

# Public Meeting:

## Discussion Regarding the Distribution of AWBA Long-term Storage Credits for Firming CAP Municipal and Industrial (M&I) Priority Subcontract Supplies



Phoenix AZ, 85007  
April 11, 2023

# Meeting Agenda

1. Welcome
2. Changing Colorado River Conditions
3. Use of Long-term Storage Credits (LTSCs) for CAP M&I Priority Firming
  - a. Background
  - b. Firming Policy Considerations
  - c. Alternative Firming Methods
4. Call to the Public
5. Next Steps



This meeting is only to discuss distribution of credits for CAP M&I. There will be no discussion regarding the firming of MCWA or any other entities. Additionally, Tribal firming is subject to agreement terms.

04/11/2023

# Changing Colorado River Conditions

- AWBA policy for firming CAP M&I Priority subcontractors adopted on March 4, 2019, as part of the Arizona's implementation of the Drought Contingency Plan (DCP Firming Policy)
- Ensures sufficient resources for DCP mitigation by fully firming reductions to M&I Priority subcontractor orders regardless of how the LTSCs are used
- Recognizes previous considerations to reduce LTSCs distributed for firming purposes but opted to wait and use experience gained during the Interim Period to inform future policies

## **Policy:**

During the Interim Period (through 2026), the AWBA will distribute LTSCs pursuant to A.R.S. 45-2457(B)(7) to meet all reductions to scheduled CAP M&I Priority Water due to a Shortage Condition or required DCP Contributions

# Changing Colorado River Conditions

- Unpredictable outlook of Colorado River conditions
- Potential additional supply reductions
- Current DCP Firming Policy implications:
  - Did not contemplate supply reductions beyond a Tier 3 shortage condition
  - Must fully firm even when DCP mitigation supplies are not made available (Tier 3 and 2026)
  - Could result in rapid depletion of finite supply of water storage tax LTSCs available for M&I Priority firming
- Need to re-evaluate DCP Firming Policy and discuss options to prolong AWBA's intended goal of providing long-term shortage protection

# Background

- 2.33 million acre-feet (maf) of water storage tax LTSCs for M&I firming accrued through 2022:
  - Phoenix AMA – 1.58 maf
  - Pinal AMA – 235 kaf
  - Tucson AMA – 512 kaf
- Ability to accrue or purchase additional LTSCs is diminishing given the unavailability of excess supplies in foreseeable future and LTSC market competition
- CAP M&I Priority supply reductions likely to exceed Tier 3 shortage conditions
- AWBA Commission directed staff to gather stakeholder input on the distribution of LTSCs for firming

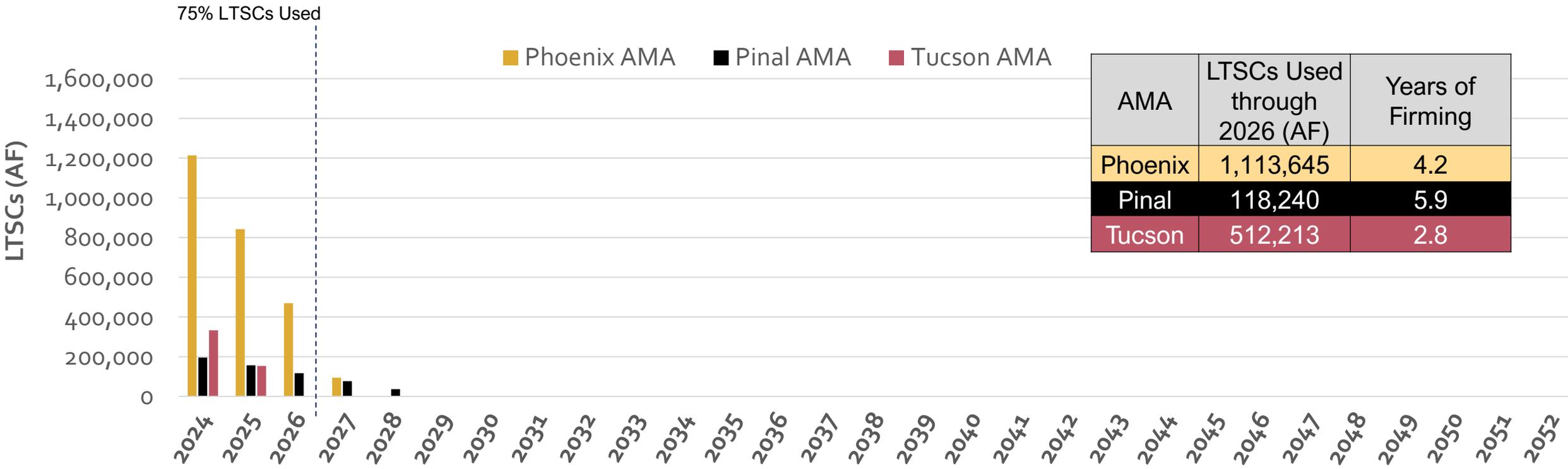
# Background

In response to Commission direction, AWBA staff estimated LTSC use through 2026 and beyond using different firming scenarios:

- Firming reductions to projected CAP M&I supply orders up to 100%
- Firming reductions to projected CAP M&I supply orders up to 20%

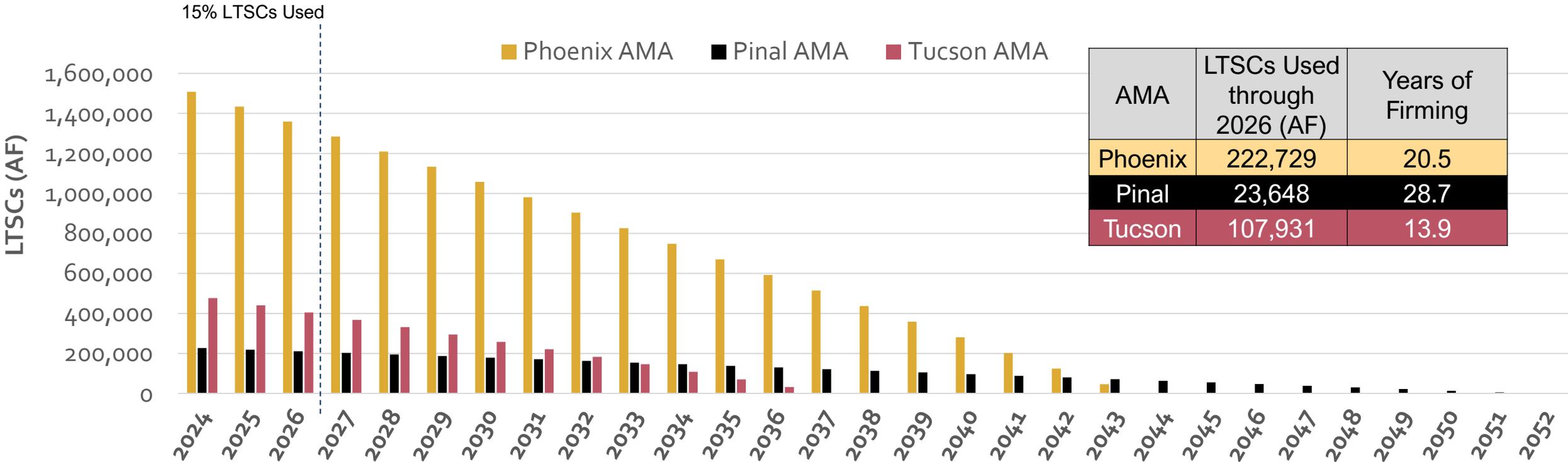
# Firming 100% of Projected Demand (No CAP Water Available)

Long-Term Storage Credits Remaining Annually  
(Full build-out in 2035)



# Firming 20% of Projected Demand

Long-Term Storage Credits Remaining Annually  
(Full build-out in 2035)



# Summary of Background Scenarios

- Scenarios indicate AWBA may use 15% to 75% of LTSCs through 2026 depending on supply reduction volumes
- LTSCs in the Tucson AMA may only last an estimated 13.9 years if AWBA firms up to 20% of potential reductions and a mere 2.8 years if AWBA firms up to 100%
- Inability for the AWBA to provide long-term firming benefits
- Firming does not distinguish how supplies are used, creating mixed signals and public perception issues if not used responsibly
- May not have sufficient recovery capacity available to firm all supply reductions

# Firming Policy Considerations

- Should reflect responsible water management under current circumstances
- AWBA is one tool available to mitigate shortages and was not anticipated to provide 100% firming
- Subcontractors should utilize all available tools to conserve water including:
  - Comprehensive distribution system water loss control, including annual audits and system improvements;
  - Limiting non-essential water use for public buildings and other public areas;
  - Placing restrictions on non-essential water use;
  - Implementing measures to significantly reduce residential and commercial, institutional, and industrial water use (i.e., ordinances to restrict non-functional turf, turf buyback, water budgets, retrofit programs/requirements, etc.); and/or
  - Implementing an enhanced rate structure to further disincentivize water use.
- Goal should be to provide a bridge for water users to adapt to today's new normal, as well as post 2026, while still preserving LTSCs for future generations
- Practicality of implementation

# Alternative Firming Method 1: Phased Approach

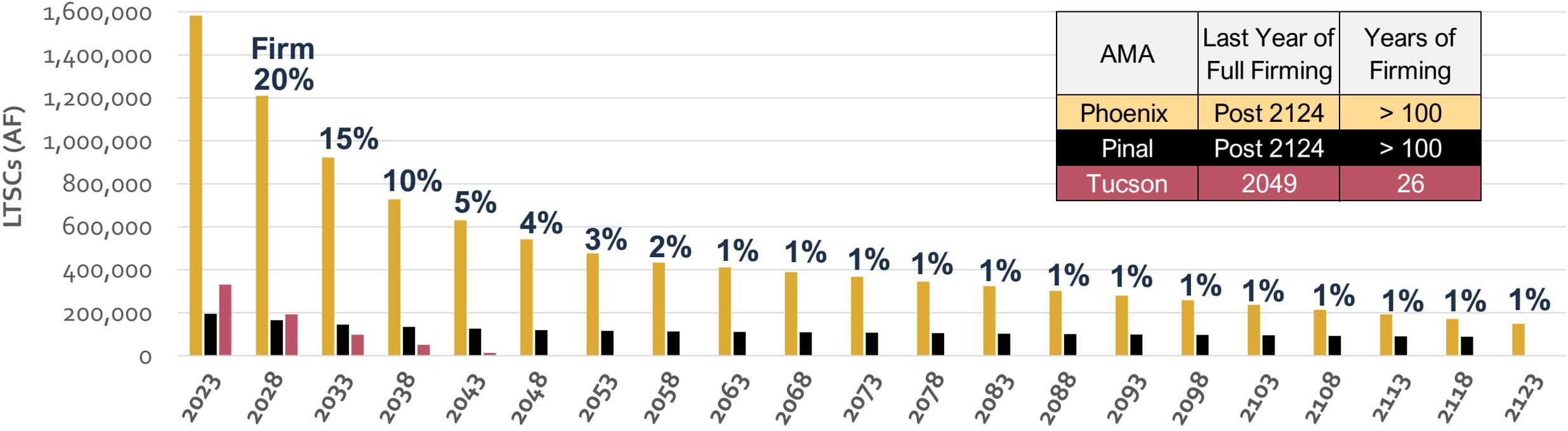
- Incremental reduction of firming percentages over time
- Assists subcontractors in meeting demand while preserving LTSCs for future generations
- Allows time to implement demand management measures that go well beyond increasing awareness and education
- Three scenarios:

Scenario 1A	Scenario 1B	Scenario 1C
Firming decreases by 5% every 5 years, from 20% to 5 %, with 1% decreases every 5 years thereafter	Firming decreases by 5% every 5 years, from 20% to 5%, and is maintained at 5% thereafter	Firming decreases by 5% every 10 years, from 20% to 5%, and is maintained at 5% thereafter

# Scenario 1A

Long-Term Storage Credits Remaining Annually

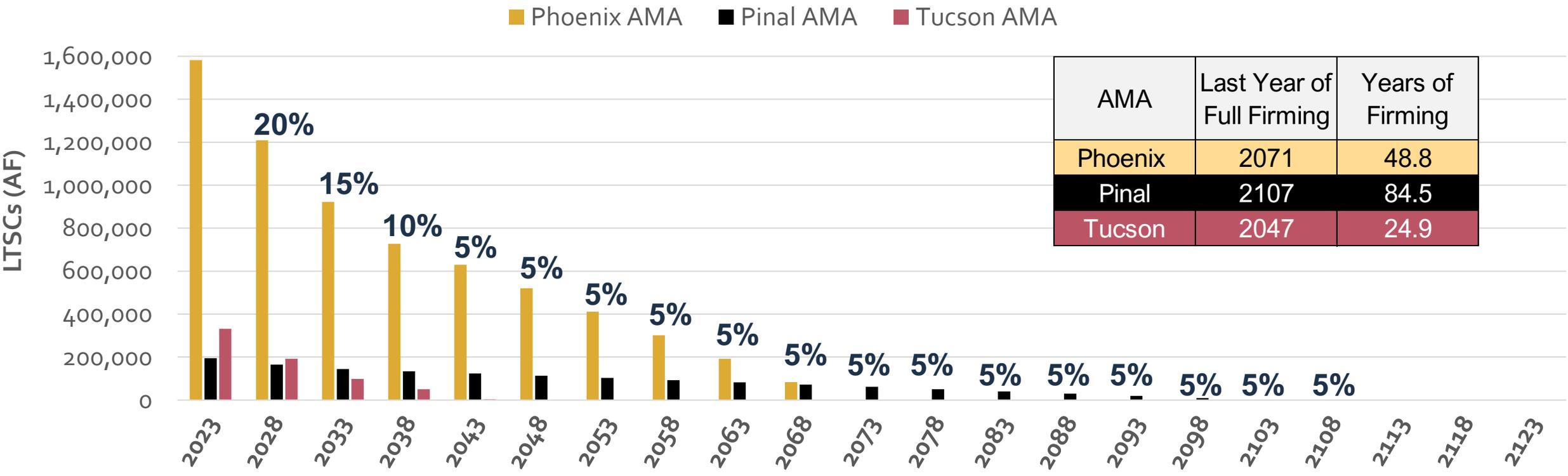
■ Phoenix AMA ■ Pinal AMA ■ Tucson AMA



AMA	Last Year of Full Firming	Years of Firming
Phoenix	Post 2124	> 100
Pinal	Post 2124	> 100
Tucson	2049	26

# Scenario 1B

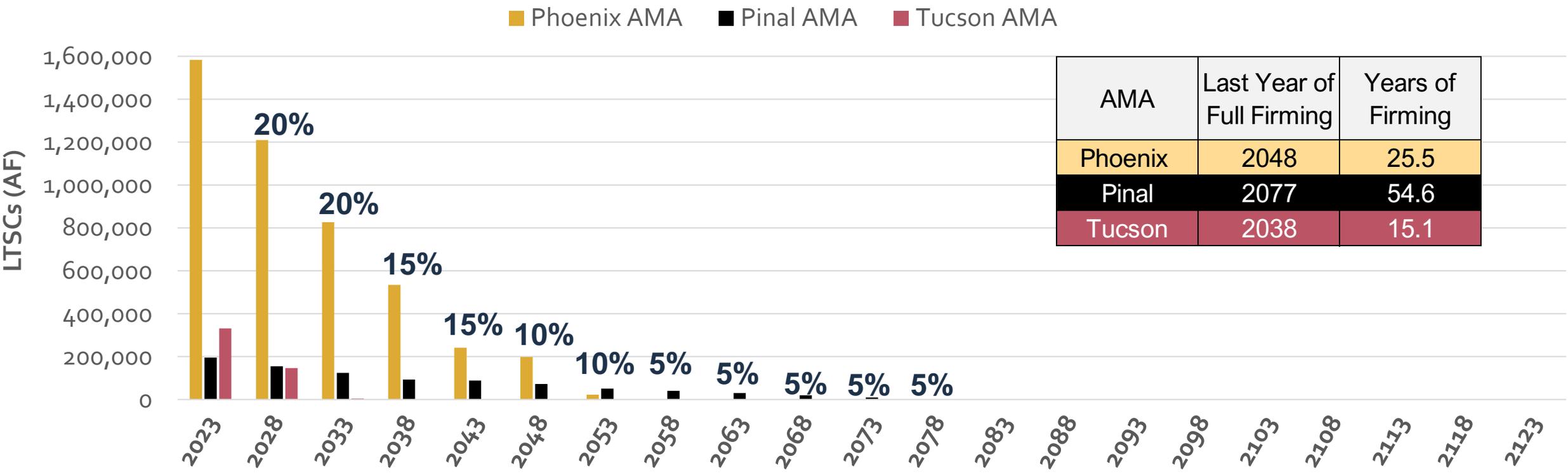
Long-Term Storage Credits Remaining Annually



AMA	Last Year of Full Firming	Years of Firming
Phoenix	2071	48.8
Pinal	2107	84.5
Tucson	2047	24.9

# Scenario 1C

Long-Term Storage Credits Remaining Annually



# Alternative Firming Method 2 (Incentive-based)

- Incremental increase of firming percentages based on additive demand reduction measures
- Reinforces Arizona's strong history of good water management
- Allows for a minimum firming volume (5%) across the board
- Could provide firming for up to 20% of demand based on substantial actions (applied to subcontractors individually)

# Alternative Firming Method 2 (Incentive-based)

Level	Measure Implementation*	CAP M&I Firming Demand
Level 1		5%
Level 2	<b>A</b>	10%
Level 3	<b>A</b> and; <b>B</b> or <b>C</b>	15%
Level 4	<b>A, B, and C</b>	20%

\*Criteria to achieve each level TBD

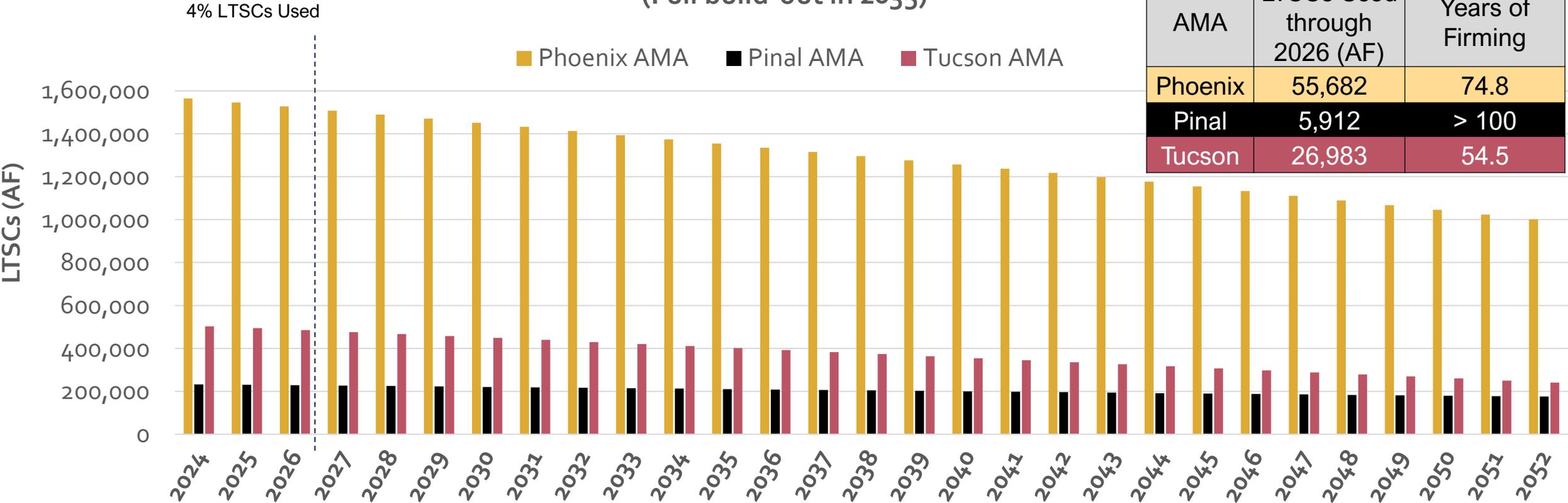
**A.** Eliminating the accrual of LTSCs

**B.** Implementing measures to require the elimination of non-essential water use through municipal ordinance or through ACC-approved tariff (i.e., restrict outdoor water use)

**C.** Implementation of other measures to significantly reduce residential, commercial, institutional and industrial water use (e.g., turf removal, enhanced rate structure to reduce water demand, etc.)

# Firming 5% of Projected Demand

Long-Term Storage Credits Remaining Annually  
(Full build-out in 2035)



AMA	LTSCs Used through 2026 (AF)	Years of Firming
Phoenix	55,682	74.8
Pinal	5,912	> 100
Tucson	26,983	54.5

# Firming Range: 5% vs. 20% of CAP M&I Demand

## Firming 5% of Projected Demand

AMA	LTSCs Used through 2026 (AF)	Years of Firming
Phoenix	55,682	74.8
Pinal	5,912	> 100
Tucson	26,983	54.5

## Firming 20% of Projected Demand

AMA	LTSCs Used through 2026 (AF)	Years of Firming
Phoenix	222,729	20.5
Pinal	23,648	28.7
Tucson	107,931	13.9

# Initial Feedback

- We have reserved time for comments from the audience, both in person and online.
- For those attending in person, please raise your hand.
- For those joining us online, please raise your hand or post your comment in the chat box.



# Next Steps

- Next public meeting scheduled for May 2, 2023
- Comments/alternatives may be sent through our [google form](#) or to Rebecca Bernat [rbernat@azwater.gov](mailto:rbernat@azwater.gov) by April 18
- Today's PowerPoint will be posted to AWBA website

