

June 14, 2012

To: OWRB/S.B. 288 Hearing

From: Kelly Hurt, Arbuckle Simpson Landowners Group

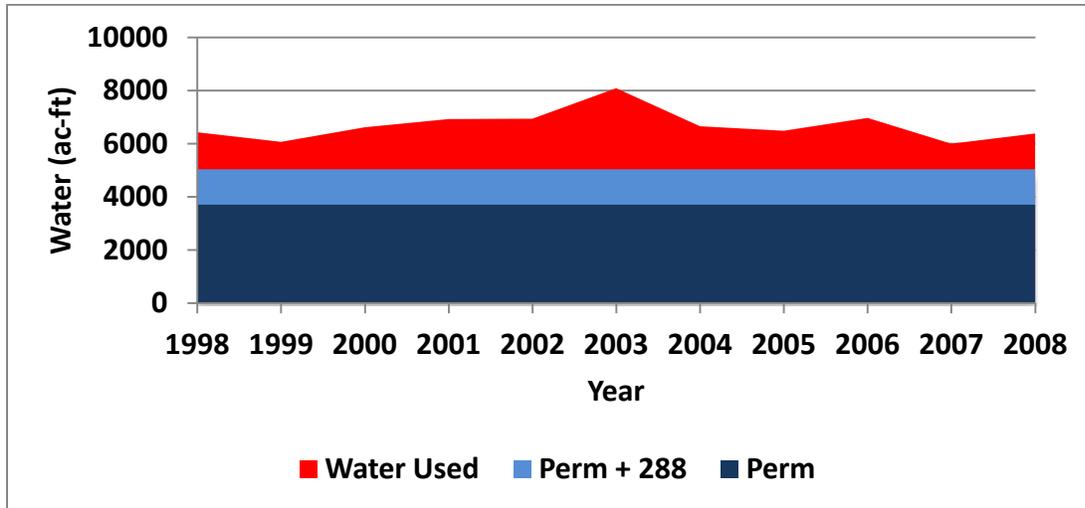
Subject: Response to the City of Ada Brief

In their brief supporting the M.A.Y. and objecting to the implementation period of S.B. 288, the City of Ada provides an analysis that seems to indicate that implementation will be overly burdensome. However, their case cannot stand on the simple truth of what will be needed to comply with S.B. 288, rather, they force two misleading assumptions into their analysis:

1. Groundwater rights must be restored to the current levels at the lower E.P.S. of 0.2 ac-ft/ac,
2. Groundwater rights sufficient for Ada's projected growth must be secured as part of the transition.

In doing this, Ada's argument attempts to distract the OWRB by focusing on long term projected needs instead of the amount of water that must be acquired to comply with the proposed S.B. 288 implementation today. Ada's brief criticizes our lease offer for not using a realistic amount of water in our calculations. However from 1998 to 2008, the 10,000 surface acres offered in the lease (equivalent to 2,000 acre-ft at the new E.P.S. of 0.2 ac-ft/ac) would be enough to cover Ada's post S.B. 288 permit gap in every year except 2003 as shown in the figure below that was presented at the 2010 Ada Town Hall on Water. This figure was used in that meeting to show the relationship between the amount of water that Ada used per year (water used in red), the amount of water rights that would not be affected by S.B. 288 (Perm in dark blue) and the total of all water rights after the implementation of S.B. 288 at 0.2 ac-ft/ac (Perm + 288, lighter blue).

If Ada added 2000 ac-ft of groundwater rights, they would be in compliance with S.B. 288 nine years out of ten. Our offer of 2000 ac-ft was appropriate in context of the post S.B 288 gap.



Thus, the Arbuckle Simpson Landowners Group lease offer was based on the simple premise that the City of Ada would need a water permit “bridge” that would keep them in compliance with S.B. 288 and also give them time to pursue other options, such as water right purchases, lakes, recharge, OKC pipeline, desalination, etc. We tried to be flexible by making the term of the lease negotiable so that the City of Ada would have the option to time the end of the lease with the delivery of new sources of water. Our hope was that we could offer a water lease to Ada that would both help the city stay in compliance and also provide some additional farm income for local landowners. Perhaps that was a naive win-win dream on our part. Our thinking was that we were offering the City of Ada a simple solution to this transitional challenge analogous to renting an apartment while building a new home.

Therefore, the Arbuckle Simpson Landowners Group rebuts the calculations made by the City of Ada. We see their brief as just another tactic to avoid having to pay for additional water rights. Whether they lease from us or buy from someone else really isn't the point. The point is that the

City of Ada has had the time, money, knowledge and opportunity to secure additional water rights in preparation for the implementation of S.B. 288 and does not deserve special consideration. Water revenues are referred to as “Business Revenues” in the City of Ada’s annual financial report, and ultimately, the primary impact of S.B. 288 implementation on the City of Ada is on the profit margin realized through water sales to customers outside of the Arbuckle Simpson Aquifer. Acquiring additional water rights is just a cost of running a for-profit water business.