

ARIZONA WATER BANKING AUTHORITY

Final Minutes

March 4, 2019

Arizona Department of Water Resources



Welcome/Opening Remarks

Chair Thomas Buschatzke welcomed the attendees. All members were in attendance. Commission member Mark Clark attended via teleconference. *Ex-officio* members, Speaker of the House of Representatives Russell Bowers and Senate President Karen Fann, were not in attendance.

Chair Buschatzke welcomed new Commission member, Alexandra Arboleda, who serves as designee for CAWCD Board President Lisa Atkins. Chair Buschatzke thanked President Atkins for attending since Commission member Pamela Pickard's departure.

Lastly, Chair Buschatzke shared his experience at the Celebration of the Opening of the Interpretive Trail at the Oldberg Storage Facility (MAR-5) on the Gila River Indian Community noting it was an enjoyable event and that presentations were made by Governors Lewis and Ducey, Congressman O'Halloran and others. MAR-5 gives the Community the flexibility to mix and match its water supply in a way that allows the Community to support the DCP. Additionally, MAR-5 also facilitates the Community's cultural heritage goals specifically of re-creating the Gila River.

Approval of Minutes

Chair Buschatzke asked for a motion to approve the minutes from the January 17, 2019 special meeting. Secretary Kathryn Sorensen moved to approve the minutes. Vice-Chair Ray Jones seconded the motion, and the minutes were unanimously approved.

Status Report on Colorado River Conditions

Bret Esslin, ADWR Colorado River Management, gave an update on the Colorado River system (presentation available online). As of February 27th, Lake Powell is at 38% of capacity at lake elevation 3,572.29 feet, and Lake Mead is at 41% of capacity at lake elevation 1,087.62 feet. Unregulated inflow from April through July is projected to be 6 million acre-feet (MAF) or 84% of the 30-year average. For comparison, average inflows for the entire water year are estimated at 8.4 MAF or 78% of average. Based on existing inflow data to date, the most probable release from Lake Powell in 2019 is 8.91 MAF. This figure is likely to be adjusted upwards to 9 MAF under the April 24 Month due to the 700 KAF increase in inflows. The most probable release for Water Year 2020 remains at 7.48 MAF. The February 24-Month Study projects Lake Mead elevations at 1,071.6 feet for year-end December 2019 about 3.45 feet into a Tier 1 shortage, and 1,058 feet for year-end December of 2020, around 8 feet above a Tier 2 shortage. Lake Powell elevations are projected to be at 3,572.2 feet for year-end December 2019.

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 Russell Bowers

Since the August 24-Month Study, the probability of shortage has increased from 57% to 69% in 2020. The probability of any shortage has increased to approximately 80% from 2021 through 2023. The probability of a Tier 3 shortage in 2023 increased from 14% to 21% increasing further into double digits.

Vice-Chair Jones asked why inflows are below normal when snowpack is above normal. Mr. Esslin responded saying the dry soils have absorbed the melting snowpack keeping it from becoming inflow. Chair Buschatzke asked what assumptions were made in the projections relative to Intentionally Created Surplus (ICS). Mr. Esslin responded saying 10,000 AF is assumed created by the Imperial Irrigation District, 30,000 AF is assumed taken by California, and 30,000 AF is assumed created by the Southern Nevada Water Authority. Given the wet year, additional ICS could be created.

Update on AWBA agreements related to the implementation of the Lower Basin Drought Contingency Plan (LBDCP) in Arizona

Ms. O'Connell updated Commission members on several agreements for implementing the LBDCP in Arizona that involve the AWBA, noting they were at varying levels of completion (presentation available online). The Long-term Storage (LTS) Credit Exchange Agreement is furthest along. This agreement is necessary to facilitate storage by CAP subcontractors at groundwater savings facilities (GSF) in the Pinal AMA for providing wet water mitigation under the implementation plan for DCP. Under the agreement, the AWBA would agree to exchange LTS credits for water stored by subcontractors from 2020 through 2022 under Tier 1 and Tier 2a shortages. Since the last briefing, the annual subcontractor storage volume has increased from 33,500 AF per year to 46,500 AF. The AWBA would be responsible for exchanging LTS credits for 45,500 AF per year of storage, for a maximum volume of 136,500 AF. Due to the 5% cut to the aquifer, the total volume of LTS credits that could be exchanged would be an estimated 129,000 AF. Legislation allowing for the exchange of withdrawal fee credits and for a waiver of fees associated with those exchanges passed this January. She informed Commission members that a draft agreement would be made available shortly.

Ms. O'Connell pointed out that the agreement for purchase of ICS created by the Gila River Indian Community has been drafted and is currently under review by the Community. The agreement would allow for the purchase of 50,000 AF of ICS. Lastly, the overarching agreement is currently in the conceptual stages. This agreement describes the various elements of the Arizona Implementation Plan including the pieces to which the AWBA would commit. The AWBA along with the USBR, ADWR and the CAWCD would be a signatory. Other signing parties are being considered.

Commission member Arboleda indicated that CAWCD is concerned about when the volume of AWBA firming is determined relative to how the AWBA will treat CAP's ICS credits used for mitigation and how that is stated and reinforced in AWBA policies or in the overarching agreement. Nicole Klobas, attorney for the AWBA, clarified that this issue is not intended to be a policy, instead it is intended to be an agreement to

determine the firming obligations and the M&I firming volume before any CAP ICS is delivered as project water. If adopted as a policy, it could be interpreted as establishing a precedent for calculating firming volumes, particularly with respect to the settlement firming obligations. It is important to establish that it is part of the implementation plan agreement within Arizona in order to make the overall DCP implementation work and avoid any precedential argument in the future after the Interim Period.

Chair Buschatzke indicated a status report on the Arizona's LBDCP implementation was submitted to the Governor's Office that day. The report will be made available on ADWR's website later in the day.

Discussion and potential action regarding AWBA policy for the distribution of long-term storage credits for firming CAP M&I subcontractors through 2026

Ms. O'Connell briefed the Commission on the policy for distribution of LTS credits for M&I firming (presentation available online). She provided background information concerning the AWBA's requirement to distribute water storage tax credits to CAWCD "to the extent necessary to meet the demands of CAWCD M&I subcontractors" during shortage conditions. Previous efforts to develop a policy were put on hold until more was known about how water providers would use their water during shortages. During the DCP discussions, stakeholders expressed concerns about needing certainty regarding the availability of water supplies to meet demands and to ensure sufficient resources are available to mitigate water reductions required under the DCP. The AWBA can provide that certainty by agreeing to fully firm CAP M&I subcontracts through 2026, the Interim Period. Based on an analysis conducted on various scenarios, the AWBA's firming exposure could be between 93,000 and 285,000 AF. Ms. O'Connell noted that the experience gained during this time period will help to inform future policies.

Secretary Sorensen expressed support for the policy indicating that policies based on calculation of need are problematic as such analyses are always based on imperfect information and incorrect assumptions and subject to political influence. Water providers know how much subcontract water they will use each year. A policy based on scheduled water, not need, respects the role of the water providers to make decisions about how to serve their customers.

Secretary Sorensen moved to adopt the AWBA Policy Regarding the Distribution of Long-Term Storage Credits for Firming CAP Municipal and Industrial Subcontractors during the Interim Period. Vice-Chair Jones seconded the motion and motion passed unanimously.

Call to the Public

Chair Buschatzke asked for public comment. There were no comments. Chair Buschatzke announced there may be another Special Meeting of the AWBA before the next regular AWBA meeting, specifically Friday, March 8, 2019. The meeting adjourned at 10:39 a.m.