

ARIZONA WATER BANKING AUTHORITY
Final Minutes

March 21, 2001
Arizona Department of Water Resources

Welcome/Opening Remarks

All members of the Authority were present except for Dick Walden and *ex officio* members Ken Bennett and Mike Gleason. Rita Pearson Maguire welcomed everyone to the first quarterly meeting of 2001.

Approval of Minutes

The Authority approved the minutes from the December 20, 2000 meeting with correction to the spelling of Senator Kyl's name.

Water Banking Staff Activities

Tim Henley, manager of the AWBA, reviewed the current deliveries. January deliveries were less than projected due to operational constraints at GRUSP and decreased demand at GSF's due to weather. February showed some increases in the Tucson AMA due to deliveries to Lower Santa Cruz and Pima Mine Road. Mr. Henley stated that although deliveries are less than projected, he anticipates reaching projected quantities over the year. Bill Chase asked about the situation at GRUSP. Mr. Henley stated that they were having some mounding problems at the facility. Mr. Chase questioned the ability to make up for the lost deliveries. Mr. Henley stated that this year the AWBA may be limited by the state's 2.8 MAF off the river so it is possible the losses at GRUSP can be made up elsewhere. Mr. Henley also informed the Authority that the decrease in November and December 2001 is due to CAP siphon repairs and SRP's dry up at the facility. The existing water exchange agreement may be utilized to store more at the facility, however, SRP's participation in the exchange may be determined by their system needs which can change daily as rain falls. George Renner stated that the Agua Fria facility might become operational in November or December 2001 so the Authority may be able to make up lost storage at that facility. The CAWCD has gained immediate possession of the section of land under condemnation.

Mr. Henley informed the Authority that an application for the Innovations in Government program had been submitted. Preliminary finalists would be selected some time in March or April.

Action on the Approval of Interstate Storage Agreement

Pat Mulroy, with the Southern Nevada Water Authority addressed the Authority at the request of Ms. Pearson Maguire. She stated that this is a momentous occasion for Nevada and conveyed her thanks and gratitude to Arizona and the Authority. She stated that she anticipates many years of a productive partnership with the state. Ms. Pearson Maguire thanked Ms. Mulroy for joining the Authority at this meeting.

The following items in the Interstate Storage Agreement were discussed:

1. Mr. Chase inquired about the purpose of section 5.2. Mr. Henley replied that this addressed the 50,000 acre feet of long-term storage credits developed several years ago and held by the CAWCD for Nevada. Larry Dozier stated that there are 89,000 acre feet of credits, which were developed at the same time for California.

2. Mr. Chase brought up Dick Walden's concerns regarding article 4.2.2; specifically that it creates an obligation that the Authority cannot uphold. Mr. Henley explained that this creates the opportunity for Arizona to provide an alternative supply of water if ordered by a court to perform. Mr. Henley stated that he does not think that it allows Nevada to force Arizona to develop an alternative supply and that any costs borne by the Authority would only be any additional costs over what Nevada would already have paid for recovery.
3. Mr. Renner had a question regarding the purpose of 3.2.1.2. Mr. Henley stated that this means there is a commitment to reasonableness in the development of a recovery plan.
4. Mr. Renner and Tom Griffin had questions regarding the effective date of the agreement. Mr. Henley replied that as it is written, it would become effective once signed by all parties, however, really not effective until some water stored. Mike Pearce stated that it was the intention of the negotiating team to make this agreement not contingent on the other two agreements to permit the possibility of some transfer of credits to Nevada prior to execution of the others. This was of concern to Mr. Renner and Mr. Griffin, specifically that it could create an obligation in the absence of the other two documents. Mr. Henley stated that any storage in the absence of the other two agreements would likely be by letter addendum and could state that if the other agreements aren't executed, creation of ICUA would not occur. Mr. Pearce stated that Arizona could limit their pay back to money not water. Mr. Griffin inquired whether Nevada wanted to store water this year. Kay Brothers stated that they would and that a percentage of Arizona's storage had been discussed. Ms. Pearson Maguire stated that this is difficult because there are three agreements which must be executed and that this is the first step, the foundational agreement on which the others will be based. Mr. Griffin inquired whether the Authority was taking on an obligation in the transfer of the credits held by CAWCD. Mr. Pearce stated that recovery of those credits is contingent on execution of the other two agreements. Mr. Griffin asked for a status on the other two agreements. See below for discussion by Mr. Henley. Mr. Griffin asked Nevada if they were agreeable to the inclusion of language which made this agreement contingent on the other two. Jim Davenport stated that he did not think this agreement needed to be conditioned on the other two because the process is moving forward on the other two in an acceptable manner. Mr. Renner stated that he did not think the current agreement included provisions for storage this year, however, he thinks it can be done through a separate agreement. He would like to approve this agreement contingent on the other two and that it would only become effective upon adoption of the other two agreements. Mr. Pearce suggested addition of language between 1.2.4.2 and 1.2.4.3 which states "nothing in this agreement obligates AWBA to store water until other two ancillary agreements are in effect". He stated that this does not make the agreement contingent on the other two, it makes storage contingent on the other two. This language was acceptable to the Authority.
5. There was a review of the errata sheet. Ms. Pearson Maguire stated that the addition to 5.7 is a requirement under state law and applies whether specifically stated within the agreement or not. Mr. Davenport stated that there is no similar language for Nevada.
6. Mr. Renner had a question regarding the Nevada process. Ms. Mulroy stated that will move through the process in next 30 days and that must go to two boards, SNWA and CRCN. She stated that they may want to meet in joint session.
7. Mr. Chase stated that the language in 2.3.2 requires clarification regarding on a per acre foot basis. Specifically, does this include losses? Mr. Chase reiterated his previous comment that the Bank did not need to limit Nevada during a shortage year. He stated, however, that it is acceptable to him as written because of addition of language that allows more water after conferral with the Authority.

Ms. Pearson Maguire presented the several courses of action the Authority members could take regarding the agreement. It was moved and approved that the agreement would be approved in form and authorization would be given to the chairperson to sign and the secretary to attest after Nevada parties sign following inclusion of all changes listed in the errata sheet, inclusion of Mr. Chase's comments and addition of Mr. Pearce's paragraph. Mr. Davenport thanked the Authority.

Update on Status of Storage and Interstate Release Agreement and Agreement for Intentionally Created Unused Apportionment

Mr. Henley stated that the negotiating team recently had a meeting with the parties to the Storage and Interstate Release Agreement. The federal requirement for environmental compliance is the primary delay. The Bureau anticipates that preparation of a draft Environmental Assessment should take approximately 4 months followed by a 30-day public comment period and a 30-day response period. They anticipate getting feedback on a draft agreement in conjunction with the public response for the EA.

The Agreement for ICUA should be developed quickly following some meetings between AWBA and CAWCD staff. This agreement has had the least work done on it.

Update on Preparation of 2000 Annual Report

Staff are currently working on the Annual Report and should have a draft to Authority in mid-May. The draft will then go out for public review and the final will be presented to the Authority for approval at the June meeting.

City of Goodyear Water Banking Services Agreement

Mr. Henley explained that Bill Allen recently approached him to discuss a water banking services agreement in which the Authority loaned credits to Goodyear to assist them in meeting their requirements under the Assured Water Supply regulations. Goodyear would repay the credits through their recharge facilities over the next couple of years.

The agreement given to the Authority basically just includes all of the requirements of law. Mr. Henley informed the Authority there would be little discussion or negotiation between the parties regarding this agreement. Todd Miller from Goodyear stated that they may want to increase the quantity of credits to 2500 acre feet, depending on information received from ADWR. Ms. Pearson Maguire inquired whether Goodyear was under a time crunch. Charles Cahoy, legal counsel for ADWR, stated that Goodyear was having a consistency with management goal problem and could be in danger of losing their AWS designation in the near future. Mr. Renner asked if this was an accounting process only with no requirement to actually recover. Mr. Henley replied that it was. Mr. Renner also questioned the 2.5% administrative charge. Mr. Henley stated that that is the amount that is about equal to what it costs the Authority to put a credit in the ground, however, this was just a guess and should be discussed by the Authority. He stated that there was no precedence because these agreements haven't been done before. At the request of the Authority, Mr. Henley stated that this number would be worked on by staff. Mr. Chase asked if there were any guarantees regarding the location of the credits. Mr. Cahoy stated that all have to be within the Phoenix AMA.

It was decided that action on this item would be tabled and that it would be addressed later at a special meeting, perhaps a tele-conference meeting.

Vidler Water Company USF Agreement

Mr. Henley informed the Authority that the agreement is not completely finalized and that the Authority will be approving form of the agreement pending finalization of numbers related to the

administrative cost. The cost is currently \$45 per acre-foot with escalation over time. Mr. Henley stated that this is high compared to other facilities but that this is a private facility. To arrive at that cost, they have taken their costs and divided them by 80,000 acre feet capacity of the facility. This computation is very consistent with how other facilities calculate costs.

Mr. Chase commented that the loss number (10%) given on page 9 of the agreement was high. Mr. Henley stated that staff would re-word this section.

Mr. Renner suggested that this agreement be treated the same as the Goodyear agreement. Ms. Pearson Maguire agreed and stated that she would like some of the blanks filled in and would like some time to review this draft of the agreement. Dorothy Palmer stated that they are willing to charge what GRUSP and SRP are charging for administrative costs.

Mr. Henley stated that attached to the agreement is the easement to allow recovery by others. He would like some more information regarding the areal extent of the easement prior to approval. Ms. Pearson Maguire questioned whether the easement is consistent with the Authority no owning real property. Mr. Cahoy stated that the easement is not inconsistent with state law regarding the Authority and real property. Mr. Henley also stated that even if the agreement was approved and signed, storage at the Vidler facility was not included in the 2001 Plan of Operation, hence amending the Plan would be necessary. Also, the amended Plan would need to be presented at a meeting of the La Paz County Board of Supervisors per statute.

Call to the Public

There was no public comment.

The next AWBA meeting is scheduled for Wednesday, June 20, 2001. A special meeting to take action on agenda items will be scheduled in the interim by Mr. Henley.

The meeting concluded at 11:40 a.m.