

ARIZONA WATER BANKING AUTHORITY
Draft Meeting Summary
(Virtual Meeting)

September 16, 2020
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/Opening Remarks

Chair Thomas Buschatzke, Vice-Chair Ray Jones, Secretary Kathryn Sorensen, Commission Member Mark Clark and Commission Member Alexandra Arboleda attended via online virtual conference. *Ex-officio* members, Senate President Karen Fann and Representative Gail Griffin, were not in attendance.

The meeting was called to order at 10:01 a.m.

II. Approval of Minutes

Chair Buschatzke asked for a motion to approve the minutes from the June 17, 2020 meeting. Secretary Sorensen moved to approve the minutes. Commission Member Alexandra Arboleda provided the second to the motion. The minutes were unanimously approved.

III. Water Banking Staff Activities

Quarterly Report on AWBA Recharge Deliveries and LTSC Purchases. Ms. O'Connell provided an update on planned vs. actual water deliveries during the third quarter of 2020. Delivery information for August was not available yet. The 2020 Plan of Operation was amended in June to include approximately 50,000 AF of storage. Since then, an additional 6,571 AF of turn back water has been made available to the AWBA. During the June meeting, the Commission directed staff to pursue opportunities to shift storage from the Tonopah Desert Recharge Facility (TDRP) to other more effective storage locations. Staff has redirected 4,500 AF of scheduled TDRP deliveries to other facilities and continues to investigate other storage opportunities. In the Phoenix AMA, there were no deliveries made in July, allowing time to research alternate storage locations. In the Pinal AMA, due to the availability of additional revenues, staff increased total scheduled deliveries by 3,000 AF for a total of 12,000 AF. In July, the AWBA delivered just over 1,270 AF to the Hohokam Irrigation and Drainage District GSF. In the Tucson AMA, scheduled deliveries to the Pima Mine Road Recharge Facility were increased by 1,500 AF for a total of 3,500 AF.

Chair Buschatzke asked if there were any questions. Commission Member Arboleda asked if there are any facilities in the Phoenix AMA, other than TDRP, with available storage capacity. Ms. O'Connell responded that TDRP is currently the only facility with available capacity in the Phoenix AMA. She noted that additional capacity could become

available to the AWBA in the Tucson AMA. All available funding has been utilized in the Pinal AMA.

Ms. O'Connell reviewed third quarter credit purchase transactions. As part of the Lower Basin Drought Contingency Plan, the AWBA agreed to fund the development of 50,000 AF of Intentionally Created Surplus (ICS) created by the Gila River Indian Community. During the third quarter, the AWBA funded the creation of 7,100 AF of ICS at a cost of \$1,755,120 (247.20/AF) using Phoenix and Pinal AMA withdrawal fees. This resulted in 6,390 AF of ICS Firming Credits after the 10% reduction for losses: 4,023 AF of ICS Firming Credits in the Phoenix AMA and 2,367 AF of ICS Firming Credits in the Pinal AMA. The total ICS Firming Credits purchased was slightly less than anticipated in the 2020 Plan of Operation because withdrawal fee revenues came in approximately \$480,000 less than anticipated. To date, the AWBA has purchased 21,760 AF out of the 50,000 AF specified under the IGA, resulting in 19,584 AF of cumulative ICS Firming Credits. Total credits developed in 2020 is approximately 31,170 AF, which includes long-term storage credits and ICS Firming Credits. There is one additional credit purchase transaction anticipated in October 2020 with the Ak Chin Indian Community for approximately 2,300 AF of credits.

Chair Buschatzke asked if there were any questions. Commission Member Arboleda asked about the limitations on recovering ICS Firming Credits in the future. Ms. O'Connell responded that the ICS Firming Credits are part of the offset component of Arizona's Implementation Plan for the LBDCP. These credits cannot be recovered until after 2026 and would be used to firm the Community after 2026.

Colorado River Status Update. Bret Esslin, ADWR Colorado River Management, gave an update on the Colorado River system. The Water Year 2020 year-end elevation projection for Lake Powell is 3,599 ft or 48% of capacity and the year-end elevation projection for Lake Mead is 1,084 ft or 40% of capacity. The Bureau of Reclamation's (Reclamation) Projections for end of Calendar Year 2020 show Lake Powell at 3,591 ft or 46% of capacity and Lake Mead at 1,085 ft or 40% of capacity. Reclamation's August 2020 24-Month Study is still predicting a 9.0 MAF release from Lake Powell in Water Year 2021. The August 2020 CRSS five-year probability table was just released and reflects significant changes compared to the version released in April 2020 due to decreased inflows. The stress test hydrology reflects shortage probabilities as high as 55% in 2023. Mr. Esslin noted that probabilities for the years 2023-2025 do not include additional conservation above the required DCP conservation. He reviewed Lake Mead conservation efforts for 2020 and noted that the U.S./Mexico conservation efforts have added 3.61 MAF of conservation. Preliminary estimates for the Lower Basin and Mexico ICS creation for 2021 is approximately 612,000 AF between ICS and DCP contributions.

Chair Buschatzke asked if there were any questions. Commission Member Arboleda asked what is included in the U.S. ICS category. Mr. Esslin responded that U.S. ICS includes ICS created by Arizona, California, Nevada and Reclamation. Secretary Sorensen commented that she understands the compromises that were necessary during the DCP process. However, while ICS can be a valuable tool, the chart illustrates that

ICS potentially amplifies our risk at the worst possible time in the future and that is something we need to be ready to confront as we go into negotiations for 2026. Chair Buschatzke commented that there are conditions limiting the delivery of ICS for each State and to Mexico in one year. However, the use of tools like system conservation and ICS to help benefit Lake Mead will be an important part of the discussions in the Post-2026 Operational Guidelines.

Central Arizona Project (CAP) System Update. Marcus Shapiro, CAWCD Water Systems Supervisor, gave an update on CAP water operations and reviewed Arizona's total contributions to support Lake Mead conservation efforts in 2019, 2020 as well as projections for 2021, including the volumes of excess water being contributed to Lake Mead. The total volume across all conservation programs in 2019 was approximately 308,000 AF. The total conservation for 2020 is estimated at over 345,000 AF and includes the required LBDCP Tier Zero contribution of 192,000 AF. The projected contribution for 2021 is over 312,000 AF.

Mr. Shapiro reviewed the 2021 CAP Delivery Supply Outlook, which includes projections of water supply, DCP contributions, conservation and system losses. The 2021 estimated supply available for diversion by CAP is 1.67 MAF. The 2021 total projected CAP delivery supply is approximately 1.453 MAF. The 2021 CAP long-term contract orders are estimated at 1.21 MAF. The water available to the Ag Settlement Pool is estimated at 300,000 AF, less 57,000 AF that is part of the Ag Forbearance 3 Program, for a total of 243,000 AF of projected Ag Pool deliveries. Additionally, there are approximately 59,000 AF of other Lake Mead contributions, resulting in a total of 1.394 MAF of actual wet water deliveries. He also noted that the CAWCD board established the Statutory Firming Pool that is utilized by the AWBA in the event that any excess water becomes available in 2021. However, the current projections do not anticipate that any excess water will be available.

Chair Buschatzke asked if the full 300,000 AF Ag Pool is expected to be available to the agriculture community. Mr. Shapiro confirmed that the full Ag Pool will be available. Chair Buschatzke noted that without the DCP conservation the Ag Pool would not be receiving its full 300,000 AF. Chair Buschatzke noted that the ICS funded by the AWBA is Extraordinary Conservation ICS which has different restrictions and flexibilities than other types of ICS and also that Reclamation will begin contributing ICS to Lake Mead in 2020 and 2021 to meet their best efforts requirement to contribute 100,000 AF of ICS as part of DCP.

Report on Recovery Planning Activities. Simone Kjolsrud, Technical Administrator, provided an update on recovery planning activities, noting that staff from AWBA, ADWR and CAWCD continue to work collaboratively on drafting an update to the 2014 Joint Recovery Plan. Sections 1-5 have been distributed to the Recovery Planning Advisory Group (RPAG) and are posted on the ADWR website. The interagency recovery planning group is currently drafting Section 6, which includes an analysis of the recovery capacity required for AWBA firming. The draft of Section 6 will be distributed prior to the next RPAG meeting, which is scheduled for September 23, 2020. The focus of the September RPAG

meeting will include a deeper dive into the recovery capacity analysis included in Section 6 of the draft update document.

Chair Buschatzke asked if there were any questions. There were none.

IV. Discussion and Consideration of Action to approve the Purchase and Sale Agreement for Long-Term Storage Credits between the AWBA and Freeport Minerals Corporation

Ms. O'Connell reviewed the proposed purchase and sale agreement with Freeport Minerals. She noted it is a one-time agreement for the purchase of up to 1,900 AF of LTSCs accrued at the FICO Sahaurita GSF in the Tucson AMA. The total cost is \$304,000 (\$160/AF). The credit purchase is based on the federal rate because the water being stored is leased tribal water. The storage location is near the Pima Mine Road Recharge Facility and is a good location for future recovery purposes.

Chair Buschatzke asked for any discussion by commission members. There was no discussion.

Commission Member Arboldeda moved to approve the Purchase and Sale Agreement for Long-Term Storage Credits between the Arizona Water banking Authority and Freeport Minerals Corporation. Commission Member Clark provided a second to the motion. Chair Buschatzke asked for public comment. There were no comments.

Chair Buschatzke asked for any further discussion by commission members. There was no additional discussion. The motion passed unanimously.

V. Preliminary AWBA 2021 Plan of Operation

Ms. O'Connell reviewed the draft Preliminary 2021 Plan of Operation (2021 Plan), noting that the Lower Basin will be operating under a Tier Zero condition. Under DCP, Arizona's mandatory contribution to Lake Mead is 192,000 AF. With no excess CAP water available in 2021, the Bank will use alternate methods to continue making progress on its firming goals. The AWBA anticipates purchasing LTSCs, as well as ICS Firming Credits from the Gila River Indian Community. There is no interstate storage anticipated for 2021.

Ms. O'Connell clarified that while it is unlikely water will be available for storage, the water delivery rates are included in the 2021 Plan as they are used to define the cost per acre foot for LTSC purchases under the AWBA purchase agreements. The funding available for 2021 credit development includes withdrawal fee revenues in the Phoenix and Tucson AMAs and Water Storage Tax funds in the Phoenix, Pinal and Tucson AMAs. Withdrawal fees in the Pinal AMA will not be made available to the AWBA during calendar years 2020 through 2026, as those funds will be used by ADWR to support groundwater infrastructure and irrigation efficiency projects as part of DCP. All withdrawal fees available in the Phoenix AMA will be used for the purchase of ICS Firming Credits at a rate of \$254.40/AF. Withdrawal fees in the Tucson AMA will be used for LTSC purchases.

During the June 2020 CAWCD board meeting, the CAWCD board approved the reservation of water storage tax funds for AWBA credit purchases, \$4 million in Maricopa County funds and \$6 million in Pima County funds. The total projected cost of the 2021 Plan is approximately \$10.8 million and is anticipated to result in the development of over 45,000 AF of credits.

Ms. O'Connell reviewed the progress the AWBA would make toward projected firming goals under the 2021 Plan. By the end of 2021, the AWBA would reach 101% of its numeric M&I firming goal in the Phoenix AMA, 97% in the Pinal AMA and 61% in the Tucson AMA (73% including withdrawal fee LTSCs). The goal for on-River firming remains consistent at 96% and the firming goal for the Gila River Indian Community would be at 49%. The credits accrued for the Community include 105,000 AF of LTSCs accrued on reservation, 44,000 AF of firming credits and approximately 22,000 AF of ICS Firming Credits accrued in 2019, 2020 and estimated for 2021.

Chair Buschatzke asked for any discussion by commission members.

Chair Buschatzke directed staff to schedule and hold public meetings on the Preliminary 2021 Plan of Operation in conjunction with the Groundwater Users Advisory Council Meetings in the Phoenix, Pinal and Tucson Active Management Areas.

VI. Call to the Public

Chair Buschatzke noted that Secretary Sorensen will be leaving the City of Phoenix in October and thanked Secretary Sorensen for her service on the Commission since January 13, 2016. Secretary Sorensen thanked Chair Buschatzke and noted that she enjoyed her time serving on the Arizona Water Banking Authority Commission. Commission Member Arboleda thanked Secretary Sorensen for her service to the Commission. She also commented that she has appreciated Secretary Sorensen's thoughtful opinions and was glad to have had the pleasure of working with her on the Commission.

Chair Buschatzke called for public comment. There were no additional comments. The meeting adjourned at 10:59 a.m.

Future Meeting Dates:

Wednesday, December 2, 2020