

ARIZONA WATER BANKING AUTHORITY
Final Meeting Summary
(virtual meeting)

March 17, 2021

Arizona Department of Water Resources



AUTHORITY MEMBERS

Thomas Buschatzke, Chair

Mark Clark, Vice-Chair

Alexandra Arboleda, Secretary

Eric Braun

Joseph Olsen

EX OFFICIO MEMBERS

The Honorable Karen Fann

The Honorable Gail Griffin

I. Welcome/Opening Remarks

Chair Tom Buschatzke and Commission members Mark Clark, Alexandra Arboleda, Eric Braun and Joseph Olsen attended online via video conference. *Ex-officio* members, Senate President Karen Fann and Representative Gail Griffin, were not in attendance.

The meeting was called to order at 10:03 a.m.

Chair Buschatzke introduced newly appointed commission members Eric Braun and Joseph Olsen and welcomed back Commissioner Mark Clark who was reappointed and Commissioner Arboleda who was re-designated by CAWCD Board president Terry Goddard to represent CAWCD.

Chair Buschatzke read aloud a resolution honoring the service of Ray Jones on the AWBA Commission and asked for a motion. Commissioner Clark moved to approve the resolution, Commissioner Arboleda provided the second to the motion and the resolution was unanimously approved.

II. Commission Elections for the Office of Vice-Chair and Secretary

Chair Buschatzke asked for nominations for the office of Vice-Chair and Secretary. Commissioner Arboleda nominated Commissioner Clark for the office of Vice-Chair and Commissioner Clark nominated Commissioner Arboleda for the office of Secretary. The nominations were unanimously approved.

III. Approval of the Meeting Minutes

Chair Buschatzke asked for a motion to approve the minutes from the December 2, 2020 regular quarterly meeting. Secretary Arboleda moved to approve the minutes. Vice-Chair Clark provided the second to the motion and the minutes were unanimously approved.

IV. Water Banking Staff Activities

Report of AWBA recharge deliveries for calendar year 2020. Virginia O'Connell, AWBA Director, provided a final accounting of recharge deliveries for 2020. She noted the AWBA started 2020 with no planned recharge deliveries. However, in June 2020 the

Plan of Operation was amended to include 50,056 AF of unexpected supplies. These supplies included a combination of turnback water and unexpected operational supplies being released from Lake Pleasant due to increased runoff. Later in the year, an additional 10,000 AF of turnback water became available, bringing the total to 60,355 AF. Some of the turned back supplies were returned. The AWBA ended the year storing 59,543 AF of water.

In June, the Commission directed staff to shift storage from the Tonopah Desert Recharge Facility to other storage locations if possible. AWBA staff shifted 14,100 AF at to other locations, which includes the additional supplies that became available. Staff decreased deliveries to TDRP by 4,600 AF, stored more water in the Pinal and Tucson AMAs and shifted deliveries to GSFs in the Phoenix AMA. The totals for 2020 deliveries by AMA include: Phoenix 35,843, Pinal 12,000, and Tucson 11,700.

Quarterly Report of Credit Purchases for Calendar Year 2021. Ms. O'Connell provided an update on first quarter credit purchases, which included a credit purchase transaction with the City of Peoria under the current five-year agreement. A total of 6,500 AF of long-term storage credits (LTSCs) were purchased in the Phoenix AMA for \$1,562,795 (\$240.43/credit) using Maricopa County Water Storage Tax funds. These LTSCs were accrued at the Hieroglyphic Mountains Recharge Project.

V. Discussion and Consideration of Action to Approve the Purchase and Sale Agreement for Long-Term Storage Credits between the AWBA and the Ak-Chin Indian Community

Ms. O'Connell briefed the Commission on the proposed renewal of a purchase and sale agreement between the AWBA and the Ak-Chin Indian Community. The original agreement, dated April 2018, allows for the purchase and sale of up to 6,600 AF of long-term storage credits (LTSCs) accrued in the Phoenix AMA. In October 2019, the agreement was amended to add the ability to purchase up to 4,815 AF of LTSCs in the Tucson AMA and incorporates the original agreement. The annual purchase price per credit is based on the CAP approved water rate schedule for water deliveries and storage at CAP facilities. The cost also includes a five percent cut to the aquifer and one percent in losses. The current agreement will expire in April 2021. The new proposed agreement incorporates both the original agreement and the first amended agreement. The new agreement extends the term for another three years, ending December 31, 2023 and includes exhibit A which summarizes the facilities where the Ak-Chin Indian Community stores water. Previous agreements identified potential credit purchases at the same time the agreement was considered for action. However, this new agreement does not identify a specific credit purchase. Ms. O'Connell asked for direction on whether the Commission would like to have staff come back to the Commission for discussion when/if a specific credit purchase has been identified under this agreement.

Commissioner Braun asked what source of funds have been identified for these purchases. Ms. O'Connell replied that under the Plan of Operation for this year, water storage tax funds have been identified for credit purchases in both Maricopa and Pima

counties, as well as withdrawal fees in the Tucson AMA. Commissioner Braun and Vice-Chair Clark commented that they are supportive of moving forward with the agreement. Chair Buschatzke asked for Commission members thoughts on directing staff to brief the Commission on potential future purchases once a specific purchase has been identified. Commissioner Olsen and Secretary Arboleda commented that it would be helpful to have staff brief the Commission on potential purchases once they have been identified. Chair Buschatzke agreed that it would be helpful to have staff come back to the Commission with potential purchases once they have been identified and commented that this information can also be helpful for recovery planning discussions. Commissioner Olsen made a motion to approve the Purchase and Sale Agreement for Long-Term Storage Credits between the AWBA and the Ak-Chin Indian Community. Vice-Chair Clark provided the second to the motion. Chair Buschatzke asked for public comments and there were none. The agreement was unanimously approved.

VI. Report and Discussion of Preparing for Potential Tier 1 Colorado River Shortage in Calendar Year 2022

Colorado River Status Update. Bret Esslin, ADWR Colorado River Management, gave an update on the Colorado River system. He noted that reservoirs are at 44% of capacity or 26.7 MAF as of March 12, 2021 compared to 31 MAF or 51% of capacity at the same time last year. Lake Mead is at 40% of capacity and Lake Powell is at 37% of capacity. Based on the U.S. Bureau of Reclamation's (Reclamation) Snow Water Equivalent chart, 2021 is currently about 80% of average. The 2021 calendar year-end projection for Lake Powell is 3,551.2 ft and 1,069.7 ft in Lake Mead, which results in a Tier 1 shortage in 2022. The projection for water year 2022 is projecting a 7.48 MAF release from Lake Powell to Lake Mead. As a result, the end of calendar-year projection in Lake Mead for 2022 is 1,057.1 ft, which again results in a Tier 1 shortage in 2023, but is also just above a Tier 2 shortage. The anticipated release for water-year 2023 will also be a 7.48 MAF release from Lake Powell.

Chair Buschatzke asked if the run-off projections include the storm from this past weekend. Mr. Esslin responded that the storm was not included. Chair Buschatzke also asked if there was space left in the cumulative capacities of the three lower basin states to create additional intentionally created surplus (ICS) water in Lake Mead to prop up the Lake through conservation. Mr. Esslin responded that current ICS projections anticipate ending 2021 at a volume of 597 KAF of ICS out of maximum ICS capacity of 600 KAF. Between all three states, the projection for total ICS balances by the end of 2021 is approximately 2.2 MAF. Chair Buschatzke commented that it will be important to monitor this and determine whether ICS conservation can help avoid a Tier 2 shortage in two years.

CAP System Update. Marcus Shapiro, CAWCD Water Systems Supervisor, gave an update on CAP water operations and reviewed the 2019-2021 ICS contribution volumes to Lake Mead. He briefed Commission members on coordinated efforts between agencies to plan and prepare for a Tier 1 shortage in 2022 and provided an estimated timeline for continued activities including various agency workshops and stakeholder

group meetings. Mr. Shapiro reviewed the mitigation resources available under the Drought Contingency Plan (DCP) and noted the important role the AWBA plays in the Ag mitigation agreement by exchanging credits and the NIA mitigation agreement by firming NIA water for the Gila River Indian Community. Mr. Shapiro also briefed Commission members on the reallocation of 46,629 of non-Indian Agricultural (NIA) priority CAP water. The final Federal Register notice was published in January 2021 and CAP is currently working to prepare long-term contracts for those NIA allocations. CAP expects to complete NIA contracts by October, for water orders in 2022. The NIA reallocation will have an impact on the AWBA firming volumes for tribal CAP NIA water.

Director Buschatzke commented that there has been a tremendous amount of coordination to prepare for shortage. Letters were sent out last week to the delegates of the Arizona Reconsultation Committee (ARC) to notify them of a meeting in late May to update the ARC on shortage preparations for 2022.

Firming Proposal for the Gila River Indian Community. Ms. O’Connell briefed the Commission on the firming proposal for the Gila River Indian Community (Community). The AWBA has a responsibility to firm up to 15,000 AF per year of CAP NIA priority water whenever supplies are insufficient to meet demand. These supplies are firming to CAP M&I priority equivalent. For example, if M&I subcontracts are not reduced, the AWBA will firm up to 15,000 AF. If M&I subcontracts are reduced by 5%, then the AWBA would firm up to 95% for the Community. She stated that in 2015, the AWBA entered into an IGA with the Community that establishes an annual process for developing a firming plan. The IGA outlines a progressive three-year timeline to ensure a firming plan has been developed prior to a shortage year. The triggers for action are tied to the shortage projections in the Ten-Year Plan component of the AWBA Annual Report. The IGA requires that a firming proposal be presented to each of the respective governing bodies in March of the year prior to a potential shortage.

Ms. O’Connell pointed out that the IGA also includes multiple agreed upon firming options including the recovery of AWBA LTSCs accrued off-reservation for delivery of water to the Community, extinguishment of AWBA LTSCs accrued on-reservation or in the vicinity of the reservation, with the Community pumping an equivalent volume, or debiting the AWBA “Firming Credits” accrued when the AWBA funded the full delivery costs of water previously ordered and delivered to the Community. AWBA staff and the Community have indicated a preference for utilizing these Firming Credits to satisfy a firming requirement in 2022.

Ms. O’Connell reviewed the projected firming volumes based on CAP estimates of water orders both with and without the NIA reallocation. The projected firming volume ranges from 7,538 AF - 8,943 AF but could change based on actual water orders and the status of the NIA reallocation. If Reclamation’s August 24-Month Study confirms a Tier 1 shortage for 2022, staff will incorporate the firming proposal into the AWBA’s 2022 Preliminary Plan of Operation, to be presented to the public at Phoenix, Pinal and Tucson AMA Groundwater Users Advisory Council meetings. In November, the firming volumes will be finalized based on actual CAP water orders and then included in the

final 2022 Plan of Operation that would be adopted by the Commission at the AWBA quarterly meeting in December.

Commissioner Braun asked for clarification on the preference for utilizing the Firming Credits. Ms. O'Connell replied that the other firming options include the use of AWBA LTSCs that could be used to meet other obligations in the event they are not needed to firm the Community. The Firming Credits are credits accrued with the Community for water that was pre-delivered and can only be used for firming the Community. She added that another firming option includes the use of ICS Firming credits accrued in Lake Mead. However, that option can only be used after 2026, when it becomes the highest priority. Therefore, staff from the AWBA and the Community felt it was appropriate to use the Firming Credits before that time.

Commissioner Braun asked for clarification on the method for calculating the Community's firming volume. Ms. O'Connell explained that the IGA identifies how the firming volume is calculated. The Community's NIA supplies are reduced proportionally between the firmed and unfirmed portions. The firming volume is calculated based on the percentage of water that is available to the pool that year and applied to the Community's firmed portion.

Vice-Chair Clark asked if one of the firming options to utilize Firming Credits involves payment for the Community's pumping costs. Ms. O'Connell explained that this firming option would not include a cash distribution. The Firming Credits were accrued with water already delivered and the AWBA can debit those credits.

All Commissioners were supportive of using these firming credits to satisfy a potential firming obligation in 2022.

VII. Report and Discussion of Recovery Planning Activities

Report on Recovery Planning Activities. Simone Kjolsrud, Technical Administrator, provided a report on recovery planning activities and presented the 2021 Update to the 2014 Joint Recovery Plan. The recent completion of the 2021 Update represents an important milestone in recovery planning activities and is the result of a multi-year effort involving extensive stakeholder participation and interagency coordination to provide greater planning clarity for the recovery of water stored by the AWBA. The 2021 Update is not intended to replace the 2014 Plan, but expands on some of the concepts first outlined in the 2014 Plan and provides updates on more recent activities that affect the planning assumptions identified in 2014.

The 2014 Plan describes the recovery methods envisioned, which remain largely unchanged. However, the 2021 Update explores these methods further including the potential utilization of these methods by M&I subcontractors. An important accomplishment with significant affects on recovery planning was the adoption of the 2017 CAP System Use Agreement, which defined "firming water" as non-project water and clarifies that it is accounted for separately from project water. This changed the M&I

firming approach and altered some of the prior assumptions about CAP's role in the recovery of AWBA credits for M&I firming. During RPAG discussions, many CAP M&I subcontractors indicated a preference for recovering AWBA credits directly using their own infrastructure or through a third-party partnership, particularly in the near-term. This concept, known as "Independent Recovery" became a focus of the 2021 Recovery Update and resulted in proposed legislation to allow the distribution of AWBA LTSCs directly to subcontractors for this purpose.

The 2021 Update also reflects updated hydrologic modeling and assumes the DCP shortage tiers remain in effect through the planning period, 2045. The modeling results identify the probability of each shortage tier and the corresponding potential maximum firming volumes for each of the AWBA's firming obligations. The firming volumes increase over time up to a maximum of roughly 5,000 AF for on-river communities, a maximum of roughly 23,000 AF for tribal NIA firming and a maximum of roughly 133,000 AF for CAP M&I firming. The key takeaway from the updated modeling is that deeper shortage tiers result in larger potential firming volumes, but have lower probabilities of occurrence. To further estimate the timing and maximum volume of the recovery well capacity needed for AWBA M&I firming through-out the planning period, an analysis was conducted that estimated CAP M&I subcontractors supply and demand under Tier 3 shortage conditions. The analysis includes a breakdown of the estimated capacity for both CAP recovery and independent recovery.

The 2021 Update also provides additional steps taken to prepare for shortage reductions by providing a three-year out planning horizon for recovery implementation activities, with triggers tied to Reclamation's April Five-Year Probability Table and 24-Month Study. The first trigger occurs when the April 5-year table shows a greater than 15% probability of shortage in the third year. The second trigger occurs when the April 24-Month Study forecasts a shortage in second year based on the "Min Probable" forecast. The third trigger occurs when the April 24-Month Study forecasts a shortage in the following year based on the "Most Probable" forecast. The 2021 Update also includes a more detailed operational timeline which outlines critical decision points, identifies deadlines to finalize firming agreements, summarizes these triggers and includes a timeline for CAP recovery rate notification.

As part of the next steps, the three agencies will continue to monitor factors that influence Colorado River supplies including proposed post-2026 operating guidelines. While there is likely sufficient recovery capacity for the AWBA's near-term firming responsibilities, CAP will continue to seek additional recovery opportunities including infrastructure development for direct recovery. The AWBA will also continue to monitor the projected rate of credit utilization and evaluate credit longevity.

The completed 2021 Update to the Joint Recovery Plan was shared with the RPAG on March 5th and staff anticipates the final version will be released in May. The next RPAG meeting will likely be scheduled for early May.

Commissioner Braun asked if there is currently an AWBA policy on credit distribution

and whether additional guidance is needed to codify a policy for credit distribution to M&I subcontractors. Ms. Kjolsrud responded that the focus of the 2021 Update document was on preparing for shortage and to identify recovery well capacity needs. The AWBA currently has a policy in place through the end of the Interim Period to firm 100 percent of the reduction to M&I subcontractors. Ms. O'Connell also commented that the information gained during this time as well as any new operating guidelines that are put in place after 2026 will be taken into consideration when developing a future policy on credit distribution for M&I firming. Chair Buschatzke commented that the upcoming agenda item discusses the legislation that will enable the AWBA to enter into firming agreement for direct distribution of AWBA credits to CAP M&I subcontractors.

Report on Senate Bill 1147. Simone Kjolsrud, Technical Administrator, provided an update on Senate Bill 1147 which would amend statute to allow AWBA LTSCs to be distributed directly to CAP M&I subcontractors. This legislation was originally introduced as Senate Bill 1301 during the 2020 legislative session. Last year the bill passed out of the Senate unanimously and was scheduled for a vote in the House. However, the legislature ended the legislative session early due to Covid-19. The bill was reintroduced this year as Senate Bill 1147.

The Arizona Municipal Water Users Association (AMWUA) proposed this amendment to facilitate independent recovery of AWBA credits by CAP M&I subcontractors, which allows water bank credits accrued with ad valorem water storage tax funds to be distributed directly to CAP M&I subcontractors for firming purposes. Current statute requires these credits be distributed to CAP for recovery on behalf of M&I subcontractors. The proposed amendment stipulates that LTSCs assigned to CAP M&I subcontractors cannot be sold, and that the subcontractor would be responsible for all recovery costs as well as fees assessed by ADWR for the assignment of the LTSCs. Senate Bill 1147 passed the Senate unanimously on February 9, 2021. It is currently waiting to be heard by the House Natural Resources Committee. It must be scheduled to be heard in committee next week in order to make the deadline for a vote this session.

VIII. Call to the Public

There were no comments. Chair Buschatzke announced future meeting dates. The meeting adjourned at 11:58 a.m.

Future Meeting Dates:

Wednesday, June 16, 2021

Wednesday, September 15, 2021

Wednesday, December 1, 2021