Legal Name: City of Bayard | 2. Organization: Municipality |
| 3. Address (street, city, county, state, and zip code): City of Bayard P.O. Box 728 800 Central Avenue Bayard, NM 88023 | 4. Name, email, and phone number of contract person: Mayor Charles Kelly mayor@cityofbayardnm.com (575) 537-3327 |
| 5. TYPE OF APPLICATION (check one): <input checked="" type="checkbox"/> Final <input type="checkbox"/> Preliminary for review <input type="checkbox"/> Revised | 6. TYPE OF APPLICANT (CHECK BOX): <input checked="" type="checkbox"/> local governments or municipalities <input type="checkbox"/> soil and water conservation districts, irrigation districts or commissions, acequias, or other political subdivision of the State of New Mexico <input type="checkbox"/> institutions of higher education or a consortium of such institutions <input type="checkbox"/> non-profit organizations or associations <input type="checkbox"/> private individual/s <input type="checkbox"/> federal agency (ies) <input type="checkbox"/> Other (specify) |
| 7. BRIEF PROJECT DESCRIPTION: Bayard Phase 2A Effluent Reuse Project – This project includes plant facilities providing tertiary treatment of wastewater effluent and distribution lines for delivery of this effluent. The purpose is to provide non-potable reuse water for the irrigation of public facilities, replacing potable water for this use. Potable water resources are thus conserved by the utilization of reclaimed wastewater. | |
| 8. AREAS AFFECTED (describe by county, municipality, township, etc. as applicable): Phase 2A will affect irrigated properties within the City of Bayard; proposed cemetery; Snell Middle School ball fields. Phase 2A plant facilities will support future application areas in other entities under discussion for later phases, such as in Hurley, Santa Clara and Fort Bayard State Hospital. | |
| 9. TOTAL FUNDING REQUESTED (in \$1,000): \$4,500 | |
| 2012: \$4,500 | 2013: |
| 2017: | 2018: |
| 2014: | 2015: |
| 2019: | 2016: |
| 2020: | 2021: |
| 10a. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION ARE TRUE AND CORRECT, THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED REQUIREMENTS AND ASSURANCES IF THE PROPOSAL IS ACCEPTED. | |
| 10b. TYPED OR PRINTED NAME OF AUTHORIZED REPRESENTATIVE: Charles L. Kelly | 11. TITLE: Mayor |
| | 12. PHONE NUMBER: (575) 537-3327 |
| 13. SIGNATURE:  | DATE: 7-13-11 |

14. Evaluation criteria. Comprehensive responses to criteria A through D should be supported where possible by the best available science and scientific data, studies, models, and, where applicable, cite state, regional, or other water plans. Where such data and information is not available, applications should include best estimates and describe how such information would be obtained. Applications that do not include the requested information will not satisfy Tier-1 standards and, therefore, will not be eligible for Tier-2 consideration. Use Form 14a if needed. Print or type only.

A. State whether the proposal is for the “New Mexico Unit,” a “water utilization alternative,” or both.

The proposal is a water utilization alternative.

B. Describe how the proposal will meet a “water supply demand” in the Southwest New Mexico Water Planning Region, comprised of Catron, Grant, Hidalgo and Luna Counties.

Meeting Water Supply Demand – The primary reference used in this section, and generally for this application is the *Southwest New Mexico Regional Water Plan*; Daniel B. Stephens; 2005 [1]. As indicated in Section 5 of this document the Bayard well field is not expected to be capable of meeting demands through 2040. In light of this projection, it is imperative that the City of Bayard take steps to optimize the use of existing sources of potable water. The City has already made important progress in these efforts by making extensive repairs to its water distribution system and through conservation efforts.

The City is currently taking another major step toward water use efficiency through the planning efforts it has made for the Phase 2A effluent reuse project. This project will address, in part, the projected difficulties in meeting its water supply demands in the future. This will be accomplished through the use of reclaimed treated wastewater for non-potable uses – primarily irrigation of public facilities. Application areas include the proposed Bayard cemetery and the Snell Middle School ball fields.

Planning has been proceeding for the initial phase of this project first with the development of a Preliminary Engineering Report and an Environmental Information Document. The City is now in the final stages of developing the Contract Documents for construction of tertiary filtration, pumping, storage and piping facilities for the initial phase of the project.

A future phase of the project will include irrigation of the Cobre High School ball fields. This phase, or other phases, can address potable water replacement projects in neighboring communities such as Hurley and Santa Clara as these areas develop their own plans for the use of this valuable resource.

Please see Form 14A for further discussion.

- C. Describe how the proposal considers the Gila environment and describe how any negative impacts might be mitigated.

Gila Environment – The Gila environment will not be impacted by this proposal since the project planning area does not extend into this part of the Southwest New Mexico Water Planning Region. The project area and potential future areas under consideration are Bayard (this project), Santa Clara, Hurley, North Hurley, and Fort Bayard.

- D. Describe how the proposal considers the historic uses of and future demands for water in the Southwest New Mexico Water Planning Region and the traditions, cultures and customs affecting those uses.

The historic uses of water in the Southwest Region include the following designations from the Office of the State Engineer: Commercial, Domestic, Industrial, Livestock, Mining, Power and, Public Water Supply. Of these categories, the project area will only be concerned with the public water supply use category. Historically, public water supplies have had a variety of uses including, household, municipal, commercial, institutional and, industrial. Initially, and for the foreseeable future, the proposed project will only affect municipal and institutional facilities. That is, by the provision of reclaimed wastewater, replacing potable water, for the irrigation of various landscaped areas and athletic fields. Through this action, the project will reduce current and future demands for potable water. Therefore, the impact on historic uses and future demands in this case is positive.

With respect to traditions, cultures and customs affecting water use, there are very few impacts that will be felt due to the implementation of the proposed project. One exception may be concern regarding the safety of the use of reclaimed wastewater for irrigation. This issue has been, and will in the future, be discussed in public meetings. Written responses to questions on this issue will also be made. Irrigation with reclaimed domestic wastewater is a well established practice in New Mexico. Public discussion and education efforts have historically been successful in mitigating concerns with its use.

In summary, the proposed project will have positive affects on future water demands and little to no affect on the traditions, cultures and customs affecting water use in the region.

Exhibit A. Interstate Stream Commission Gila Policy Statement, September 2004, and 2004 Arizona Water Settlements Act, Section 212 (i)

INTERSTATE STREAM COMMISSION GILA POLICY STATEMENT, SEPTEMBER 2004:

The Interstate Stream Commission recognizes the unique and valuable ecology of the Gila Basin. In considering any proposal for water utilization under Section 212 of the Arizona Water Settlements Act, the Commission will apply the best available science to fully assess and mitigate the ecological impacts on Southwest New Mexico, the Gila River, its tributaries and associated riparian corridors, while also considering the historic uses of and future demands for water in the Basin and the traditions, cultures and customs affecting those uses.

2004 ARIZONA WATER SETTLEMENTS ACT, SECTION 212 (i)

(i) NEW MEXICO UNIT FUND- The Secretary shall deposit the amounts made available under paragraph (2)(D)(i) of section 403(f) of the Colorado River Basin Project Act (43 U.S.C. 1543(f)) (as amended by section 107(a)) into the New Mexico Unit Fund, a State of New Mexico Fund established and administered by the New Mexico Interstate Stream Commission. Withdrawals from the New Mexico Unit Fund shall be for the purpose of paying costs of the New Mexico Unit or other water utilization alternatives to meet water supply demands in the Southwest Water Planning Region of New Mexico, as determined by the New Mexico Interstate Stream Commission in consultation with the Southwest New Mexico Water Study Group or its successor, including costs associated with planning and environmental compliance activities and environmental mitigation and restoration.

FORM 14A

USE THIS FORM TO COMPLETE ANSWERS TO CRITERIA 1 THROUGH 4. NUMBER EACH ADDITIONAL RESPONSE WITH THE CORRESPONDING CRITERIA NUMBER AND SUB-CRITERIA. USE AS MANY PAGES AS NEEDED.

B. WATER SUPPLY DEMAND – ADDITIONAL RESPONSE

Meeting Water Supply Demand; Regional Nature of Facilities; Phasing

The first phase (Phase 2A) of the proposed project focuses on the water supply needs of the City of Bayard. However, the project is conceived as a regional effort, working in tandem with the Bayard Regional Wastewater Treatment Plant. The project is phased to allow other communities the opportunity to develop planning and funding for their local facilities. The initial Phase 2A facilities (filters, pumps and transmission lines) are designed to accommodate system expansion into these additional areas. It is recognized that due to funding limitations and project development time, the full utilization of the available amount of treated wastewater, will require multiple projects developed over a period of years.

This proposal addresses water supply demand issues for the City of Bayard in Phase 2A. Reference [1] describes the major well fields in the Region in Section 5. The project area is situated in the Mimbres Basin. The Bayard well field is located between Cameron Creek and Twin Sisters Creek. This well field is characterized by the small saturated thickness of its aquifer. As mentioned in Section B, estimated drawdowns indicate that this well field is not expected to be capable of meeting demands through 2040.

Future reuse phases can help to mitigate demand issues in other neighboring communities such as Santa Clara and Hurley. Santa Clara's Lone Mountain well field draws from an aquifer which is similar to the Bayard well field in that it also has a small saturated thickness. It is also projected that this well field will not meet demand through 2040.

The Town of Hurley is currently dependent on Chino Mine (Freeport McMoRan) for its water supply. Current proposals include the development of a well for the Town of Hurley near the Grant County Airport using water rights held by Silver City. Hurley, which has expressed interest in using reclaimed water, could also have convenient access to the reuse transmission line which will serve Bayard's proposed cemetery south of the plant.

For the coming decades effluent reuse is expected to increase in importance as a supplemental supply of water. This comes into focus with the realization that as much as 80 percent of the metered water from Bayard and Santa Clara eventually flows to the regional wastewater treatment plant. Generally, approximately 60 to 90 percent of per capita water consumption in the United States becomes wastewater (Wastewater Engineering – Treatment and Reuse; Metcalf and Eddy 4th Edition) [2].