

ARIZONA WATER BANKING AUTHORITY
Draft Minutes

December 5, 2018

Arizona Department of Water Resources



Welcome/Opening Remarks

Chair Thomas Buschatzke welcomed the attendees. Lisa Atkins, President of the CAWCD Board, attended in place of Pamela Pickard, her designee. Secretary Kathryn Sorensen attended in person. Vice-Chair Ray Jones and Mark Clark attended via teleconference. *Ex-officio* members, Speaker J.D. Mesnard and Senator Gail Griffin, were not in attendance.

Chair Buschatzke asked the Commission to consider a resolution honoring Ms. Pickard's service on the AWBA. Secretary Sorensen read the resolution and made a motion to approve the resolution. Ms. Atkins provided the second to the motion. Both Ms. Atkins and Chair Buschatzke expressed their appreciation for Ms. Pickard's service to the AWBA and CAP. The resolution was adopted unanimously.

Approval of Minutes

Chair Buschatzke asked for a motion to approve the minutes from the September 19, 2018 regular quarterly meeting. Secretary Sorensen moved to approve the minutes. Ms. Atkins seconded the motion and the minutes were unanimously approved.

Water Banking Staff Activities

Monthly Deliveries. Ms. O'Connell informed Commission members that deliveries are nearly complete with just over 2,500 AF in deliveries remaining for intrastate storage and just under 2,000 AF remaining for interstate storage. The remaining deliveries are scheduled primarily for groundwater savings facilities (GSF) in the Phoenix and Pinal Active Management Areas (AMA). GSF operators have indicated that they would be taking delivery of the remaining supplies, however, it is possible a small volume could be shifted to a USF within the Phoenix AMA. Regarding credit purchases, Ms. O'Connell explained that the transaction for the purchase of 3,000 AF of credits from the Ak-Chin Indian Community approved in September was fully executed. Purchases for the year total 22,100 AF and are slightly lower than the 24,620 AF target identified in the 2018 Plan of Operation.

Colorado River Status Update. Bret Esslin, ADWR Colorado River Management, gave an update on the Colorado River system (presentation available online). Total system content is at 46% or 27.3 million acre-feet (MAF) compared to 54% or 32.34 MAF last year. Lake Powell is at 44% or 10.499 MAF with a lake elevation of 3,586.24 feet, and Lake Mead is at 37% or 9.876 MAF with a lake elevation of 1,078.37 feet. Projected unregulated inflow for 2018 is at 4.612 MAF or 43% of the 30-year average.

AUTHORITY MEMBERS

Thomas Buschatzke, Chair
Ray L. Jones, Vice-Chair
Kathryn Sorensen, Secretary
Mark Clark
Pamela Pickard

EX OFFICIO MEMBERS

The Honorable J.D. Mesnard
The Honorable Gail Griffin

Based on existing inflow data to date, the most probable release from Lake Powell is 8.85 MAF in 2019 and 7.48 MAF in 2020. For 2018, the most probable year-end elevation in Lake Mead is 1081.3 feet. For 2019, the most probable year-end elevation in Lake Mead is 1070.1 feet. Mr. Esslin reminded the Commission that based on the results of the Bureau of Reclamation's August 24 Month Study, there will be no shortage in 2019, but the probability of any shortage occurring in 2020 is 57%. Mr. Esslin mentioned that on November 5th, there was a high flow experiment (HFE) release for 60 hours that added approximately 39,000 AF into the system. This release will not affect the probabilities of shortage going forward.

CAP System Update. Marcus Shapiro, CAWCD Water Systems Supervisor, gave an update on the CAP system. Total conservation efforts for 2018 remain at 181,114 AF. CAWCD expected 10,000 AF in the Ag Forbearance 5 Program, but only 5,000 AF materialized. At year end, CAWCD expects to be within 10-15,000 AF of what was available to the system. Chair Buschatzke lauded CAWCD's efforts.

Regarding 2019 CAP operations, water will not be made available from Lake Pleasant. Approximately 1.595 MAF is expected to be available for use by CAP customers. There was a 20,000 AF increase in M&I subcontract requests over 2018 and an increase in the Ag Settlement Pool orders. Other excess supply available is expected to be roughly 127,000 AF with just over 112,000 AF going to Lake Mead contributions and 15,000 AF being made available to offset CAGRDR replenishment obligations. No water is expected to be available to the AWBA for water banking, the Federal government for settlement obligation or the CAGRDR for replenishment reserve. Chair Buschatzke asked if the 15,000 AF was applicable to the obligation across all three AMAs. Mr. Shapiro responded affirmatively.

Recovery Planning. Rabi Gyawali, ADWR Colorado River Management, updated the Commission on the Recovery Planning Advisory Group (RPAG). Since its inception, the RPAG has met seven times. All meeting materials are available on ADWR's home page under hot topics. In the 2014 Joint Recovery Plan, the three agencies (i.e. ADWR, CAWCD and the AWBA) identified three recovery methods: direct recovery, indirect recovery and credit exchange. The Joint Recovery Plan also viewed recovery as primarily the responsibility of CAWCD. Through the RPAG, how recovery can be accomplished is evolving. Mr. Gyawali reviewed a schematic that shows water providers potentially playing a similar role as that of CAWCD. Under the original model, where CAWCD is primarily responsible, CAWCD would either rely solely on itself or partner with others and as such would select one of the three methods described in the Joint Recovery Plan to recover the water. Likewise, a water provider could either receive credits directly from the AWBA and recovery those AWBA credits itself, or the water provider could partner with others including CAWCD to recover AWBA credits. Mr. Gyawali indicated that this is a proposal at this juncture.

Chair Buschatzke asked if there is a clear path for implementing the new proposal. Ms. O'Connell responded saying, under current law, the AWBA can only distribute credits to CAWCD. Ms. Atkins asked when the first M&I shortage is expected. Chair Buschatzke

replied saying 2026 in the first projected M&I shortage. He added that this new proposal is not a done deal and that legislative change would be required. He remarked that the AWBA must be looking closely at the pluses and minuses of the proposal. Ms. O'Connell added that such a proposal would require agreements to implement in addition to legislative change. Secretary Sorensen asked whether the staff of the AWBA has a clear view of its mission, or if the Commission needed to clarify some basic assumptions about the AWBA in order to move forward. Ms. O'Connell responded that there would be issues the Commission will need to address, and as such they would be brought to the Commission.

Lower Basin Drought Contingency Plan

Ms. O'Connell briefed the Commission on the activities of the LBDCP Steering Committee. Her presentation can be found on the AWBA's website. Chair Buschatzke informed the Commission that there had been significant activity on Arizona's LBDCP, and that several pieces would affect the AWBA. Overall, stakeholders are looking for more certainty. For example, Agriculture needs more certainty for the wet water portion of its mitigation package and perhaps more importantly for the groundwater enhancement piece of the program. Numerous agreements will be needed to structure the program to create that certainty.

Chair Buschatzke indicated that two things have been key to moving the program forward. First, the resources made available by CAWCD at a special November 15th meeting, and second, Governor Ducey's decision to include \$30 million in his budget request to help achieve the system conservation component of the plan. In addition, several philanthropic organizations have come forward with an additional \$8 million. Things are moving rapidly, and we will be going to the Legislature in January. The Chair Buschatzke suggested some special meetings may be in order since the next time the AWBA is scheduled to meet is in March.

Regarding the 50,000 AF of Tribal ICS for CAP M&I firming, Chair Buschatzke noted that it involved use of the water storage tax and that discussions remain ongoing with CAWCD staff. Potential benefits to this element include the requirement for the water to stay in Lake Mead through 2026, while also making further progress on the Tucson AMA goal. Chair Buschatzke reflected on Governor Ducey's principles outlined earlier in the month and indicated he believes the LBDCP package meets the principles as a whole. As such he is prepared to move forward as though the plan is his own and he is seeking others to come to own the plan as well. He indicated that additional Steering Committee meetings would be scheduled. He was very encouraged by the last meeting as people were very open and it is clear what needs to be worked on and with who. He believes the Plan has potential to move forward in a positive way, and he will continue to work with CAWCD General Manager Ted Cooke to move things forward, including working through a friendly amendment proposed at the last meeting. Other Commission members lauded the work that been done by several parties on the LBDCP.

IGA Between CAWCD, ADWR and AWBA

Ms. O'Connell updated the Commission on the draft intergovernmental agreement between the CAWCD, ADWR and the AWBA. Since the last meeting when the agreement was first presented, staff has worked with others to address concerns expressed at the last meeting and described a wording change that was made to accommodate those concerns.

Ms. O'Connell indicated that the CAWCD has since approved the agreement at its November board meeting. Both Chair Buschatzke and Ms. Atkins lauded the work of staff at all three organizations.

Ms. Atkins moved the approval of the Intergovernmental Agreement (IGA) among the Arizona Department of Water Resources, the AWBA and the Central Arizona Water Conservation District. Secretary Sorensen seconded the motion. Mr. Buschatzke asked for public comment. Hearing none, the Commission unanimously agreed to the motion.

2019 Plan of Operation

Ms. O'Connell described the 2019 Plan of Operation which is available on the AWBA's website. She began by indicating that there is no excess CAP water available for AWBA storage in 2019. To continue to make progress on AWBA goals, the 2019 Plan focuses instead on purchasing long-term storage credits with a target volume of 49,300 AF of credits at a cost of nearly \$11 million. Approximately 21,600 AF is expected to be developed in the Phoenix AMA, 10,800 AF in the Pinal AMA and 16,900 AF in the Tucson AMA. The 2019 Plan does not include a component for interstate storage or for the distribution of credits for interstate recovery or for firming purposes.

Secretary Sorensen moved to adopt the Arizona Water Banking Authority 2019 Plan of Operation as submitted with minor or technical changes. Ms. Atkins seconded the motion. Chair Buschatzke asked for comments from the public. Hearing none, the Commission unanimously approved the 2019 Plan of Operation.

2019 CY Water Operating Budget

Ms. O'Connell described the CY 2019 Water Budget. Secretary Sorensen moved to adopt the Arizona Water Banking Authority water budget for CY 2019. Ms. Atkins seconded the motion. Chair Buschatzke asked for comments from the public. Hearing none, the Commission unanimously approved the CY 2019 water budget.

Call to the Public

Chair Buschatzke asked for public comment. There were no comments. The meeting adjourned at 11:16 a.m.