

Agenda Item 4

Discussion of potential AWBA agreements and actions contemplated under the Arizona Implementation Plan

AWBA Quarterly Meeting
January 17, 2019

Presented by
Virginia O'Connell, AWBA Manager



AWBA Activities

- Agreements
 - Exchange of AWBA long-term storage (LTS) credits for Pinal Ag mitigation (i.e. USF to GSF)
 - Phoenix AMA
 - Tucson AMA
 - Recovery of AWBA LTS credits in Pinal AMA
 - Agreement with the Gila River Indian Community (Community) for payment of intentionally created surplus for meeting settlement obligations
- Policy for distribution of AWBA LTS credits for firming M&I subcontractors
- Legislation required by AZ Implementation Plan affecting AWBA



AWBA Agreements

(USF to GSF)

- LTS Credit Exchanges in Phoenix AMA
 - Provides wet water mitigation to Pinal Ag from 2020-2022 under Tier 1 shortages
 - Separate agreements with individual participants
 - Combined volume of 100,500 AF (33,500 AF/yr)
 - Describes annual process for reciprocal transfer of LTS credits
 - Phoenix AMA entity receives AWBA Phoenix LTS credits
 - AWBA receives Pinal LTS credits accrued from storage by Phoenix entities



AWBA Agreements

(USF to GSF)

- LTS Credit exchange in Tucson AMA
- Provides wet water mitigation to Pinal Ag 2021-2022 under Tier 2a shortages
 - Up to 35,000 AF/yr
 - Provides backstop supply for fixed Ag mitigation pool (reduction from 105 kaf to 70 kaf)
 - Describes annual process for reciprocal transfer of LTS credits
 - City of Tucson receives AWBA Tucson LTS credits
 - AWBA receives City of Tucson's Pinal LTS credits



Existing AWBA LTS Credits through 2017 (AF)

Funding Source	Phoenix AMA	Tucson AMA
Withdrawal Fees	247,659	103,215
Shortage Reparation	20,642	28,340
Total	268,301	131,555

Considerations:

- Phoenix AMA withdrawal fee credits are intended for meeting AWBA settlement obligations
- Tucson AMA withdrawal fee credits are anticipated to be used for CAP M&I firming
- Shortage reparation credits can be used for any type of AWBA firming
- Exchanges for LTS credits in the Pinal AMA would require need for recovery partnerships



Agreements for Recovery

- LTS Credit Exchanges could result in up to 103,500 AF* of AWBA credits relocated to Pinal AMA
- Requires recovery capacity sufficient to meet AWBA annual firming needs
- May require an exchange agreement with higher priority water users



*Corrected from 170,500 AF

Agreement

(Pre-firming)

- AWBA agrees to pay for 50 kaf of ICS created by Community to meet AWSA firming obligation
- ICS firming credits accrued by AWBA (45 kaf) are held in a “Firming Account” and debited to meet obligations occurring after 2026
- ICS firming credits are accepted by Community as water delivered to meet AWBA’s firming obligation



Agreement

(Pre-firming)

- Requires amendment to Exhibit B (Firming Methods) of AWBA's 2015 firming agreement with Community
- Payments for ICS are made annually as part of AWBA Annual Plan of Operation
- Proposed use of Phoenix AMA withdrawal fees
- First year \$210/AF with 3% annual escalator



Policy for M&I Firming

- AWBA agrees to fully firm CAP M&I subcontractors through 2026
- Experience provides insight for developing firming policy after 2026
- Potential firming exposure ~ 93 kaf – 285 kaf
- Estimated shortage reductions < 20%



Water Storage Tax Credits	Currently Available LTSC thru 2017	LTSCs Remaining			
		DCP Base 2019 Orders	DCP Base Full Ent.	Poorer Hydrology 2019 Orders	Poorer Hydrology Full Ent.
Phoenix	1,478,641	1,420,803	1,384,519	1,363,042	1,316,096
Pinal	220,642	217,621	210,249	215,274	202,693
Tucson	473,014	440,423	424,491	407,875	389,216
Total	2,172,297	2,078,847	2,019,258	1,986,192	1,908,006



Legislation

- Allowing for exchange of withdrawal fee LTS credits
 - Limited timeframe – 2026
- Waiving LTS credit transfer fees associated with credit exchanges
- Amending use of Pinal AMA withdrawal fee revenues for LBDCP purposes



Agenda Item 4 – QUESTIONS???

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