

ARIZONA WATER BANKING AUTHORITY
Draft Meeting Summary
(Virtual Meeting)

June 17, 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 and Commission Member Alexandra Arboleda attended via online virtual conference. Commission Member Mark Clark was not in attendance. *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. Election of Commission Officers

Virginia O'Connell updated the Commission on the election of officers and explained that the Commission must elect officers every two years. Elections are typically held in the beginning of the year. However, the last election was pushed back due to transitioning Commission members. The terms for Commission members who are gubernatorial appointments will end on January 18, 2021, or until a new appointment is made if they choose to continue to serve. She noted that due to the short timeframe, the Commission could consider extending the current officer's terms until that time.

Chair Buschatzke expressed a preference for extending the officer's terms and asked for comments from Commission members. Commission members voiced their support.

Commissioner Arboleda moved to continue current Commission Officer positions until expiration of the Commission member appointment terms on January 18, 2021 or for the duration of their terms, if they elect to continue to serve until a new appointment is made. Secretary Sorensen provided a second to the motion. The motion passed unanimously.

III. Approval of Minutes

Chair Buschatzke asked for a motion to approve the minutes from the March 11th, 2020 meeting. Secretary Sorensen moved to approve the minutes. Vice-Chair Jones provided the second to the motion. The minutes were unanimously approved.

IV. Water Banking Staff Activities

Quarterly Report of AWBA credit purchases. Ms. O'Connell provided an update on credit purchases during the second quarter of 2020. The AWBA completed its purchase of 14,500 AF of long-term storage credits (LTSCs) from the Tohono O'odham Nation

pursuant to the agreement approved in March. The LTSCs were purchased using \$3.5 million in Pima County 4-cent water storage tax funds and Tucson AMA withdrawal fees. The LTSCs were accrued at the Pima Mine Road Recharge Project in the Tucson AMA. The AWBA also purchased 3,780 AF of LTSCs from the Ak-Chin Indian Community, using \$900,000 in Maricopa County 4-cent water storage tax funds. These credits were accrued at the Salt River Project Groundwater Savings Facility, Roosevelt Water Conservation District Groundwater Savings Facility and the Hieroglyphic Mountain Recharge Project in the Phoenix AMA.

Cumulatively, the AWBA has accrued 24,780 AF of LTSCs in 2020 at a cost of approximately \$5.9 million. This includes 6,500 AF of LTSCs purchased from the City of Peoria during the first quarter. Staff anticipates purchasing additional LTSCs from the Ak-Chin Indian Community before the end of 2020, using the remaining \$500,00 in reserved Maricopa County 4-cent water storage tax funds.

Chair Buschatzke asked if there were any questions. There was no discussion.

Colorado River Status Update. Bret Esslin, ADWR Colorado River Management, gave an update on the Colorado River system. The forecast for inflows into Lake Powell for Water Year 2020 is 6.76 MAF or 62% of average. The Water Year 2020 year-end elevation projection for Lake Powell is 3,603 ft or 46% of capacity and the year-end elevation projection for Lake Mead is 1,083 ft or 40% of capacity. Projections for end of Calendar Year 2020 show Lake Powell at 3,595 ft or 47% of capacity and Lake Mead at 1,085 ft or 40% of capacity. The Bureau of Reclamation's June 2020 24-Month Study is still predicting a 9.0 MAF release from Lake Powell in 2021. Mr. Esslin reviewed the Lake Mead conservation efforts and noted that the U.S./Mexico conservation efforts through the end of 2019 added over 35 ft in elevation, avoiding a Tier 2 shortage. Preliminary estimates for the Lower Basin and Mexico Intentionally Created Surplus (ICS) creation for 2020 is just under 700,000 AF between ICS and DCP contributions.

Chair Buschatzke asked if there were any questions. There were no questions.

Chair Buschatzke commented that the Arizona Implementation Plan for the Lower Basin Drought Contingency Plan (LBDPC) set aside wet water mitigation resources for CAP agriculture in the event of a greater than Tier zero condition. Mitigation was not needed in 2020 and is unlikely in 2021. However, the offset program that is intended to make up the difference for Lake Mead releases is still moving forward. As a result, Arizona is building elevation rather than utilizing a portion for wet water mitigation as expected when the Arizona Implementation Plan was finalized. Given the 2.0 MAF reduction in spring runoff, large Lake Mead conservation efforts will continue and hopefully avoid Tier 1 shortages in the long-term past 2021.

Central Arizona Project (CAP) System Update. Marcus Shapiro, CAWCD Water Systems Supervisor, gave an update on CAP water operations and reviewed Arizona's contributions to support Lake Mead conservation efforts in 2019 and 2020. The total volume across all conservation programs in 2019 was approximately 308,000 AF. The

total planned volume for 2020 is approximately 345,000 AF and includes the required LBDCP Tier Zero contribution of 192,000 AF.

Mr. Shapiro reviewed the planned CAP deliveries under the 2020 Annual Operating Report. Deliveries total 1.36 MAF and include 620,618 AF for M&I subcontracts, 490,007 AF for Federally contracted water and 249,375 AF for the Ag Settlement Pool. Recently, 75,000 AF of unexpected water supply became available from Lake Pleasant for operational reasons. Of this amount, 5,657 AF will be made available to the Ag Settlement Pool to fully satisfy the 300,000 AF pool and the remaining 69,343 will be made available as Other Excess Water and distributed in accordance with CAWCD's current excess water policy. A small portion, 1,260 AF, will be made available to satisfy the Scottsdale Water Availability Status and the remainder will be made available to the statutory firming pool, which includes the AWBA. The CAGRDR has requested 11,332 AF for the CAGRDR Replenishment Reserve and Reclamation has requested 6,695 for firming purposes, leaving 50,056 AF available to the AWBA. Due to limited storage capacity available in the Phoenix AMA in 2020 and requests from water storers, CAWCD is preparing the Tonopah Desert Recharge Facility (TDRP) and expects it will be ready in July.

Chair Buschatzke noted that during DCP discussions it was important to stakeholders to have a plan in place for excess water distribution and he was pleased and encouraged to see that the CAWCD Board of Directors decided to distribute the unexpected water supplies broadly to many different groups of water users.

Report on Recovery Planning Activities. Vineetha Kartha, ADWR Manager for Colorado River Management, provided an update on recovery planning activities, noting staff from AWBA, ADWR and CAWCD have been working collaboratively to draft an update to the 2014 Joint Recovery Plan. Sections 1-4 have been distributed to the Recovery Planning Advisory Group (RPAG) and are posted on the ADWR website. The recovery planning group is drafting Section 5, which is focused on the timing and magnitude of recovery. The RPAG met in May 2020 to review the modeling methods, assumptions and results.

Ms. Kartha and Ken Seasholes, CAP Resource Planning and Analysis Manager presented a shortened version of the recovery planning analysis presented at the May 2020 RPAG meeting. Her presentation included a description of the two models used to calculate the probability of shortage and the timing and magnitude of AWBA recovery. The presentation included an overview of how impacts to AWBA firming requirements are evaluated based on the shortage impacts to the NIA and M&I priority pools. The CRSS model combines hydrology and operations and includes both the Upper Basin and Lower Basin demands and the complex rules used to operate the Colorado River. Operational rules for the 2007 Guidelines, the Drought Contingency Plan (DCP), and the Binational Water Scarcity Contingency Plan pursuant to Minute 323, were all extended through 2045. For scenario planning purposes, multiple scenarios were evaluated. Ms. Kartha also reviewed the on-River demand assumptions included in the recovery planning modeling and assumptions for future growth projections for both M&I uses and agricultural uses. The full presentation is available on the AWBA website.

Mr. Seasholes presented the CAP supply and demand assumptions and the projected AWBA recovery volumes, noting that changes in the future ordering behavior could have a large impact on the utilization of each priority pool and the magnitude of recovery needed. Future LTSC accrual may also affect the methods and opportunities available to satisfy AWBA firming responsibilities.

Mr. Seasholes reviewed the modeling assumptions regarding CAP contract utilization. The recovery planning modeling uses a build-up schedule which assumes CAP long-term contract utilization is fully allocated and fully used by 2045. The modeling assumes that reductions under the 2007 Guidelines and the mandatory DCP contributions are cuts to the available supply in priority order with no mitigation. The rules for the 2007 Guidelines and DCP are carried forward through the entire modeling period and the model assumes a resumption of the 20% maximum AWBA M&I firming volume after 2026.

Mr. Seasholes provided an overview of the model results which show the frequency of shortage through 2045 and the corresponding volumes for on-River, NIA and M&I AWBA firming obligations. He noted the probability of a near term Tier 3 shortage, affecting M&I, is very low, but could potentially result in large volumes of M&I recovery if realized. To better understand how LTSC accrual could affect future recovery needs, one additional scenario was analyzed. This scenario is modeled with a 50% reduction in the request for accrual of LTSCs, resulting in a significant reduction in the projected recovery volume needed for M&I firming.

Secretary Sorensen asked if the stark difference in the M&I recovery volumes in each modeling scenario reflects the reality that it may be possible to distribute credits rather than invest in physical infrastructure or other means to achieve recovery. Mr. Seasholes responded that recovery could be implemented by distributing credits, or it could also mean that water orders change. There is an intersection between the two because LTSC accrual is more discretionary than deliveries to treatment plants and there are many reasons that individual decisions by contractors affect that magnitude. Secretary Sorensen requested clarification that accrual of LTSCs is net of annual storage and recovery and Mr. Seasholes confirmed.

Chair Buschatzke appreciated the robust scenario planning effort and asked if the presentation had been shared with CAWCD Board members and other stakeholders outside of the RPAG process. Mr. Seasholes confirmed that the RPAG meeting was the first venue for this information. However, there is a planned presentation at the CAGR and Underground Storage Committee meeting in August. Chair Buschatzke commented he would like to see more opportunities for all stakeholders throughout Arizona, both on-River and in the CAP service area, to understand this information and requested that Ms. Kartha and Mr. Seasholes consider scheduling a public meeting to present this information again to the broader stakeholder group. He suggested posting a meeting announcement on the ADWR and CAP websites for a joint ADWR/CAP meeting. Commission members were in support. Ms. Kartha informed the Commission that the RPAG presentation was recorded and that it is publicly available on the ADWR YouTube page. Additionally, staff is planning another recovery modeling meeting for those

stakeholders that are interested in a more in-depth review and discussion. Chair Buschatzke requested that Ms. Kartha post a Q&A document with answers to common questions on the ADWR website.

Report on CAWCD Water Storage Tax Resolution. Ms. O’Connell reviewed water storage tax funds reserved for AWBA LTSC purchases. In June, the CAWCD board adopted the annual resolution for the Water Storage Tax for tax year 2020/2021. As requested by AWBA staff, the CAWCD Board has reserved \$10 million for AWBA credit purchases in tax year 2020/21. This includes \$4 million in Maricopa County funds and \$6 million in Pima County funds. The funds are deposited to the Water Banking Fund at the time the credit purchase occurs.

V. Discussion and Consideration of Action on Source of Funds for Fiscal Year 2021 Legislative Authorized Budget Transfers from the Arizona Water Banking Fund

Ms. O’Connell reviewed the legislative authorized budget transfers. The legislature has authorized the use of just over \$1.4 million in funds from the Arizona Water Banking Fund for Fiscal Year 2021. As in previous years, the funds will be used in support of ADWR and the Arizona Navigable Stream Adjudication Commission (ANSAC). Staff proposed that funds for ANSAC be made available from withdrawal fee revenues collected in the first half of the fiscal year and be taken proportionally from each of the AMA withdrawal fee subaccounts. Based on historical use, staff proposed transfers for ADWR be made available from withdrawal fees collected in the second half of the fiscal year. However, funds would be divided proportionally between the Phoenix and Tucson AMAs because next year’s Pinal AMA withdrawal fee revenues will be used for the Groundwater and Irrigation Efficiency Project under LBDGP instead.

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

Vice-Chair Jones moved to approve the staff recommendation for transferring \$1,412,200 in funds from AMA withdrawal fee subaccounts in the Arizona Water Banking Fund for fiscal year 2021 pursuant to Senate Bill 1692. Secretary Sorensen 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.

VI. Discussion and Consideration of Action to Adopt the AWBA Amended 2020 Plan of Operation

Ms. O’Connell reviewed the Amended 2020 Plan of Operation. CAWCD has made approximately 68,000 AF of unexpected water available to the Statutory Firming Pool, with just over 50,000 AF available to the AWBA. Staff reviewed storage capacity and funding available in each of the AMAs. Proposed storage was based on funding and

storage capacity available in each AMA and included just over 39,000 AF at TDRP in the Phoenix AMA, 9,000 AF in the Pinal AMA, with storage divided equally between the three GSFs, 2,000 AF the Avra Valley Recharge Project in the Tucson AMA. The additional costs for storage under the Amended 2020 Plan of Operation are estimated at \$10.8 million and will utilize water storage tax funds from the corresponding county in which the funds were collected.

Chair Buschatzke asked for any discussion by commission members. Secretary Sorensen commented that she is not in favor of additional storage at TDRP, given that we are so close to our M&I firming goal in the Phoenix AMA and there are serious questions about the value of storage at TDRP in terms of our ability to recover that water in a way that is cost effective or reasonable. She expressed a preference for moving forward with the amendments to the plan in Pinal and Pima Counties, but not in Phoenix.

Chair Buschatzke asked Ms. O'Connell if there were other options for storing additional water in Pinal or elsewhere. Ms. O'Connell responded that there are funding limitations in the Pinal AMA and there is no additional storage capacity in the Tucson AMA. If other storing entities change their storage plans, some storage capacity could become available.

Chair Buschatzke asked Secretary Sorensen if it is her preference that the water supplies go back to CAP for some other use under the Excess Policy if no other storage options become available. Secretary Sorensen responded that she is concerned that additional storage at TDRP is a waste of taxpayer money and she preferred that water remain in Lake Mead. Having the water go back to CAWCD would be a better outcome than storage at TDRP.

Commissioner Arboleda asked if Mr. Seasholes or Ms. Kartha could comment on the potential for recovery at TDRP and the associated costs. Mr. Seasholes responded that ongoing investigations focused on onsite recovery at TDRP utilized test wells and bore holes to evaluate water quality and transmissivity. These investigations ultimately determined that onsite recovery is not economically feasible because the water quality may require relatively expensive treatment in order to be introduced directly into the CAP system and the transmissivity at the site is not as high as anticipated. The most recent approach has been to focus on alternate sites within the Hassayampa sub-basin that would be suitable for direct recovery. CAWCD staff is confident that wells can be developed in the Hassayampa sub-basin to recover the stored water. Recovery planning has moved away from the concept of doing large scale direct recovery at the TDRP site and Mr. Seasholes indicated there will likely be more opportunities for partnering in the region over time with water providers who may be able to participate in recovery exchanges. Commissioner Arboleda commented acknowledging concerns about the recoverability of water at the TDRP site, but noted it was helpful to understand that there are some options for recovery at the site.

Vice-Chair Jones asked if it is possible to adopt a motion to include the concept of shifting the water to other facilities. Chair Buschatzke responded that it is possible to adopt a

motion that approves the water at TDRP, but also encourages AWBA staff to look for other options. Nicole Klobas, AWBA attorney clarified that the motion should be to amend the plan to reflect that intention.

Commissioner Arboleda moved to amend the 2020 AWBA Plan of Operation as submitted or with minor or technical changes and to direct AWBA staff to redirect water to the most beneficial and effective storage locations as they become available. Vice-Chair Jones provided a second to the motion. Chair Buschatzke asked for public comment. Paul Orme commented that he supports the amendment of the plan and water storage in the Pinal AMA. Chair Buschatzke asked for any additional comments from the Commission. There were none. Chair Buschatzke, Vice-Chair Jones and Commissioner Arboleda voted yes. Secretary Sorensen voted no. The motion passed.

VII. Discussion and Consideration of Action to Approve the AWBA 2019 Annual Report

Ms. O'Connell gave a presentation on the highlights of the AWBA's activities for 2019 including commitments made under DCP and recovery planning efforts. She noted that 2019 was the first year that there were no excess CAP water supplies available for AWBA storage. As an alternative, the AWBA purchased 32,451 AF of credits in the Phoenix and Tucson AMA's using approximately \$4 million in Water Storage Tax funds and \$3.8 million in withdrawal fees. Credit purchases in 2019 allowed the AWBA to reach 96% of the M&I firming goal in the Phoenix AMA and 56% in the Tucson AMA.

Simone Kjolsrud, AWBA Technical Administrator, reviewed the Ten-Year Plan covering the period from 2021-2030. The Ten-Year Plan includes an evaluation of the AWBA's ability to develop credits over the next ten years as well as the likelihood of Colorado River shortages and the need to distribute credits to meet a firming obligation. She reviewed shortage probabilities under different modeling assumptions using Reclamation's Colorado River Simulation System (CRSS) and the Joint Recovery Model (JRM). The most likely conditions reflect operating under Tier zero conditions for most of the planning period and the most likely firming requirement in the next ten years is for NIA Indian firming ranging from 133,260 AF to 143,652 AF for the full period. There are recovery agreements in place with the Gila River Indian Community to meet those potential obligations. Under Reclamation's CRSS April Model run using Stress Test Hydrology, the AWBA could have a total firming requirement over the next ten years of up to 487,568 AF, which would include firming for NIA Indian, CAP M&I, and Fourth Priority on-River domestic users. The likelihood of a shortage condition does not occur until 2023 for any scenario. Commissioner Arboleda asked for more detail on the wide range of outcomes between the Full Hydrology and Stress Test Hydrology. Ms. Kjolsrud responded that the Stress Test Hydrology is a much drier hydrology, resulting in deeper shortages and firming volumes that impact M&I firming. Commissioner Arboleda asked how reliable the shortage percentages are in the probability tables. Bret Esslin responded that while the highest probability is chosen for each year, it may only be a 1% difference between percentages. However, that 1% results in a much deeper shortage reduction between tiers and the associated firming volume. Ms. O'Connell

commented that there is uncertainty in modeling. However, the Bureau's 24-month study in August helps to provide more direction on how things are progressing.

Commissioner Arboleda moved to approve the 2019 Annual Report as submitted or with minor or technical changes, and direct staff to submit to Governor, Speaker of the House, and President of the Senate by July 1. Secretary Sorensen provided a second to the motion. Chair Buschatzke asked for public comment. There were no comments. The 2019 Annual Report was unanimously approved.

VIII. Discussion and Consideration of Action to Adopt the AWBA Administration Budget for Fiscal Year 2021

Ms. O'Connell noted that while referred to as a budget, it is actually a reimbursement for cost of services provided by ADWR and CAWCD. She gave a brief overview of actual expenses for fiscal year (FY) 2020, which were approximately \$50,000 less than estimated at just over \$457,000. She also reviewed the proposed administrative budget for FY 2021, noting it was similar to the previous year at just under \$498,000.

Vice-Chair Jones moved to adopt the Arizona Water Banking Authority Administration Budget for Fiscal Year 2021 as presented or with any minor or technical changes. Secretary Sorensen provided a second to the motion. Chair Buschatzke asked for public comment. There were no comments. The motion passed unanimously.

IX. Call to the Public

There were no additional comments. The meeting adjourned at 12:11 p.m.

Future Meeting Dates:

Wednesday, September 16, 2020

Wednesday, December 2, 2020