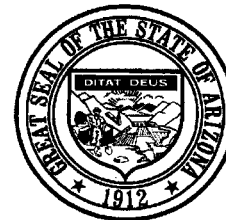


ARIZONA DEPARTMENT OF WATER RESOURCES
 Prescott Active Management Area
 2200 E. Hillsdale Road • Prescott, Arizona 86301
 Telephone (928) 778-7202 • Fax (928) 776-4507

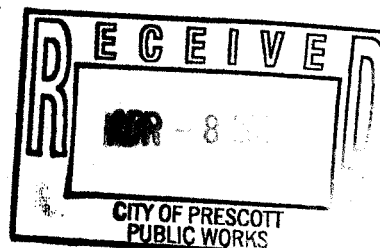


Janet Napolitano
 Governor

Herbert R. Guenther
 Director

April 7, 2008

Connie Tucker, Water Management Analyst
 City of Prescott
 201 S. Cortez Street
 Prescott, Arizona 86302



Re: Requests for Groundwater Allowance Increases for Plats within Prescott Lakes Master Planned Community

Ms. Tucker:

This letter is written to memorialize the agreement that is a product of recent conversations between representatives of both the Arizona Department of Water Resources (ADWR) and the City of Prescott (COP). The agreement pertains to a component of the process for examining pending and future requests for groundwater allowance increases pursuant to the Director's decision and order (D&O) regarding the COP's modified Designation of Assured Water Supply. Specifically, the agreement pertains to the manner in which ADWR will make determinations pursuant to Section 6(b)(ii) of the D&O with respect to the remaining plats within the Prescott Lakes Master Planned Community (Prescott Lakes).

The agreement was developed in response to issues raised by COP regarding ADWR's requirements for demand calculations pertaining to plats within Prescott Lakes. Based on discussion between the two parties, there is agreement that ADWR will review all remaining phases of Prescott Lakes individually. This means that projected water use for the preliminary plat of a particular phase will be compared to the projected water use for the final plat of the particular phase and the groundwater allowance increase for that specific phase will not be granted if the projected water use for the final plat for that phase exceeds the projected water use for the preliminary plat for that phase. The COP can either complete their own projected water use calculations and provide the information supporting those calculations to ADWR or can request that ADWR complete the calculations.

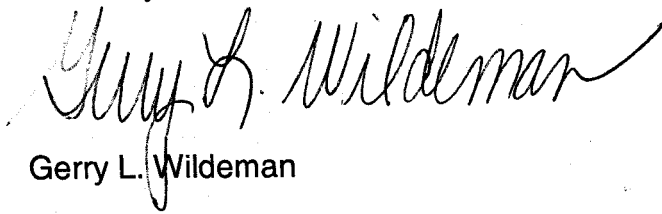
In reaching this agreement, the COP recognizes that each remaining phase of Prescott Lakes has a potential for denial of the request for groundwater allowance increase if the projected water use for the final plat for that phase exceeds the projected water use for the preliminary plat for that phase. At any time, the COP may request that ADWR review projected water use by comparing the entirety of the subdivision, i.e. by comparing all preliminary plats to all final plats. If such a request is made, the COP



must either calculate projected water use for all preliminary and final plats within Prescott Lakes prior to approval of any further requests for groundwater allowance increases or provide all information available to ADWR for completion of the projected water use calculations.

Please contact me if I have not accurately described the agreement between the COP and ADWR or if you have any additional questions.

Sincerely,

A handwritten signature in black ink that reads "Gerry L. Wildeman". The signature is written in a cursive style with a large, sweeping initial "G".

Gerry L. Wildeman

cc: Sandra Fabritz-Whitney
Nicole Swindle

