

ARIZONA WATER BANKING AUTHORITY
Final Minutes

March 20, 2019

Arizona Department of Water Resources



Welcome/Opening Remarks

Chair Thomas Buschatzke welcomed the attendees. All members were in attendance except Secretary Kathryn Sorensen. Commission member Ray Jones attended via teleconference. *Ex-officio* members, Senate President Karen Fann and Representative Gail Griffin, were not in attendance.

Chair Buschatzke announced that Terri Sue Rossi, Technical Administrator, would be leaving the AWBA. Chair Buschatzke thanked her for nearly seven years of service and wished her well in her new endeavors.

Approval of Minutes

Chair Buschatzke asked for a motion to approve the minutes from the March 4, 2019 special meeting. Mark Clark moved to approve the minutes. Alexandra Arboleda seconded the motion, and the minutes were unanimously approved.

Water Banking Staff Activities

Recharge deliveries for 2018. Ms. O'Connell reported that the AWBA met planned water storage deliveries in 2018 for a total of 51,500 acre-feet (AF), which included 38,000 AF for Arizona and 13,500 AF for Nevada, using Nevada's unused Colorado River apportionment. For Arizona, 19,100 AF was stored in the Phoenix AMA, 11,100 AF was stored in the Pinal AMA and the remaining 7,800 AF was stored in the Tucson AMA. For Nevada, 9,500 AF of water was stored in the Phoenix AMA and 4,000 AF was stored in the Tucson AMA.

2019 Credit Purchases. Ms. O'Connell reported that the AWBA is in the process of purchasing 6,500 AF of credits from the City of Peoria for nearly \$1,465,957. This transaction should be completed by the end of the first quarter.

Colorado River Status Report. Bret Esslin, ADWR Colorado River Management, gave an update on the Colorado River system (presentation available online) which he described as good news. As of March 13, Lake Powell is at 38% of capacity at lake elevation 3,570.80 ft., and Lake Mead is at 41% of capacity at lake elevation 1,089.51 ft. Unregulated inflow from April through July is now projected to be 7.3 MAF up from 5.3 MAF in the February 24-Month Study. As a result, the April adjustment for Lake Powell releases will be 9 MAF up from 8.91 million acre-feet (MAF) projected in February. The

AUTHORITY MEMBERS

Thomas Buschatzke, Chair
Ray L. Jones, Vice-Chair
Kathryn Sorensen, Secretary
Alexandra Arboleda
Mark Clark

EX OFFICIO MEMBERS

The Honorable Karen Fann
The Honorable Gail Griffin

end of year lake elevations for Lake Powell and Lake Mead are now projected to be 3,586.52 ft. and 1,080.56 ft., respectively. Therefore, a 9 MAF release instead of a 7.48 MAF release is expected for WY 2020. Additionally, the February 24-Month Study showed the Metropolitan Water District of Southern California taking 30 KAF of intentionally created surplus (ICS), but will now be creating 257 KAF of ICS. Mr. Esslin added that the most recent new forecast shows the inflow has increased from 7.3 MAF to 9.5 MAF. This shift will be reflected in the April 24-Month Study and would increase the elevation in Lake Powell by 23 ft. by the end of the calendar year. The elevation in Lake Mead at end of year 2020 is expected to be 1,076.15 ft., which would mean no shortage for WY 2021.

Chair Buschatzke asked if the shift in Lake Mead elevation for 2019 is because the Lower Basin will receive a release of 8.23 MAF instead of 7.48 MAF. Mr. Esslin responded that it was, and added that the release is now expected to be 9 MAF. There are also additional side inflows that are contributing. Additionally, the shift does not include the creation of ICS created by CAWCD and the Gila River Indian Community.

Ms. Arboleda asked how the improved hydrology will affect WY 2021. Mr. Esslin explained that the probability range widens as projections go further into the future. The elevation for lake Mead ranges from a probable minimum of 1,041 ft. to a probable maximum of 1,080 ft for end of year 2020. Due to increased inflows, snowpack at 137%, and rainfall at 126% of average, the hydrology is tracking toward the maximum probable of the January 24-Month study.

Central Arizona Project System Update. Patrick Dent, Water Control Manager at CAWCD, focused his presentation on how the local hydrology is affecting the CAP system. He explained that all CAP deliveries into the Salt River Project (SRP) system, including some water exchanges, have been curtailed due to wetter than normal conditions in the Salt/Verde River watershed and because the Verde system is currently spilling.

Scheduled CAP deliveries are 80 KAF behind schedule because customers are taking less water due to the wet winter conditions. Customers could decide to make up the deliveries. CAWCD also curtailed pumping into Lake Pleasant after the snow event, which is rare for the Agua Fria watershed and delivered water to customers directly from the Colorado River. Lake Pleasant is 93% full. About 70 KAF of space remains, of which 20 KAF is for CAP and the remainder is for Maricopa Water District. Deliveries are just starting to pick up.

Alamo Dam is within three and one-half feet from elevation 1,125 ft., the elevation at which water will start releasing into the Bill Williams River. These releases cause water quality concerns for CAP customers, so CAWCD is keeping close track of conditions at the dam.

Because of the shift in the hydrology, CAWCD's is preparing water rates for 2020 under two scenarios: Tier 0 and Tier 1 shortage conditions. It appears the Tier 0 scenario is

more likely at this time. CAWCD does not expect excess CAP water to be available for the AWBA under either scenario. He added there might also be some cuts to the Agricultural Settlement pool to meet Lake Mead contributions of 192 KAF. Mr. Dent noted that CAWCD will be holding a customer rate workshop in April, which will touch on DCP implementation. CAWCD typically also holds an operations meeting in August to discuss the water outlook. Staff is considering having an additional meeting in May after the April 24-Month study to keep customers up to date.

Discussion and Potential Action on Assignment of Long-term Storage Credits from the Tohono O’odham Nation

Ms. O’Connell explained that the Tohono O’odham Nation (Nation) must offer the AWBA ten percent of any credits deemed accruable from water stored at the Mission Mine Complex in Tucson. The price for each credit is equal to the AWBA’s per acre-foot cost to deliver and store water at a state demonstration project located within 10 miles of the Nation’s storage (i.e. Pima Mine Road Recharge Project) at the time of sale. By statute, the credits cannot be recovered within five miles of the exterior boundary of the reservation. The AWBA has previously purchased credits from the Nation totaling 5,424 acre-feet for a total cost of \$905,975. The current offer letter includes 706 AF of credits in 2016 at \$210/AF or \$148,260, and 636 AF of credits in 2017 at \$220/AF or \$139,920 for a grand total of 1,342 acre-feet for a cost of \$288,180.

Ms. O’Connell recommended purchasing the full 1,342 AF of credits using withdrawal fees collected in the Tucson AMA. She indicated the credits could be used to make further progress on the CAP M&I firming goal for the Tucson AMA. A benefit to this transaction is that the AWBA would not be paying for losses and the cut to the aquifer.

Mr. Clark moved to approve the purchase of 1,342 AF of long-term storage credits accrued to the Tohono O’odham Nation during the years 2016 and 2017 for a total of \$288,180 using withdrawal fees collected in the Tucson AMA. Ms. Arboleda seconded the motion and the motion passed unanimously by members in attendance.

Discussion and Potential Action on Agreement to Exchange Long-term Storage Credits for Arizona’s Implementation of the Lower Basin Drought Contingency Plan

Ms. O’Connell provided an overview of the Long-term Storage (LTS) Credit Exchange Agreement. The agreement assists in facilitating storage by CAP subcontractors at groundwater savings facilities (GSF) in the Pinal AMA to provide partial wet water mitigation under the implementation plan for the LBDCP. Under the agreement, the AWBA would agree to exchange LTS credits for water stored by subcontractors from 2020 through 2022 under Tier 1 and Tier 2a shortages. The AWBA would be responsible for exchanging LTS credits for 45.5 KAF per year of storage, for a maximum volume of 136.5 KAF. Due to the 5% cut to the aquifer, the total volume of LTS credits that could be exchanged would be an estimated 43 KAF per year for a maximum of 129 KAF over the three-year period. By exchanging LTS credits, storing

entities have the ability to recover and use the stored water in the AMA where they are located. She indicated that some technical changes are still being made to sections 2.6 and 2.7 but the changes fall within the intent of the agreement.

Ms. Arboleda commented that CAWCD had expressed some concern about the clarity of the language in those sections, but that the parties had worked through the language and CAWCD was satisfied. Mr. Clark asked how the Commission would know if these changes were really technical if Commission members have not seen the language. Nicole Klobas, attorney for the AWBA, described the technical change and indicated that the language would be provided to Commission members as soon as it is available. If a member finds the change to be substantive, then the Chair will not be able to sign the agreement and a special meeting would be called.

Mr. Clark moved to authorize the Chair to sign the Lower Basin Drought Contingency Plan (“LBDCP”) Implementation Plan: Agreement to Exchange Long-term Storage Credits Between Arizona Water Banking Authority and 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., absent substantive changes. Ms. Arboleda seconded the motion and the motion passed unanimously by members in attendance.

Call to the Public

Chair Buschatzke asked for public comment. There were no additional comments. Chair Buschatzke announced there may be another Special Meeting of the AWBA before the next regular AWBA meeting on Friday, May 10, 2019. The meeting adjourned at 10:39 a.m.