

<p align="center">Arizona Municipal Water Users Association</p>	
<p>Feedback on the alternative methods proposed at Stakeholder Meeting</p>	<p>New alternative you would like to be considered by AWBA staff</p>
<p>Scenario 1A extends the credits for at least 100 years by gradually decreasing the amount of credits distributed until 1 percent is reached. At that rate, AMWUA believes the credits lose value and could, in fact, be impaired by groundwater pumping. It is important for municipal providers to have access to those credits in the near-term (20 years) when those credits will be more secure. Scenarios 1B and 1C would extend the credits for 48.8 years and 25.5 years, respectively, in the Phoenix AMA. We believe 20 years is a more useful transition period and that it would be more beneficial to have access to the credits during that time frame rather than extending distribution over additional decades. A 20 year-period also provides the motivation for water users to cross that bridge and not become overly reliant upon the credits. Finally, some water users in Arizona believe that all of the credits should be recovered upfront in a shortage rather than have the cities utilize their higher priority Colorado River water. Therefore, a 20 year period is a more reasonable time frame to show that the credits are being proactively put to use to help M&I subcontractors transition through a shortage.</p> <p>Regarding Alternative Firming Method 2, AMWUA does not support a firming policy based on incentive or need because the Water Bank does not have statutory authority to impose or incentivize demand management as a basis to withhold or distribute credits. Such an approach would be counter to the Water Bank's statutory obligation to distribute credits to meet the demands of all M&I subcontractors.</p> <p>AMWUA did consider ways to exclude the accrual of long-term storage credits. We were not able to develop a concept that would be administratively straightforward and create equitable outcomes. We also concluded that the level of cuts to Colorado River water will be such that M&I subcontractors will not be storing any of their CAP water, thus making the accrual of long-term storage credits a non-issue.</p> <p>As previously stated, the Water Bank lacks the statutory authority to determine the distribution of credits based on conservation efforts. Moreover, the distribution of credits based on subjective, values-based grading of conservation efforts would be problematic and inequitable. If the State believes that further conservation measures should be implemented, ADWR, not AWBA, should develop those measures in concert with water users.</p> <p>AMWUA appreciates the Water Bank's staff initiating dialogue about alternative firming methods. We believe the method selected should be equitable, provide certainty for M&I subcontractors, and extend the distribution of credits long enough to build recovery infrastructure and secure other water supplies. We have submitted a method that accomplishes these objectives.</p>	<p>In anticipation of the Water Bank's stakeholder process, the ten AMWUA municipalities considered what would be the most effective policy for the Water Bank to adopt to distribute long-term storage credits to M&I Subcontractors when their CAP water is cut by shortage. After much discussion and analysis among its members, the AMWUA Board of Directors that the Arizona Water Banking Authority should adopt a firming policy of up to 20 percent pro rata firming of M&I cuts starting in 2024.</p> <p>This method would be based on the Bank's historical planning assumption to proportionally firm up to 20 percent of M&I cuts. It is straightforward and simple to administer. For more than a decade M&I subcontractors have used the 20 percent firming assumption in their planning efforts to prepare for Colorado River shortages. As the ten AMWUA cities face reductions of their M&I CAP water in 2024 and beyond, it is critical to have certainty now for how the Water Bank will distribute credits so that the cities can plan accordingly for their reduced reliance on Colorado River water.</p> <p>AMWUA's proposed firming method would extend the lifespan of the Water Bank's Phoenix AMA credits for 20 years (through 2043). This would allow time for recovery infrastructure to be in place to increase the likelihood of having wet water delivered and, therefore, would ensure the credits are recovered in such a way as to avoid negatively impacting the aquifer.</p> <p>In addition, this approach to firming is equitable. All M&I subcontractors invested in their CAP supplies with the expectation that the distribution of the Bank's credits would be impartial and proportional.</p>