

ARIZONA WATER BANKING AUTHORITY
Draft Minutes

September 29, 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 and Ray Jones attended in person. Commission member Steven Moss attended via teleconference and *ex-officio* members, Senator Gail Griffin and Speaker David Gowen, were not in attendance. Chair Buschatzke reorganized the agenda to allow for Public Comment in advance of the Executive Session. Hearing no objection, the order was changed.

Approval of Minutes

Chair Buschatzke asked for a motion to approve the minutes from the June 22, 2016 regular quarterly meeting. Ms. Atkins moved to approve the minutes. Ms. Sorensen provided the second to the motion and the minutes were approved.

Water Banking Staff Activities

Monthly Deliveries. Ms. O'Connell, AWBA Manager, reviewed deliveries through August. She noted that deliveries are approximately 75% of the 65,000 acre-feet planned and that overall deliveries are on target. By AMA, deliveries are slightly ahead of schedule in the Phoenix Active Management Area (AMA), spot on in the Tucson AMA and behind in the Pinal AMA. Deliveries are behind in Pinal because the Central Arizona Irrigation & Drainage District (CAIDD) Groundwater Savings Facility (GSF) did not take its deliveries in July or August as planned. However, staff expects deliveries to catch-up soon as some of the deliveries are shifting to the Hohokam Irrigation District GSF.

Colorado River Status Update. Jeff Inwood, 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 51 percent of capacity or 30.44 million acre-feet (MAF): 35% capacity in Lake Powell and 37% capacity in Lake Mead. The August 2016 observed in flow was 51% of average and the April through July 2016 observed in flow 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 2018, the end of Calendar Year 2017 elevation projection is currently 1,073 to 1,109 feet with the minimum and most probable projections showing the 1,073 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%. Chair Buschatzke noted that the efforts of the basin states are largely responsible for averting the 2017 shortage declaration.

Finally, Mr. Inwood reviewed the El Nino Southern Oscillation (ENSO) Forecast

explaining that we will be entering a neutral pattern in the fall of 2016 meaning neither favoring an El or a La Nina pattern.

CAP System Update. Patrick Dent, CAWCD Water Operations Manager, gave an update on CAWCD's three Colorado River conservation programs: (1) MOU Reservoir Protection Levels, (2) Pilot System Conservation Programs with CAP System and (3) Reclamation System Conservation Program. Mr. Dent's report is available on the AWBA website. CAP will realize 134,000 acre-feet for the MOU program in 2016 reaching the 345,000 acre-foot goal. The pilot system program will produce about 45,000 acre-feet in 2016 for a total of 55,000 acre-feet. The Reclamation program will produce about 14,000 acre-feet in 2016. The combined volume for all three programs over the last three years was 415,000 acre-feet. The estimated allowable use for CAP in Calendar Year 2016 is expected to be 1,503,000 acre-feet, which is virtually spot on with CAP's forecast. Ms. Atkins underscored Chair Buschatzke's comments indicating that these efforts not only avoided shortage in 2016, but will again in 2017.

Update on Indian Settlements. Ms. O'Connell informed Commission members that earlier this year, attorneys for the State parties (ADWR, CAP, SRP and Freeport Minerals) and the Hualapai Tribe worked out a comprehensive settlement of the Tribe's water rights claims in Arizona, including the Tribe's claims to the Colorado River. On September 8, Senators McCain and Flake introduced legislation approving and authorizing the settlement such that the Tribe would receive 4,000 acre-feet of the NIA Priority CAP water set aside for reallocation under the Arizona Water Settlements Act. The AWBA would have an obligation to firm 557.50 acre-feet per year of that amount to M&I priority until January 1, 2108. This volume is a subset of the 8,724 acre-feet identified for future settlements under the AWSA which will leaving a remainder of 4,416.5 acre-feet. The federal government would have an equal firming obligation under the settlement.

The settlement would also give the Tribe the authority to lease its water, but the leased water would not be firmed. The plan is to divert the NIA water from Diamond Creek on the Hualapai Reservation and transport it via pipeline to Peach Springs and Grand Canyon West. The legislation also authorizes an appropriation of \$134.5 million to pay for infrastructure and an additional \$37 million to pay for OM&R. While there is support for the legislation from Arizona, the Department of the Interior does not support it questioning the cost effectiveness of the project. Given this opposition, it is unlikely that the legislation will pass. However, the State parties and the Tribe are hopeful it may have a better chance of passing next year.

2016 Storage Facility Inventory

Terri Sue Rossi, Technical Administrator, briefed Commission members on the 2016 Storage Facility Inventory. Her presentation is available on the AWBA website. The AWBA holds or has held water storage permits at 28 recharge facilities with a collective capacity of roughly 1.5 million acre-feet. Capacity currently available to the AWBA is approximately 250,000 acre-feet. The most recent Ten-Year Plan projects the AWBA will need roughly 60,000 acre-feet in 2017. Based on the analysis, existing capacity is sufficient to meet the AWBA's demands as determined in the Ten-Year Plan. Ms. Atkins mentioned that CAWCD recharge facilities will need re-permitting in the future and that CAWCD and ADWR need to work closely to make a smooth transition in that regard.

Chair Buschatzke agreed with Ms. Atkins. Chair Buschatzke called on Mike Block with Metropolitan Domestic Water Improvement District (MDWID) who provided written comments. Mr. Block indicated that while he agrees the Inventory is not the most appropriate vehicle to include an assessment of recovery capability, MDWID contends CAP, ADWR and the AWBA need to consider recovery capability when considering what recharge facilities to use. Ms. Atkins moved to approve the 2016 Facility Inventory Update with any necessary corrections. Ms. Sorensen seconded the motion and the Inventory was approved.

Operational Agreements with CAWCD

Ms. O'Connell explained that the AWBA has two standard agreements with CAWCD required to operate: the Master Water Storage Agreement (MSWA) and the Excess Water Contract. Both agreements are available on the AWBA website. The MSWA expires at year end and the Excess Contract expires at the end of the next year. To coordinate the timing of the two agreements, AWBA staff requested that CAWCD prepare a new Excess Water contract instead of renewing the existing contract for one more year. The new termination date for both agreements is December 31, 2026. Mr. Jones asked if there were any substantive changes Ms. O'Connell responded there were none. Ms. Atkins indicated both agreements are on the CAWCD October Board agenda for approval. She moved to authorize the Chair to sign the *Master Water Storage Agreement* between the Arizona Water Banking Authority and the Central Arizona Water Conservation District upon approval by the CAWCD Board absent any substantive changes. Ms. Sorensen seconded the motion and the motion passed. Ms. Atkins also moved to authorize the Chair to sign the *Agreement between the Central Arizona Water Conservation District and the Arizona Water Banking Authority for Delivery of Excess Central Arizona Project Water*. Ms. Sorensen seconded the motion which passed.

Draft Plan of Operation

Ms. O'Connell reviewed the AWBA's Preliminary Plan of Operation for 2017. The Plan is available on the AWBA's website. The Preliminary Plan includes a total of 27,630 acre-feet in water storage deliveries: 10,230 acre-feet for the Phoenix Active Management Area (AMA), 11,400 Acre-feet for the Pinal AMA and 6,000 Acre-feet for the Tucson AMA. Ms. O'Connell noted that the proposed delivery volumes are subject to change once all orders for CAP water have been submitted. The Plan also identifies 29,380 acre-feet in potential credit purchases. The total estimated cost of the Plan is approximately \$11million. Chair Buschatzke asked for direction from the Commission to schedule and hold meetings on the draft 2017 Plan of Operation in conjunction with the Groundwater Users Advisory Councils in the Phoenix, Pinal and Tucson AMAs. Having received direction, Chair Buschatzke asked that the eventual dates for the GUAC meetings be posted on the AWBA website.

Call to the Public

Warren Tenney, Executive Director for the Arizona Municipal Water Users Association (AMWUA) addressed the Commission supporting Mike Block's earlier comments to look more closely at recovery relative to storage. Mr. Tenney indicated AMWUA had prepared a policy paper on recovery that addresses several unanswered questions where cities and other water users need more certainty. The intent of the paper was to encourage AWBA and CAWCD to work together on resolving those outstanding issues.

Chair Buschatzke noted that the AWBA will be looking at creating a process to work jointly with CAWCD and ADWR, as previously done, on additional aspects of recovery planning. Ms. Sorensen pointed out that it would be helpful to look at changes that have occurred since that recovery plan was released. Chair Buschatzke stated that recovery planning would be included on a future agenda.

Upon hearing no further comment, Mr. Jones moved to adjourn the regular meeting and to convene the Executive Session. Ms. Sorensen seconded the motion and the Commission moved to Executive Session at 3:07 p.m.

Discussion and Potential Action Regarding Executive Session

The regular session reconvened at 4:09 p.m. There was no discussion or potential action regarding the Executive Session. The Commission moved to adjourn the regular session and the meeting adjourned at 4:10 p.m.