

ARIZONA WATER BANKING AUTHORITY
Draft Minutes

December 04, 2019
Arizona Department of Water Resources



AUTHORITY MEMBERS

Thomas Buschatzke, Chair
Ray L. Jones, Vice-Chair
Kathryn Sorensen, Secretary
Alexandra Arboleda
Mark Clark

EX OFFICIO MEMBERS

The Honorable Karen Fann
The Honorable Gail Griffin

I. Welcome

All members were in attendance. Chair Thomas Buschatzke, Secretary Kathryn Sorensen and Commissioner Alexandra Arboleda attended in person. Vice-Chair Ray Jones and Commissioner Mark Clark attended via teleconference. *Ex-officio* members, Senate President Karen Fann and Representative Gail Griffin, were not in attendance.

The meeting was called to order at 10:00 a.m.

II. Approval of Minutes

Chair Buschatzke asked for a motion to approve the minutes from the September 25, 2019 regular quarterly meeting. Secretary Kathryn Sorensen moved to approve the minutes. Commission member Alexandra Arboleda provided the second to the motion and the minutes were unanimously approved.

III. Water Banking Staff Activities

Quarterly Report of AWBA credit purchases. Virginia O'Connell, AWBA Director, provided an update on fourth quarter credit purchases. A total of 11,415 AF of long-term storage credits were purchased from the Ak-Chin Indian Community. This includes 6,600 AF in the Phoenix AMA using Maricopa County Water Storage Tax funds and 4,815 AF in the Tucson AMA using Pima County Water Storage Tax funds. Additionally, the AWBA funded the development of ICS FIRMING Credits through an agreement with the Gila River Indian Community (GRIC) that is part of the Drought Contingency Plan. The AWBA funded the creation of 14,660 AF of ICS at a cost of \$3,518,400 using Phoenix and Pinal AMA withdrawal fees. This resulted in 13,194 AF of ICS FIRMING Credits after the 10% reduction for losses: 8,073 AF of ICS FIRMING Credits in the Phoenix AMA and 5,121 AF of ICS FIRMING Credits in the Pinal AMA. The cumulative credits developed in 2019 totals 32,451 AF, which includes long-term storage credits and ICS FIRMING Credits.

Colorado River Status Update. Bret Esslin, ADWR Colorado River Management, gave an update on the Colorado River system (presentation available online). He noted that reservoirs are at 48% of average or 28.92 MAF as of November 28, 2019 compared to 42% of average at the same time last year. Lake Mead is at 40% capacity

and Lake Powell is at 53% capacity. The 2019 Lake Powell observed unregulated inflows into Lake Powell were 145% of average from April-July. However, as a result of below average inflows in the later part of the year, inflows are predicted to end the year below 100% of average. The 2019 year-end projection for Lake Powell is 3,608.2 ft and 1,087.8 ft in Lake Mead. The 2020 year-end projection for Lake is 1,080.4, avoiding shortage for 2021. Side Inflows into Lake Mead were above average in the first half of 2019. However, July through October 2019 side inflows were below average due to lack of monsoons and dry conditions. The five-year projections from the Bureau of Reclamation August 2019 24-month study predicts an 8.23 MAF release in 2020 with the possibility of an April adjustment. Snow fall accumulation is currently tracking at 115% of average. However, the year-end projection is 85% of average. Mr. Esslin reviewed the system conservation and ICS creation activities since 2007 and noted that total contributions have resulted in a total of 2.785 MAF created, which equates to about 35 feet of extra elevation in Lake Mead. Without the ICS, system conservation, Mexico's contributions and other voluntary contributions, Arizona would be experiencing shortage conditions right now. Arizona is currently planning for 2020 ICS creation and working with Nevada on an ICS sharing agreement. This agreement would allow Arizona to create just under 125 KAF in Lake Mead.

Commissioner Sorensen commented on the chart showing Lake Mead elevations as a result of ICS and pointed out that ICS can be taken out of the reservoir. Ms. Sorensen noted that ICS is a valuable tool because it provides a lot of flexibility in the system. However, it is important for Arizona to be aware that ICS will come back out of the system and the timing of ICS withdrawals can inflate rather than mitigate risk.

CAP System Update. Marcus Shapiro, CAWCD Water Systems Supervisor, gave an update on the CAP water operations and reviewed the forbearance volumes generated by the CAP System Conservation activities and the Pilot System Conservation Program (PSCP) to support Lake Mead conservation efforts in 2019. The total volume conserved by these programs in 2019 was 276,701 AF. The CAP System Conservation Program resulted in 112,099 AF of forbearance and the PSCP resulted in 41,328 AF of forbearance. Other System Conservation activities include GRIC ICS and Colorado River Indian Tribes ICS which resulted in 123,274 AF of forbearance.

The CAP delivery supply projection for 2020 estimates approximately 1.67 MAF will be available to CAP. With DCP reductions of 192 KAF and 75 KAF CAP system losses, the actual CAP delivery supply is projected to be 1.453 MAF.

IV. Report on Recovery Planning Activities

Report on Recovery Planning Activities. Rabi Gyawali, ADWR Colorado River Management, provided an update on recovery planning activities. An interagency recovery planning group, which includes staff from the AWBA , Arizona Department of Water Resources and Central Arizona Water Conservation District is working

collaboratively to draft an update to the 2014 Joint Recovery Plan. The last Recovery Planning Advisory Group (RPAG) meeting was September 10th and members indicated an interest in providing comments on the draft document as each section becomes available. Sections 1-3 were drafted and sent to the RPAG members for review and comment. Sections 4-5 are expected to be circulated by the end of January 2020. The updated document is expected to be completed by May 28th, 2020.

Chair Buschatzke commented that Secretary Sorensen had previously raised an issue about the timing of the report in relation to potential legislative action that might occur in 2020 and asked if there is any expected legislation related to recovery planning. Ms. O'Connell responded that the AWBA received draft legislation with a proposed change in statutory language. The three agencies are reviewing the proposed language and expect to provide a response shortly.

V. Discussion and Consideration of Action to Approve the Extinguishment of AWBA Long-Term Storage Credits Accrued in the Pinal Active Management Area to Satisfy a Replenishment Obligation Incurred in the Southside Protection Zone from Water Use in 2018

Ms. O'Connell briefed Commission members on the Southside Protection Zones and the AWBA replenishment obligation under the Arizona Water Settlements Act (AWSA). The Southside Protection Zones were established to help protect the Gila River Indian Community against excess groundwater pumping adjacent to the southside of the reservation. According to the settlement, excess groundwater pumping in that region must be replenished. As the agent for the State, the AWBA is responsible for satisfying potential replenishment obligations.

Each year, ADWR completes an analysis to determine whether a replenishment obligation has been incurred in any of the protection zones and notifies the Water Bank by October 1st each year. There are three categories for the Southside Protection Zones: transportation of groundwater or stored water away from the protection zone, a replenishment obligation created within the protection zone or an individual replenishment obligation. In October of 2019, ADWR informed the AWBA of a 9.78 AF replenishment obligation in the Municipal and Industrial (M&I) Eastern Protection Zone South for reporting year 2018. However, this overall obligation did not result in an individual replenishment obligation. The AWBA is responsible for satisfying the replenishment obligation by June 1st, 2021.

There are several options available to the AWBA to satisfy the replenishment obligation for the M&I Eastern Protection Zone South. These include a water delivery to the GRIC, debiting the Southside Replenishment Bank or extinguishing LTSCs. To meet the replenishment obligation by extinguishing LTSCs, there are two requirements. The credits extinguished must be earned within the last 7 years and they must be credits earned at a storage facility within the zone where the replenishment obligation was created.

Staff recommended the AWBA meet the replenishment obligation by extinguishing Pinal AMA LTSCs accrued at the Hohokam Irrigation & Drainage District GSF, which is located within the Eastern Protection Zone South, and to include this replenishment the AWBA 2020 Plan of Operation.

Chair Buschatzke asked if the AWBA must consider the source of funds that created the LTSC. Ms. O'Connell responded that the LTSCs available for meeting settlement obligations are water management credits that were created using groundwater withdrawal fees. LTSCs accrued with the water storage tax cannot be used for this purpose.

Commissioner Arboleda moved to approve the extinguishment of 9.78 acre-feet of Pinal AMA water management LTSCs accrued at the Hohokam Irrigation and Drainage District groundwater savings facility to satisfy a replenishment obligation incurred in the M&I Eastern Protection Zone South from water use in 2018. Secretary Sorensen provided a second to the motion. The motion passed unanimously.

VI. Discussion and Consideration of Action to Approve AWBA 2020 Plan of Operation

Ms. O'Connell briefed Commission members on the draft Preliminary 2020 Plan of Operation (2020 Plan). Staff presented the 2020 Plan to the Groundwater Users Advisory Councils (GUACs) in the Phoenix, Pinal and Tucson AMAs. In 2020, the CAP System will operate under Tier Zero conditions, which required contributions of 192 KAF to Lake Mead. As a result, there will be no excess CAP water available for AWBA storage. The Water Bank will achieve its goals through long-term storage credit purchases and Intentionally Created Surplus (ICS) Firming Credits. There is no interstate storage planned for 2020. The water delivery and facility rates are included in the plan because the AWBA uses these rates to calculate the cost per acre foot for credit purchases.

The 2020 Plan includes a summary of the estimated funding sources and the corresponding credits developed from each funding source. The withdrawal fees collected in the Phoenix and Pinal AMAs will be utilized to purchase ICS firming credits from the GRIC. The ICS created by the Community will result in ICS credits accrued minus a 10% reduction for losses. In the Tucson AMA, withdrawal fees will be used to purchase LTSCs. The CAWCD board has set aside a total of \$6 Million from Water Storage Tax funds to purchase LTSCs in the Phoenix and Tucson AMAs (\$3 million each). The 2020 Plan anticipates total expenses of \$8,857,700 to develop 35,600 AF of credits. With the credits developed in the 2020 Plan, the AWBA anticipates it will achieve 98% of its firming goal in the Phoenix AMA, 92% in the Pinal AMA and 58% in the Tucson AMA. On-River M&I firming has been consistent at 96% of goal. The firming goal for the Gila River Indian Community would be at 49% of goal.

The public comments received at the GUACs were primarily focused on the purpose/use of AWBA withdrawal fee credits. Staff clarified that withdrawal fee credits can be used for CAP M&I firming or to meet Indian settlement obligations. There were questions about the need for future withdrawal fees as a funding source due to the lack of available excess CAP water. Staff clarified that withdrawal fees are an important funding source to meet its obligations under Indian settlements and will be used to purchase ICS Firming Credits under the ICS Firming Agreement with the GRIC. The Arizona Municipal Water Users Association (AMWUA) submitted a letter with comments on the 2020 Plan that suggested the AWBA revisit the M&I firming goals and indicated M&I subcontractors desire for additional certainty on future recovery implementation.

Chair Buschatzke asked what the cost is for ICS firming credits. Ms. O'Connell responded that the cost in 2019 is \$240/AF. The agreement includes an annual increase of 3%, increasing the cost to \$247.20/AF in 2020.

Chair Buschatzke asked when recovery for the M&I sector might be needed. Ms. O'Connell noted that the full hydrology scenario ten-year probability projections do not anticipate a need for any M&I recovery within the ten-year period. The stress test hydrology scenario shows a need for M&I recovery occurring at the end of the period, after 2026. With no M&I recovery expected until after 2026, Chair Buschatzke indicated his preference would be to consider the appropriate timing of addressing requests to re-evaluate M&I firming goals. While he agrees that the AWBA will eventually need to re-evaluate the M&I firming goals, he does not want to begin that process earlier than necessary in relation to the development of the next set of Colorado River operating guidelines in effect past 2026. He also noted that any changes indicating the timing of M&I recovery accelerating might trigger the need to re-evaluate the M&I firming goals sooner. Commissioner Sorensen noted that she agreed with Chair Buschatzke in the timing of re-evaluating the M&I firming goals. She also commented on the importance of timely recovery planning because the infrastructure necessary to recover credits takes many years to build depending on what cities or organizations are planning for recovery. Chair Buschatzke agreed and indicated he believes the planning process through RPAG is working very well and he would like to continue that process on a permanent basis.

Secretary Sorensen moved to adopt the AWBA 2020 Annual Plan of Operation as submitted with minor or technical changes. The motion was seconded by Commissioner Arboleda and Chair Buschatzke asked for public comment. With no public comment, the motion passed unanimously.

VII. Discussion and Consideration of Action of Approve AWBA Calendar Year 2020 Water Operating Budget

Ms. O'Connell briefed the Commission on the 2020 Water Operating Budget which is reflected in the 2020 Plan of Operation. The Commission is required to approve the expenditures from the Water Banking Fund. The Water Banking Fund expenditures will

be used to purchase LTSCs and develop ICS Firming Credits using withdrawal fees. Expenditures in 2020 total just over \$2,857,000.

Commissioner Arboleda moved to adopt the Arizona Water Banking Authority Water Budget for Calendar Year 2020. Secretary Sorensen provided the second to the motion. Chair Buschatzke called for public comment. Seeing none, the motion passed unanimously.

VIII. Call to the Public

There were no additional comments. The meeting adjourned at 10:44 a.m.