

Arizona Water Banking Authority Preliminary 2025 Plan of Operation

The Arizona Water Banking Authority (AWBA)'s Preliminary Plan of Operation for 2025 identifies the estimated credits that could be developed in the following year toward its firming goals and obligations. It also assesses the need to distribute or extinguish long-term storage credits (LTSCs) or other firming credits to satisfy a firming and/or replenishment responsibility, or to make water available for interstate purposes.

Water Availability

Based on the Bureau of Reclamation's August 2024 24-Month Study, the Secretary of the Interior declared a Tier 1 shortage for Colorado River operations in 2025. As a result, Arizona's Colorado River entitlement will be reduced by 512,000 acre-feet. This amount includes 320,000 acre-feet in reductions under the 2007 Interim Guidelines and 192,000 acre-feet in additional contributions to Lake Mead under the Lower Basin Drought Contingency Plan (LBDCP). Consequently, there will be water reductions to a portion of the Central Arizona Project (CAP) non-Indian agricultural (NIA) pool, which will trigger AWBA's firming requirement under the Arizona Water Settlements Act. With no water available to Central Arizona Water Conservation District (CAWCD) Statutory Firming Pool for storage, the AWBA's 2025 Plan of Operation will focus on developing credits through non-storage alternatives. The below tables present the core components of the Preliminary Plan for 2025.

Credit Development

The AWBA has several options for credit development in 2025 through non-storage means, such as the payment for Intentionally Created Surplus (ICS) developed in Lake Mead as part of the LBDCP, and the acquisition of LTSCs through purchase agreements. The estimated cost of the 2025 Plan is \$2.04 million and could develop up to 6,245 acre-feet of credits. The AWBA estimates purchasing 5,327 acre-feet of ICS firming credits (4,794.30 acre-feet after the 10% assessment¹) using withdrawal fee revenues collected in the Phoenix AMA. Additionally, the AWBA could purchase up to 918 acre-feet of LTSCs in the Tucson AMA (for \$400/AF) using withdrawal fees. The purchase rate per LTSC has become increasingly market-driven, so these estimates are based on 2024 transaction costs—actual costs in 2025 could vary. This is a change from the previous method used by the AWBA to determine LTSC costs, which was based on the Central Arizona Project's water storage rates for the year in question. This tightening market could affect the AWBA's ability to acquire LTSCs in 2025.

¹ See Section 3 of the May 20, 2019 Intergovernmental Agreement Between the Arizona Water Banking Authority and the Gila River Indian Community for the Development of Intentionally Created Surplus Firming Credits.

Table 1 summarizes estimates of the funds available to the AWBA, the funds to be utilized, the entity that holds the funds, and the credits estimated to accrue to those accounts based on the 2025 Plan.

Table 1. Funding for the 2025 Annual Plan of Operation

Funding Source	Estimated Funds Available		Estimated Funds Utilized		Estimated Credits (AF)	
	AWBA	CAWCD	AWBA	CAWCD	Water Storage	Developed Credits
Withdrawal Fees						
Phoenix AMA ¹	\$1,676,210		\$1,676,210		0	5,327
Tucson AMA ²	\$367,337		\$367,337		0	918
Water Storage Tax						
Phoenix AMA		\$0		\$0	0	0
Pinal AMA		\$0		\$0	0	0
Tucson AMA		\$0		\$0	0	0
Total	\$2,043,547		\$2,043,547		0	6,245

¹ Funds used to develop ICS Firming Credits at \$283.2/AF pursuant to AWBA's 2019 IGA with the Community. Developed credits include a 10% loss factor.

² The purchase rate of \$400 per LTSC neither accounts for the source of credit nor market fluctuation.

Firming Requirements & Agreement to Exchange LTSCs

The reduction in Colorado River supplies for 2025 will not impact fourth priority on-River contractors or CAP municipal and industrial (M&I) priority water users. However, the reductions to CAP NIA priority supplies will result in a firming requirement for the Gila River Indian Community (Community). The AWBA has an obligation to firm up to 15,000 acre-feet of CAP NIA supplies when supplies are insufficient to meet demand. The firming volume for 2025 is currently estimated to be 6,102 acre-feet.² To satisfy this firming obligation, the AWBA and the Community elected to extinguish an equal volume of firming credits³ developed on-Reservation. Table 2 identifies the years in which the firming credits were developed, the annual costs paid by the AWBA to develop the credits, the credits estimated to be used, and the remaining balance. The actual firming volume will be based on CAWCD's final accounting of CAP water orders for 2025 and incorporated into AWBA's Plan of Operation.

² Determined from CAWCD estimates shared on August 26, 2024

³ Credits developed pursuant to the *Agreement between the Arizona Water Banking Authority and the Gila River Indian Community for the Development of Firming Credits* executed June 30, 2016.

Table 2. Firming Proposal for the Gila River Indian Community - Tier 1 Shortage in 2025

Year	Firming Credits Developed			Firming Credits Used (AF)		Remaining Balance (AF)
	Firming Credits Developed (AF)	Cost/AF	Total Cost	Through CY 2024	CY 2025 ¹	
2015	16,000	\$157.00	\$2,512,000	16,000	0	0
2016	12,000	\$161.00	\$1,932,000	11,174	826	0
2017	7,000	\$164.00	\$1,148,000	0	5,276	1,724
2018	9,000	\$160.00	\$1,440,000	0	0	9,000
Total	44,000		\$7,032,000	27,174	6,102	10,724

¹ Based on CAWCD’s August 2024 estimates of 2025 water orders.

In 2022, nine Arizona parties stored a portion of their CAP water at groundwater saving facilities (GSFs) in the Pinal AMA, pursuant to an exchange agreement made with the AWBA.⁴ Under the agreement, the AWBA could exchange up to 38,475 LTSCs stored in the Phoenix AMA and up to 4,750 LTSCs stored in the Tucson AMA for 43,225 acre-feet of LTSCs the Arizona parties have in the Pinal AMA. As of September 2024, six entities have requested exchanges totaling 30,352.83 acre-feet. This leaves 12,872.17 acre-feet available in 2025 should the remaining entities request an exchange under the agreement.

Table 3 identifies the credits currently available to the AWBA to meet its objectives, the credits estimated to be utilized in 2025, and the remaining credit balances. The table also reflects the possible LTSC debit from the AWBA’s accounts in the Phoenix and the Tucson AMAs, and the LTSC credit to the AWBA’s account in the Pinal AMA, should the remaining volume of 12,872.17 acre-feet be exchanged in 2025.

⁴ Lower Basin Drought Contingency Plan (“LBDCP”) Implementation Plan: Agreement to Exchange Long-Term Storage Credits between AWBA and the City of Avondale; City of Chandler; City of Goodyear; City of Peoria; City of Phoenix; City of Scottsdale; City of Tucson; Freeport Minerals Corporation; and EPCOR Water Arizona Inc. All exchanges must be completed by December 31, 2026.

Table 3. Estimated Credit Balances and Firming Volumes through 2025

Objective and Location	Estimated Credits Available as of Dec 31, 2024 ¹	Estimated Credits Used in 2025	Estimated Credits Remaining as of Dec 31, 2025
	Acre-feet		
CAP M&I Firming (4-cent tax)	2,329,457	0	2,329,457
Phoenix AMA	1,582,453	0	1,582,453
Pinal AMA	234,791	0	234,791
Tucson AMA	512,213	0	512,213
On-River M&I Firming (gen. fund)	403,830	0	403,830
Tribal Settlement Obligations:²	161,262	6,102	155,160
Community - 15,000 AFY	161,262	6,102	155,160
LTSCs	105,390	0	105,390
Firming Credits	16,826	6,102	10,724
ICS Firming Credits	39,046	0	39,046
WMAT - 3,750 AFY	0	0	0
Hualapai - 557.5 AFY	0	0	0
Future Settlements- 4416.5 AFY³	0	0	0
Federal Assistance (SAWRSA)	34,102	0	34,102
Groundwater Mgmt.⁴ (W/Fees)	777,591	0	777,591
Phoenix AMA	228,878	12,350	216,528
Pinal AMA ⁵	444,757	-12,350	457,107
Tucson AMA	103,956	0	103,956
Shortage Reparations⁶	109,489	0	109,489
Pinal Redirect Credits⁷	14,125	0	14,125
Interstate - SNWA	613,846	0	613,846

¹ Includes all credits accrued and utilized through 2024

² The White Mountain Apache Tribe Water Rights Quantification Act enforceability date is December 30, 2027. The Hualapai Tribe settlement enforceability date is April 15, 2029.

³ The AWBA understands that it is highly unlikely that additional NIA priority water would be included in future settlements. Therefore, the ABWA is assuming there will be no additional firming obligations of NIA priority water.

⁴ Withdrawal Fee LTSCs may be used for CAP M&I firming and/or Tribal settlement obligations if needed.

⁵ Up to 12,350 remaining LTSCs could be credited to the AWBA's account in the Pinal AMA, pursuant to the Lower Basin Drought Contingency Plan ("LBDCP") Implementation Plan: Agreement to Exchange Long-Term Storage Credits between AWBA and the City of Avondale; City of Chandler; City of Goodyear; City of Peoria; City of Phoenix; City of Scottsdale; City of Tucson; Freeport Minerals Corporation; and EPCOR Water Arizona Inc.

⁶ LTSCs accrued pursuant to Arizona-Nevada Shortage-Sharing Agreement executed in 2007.

⁷ Credits accrued from water provided to Pinal AMA GSFs at full cost to the GSF operators.