

ARIZONA WATER BANKING AUTHORITY
Final Minutes

December 7, 2016
Arizona Department of Water Resources



AUTHORITY MEMBERS
Thomas Buschatzke, Chair
Ray L. Jones, Vice-Chair
Kathryn Sorensen, Secretary
Jim Hartdegen
Steven Moss

EX OFFICIO MEMBERS
The Honorable David M. Gowan
The Honorable Gail Griffin

Welcome/Opening Remarks

Chair Thomas Buschatzke welcomed the attendees. Lisa Atkins, President of the Central Arizona Water Conservation District Board, attended in place of her designee Jim Hartdegen. Commission members Kathryn Sorensen, Ray Jones and Steven Moss attended in person. Ex-officio members, Senator Gail Griffin and Speaker David Gowen, were not in attendance.

Approval of Minutes

Chair Buschatzke asked for a motion to approve the minutes from the September 29, 2016 regular quarterly meeting. Ms. Atkins moved to approve the minutes. Mr. Moss provided the second to the motion and the minutes were approved as presented.

Water Banking Staff Activities

Monthly Deliveries. Ms. O'Connell, AWBA Manager, reviewed deliveries through October of 2016. She noted that deliveries are approximately at 91% of the 65,000 acre-feet planned and on target. By AMA, remaining deliveries are 2,800 acre-feet in the Phoenix Active Management Area (AMA), 1,300 acre-feet in the Tucson AMA and 1,600 acre-feet in the Pinal AMA. Ms. O'Connell noted she did not anticipate issues going forward and expected all deliveries to be met by year end.

Colorado River Status Update. Don Gross, ADWR Colorado River Management, gave an update on Colorado River Basin conditions. His presentation can be found on the AWBA website. Total system storage is currently at 50 percent of capacity or 29.57 million acre-feet (MAF): 50% capacity in Lake Powell and 37% capacity in Lake Mead. Unregulated inflows are expected to be 74% of the average in 2017 or 7.85 MAF. Mr. Gross noted that the last time unregulated inflows exceeded the average of 10.6 MAF was in 2011. While improved since October, snow pack is also not accumulating per the Colorado Basin Forecast Center. The August 2016 observed inflow was 51% of average and the April through July 2016 observed inflow was 92% of average. The most probable unregulated inflow for Water Year 2017 is projected to be 9.63 MAF.

The end of Calendar Year 2016 elevation projection is between 1,078.7 and 1,079.3 feet. For end of Calendar Year 2017, the elevation projection is currently 1,068 to 1,110 feet with the most probable projections showing the 1,074.7 feet. As such, there will be no shortage declaration for 2017 and the probability of shortage (solely Tier 1) in 2018 is currently at 48%. Mr. Gross also addressed the El Nino Southern Oscillation (ENSO) forecast explaining that projections show a La Nina pattern over the next few months with a neutral pattern starting in January of 2017.

CAP System Update. Marcus Shapiro, CAWCD Water Systems Supervisor, gave an update on the CAP System. For 2016, he indicated that CAWCD is still planning to divert all available Colorado River water less 195,000 acre-feet for the Colorado River

conservation programs: (1) MOU Reservoir Protection Levels, (2) Pilot System Conservation Programs with CAP System and (3) Reclamation System Conservation Program. These programs are on target. Regarding 2017, CAWCD is finalizing orders and setting 2017 targets for the conservation programs as explained in the AWBA's 2017 Plan of Operation. Chair Buschatzke and Ms. Atkins expressed appreciation for the continued cooperation amongst the three agencies that has led to avoiding shortage in 2016 and will also avoid shortage again in 2017. Chair Buschatzke added that other basin states are seeing the benefits of Arizona's efforts.

Recovery Planning Update. Laura Grignano, CAWCD Senior Policy Analyst, gave an update on recovery planning. Her presentation is located on the AWBA website. She updated Commission members on the status of the implementation of the Joint Recovery Plan including the CAP System Use Agreement, a recovery exchange partnership with Arizona Water Company and CAWCD for the development of intentionally created unused apportionment (ICUA) for Southern Nevada Water Authority, and recovery costs and technical studies being conducted at Tonopah Desert Recharge Project. Ms. Sorensen asked what CAWCD's authority is to use an exchange explaining how she can see two subcontractors entering an exchange, but not CAWCD and a subcontractor. Ms. Grignano explained that the CAP System Use Agreement provides CAWCD such authority. Ms. Sorensen also questioned how the costs of recovery would be allocated across customers and offered that allowing subcontractors to firm only their own subcontract should be considered a valid option. Chair Buschatzke asked the group implementing the Joint Recovery Plan to address Ms. Sorensen's concerns in their upcoming discussions.

2017 Plan of Operation

Ms. O'Connell reviewed the AWBA's Plan of Operation for 2017. The Plan and presentation are available on the AWBA's website. The Plan includes a total of 17,630 acre-feet in water storage deliveries: 5,230 acre-feet for the Phoenix Active Management Area (AMA), 11,400 Acre-feet for the Pinal AMA and 1,000 Acre-feet for the Tucson AMA. The Plan also identifies nearly 88,000 acre-feet in potential credit purchases. The total estimated cost of the Plan is approximately \$22 million.

Ms. Atkins moved to adopt the Water Banking Authority 2017 Plan of Operation as submitted with minor or technical changes. Ms. Sorensen seconded the motion. Chair Buschatzke asked for comments from the public of which there were none. Vice-Chair Jones asked about the assumptions used for the credit purchase cost estimate. Ms. O'Connell indicated the assumption is that credit purchases will cost the same amount as if the AWBA stored the water itself except with Indian firming credits for the GRIC which are based on the Federal rate of \$164 per acre-foot. Hearing no other questions and comments, the Commission adopted the 2017 Plan of Operation.

CY 2017 Water Delivery Budget

Ms. O'Connell reviewed the CY 2017 Water Delivery Budget associated with the 2017 Plan. She reminded AWBA Commission members the amount they are approving is just over \$20 million as the remaining \$1.6 million needed to achieve the 2017 Plan is an offset from CAWCD's 4¢ ad valorem tax, the use of which is approved by the CAWCD Board. Expenditures from the Arizona Water Banking Fund (AWB Fund) includes \$2.8 million in withdrawal fees for water storage and Indian firming and just over \$19 million

in 4¢ tax revenues deposited to the AWB Fund by CAWCD for credit purchases when realized. Mr. Moss moved to adopt the Water Banking Authority water delivery, recharge and credit purchase budget for CY 2017. Ms. Atkins seconded the motion and the budget was adopted.

Purchase and Sale Agreement for Long-Term Storage Credits between the AWBA and Active Resource Management LLC

Ms. O'Connell described the credit purchase and sale agreement to the Commission explaining that the AWBA would purchase 50,000 acre-feet of long-term storage credits stored at a cost of \$250 per acre-foot. The volume and cost per acre-foot are consistent with the AWBA's Ten-Year Plan to develop roughly 11,000 acre-feet per year over the next five years. By securing credits today, the AWBA will be able to develop credits at net present value. She told the Commission that the CAWCD Board reserved the 4¢ tax monies at its December Board meeting and will release the funds to the Arizona Water Banking (AWB) Fund at the January meeting. The AWBA will then have 30 days to settle an invoice for the credit purchase. Ms. Atkins confirmed that the CAWCD Board had supported the AWBA's request and would be releasing the funds in January.

Dorothy Timian-Palmer, President and Chief Executive Officer of Vidler Water Company who manages Active Resource Management LLC, expressed her appreciation for working with Ms. O'Connell to reach a successful outcome.

Chair Buschatzke asked if there were any questions or comments from the public before the Commission acts. Brett Fleck, Policy Analyst, with the Arizona Municipal Water Users Association, asked where the credits were stored. Ms. O'Connell replied at the Roosevelt Water Conservation District.

Vice-Chair Jones moved to approve the Purchase and Sale Agreement for Long-term Storage Credits between the AWBA and Active Resources Management LLC for the purchase of 50,000 acre-feet of Central Arizona Project water long-term storage credits stored at the Roosevelt Water Conservation District Groundwater Savings Facility at a cost of \$12.5 million using funds in the Maricopa County subaccount of the Arizona Water Banking Fun in CY 2017. Mr. Moss seconded the motion and the Commission approved the agreement.

Call to the Public

Chair Buschatzke asked for any further public comment. Hearing none, the meeting was adjourned at 11:02 a.m.