

ARIZONA WATER BANKING AUTHORITY
Final Minutes

March 11, 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 and Commission Member Mark Clark attended in person. Secretary Kathryn Sorensen and Commission Member Alexandra Arboleda attended via teleconference. Vice-Chair Ray Jones and *Ex-officio* members, Senate President Karen Fann and Representative Gail Griffin, were not in attendance.

The meeting was called to order at 10:04 a.m.

II. Approval of Minutes

Chair Buschatzke asked for a motion to approve the minutes from the December 4, 2019 and January 21, 2020 meetings. Commissioner Clark moved to approve the minutes. Secretary Sorensen provided the second to the motion. 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 credit purchases. During the first quarter in 2020, the Arizona Water Banking Authority (AWBA) purchased a total of 6,500 AF of long-term storage credits from the City of Peoria, using \$1.55 million (\$238.30/AF) in Maricopa County 4-cent water storage tax funds. These credits were accrued at the Hieroglyphic Mountain Recharge Project.

Report on Southside Protection Zone Replenishment Obligation. Ms. O'Connell gave an update on the Southside Protection Zone Replenishment Obligation. In October of 2019, the Arizona Department of Water Resources (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. At the previous AWBA quarterly meeting, Commission members voted to include this obligation in the AWBA 2020 Plan of Operation and approved the satisfaction of this replenishment obligation by extinguishing Pinal AMA LTSCs accrued at the Hohokam Irrigation & Drainage District GSF located within the Eastern Protection Zone South. This obligation was satisfied on February 26, 2020 with credits accrued using Pinal AMA withdrawal fees. Withdrawal fees can be used for water management purposes, which includes meeting tribal settlement obligations. On February 27, 2020 the AWBA sent a letter to the Gila River Indian Community to notify them that the replenishment obligation had been met. ADWR created a subaccount within the AWBA long-term storage credit account to specifically identify credits extinguished for meeting settlement obligations.

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 28.66 MAF as of March 6, 2020, which is 4 million AF more than the same time last year. Lake Mead is at 44% capacity and Lake Powell is at 49% capacity. For Water Year 2020, the forecast for unregulated inflows into Lake Powell is 8.564 million AF (MAF) or 79% of average.

Mr. Esslin reviewed the Bureau of Reclamation's (Reclamation) March 2020 24-Month Study for Most Probable Inflow Scenarios. The Water Year 2020 year-end elevation projection for Lake Powell is 3,615 ft and Lake Mead is 1,079.54 ft. Projections for Calendar Year 2020 show Lake Powell at 3,609.92 ft. and Lake Mead at 1,082.86 ft. The March 2020 24-Month Study is still predicting a 9.0 MAF release from Lake Powell in 2021.

Reclamation published the February 2020 MTOM/CRSS five-year shortage probabilities for the full hydrology and stress test hydrology scenarios. As a result of DCP, the full hydrology shows there is less than a 1% chance of a Tier 3 shortage within the next five years. Prior to DCP, this same table projected double digit probabilities of Tier 3 shortage within five years. The stress test hydrology includes 0% of traces resulting in a shortage for 2021, 15% of traces resulting in a shortage for 2022, 45% of traces resulting in a shortage for 2023 and 54% of traces resulting in a shortage for 2024.

Chair Buschatzke asked Mr. Esslin if the total volume of conservation for 2019 was available and noted the improved shortage probabilities for Lake Mead. Mr. Esslin responded that the final numbers for 2019 are not available yet. However, the 2013-2018 system conservation resulted in over 35 ft. of elevation gain in Lake Mead.

Commissioner Sorensen asked if Reclamation projections assume that none of the Intentionally Created Surplus (ICS) water is removed from Lake Mead. Mr. Esslin confirmed that none of the parties have indicated that they will be requesting ICS withdrawal.

Chair Buschatzke asked if ICS withdrawals would be reflected in Reclamation's projections once parties make a request for ICS. Mr. Esslin confirmed that ICS withdrawals would be reflected in the projections once an ICS withdrawal has been approved.

Central Arizona Project (CAP) System Update. Marcus Shapiro, CAWCD Water Systems Supervisor, gave an update on the CAP water operations and reviewed the 2019 Arizona contributions to support Lake Mead conservation efforts. CAWCD initial estimates for 2019 anticipated 86,000 AF of CAP excess water would be available for conservation. While the official 2019 year-end Reclamation accounting has not been officially released yet, CAWCD currently anticipates the 2019 year-end volume conserved in Lake Mead by the CAP System Conservation activities will be 120,872 AF. The Pilot System Conservation Program (PSCP) is expected to result in 41,328 AF of

conservation. Other System Conservation activities, including GRIC ICS and Colorado River Indian Tribes ICS, are expected to result in 123,274 AF of conservation. The total 2019 volume across all conservation programs is expected to be approximately 311,620 AF.

The 2020 projections for Arizona's contributions to support Lake Mead conservation total approximately 345,000 AF. This includes CAP System Conservation Activities, PSCP and Other Conservation Activities. Arizona's DCP Tier Zero contribution of 192,000 AF, which includes approximately 45,000 AF from the Ag Forbearance program, 144,000 AF of excess water and 3,500 AF from the Metropolitan Domestic Water Improvement District. The PSCP includes 4,500 AF from Bullhead City. Other Conservation and Storage Activities includes 83,000 AF of GRIC ICS, 53,736 of CRIT System Conservation and CRIT ICS, 6,137 of MVIDD ICS and 10,000 Fort McDowell Yavapai Nation ICS (for Reclamation DCP goal).

Chair Buschatzke noted that the Fort McDowell Yavapai Nation is conserving 10,000 AF to assist Reclamation with contributions under DCP. Chair Buschatzke asked if CAWCD is aware of any additional contributions to assist Reclamation with meeting this 100,000 AF DCP goal. Mr. Shapiro replied that he is not aware of any additional contributions.

Report on Recovery Planning Activities. Vineetha Kartha, ADWR Manager of Colorado River Management section, provided an update on recovery planning activities. Staff from the 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 Recovery Planning Advisory Group (RPAG). The comments received on sections 1-3 have been incorporated and the public comment period for section 4 remains open. The upcoming RPAG meeting is scheduled for April 9th from 1-3pm.

Ms. O'Connell provided an update on the status of Senate Bill 1301. The purpose of the January 21, 2020 Special Meeting was to review legislation proposed by the Arizona Municipal Water Users Association. Commission members had approved a position of support. The legislation concerns the direct distribution of AWBA water storage tax credits to CAP M&I subcontractors for firming purposes. On January 28th, the legislation, SB 1301, was introduced by Senator Frank Pratt and co-sponsored by Senator Lisa Otondo. It passed the senate unanimously 30-0. On February 13th, the bill was transmitted to the house and was assigned to the House Natural Resources, Energy and Water Committee on March 5th.

IV. Discussion and Consideration of Action to Approve the Proposed Purchase and Sale Agreement for Long-term Storage Credits between the AWBA and the Tohono O'odham Nation

Ms. O'Connell reviewed the Final Draft Purchase and Sale Agreement for Long-term Storage Credits between the AWBA and Tohono O'odham Nation. The agreement has a three-year term, with an annual decision between the parties to purchase up to 14,500 acre-feet of long-term storage credits per year, with the total not to exceed 43,500 AF.

The rates are based on CAP Water Delivery and Storage Rates, increased by 6% to account for the 5% cut to the aquifer and 1% in evapotranspiration losses. The rate for 2020 is \$240.42/AF. The Tohono O'odham Nation has credits at the Pima Mine Road Recharge Project and the Lower Santa Cruz Recharge Project. For 2020, AWBA staff proposed purchasing the full 14,500 AF of credits accrued at the Pima Mine Road facility. These credits are ideally located to firm Tucson Water, as well as other M&I subcontractors located in the Southern portion of the Tucson AMA. The total cost is \$3,486,090.00 and credits would be purchased using \$3 million in Pima County 4-cent water storage tax funds reserved by the CAWCD board, with the remainder purchased using \$486,090.00 in withdrawal fees collected in the Tucson AMA. The Tohono O'odham Nation approved the agreement in February 2020.

Commissioner Clark moved to approve the Purchase and Sale Agreement for Long-term Storage Credits between the AWBA and Tohono O'odham Nation and the purchase of 14,500 acre-feet of long-term storage credits in calendar year 2020, accrued at the Pima Mine Road Recharge Project, for a total cost of \$3,486,090.00 using \$3 million and \$486,090.00 in funds from the Pima County and Tucson AMA subaccounts of the Arizona Water Banking Fund, respectively. Secretary Sorensen provided a second to the motion.

Chair Buschatzke recognized that representatives of the Tohono O'odham Nation were in attendance and asked if they wish to address the Commission. There were no comments.

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

VIII. Call to the Public

There were no additional comments. The meeting adjourned at 10:28 a.m.

Future Meeting Dates:

Wednesday, June 17, 2020

Wednesday, September 16, 2020

Wednesday, December 2, 2020