

Final Draft

# ARIZONA WATER BANKING AUTHORITY

## ANNUAL PLAN OF OPERATION

### 2020



Thomas Buschatzke, Chair

December 2019

## EXECUTIVE SUMMARY

The role of the AWBA has changed considerably since its inception in 1996. The AWBA was initially established to utilize the unused portion of Arizona's annual Colorado River entitlement. In doing so, the AWBA's objectives were to store water to protect Central Arizona Project and Colorado River municipal and industrial (M&I) water users against future shortages, to assist the state in meeting Tribal water rights claims, to provide groundwater management benefits, and to assist both California and Nevada through interstate banking. Over time, the AWBA's responsibilities have expanded, and it is relied upon by many water providers.

Over the last two decades, the AWBA has made considerable progress toward meeting its objectives, developing 4.3 million acre-feet (MAF) of credits for future use, 3.7 MAF for Arizona uses and over 0.6 MAF for interstate purposes on behalf of Nevada. In recent years, excess Central Arizona Project water supplies have been used to conserve water in Lake Mead, therefore, the supplies available to the AWBA have decreased. Moreover, 2019 was the first year that no excess CAP water was available for AWBA storage. In 2020, with the adoption of the Lower Basin Drought Contingency Plan (LBDCP) and the Bureau of Reclamation's determination of a Tier Zero condition, Arizona must conserve 192,000 acre-feet of water in Lake Mead. As there will be no excess CAP supplies available, the AWBA will concentrate on alternative methods for making progress on its firming goals.

The AWBA 2020 Plan of Operation (Plan) proposes to develop an estimated 35,600 acre-feet of credits for a total cost of \$8.86 million. Long-term storage credit acquisitions are anticipated to occur in both the Phoenix and Tucson Active Management Areas (AMA). Potential credit purchases total approximately 27,500 acre-feet and are estimated to cost \$6.62 million. Additionally, the AWBA plans to acquire approximately 8,140 acre-feet of Intentionally Created Surplus (ICS) Firming Credits pursuant to its intergovernmental agreement with the Gila River Indian Community; a component of Arizona's plan for implementing the LBDCP. The AWBA plans to use approximately \$2.24 in withdrawal fees collected in the Phoenix and Pinal AMAs for this purpose. These ICS Firming credits will be used to meet the AWBA's future firming obligations to the Community under the Arizona Water Settlements Act.

The 2020 Plan does not include the distribution of AWBA credits for firming purposes because 2020 will be a normal year for Colorado River operations. Additionally, the Southern Nevada Water Authority did not request the development of intentionally created unused apportionment. Therefore, there will be no credits recovered for interstate purposes.

## INTRODUCTION

The AWBA was initially created in 1996 to store Arizona's unused Colorado River water entitlement in central and southern Arizona, and to develop long-term storage credits (LTSCs) for the following purposes: (1) firming existing water supplies for Colorado River and CAP M&I water users during Colorado River shortages or CAP service interruptions; (2) helping meet the water management objectives of the Groundwater Code; (3) meeting the State's obligations in the settlement of Indian water rights claims; and (4) assisting Nevada and California through interstate banking. The AWBA's enabling legislation has been amended over time allowing it to store other renewable supplies and to purchase credits in addition to storing excess CAP water supplies. The 2020 Plan does not include the storage of other renewable supplies but does include credit purchases.

Although the AWBA can utilize general fund appropriations to conduct its business, in recent years the only funds available to the AWBA have been groundwater withdrawal fees collected in the Active Management Areas (AMA) and *ad valorem* property taxes levied and collected by the Central Arizona Water Conservation District (CAWCD). The availability of these funds for AWBA use varies both on an annual basis and by the amounts collected within each AMA/County. There are also restrictions on how the AWBA may utilize these revenues to meet its firming responsibilities. The costs to store water for Nevada, the AWBA's only interstate partner at this time, are paid by Nevada at the time storage occurs.

The AWBA's storage of water is accomplished through the Recharge Program that is administered by the Arizona Department of Water Resources (ADWR). Through this program, the AWBA stores renewable water supplies in either underground storage facilities (USF) or groundwater savings facilities (GSF), also referred to as indirect storage. The Recharge Program mandates an accounting of the water stored and the corresponding LTSCs accrued. The credits will be distributed by the AWBA when they are needed in the future. The use of these credits is dependent on the source of funds utilized to develop the credits.

The AWBA is required by statute to approve an annual Plan of Operation (Plan) by January 1 of each year. Prior to approval of the final Plan, the AWBA is required to solicit public comment. Presentation of the draft Plan must be made at publicly noticed open meetings at which members of the public are permitted to provide comment. A draft of the Plan was presented at meetings of the Groundwater Users Advisory Councils (GUAC) for the Phoenix, Pinal and Tucson AMAs. The AWBA also makes the Plan available on its web page and accepts public comment in writing up to the time the final draft Plan is presented for approval.

The Plan is intended to govern the operations of the AWBA over the course of the entire calendar year. The AWBA recognizes that day-to-day adjustments in the normal operations of the CAP or the individual storage facilities may affect the actual monthly deliveries made on behalf of the AWBA. If the adjustments do not impact the overall annual delivery projections contained in the Plan, they will be addressed by staff and reported to the AWBA members on an as-needed basis.

## REVIEW OF 2019 PLAN OF OPERATION

The AWBA did not have excess Colorado River water available for use in 2019 as these supplies were conserved in Lake Mead to benefit system storage. Arizona is expected to conserve over 127,200 acre-feet of water in Lake Mead. Additionally, Arizona is expected to create 149,420 acre-feet of Intentionally Created Surplus (ICS). As a result, Arizona’s adjusted apportionment of Colorado River water in 2019 is approximately 2.52 MAF. The Bureau of Reclamation’s forecasted water use report, which is based on approved orders, shows Arizona’s projected end of year use at 2.58 MAF, slightly higher than the adjusted apportionment (Figure 1).

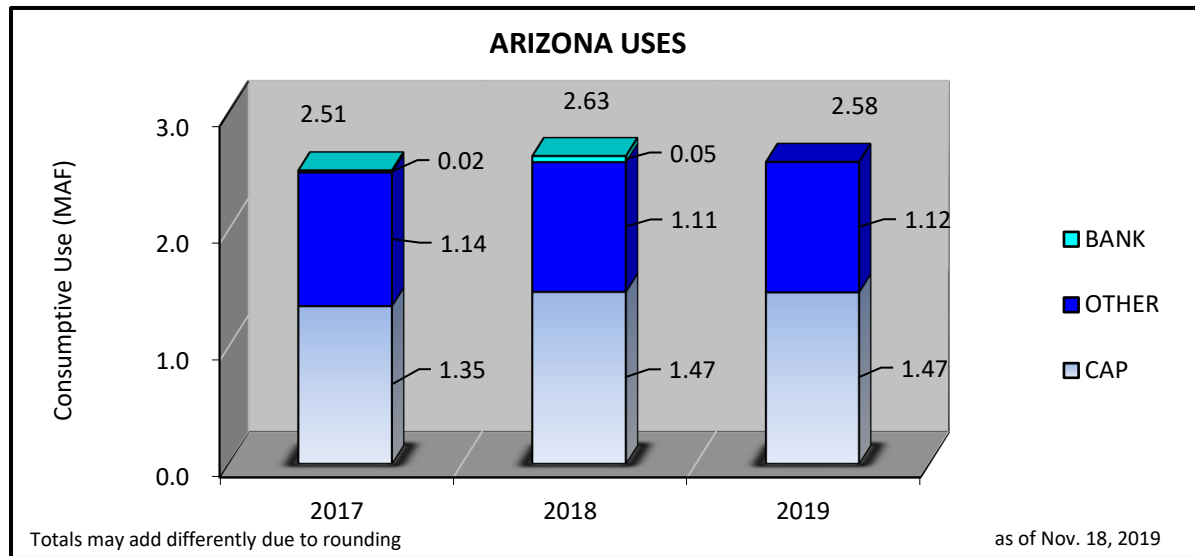


Figure 1. Recent Comparison of Colorado River Water Uses by Arizona

The forecasted use of Colorado River water in the Lower Basin is 6.78 MAF, which also reflects contributions to Lake Mead by California and Nevada through the creation of ICS or system conservation (Figure 2).

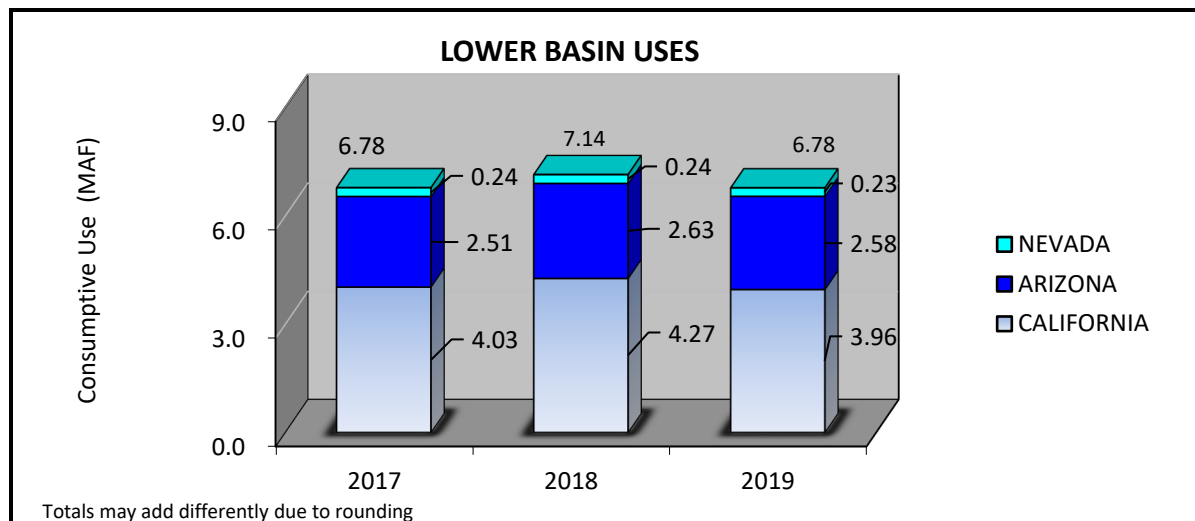


Figure 2. Recent Comparison of Lower Basin Uses of Colorado River Water

The AWBA focused on the following methods to continue making progress on its firming goals.

### **Long-term Storage Credit Purchases**

In 2019, the AWBA purchased a combined total of 19,257 acre-feet of long-term storage credits (LTSCs) in the Phoenix and Tucson AMAs for a total cost just under \$4.34 million. This amount includes \$2.95 million in Maricopa County water storage tax funds used to purchase 13,100 acre-feet of LTSCs and \$ 1.1 million in Pima County water storage tax funds used to purchase 4,815 acre-feet of LTSCs for firming CAP M&I priority supplies in the Phoenix and Tucson AMAs, respectively. Additionally, the AWBA purchased 1,342 acre-feet of LTSCs for water management purposes for the Tucson AMA using \$288,180 in withdrawal fees collected in the AMA.

### **Intentionally Created Surplus Firming Credits**

The 2019 Plan anticipated the AWBA would play a role in support of the Lower Basin Drought Contingency Plan (LBDCP), which was subsequently signed on May 20, 2019. To assist in facilitating the offset goals of Arizona’s Implementation Plan for the LBDCP (i.e. replacement of ICS deliveries contemplated to occur before December 31, 2026, the Interim Period), the Gila River Indian Community proposes to create at least 200,000 acre-feet of ICS that will be left in Lake Mead for the duration of the Interim Period. Correspondingly, the AWBA entered into an intergovernmental agreement (IGA) with the Community to pay for the creation of 50,000 acre-feet of that ICS for purposes of satisfying a future firming obligation to the Community.<sup>1</sup> Due to a one-time 10 percent reduction for system and evaporation losses, the 50,000 acre-feet of ICS will result in 45,000 acre-feet of ICS credits.

In accordance with the IGA, the Community created 17,000 acre-feet of “Firming ICS” in 2019 and will create the remaining 33,000 acre-feet in 2020. Likewise, the AWBA paid for 14,660 acre-feet of the Firming ICS created, which resulted in 13,194 acre-feet of ICS Firming credits. The AWBA used withdrawal fee monies collected in the Phoenix and Pinal AMAs for this purpose. The amount purchased was over 4,200 acre-feet more than the 10,417 acre-feet minimum identified under the IGA. The 2019 rate for payment of Firming ICS was \$240 per acre-foot. Payment for the remaining Firming ICS may be made in installments consistent with the rate schedule identified in the IGA, which has an annual non-compounded escalator of three percent. ICS Firming credits will be used to meet firming obligations that occur after 2026.

Table 2 provides an estimate of funds expended for water storage and credit purchases, including all firming credits developed with the GRIC, and the location of those credits.

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<sup>1</sup>IGA between the AWBA and the Gila River Indian Community for the Development of ICS Firming Credits, executed May 20, 2019.

**Table 2. AWBA Cumulative Expenditures, LTSCs and Firming Credits 1997-2019<sup>1</sup>**

Funding Source	Phoenix AMA		Pinal AMA		Tucson AMA		Total	
	Funds Expended (\$M)	Credits Accrued (AF)	Funds Expended (\$M)	Credits Accrued (AF)	Funds Expended (\$M)	Credits Accrued (AF)	Funds Expended (\$M)	Credits Accrued (AF)
<b>Withdrawal Fees</b>	\$ 33.1	391,797	\$ 23.1	439,651	\$ 10.2	110,182	\$ 66.4	941,630
<b>Ad valorem Tax</b>	\$ 131.5	1,519,147	\$ 14.5	223,571	\$ 59.3	485,028	\$ 205.2	2,227,745
<b>General Fund<sup>2</sup></b>	\$ 1.5	42,316	\$ 6.4	306,968	\$ 3.2	54,546	\$ 11.1	403,830
<b>Indian Appropriation</b>	\$ -	-	\$ -	-	\$ 2.6	28,481	\$ 2.6	28,481
<b>Shortage Reparations<sup>3</sup></b>	\$ 1.1	20,642	\$ 1.7	60,507	\$ 5.2	28,340	\$ 8.0	109,489
<b>Pinal Redirect<sup>4</sup></b>		-	\$ -	14,125	\$ -	-	\$ -	14,125
<b>Subtotal</b>	\$ 167.2	1,973,901	\$ 45.7	1,044,822	\$ 80.4	706,577	\$ 293.3	3,725,300
<b>Interstate – Nevada<sup>5</sup></b>	\$ 13.7	60,021	\$ 71.5	440,241	\$ 27.1	113,584	\$ 112.1	613,846
<b>Total</b>	\$ 180.8	2,033,922	\$ 117.2	1,485,063	\$ 107.5	820,161	\$ 405.4	4,339,146

<sup>1</sup> Totals may add differently due to rounding.

<sup>2</sup> A total of 256,174 acre-feet of credits reserved for the Mohave County Water Authority pursuant to the Amended Agreement to Firm Future Supplies

<sup>3</sup> Monies made available to the AWBA from the Southern Nevada Water Authority to assist Arizona in offsetting impacts from shortages pursuant to the 2008 Arizona-Nevada Shortage-Sharing Agreement.

<sup>4</sup> Credits accrued from water scheduled for the Tucson AMA and redirected to the Pinal AMA for storage at GSFs. Facility operators paid 100% of the water delivery rate.

<sup>5</sup> Includes 50,000 acre-feet of credits transferred from CAWCD pursuant to Amended Agreement for Interstate Banking.

## **2020 PLAN OF OPERATION**

When developing its Plan of Operation (Plan), the AWBA evaluates three critical factors for accruing LTSCs: (1) the amount of water and CAP canal capacity available to the AWBA for delivery, (2) the storage capacity available for use by the AWBA at the various recharge facilities, and (3) the funds available to store water or purchase existing credits. The AWBA also assesses the need to distribute credits whether for firming purposes or to make water available for interstate purposes. In addition to these critical factors, the AWBA takes into consideration comments solicited from the public as well as recommendations made by the Groundwater Users Advisory Councils (GUAC) of the three AMAs.

According to the Bureau of Reclamation's August 2019 24-Month Study, which sets the annual operations for Lake Mead and Lake Powell in 2020, Lake Mead will operate in the Normal or ICS Surplus Condition. In addition, the drought contingency plans for the Upper and Lower Basins are now in effect. Because Lake Mead is projected to begin the year below 1,090 feet, a Tier Zero condition, Arizona must contribute 192,000 acre-feet in water savings to Lake Mead in 2020. These contributions will largely come from excess CAP water supplies. Therefore, there will be no water available to CAWCD's Statutory Firming Pool that is utilized by the AWBA. If conditions change during the year, and water becomes available, the AWBA should have storage capacity and funding available to store the water. To continue making progress on meeting its firming goals, the AWBA will instead focus its 2020 Plan on developing credits using alternative methods.

### **Available Funds**

The AWBA will have an estimated \$2.86 million in withdrawal fee revenues available for use in 2020: \$1.35 million for the Phoenix AMA, \$882,400 for the Pinal AMA, and \$622,100 for the Tucson AMA. Total available revenues take into consideration over \$1.4 million in funds reallocated by the legislature for FY 2020. This amount was deducted proportionally from each AMA withdrawal fee subaccount based on revenues collected resulting in 53 percent for the Phoenix AMA, 37 percent for the Pinal AMA and 10 percent for the Tucson AMA.

As in previous years, the CAWCD Board resolved to retain the water storage property taxes collected in its three-county service area for costs related to operation and maintenance (O&M) and/or for repayment of the Project. Water storage tax revenues retained by CAWCD have been used to offset the cost of AWBA water deliveries and storage at its recharge projects as part of O&M. The AWBA may also request that the CAWCD Board reserve these funds for use by the AWBA to purchase LTSCs. Monies used for credit purchases must be deposited to the Arizona Water Banking Fund. The AWBA requested that \$3 million in Maricopa County funds and \$3 million in Pima County funds be reserved for LTSCs purchases in 2020. This request was approved by the CAWCD Board in June 2019 as part of the Board's resolution on use of the water storage tax for the 2020 tax year.

**Pricing**

Although the 2020 Plan does not include storage of excess CAP water, the AWBA utilizes CAP water rates as factors in pricing credit purchases. In June of 2019, the CAWCD Board approved its final water delivery rate schedule for calendar years 2019/2020. The AWBA 2020 rate for recharge is equivalent to the rate for excess M&I water at \$211 per acre-foot, an increase of \$12 per acre-foot from the previous year. CAWCD storage facility rates have remained the same. The AWBA’s rate for use of Tucson Water’s Clearwater facilities increases 3 percent each year.

Table 3 reflects the water delivery rate charged by CAWCD for AWBA recharge deliveries, the cost share GSF operators pay for AWBA storage, and the rates the AWBA pays to utilize different USFs. There is no administrative cost component in the facility cost because the AWBA pays the CAWCD and any Salt River Project (SRP) administrative costs on an annual basis.

**Table 3. 2020 Water and Facility Rates**

<b>Recharge Rates</b>	<b>Cost per Acre-foot</b>
CAWCD delivery rate for AWBA	\$211.00
Groundwater Savings Facility operator cost share rate <sup>1</sup>	
Phoenix and Pinal AMAs	\$34.00
Tucson AMA	\$16.00
Underground Storage Facility rate paid by AWBA	
CAWCD – Phoenix Facilities	\$13.00
CAWCD – Tucson Facilities	\$15.00
Clearwater Facility (CAVSARP/SAVSARP)	\$18.65

<sup>1</sup> This rate is paid directly to CAP by the GSF operators, effectively reducing the AWBA’s water delivery rate for in lieu water.

**Purchase of Long-Term Storage Credits**

The AWBA plans to purchase LTSCs in 2020 to make progress on its firming goals. Based on the AWBA’s request, the CAWCD Board reserved \$6 million in water storage tax funds for this purpose. The AWBA plans to purchase an estimated 24,900 acre-feet of LTSCs: \$3 million using Maricopa County funds (12,600 acre-feet) and \$3 million using Pima County funds (12,300 acre-feet). Additionally, the AWBA proposes to purchase an estimated 2,600 acre-feet of LTSCs using withdrawal fees collected in the Tucson AMA. In addition to cost, consideration will also be given to the location of the credits that are available for sale.



### **Assignment of Credits by the Tohono O’odham Nation**

Pursuant to A.R.S. § 45-841.01, the Tohono O’odham Nation (Nation) must offer the AWBA ten percent of any LTSCs determined accruable by ADWR from storage at the Mission Mine Complex at a price per acre-foot that is equal to the AWBA’s delivery and storage costs at the time of sale. If the Nation offers the AWBA credits in 2020, the AWBA will evaluate the offer to determine if it is reasonable to purchase those credits. There is a restriction that the credits may not be recovered within five miles of the exterior boundary of the reservation.

### **Arizona Water Settlements Act Requirements**

CAP supplies will not be shorted in 2020 and no long-term system outages are anticipated that would reduce deliveries to CAP customers. Therefore, the AWBA has no obligation to firm Non-Indian Agricultural (NIA) Priority CAP water supplies in 2020.

The Arizona Water Settlements Act (AWSA) recognizes three categories where the state has firming responsibilities. The first two obligations relate to firming of NIA Priority CAP water for the GRIC and other Arizona Indian tribes in times of shortage for a 100-year period; the third obligation pertains to assisting the Secretary of the Interior (Secretary) in carrying out the obligations of the Southern Arizona Water Rights Settlement Act (SAWRSA).

1. GRIC - The AWBA must ensure that up to 15,000 acre-feet per year of NIA Priority CAP water be made available to the GRIC during shortages. The AWBA has dedicated 162,584 acre-feet of credits for this purpose to date pursuant to its firming agreements with the Community<sup>1</sup>. This amount includes 105,390 acre-feet of withdrawal fee credits accrued from water stored at the Gila River Indian Irrigation and Drainage District GSF, 44,000 acre-feet of “Firming credits” accrued on Community lands and 13,194 acre-feet of “ICS Firming credits” accrued in Lake Mead. For 2020, the AWBA estimates accruing an additional 8,140 acre-feet of ICS Firming credits,<sup>2</sup> bringing the total volume of dedicated credits to 170,724 acre-feet or 49 percent of the AWBA’s estimated firming goal of 350,000 acre-feet. If needed, existing withdrawal fee credits could also be used for this purpose.
2. Other Indian Tribes - The AWBA is also required to firm up to 8,724 acre-feet per year of CAP NIA priority water for other Indian Settlements. The White Mountain Apache Tribe has entered into an agreement that will require the AWBA to firm 3,750 acre-feet per year of the 8,724 acre-feet once the agreement becomes enforceable. The AWBA has not dedicated credits specifically to this obligation. However, as with the AWBA’s obligation to the GRIC, existing withdrawal fee credits could be made available for this purpose.

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<sup>1</sup> Intergovernmental Agreement (IGA) between the AWBA and the GRIC executed June 16, 2015; and IGA between the AWBA and the GRIC for the Development of ICS Firming Credits executed May 20, 2019.

<sup>2</sup> Purchase of 9,043 acre-feet of ICS created by GRIC at established 2020 rate of \$247.20/AF and 10% loss factor.

3. Federal Assistance - The AWBA has completed the State obligation to contribute \$3 million in cash or in-kind services to assist the Secretary in meeting the Federal obligation to the Tohono O'odham Nation. This obligation was met by accruing an equivalent amount of credits that will be distributed to the Secretary during shortages.

### **Southside Replenishment Bank**

In addition to the firming requirements of the Settlements Act, the AWBA was required to deliver 15,000 acre-feet of water to the GRIC to establish the Southside Replenishment Bank. This obligation was satisfied in 2015. The Replenishment Bank can be used to fulfill obligations created under the Settlements Act for protection of the Reservation from off-reservation groundwater pumping.

In October 2019, ADWR informed the AWBA that a replenishment obligation of 9.78 acre-feet had been incurred for the 2018 reporting year in the Municipal and Industrial Eastern Protection Zone South. Pursuant to A.R.S. § 45-2623(A), the AWBA must satisfy the replenishment obligation by June 1 of the third calendar year following the year the obligation was created, or in this instance, 2021. This obligation is expected to be met by extinguishing an equal volume of LTSCs accrued at the Hohokam Irrigation and Drainage District.

### **Interstate Water Banking**

The AWBA, Southern Nevada Water Authority (SNWA), and Colorado River Commission of Nevada (CRCN) executed a Third Amended and Restated Agreement for Interstate Banking on May 20, 2013. The amended agreement allows for storage to be determined annually by the parties and may include Nevada's unused apportionment. Storage is paid for by SNWA on a pay-as-you-go basis. There is no interstate storage planned for 2020, and SNWA has not requested the development of intentionally created unused apportionment.

### **Accounting**

The AWBA's enabling legislation required the development of an accounting system that allows the tracking of all LTSCs accrued by the AWBA and the funding sources from which they were developed. ADWR maintains the accounting of the LTSCs, the AWBA accounts for the expenditure of the funds utilized from the Water Banking Fund, and CAWCD accounts for expenditures of the water storage tax monies and reports that expenditure to the AWBA. The AWBA also maintains an accounting of non-storage firming credits, replenishment activities, and the funds used for these purposes. The estimated cost of the 2020 Plan is \$8.86 million and is anticipated to develop 35,600 acre-feet of credits. Table 4 provides 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 2020 Plan.

**Table 4. Funding for 2020 Annual Plan of Operation**

Funding Source	Estimated Funds Available		Estimated Funds Utilized		Estimated Credits (AF)	
	AWBA	CAWCD	AWBA	CAWCD	Water Storage	Developed Credits
<b>Withdrawal Fees<sup>1</sup></b>						
Phoenix AMA	\$1,353,200	-	\$1,353,200	-	0	4,930
Pinal AMA	\$882,400	-	\$882,400	-	0	3,210
Tucson AMA	\$622,100	-	\$622,100	-	0	2,590
<b>Water Storage Tax<sup>2</sup></b>						
Phoenix AMA	\$0	\$3,000,000	\$0	\$3,000,000	0	12,590
Pinal AMA	\$0	\$0	\$0	\$0	0	0
Tucson AMA	\$0	\$3,000,000	\$0	\$3,000,000	0	12,280
	<b>Total Funds Available</b>		<b>Total Funds Expended</b>		<b>Total Credits</b>	
	\$8,857,700		\$8,857,700		0	35,600

<sup>1</sup> Phoenix and Pinal AMA funds are used to develop ICS Firming credits pursuant to IGA with the Community. Credits includes a 10% loss factor.

<sup>2</sup> Funds reserved by the CAWCD Board of Directors for LTSC purchases.

### **Distribution or Extinguishment of AWBA Credits**

Recovery of AWBA LTSCs for firming or for the development of Intentionally Created Unused Apportionment is not anticipated in 2020. Therefore, the 2020 Plan does not include the distribution or extinguishment of AWBA credits for firming purposes.

As previously discussed, the 2020 Plan does include the extinguishment of 9.78 acre-feet of groundwater management credits in the Pinal AMA to satisfy a replenishment obligation for the Municipal and Industrial Eastern Protection Zone South.

In preparation for the distribution and recovery of AWBA credits in future years, staff representatives for ADWR, CAWCD and the AWBA, continue to make progress on the steps necessary for an implementable recovery plan. These efforts are being conducted in cooperation with a Recovery Planning Advisory Group (RPAG) that was convened in January of 2018. Updates to the recovery plan released in 2014 are anticipated to be completed in 2020 and are envisioned to include a more direct role by CAP subcontractors in the recovery of AWBA LTSCs.

### **Achievement of Goals and Obligations**

Table 5 identifies the progress expected to be made on the AWBA's goals and obligations through 2020. Proposed purchases of ICS Firming credits and LTSCs are included in the totals.

**Table 5. Projected Percent of Goals and Obligations Achieved through 2020**

Location and Objective	Funding Source	Estimated Goal	Non-Credit Goal Achieved	Credits <sup>1</sup> Accrued (AF)	Goal Achieved
<b>CAP M&amp;I Firming</b>					
Phoenix AMA	Water Storage Tax (4¢ <i>Ad valorem</i> ) collected by County	1,566,000 AF		1,531,747	98%
Pinal AMA		243,000 AF		223,610	92%
Tucson AMA		864,000 AF		497,328	58%
<b>On-River M&amp;I Firming<sup>2</sup></b>	General Fund	420,000 AF		403,830	96%
<b>Indian Settlement Obligations:</b>					
GRIC Firming <sup>3</sup> <i>up to 15 KAF/year</i>	General Fund Withdrawal Fees	350,000 AF <sup>4</sup>		170,724 0 170,724	49%
Future Settlements - <i>up to 8.7 KAF/year</i>	General Fund Withdrawal Fees	200,000 AF <sup>4</sup>		0	N/A
Federal Assistance (SAWRSA)- <i>\$3 million</i>	General Fund Tucson W/Fees		\$3,000,000 \$2,338,171 \$630,490	34,102 28,481 5,621	100%
	Cost of Services <sup>5</sup>		\$31,339	n/a	
Southside Repl. Bank - <i>15 KAF direct delivery</i>	General Fund Pinal W/Fees			15,000 1,342 13,658	100%
<b>Groundwater Management<sup>6</sup></b>					
Phoenix AMA	Withdrawal Fees collected by AMA			251,411	N/A
Pinal AMA <sup>7</sup>				417,480	N/A
Tucson AMA				107,161	N/A
<b>Other:</b>					
Interstate Banking - SNWA	Agreement with Nevada			613,846	N/A
Shortage Reparations	Agreement with Nevada	\$8,000,000	\$8,000,000	109,489	N/A
Pinal Redirect Credits <sup>8</sup>	N/A			14,125	N/A

<sup>1</sup> Actual credits through 2019; estimated credits for 2020.

<sup>2</sup> By resolution passed in 2002, the AWBA established on-River firming as the highest priority of use for credits accrued through expenditure of general fund appropriations. Pursuant to the Agreement to Firm dated February 4, 2005, a total of 230,280 AF of credits were transferred to the AWBA long-term storage subaccount for MCWA in 2005. An additional 25,894 AF of credits were reserved under Exhibit C of the Amended Agreement to Firm, dated December 8, 2010, for a total of 256,174 AF.

<sup>3</sup> Credits developed pursuant to accepted firming methods identified under Firming IGA with the Community. Credits include 88,313 AF and 17,077 AF of LTSCs accrued at the Gila River Indian Irrigation and Drainage District GSF in the Phoenix and Pinal AMAs, respectively; 44,000 AF of Firming Credits; and 21,334 AF of ICS Firming credits.

<sup>4</sup> Based on estimates from the Indian Firming Study Commission Report dated January 6, 2006.

<sup>5</sup> Expenditures include \$14,883 and \$16,456 deducted for payment of cost of services for FY08 and FY09, respectively.

<sup>6</sup> Withdrawal fees could be utilized in addition to 4¢ ad valorem tax revenues for M&I firming if needed to reach firming goals and for Indian settlement obligations in the absence of general fund appropriations.

<sup>7</sup> Total includes credits extinguished for replenishment purposes.

<sup>8</sup> Credits accrued from water provided to Pinal AMA GSFs at full cost to the GSF operators.

## **PUBLIC REVIEW AND COMMENT**

AWBA staff presented the 2020 Plan to the public in conjunction with the Groundwater Users Advisory Councils (GUAC) meetings for the Phoenix, Pinal and Tucson AMAs as required by statute. The Plan was also distributed to the public for review and comment.

The GUACs in all three AMAs supported the Plan as presented and commended the accomplishments of the AWBA, particularly, the progress made on the firming goals relative to the storage volumes anticipated when the AWBA was first established. In the Phoenix and Tucson AMAs there were questions on the use of withdrawal fees. Staff clarified that the withdrawal fees could be used for water management purposes, which included firming of CAP M&I supplies and satisfying Indian settlement obligations under the AWSA. In the Phoenix AMA there were also questions regarding the AWBA's need for withdrawal fees, given that excess CAP water supplies were not available for storage. Staff indicated that the AWBA intends to use these funds to develop ICS Firming credits pursuant to its IGA with the Gila River Indian Community. Absent general fund appropriations, these are the only funds that can be used for this purpose. The benefits for creating ICS are two-fold. First, ICS helps to protect against shortage in the near term by increasing the elevation in Lake Mead, and second, the ICS credits developed will be used in the future to firm supplies for the Community. Lastly, GUAC members acknowledged that while the AWBA has accrued a substantial amount of credits, a comprehensive plan for the recovery and use of the credits is also needed.

The Arizona Municipal Water Users Association (AMWUA) also provided written comments (letter attached). The comments are related to the recovery of AWBA credits, specifically the need for certainty for CAP M&I subcontractors as to how recovery will be executed during shortages, and whether M&I firming goals should remain a primary goal considering the need to ensure future recovery.