

ARIZONA WATER BANKING AUTHORITY
Draft Meeting Summary
(Virtual Meeting)

March 23, 2022



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 10:00 a.m.

Introduction of new staff. Chair Tom Buschatzke introduced Rebecca Bernat as the new AWBA technical administrator.

II. Approval of Meeting Minutes

Chair Buschatzke asked for a motion to approve the minutes from the December 1, 2021 meeting. Commissioner Olsen moved to approve the minutes. Commissioner Arboleda provided the second to the motion. Commissioner Olsen amended the motion to approve the minutes with any needed corrections. Commissioner Clark provided the second to that motion. The minutes were unanimously approved.

III. Report and Discussion of Water Banking Staff Activities

Quarterly report of AWBA credit purchases for calendar year 2022. Ms. Virginia O'Connell informed Commission members that there were no credit purchases for the first quarter of 2022. The City of Peoria opted not to sell credits to the AWBA this year. This was the last year to purchase/sell credits under the agreement. Staff is working with its other credit purchase partners and anticipates having an update for the June 2022 meeting. At that time, staff will also be reporting on the purchase of Intentionally Created Surplus (ICS) firming credits under the AWBA's agreement with the Gila River Indian Community (Community). Based on the funds available in 2022, the AWBA anticipates purchasing roughly 3,000 acre-feet (af) of ICS Firming credits this year.

Ms. O'Connell informed the Commission of an important update concerning the funding that has been used to purchase ICS Firming credits. She noted the governor's budget for fiscal year (FY) 2023 no longer authorizes the use of Arizona Water Banking (AWB) funds by ADWR. The \$1.2 million would come instead from the state's general fund. Withdrawal fees have been used to meet the transfer requirement since they are the only funds available in the AWB fund. They are also the only funds that have been available to

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

purchase ICS Firming credits. The legislative budget still includes the transfer. However, the budget is still being negotiated. Having funds restored to the AWBA would be significant because it would more than double the amount of ICS Firming credits the AWBA could purchase annually. This would decrease the time it takes to pay for the full 50 kaf of firming ICS, and also reduce overall costs because the rate per af increases by three percent each year.

Chair Buschatzke asked Commission members if there were any questions. There were none. He added that the Governor's office had been asked to restore the \$1.2 million for seven years and that it had been a concern of the Commission.

Status report on Colorado River conditions. Rachel von Gnechten, Water Resources Engineer with ADWR's Colorado River Management Section, gave the Colorado River Basin update. She started with a brief review of the Colorado River system reservoir levels. She reported that, as of March 16, 2022, Lake Powell was at an elevation of 3,524.83 feet (ft.) with storage of 5.916 million acre-feet (maf) or 24 percent of capacity. Lake Mead was at elevation 1,064.30 ft. with storage of 8.753 maf or 34 percent of capacity. According to the Bureau of Reclamation's website (on March 22, 2022), Lake Powell and Lake Mead elevations have moved approximately .77 ft. and 1.05 ft., respectively. The reservoir system as a whole has roughly 21.185 maf in storage or 35 percent of the system capacity, which is approximately a 5.48 maf decrease from this time last year.

Ms. von Gnechten added that Lake Powell dipped below the critical elevation of 3,525 ft. last week. This elevation was expressly defined in the Upper Basin Drought Contingency Plan and is important because it provides for a 35 ft. buffer in Lake Powell elevation for action to be taken to protect from falling below the minimum power pool. This dip in elevation is expected to be temporary.

Ms. von Gnechten then moved to the historic and forecasted water year 2022 unregulated inflow into Lake Powell. The 30-year average (from 1991-2020) is 9.60 maf. Based on Reclamation's March 24-Month Study (MS), the minimum probable forecast is 5.24 maf (55 percent of the 30-year average). The most probable forecast is 6.58 maf (69 percent of average) and the maximum probable forecast is 9.49 maf (99 percent of average).

Ms. von Gnechten reviewed the snow water equivalent (SWE) chart above Lake Powell. As of March 17, 2022, the SWE was at 87 percent of the seasonal median. She noted that October and November were wet, and the first week of December was dry. The last three weeks of December were very wet because of storms. However, without any significant snowfall from January through early March, the 2022 SWE line will likely start to taper off.

Ms. von Gnechten presented Lake Powell's end-of-month elevations from Reclamation's most recent 24-MS projections and the CRMMS-ESP¹ Projection, which shows all

¹ Colorado River Mid-term Modeling System- Ensemble Streamflow Predictions.

individual traces to provide additional information about risk and uncertainty for near-term planning horizons. The end of the calendar year 2022 “most probable” elevation projection is 3,520.08 ft. and the end of the calendar year 2023 “most probable” elevation projection is 3,533.37 ft. The scheduled release from Lake Powell for 2022 is 7.48 maf. Reclamation has held back 350 kaf in releases from January to April, but the current adjusted release pattern makes up this volume with increases through June and September. The “most probable” release for water year 2023 is 7.54 maf.

Chair Buschatzke commented on the Lake Powell end-of-month elevations graph to say that the fact that 350 kaf was held back means the trace lines are approximately seven ft. higher than they would have been had Reclamation not held back that water. When Reclamation returns the water, these lines are going to drop. They have taken that action to try to prop up the elevations above 3,545 ft. as much as they could before the snow starts melting and the runoff raises the elevation of Lake Powell. This slide might make it better than it is.

Ms. von Gnechten moved on to Lake Mead end-of-month elevation projections, which shifted downward since the February 24-MS, reflecting a decrease in the forecasted runoff of approximately 1.5 maf in the Upper Basin. The end of the calendar year 2022 “most probable” elevation projection is 1049.37 ft., with a “probable minimum” of 1,047.10 feet. These projections indicate Lake Mead will be around elevation 1,050’, which is the determining elevation between a Tier 1 and Tier 2a shortage. Shortage determination, however, is not made until the August 24-MS. The snow water equivalent has not yet peaked, and there could still be storms next month. The end of the calendar year 2023 “most probable” elevation projection is 1035.63 ft., with a “probable minimum” of 1,020.63 ft. She noted, these projections do not include all of the 500+ Plan water in the model, which should help once added. Nevertheless, water users should be planning for the worst but hoping for the best.

Ms. von Gnechten then showed the 5-Year Probabilistic Projections of future conditions in the Colorado River system, which extend through 2026. These are typically updated every January, April, and August; however, in February 2022, Reclamation switched from using the Colorado River Simulation System (CRSS) to using CRMMS-ESP to provide the 5-Year Probabilistic Projections. This change was made to streamline the modeling process to provide more consistency with the 24-MS and 2-year modeling projections and to provide better performance results over the 5-year period.

The table shows the percent of traces from the CRMMS-ESP run that would result in an event or system condition. These results include the 500+ Plan water included in the February model. Ms. von Gnechten highlighted the following elements from the table: Less than 10 percent of traces falling between Tier 0 elevations in each year over the next five years; 87 percent of traces falling between Tier 1 elevations in 2023; Around 10 percent of traces falling between Tier 2a elevations in each year from 2023-2026; 57 percent of traces in 2024, 33 percent of traces in 2025, and 20 percent of traces in 2026 fall between Tier 2b elevations; Looking to the out years of 2025 and 2026, 30 percent

and 40 percent of traces falling at or below Tier 3 elevations.

Commissioner Olsen asked whether the .77 ft. change in Lake Powell was a decrease. Ms. von Gnechten confirmed. Commissioner Olsen also asked how much of the 500k+ was included in the model. Ms. von Gnechten responded that it currently includes contributions from the Gila River Indian Community, the Colorado River Indian Tribes and the Palo Verde Irrigation District, and some SNWA ICS creation. Chair Buschatzke said it was at least 150 kaf. Ms. von Gnechten added that there were currently agreements in discussions that would add more water to Lake Mead.

Commissioner Braun asked if California had indicated they were going to take out any of their ICS this year due to the lowering of State Water Project allocations. Ms. von Gnechten responded that State Water Project allocations were now at five percent. The Metropolitan Water District in particular hopes to contribute California ICS, but use of ICS is not known at this time. Chair Buschatzke added that their service area includes about 6 million people that are going to live on the emergency State Water Project allocation of 50 gallons per person per day. He added that this is an interesting conundrum for the Metropolitan Water District because the service area is going to live on very little water.

Commissioner Braun noted there has been some uncertainty as to whether 7.48 maf can be released from Lake Powell under lower surface elevation levels and asked if this was a concern regarding release of the 350 kaf later in the Fall. Chair Buschatzke indicated there is still a lot of uncertainty. Reclamation acknowledged last week that there are issues, and they are considering how to protect the infrastructure at Glen Canyon Dam. He added that what is happening with Lake Powell elevation is of concern to Arizona. If the lake's elevation falls below 3,490 ft. water cannot be moved through the power generator. He further explained that there are four river outlets and tubes at Glen Canyon Dam, but no record, unfortunately, of how those tubes can be operated at such low levels.

Chair Buschatzke called for public comments on this particular agenda item. Simone Kjolsrud, City of Chandler, asked if ADWR was doing any modeling to see how this would impact CAP water users if there were a situation in which Reclamation is not able to release the full 7.48 maf. Chair Buschatzke responded that they are in the early stages of looking at impacts to Lake Mead but have not evaluated how CAP water supplies and its users might be impacted. There is still too much uncertainty on what Reclamation can and cannot do at this time. ADWR and CAWCD are planning a joint public briefing after the April 24-MS to provide updates.

Patrick Adams, Arizona Municipal Water Users Association, noted that the SWE chart is similar to 2021, which resulted in roughly 30 percent of runoff from 80 percent of seasonal median snowpack and asked whether 70 percent of runoff from 85 percent of snowpack was a good projection, or was it better to expect 30 percent. Chair Buschatzke that there is a lot of uncertainty and noted that Reclamation has cautioned ADWR that what happened last year can easily happen again. He added that the same trend has been seen in the last 10 years. This is something that will be a big point of discussion as we work on the framework post-2026. He also indicated that Reclamation announced they

will have a pre-scoping federal resolution in the next 3-4 weeks, with scoping for the actual post 2026 NEPA process beginning around the first of January.

Report from Central Arizona Water Conservation District (CAWCD). Marcus Shapiro, CAWCD Water Systems Supervisor, started his report by reviewing Arizona's contributions to Lake Mead. As part of the Drought Contingency Plan (DCP), 192 kaf have been contributed in 2021 and 2022 and in 2022 there are additional cuts according to the 2007 guidelines (320 kaf). He stated that the numbers in the table are still provisional until the decree accounting is finalized. He also pointed out that contributions since 2019 have increased consistently each year.

Mr. Shapiro indicated that because shortages are also anticipated for 2023, CAWCD is following a pattern of preparation similar to last year. He provided a high-level overview of the calendar identifying several briefings throughout the year including a CAP water users shortage briefing at the end of the month.

Mr. Shapiro discussed shortage impacts to CAP system priority pools under both Tier 1 and Tier 2a shortage conditions. Like this year, a Tier 1 shortage would affect the non-Indian agricultural (NIA) priority pool. The additional 80 kaf reduction under a Tier 2a shortage would cut through the NIA priority pool and affect a small portion of the municipal and industrial (M&I) and Indian priority pools. For shortage cuts this year, there was some mitigation provided to the ag settlement pool while the NIA pool was mitigated 100 percent. This will change in 2023, no matter the tier or shortage year: There will be no CAP wet water mitigation provided to any of the ag settlement pool parties. In either a Tier 1 or Tier 2a shortage, the NIA priority pool will be mitigated up to 75 percent.

Mr. Shapiro noted that in 2022, the AWBA firmed 6,429 af for the Gila River Indian Community as part of its settlement requirements. Reclamation has firming obligations as well. Mitigation resources used after firming volumes are applied include the Salt River Project exchange, as well as a small volume of operational water from Lake Pleasant. Significant mitigation resources will be both compensated mitigation and CAWCD ICS released out of Lake Mead to meet the mitigation obligations. On top of that, there will be additional compensated conservation associated with the 500k+ plan.

At the end of his report, Mr. Shapiro stated that the April 7, 2022 Public Policy Committee Meeting will provide an update on legislation to extend the Water Storage Tax (4-cent tax). Also, at the Board Meeting that same day, there will be a discussion regarding management guidelines and reserves that includes revenue from the 4-cent tax. This was discussed last week at CAP finance and power audit. On April 5, 2022, there will be a CAP water user briefing about taxes, capital charges, and reserves.

Report on Recovery Planning Activities. Ms. O'Connell informed Commission members that the interagency recovery planning group (AWBA, CAWCD and Colorado River Management section from ADWR) continues to meet monthly to prepare for potential shortages. She stated that the group had begun its consultation meetings with

CAP M&I subcontractors on proposed firming methods, given the potential for shortage reductions to M&I priority supplies in the near term. The meetings are intended to begin discussions on whether subcontractors would prefer a delivery from CAP or if they plan to receive credits directly from the AWBA for independent recovery. To date, the group held one meeting for the Pinal AMA and one for the Tucson AMA. Two meetings are scheduled for the Phoenix AMA for March 31, 2022: one for the East Valley and one for the West Valley. Ms. O'Connell noted that several subcontractors have been participating in recovery planning through the Recovery Planning Advisory Group (RPAG) and are very familiar with the discussions. However, because some subcontractors might not be familiar with the information and planning concepts, the meetings have included background information on the AWBA, its role during Colorado River shortages, the impacts of potential supply reductions, and the strategies and options available for addressing these reductions. She noted that staff received good questions and feedback at the meetings. For those who could not attend, there will be opportunities for meetings in the future as well as separate one-on-one meetings.

Ms. O'Connell stated that subcontractors who plan to receive credits directly from the AWBA will need to enter into a credit distribution agreement. The draft intergovernmental agreement has been distributed to ADWR staff for review. After AWBA receives comments, it will go to CAWCD staff for review and then to CAP M&I subcontractors once the final draft is available (April timeframe). Lastly, Ms. O'Connell noted that the next RPAG meeting is tentatively scheduled for May 10, 2022. She reiterated comments from Mr. Shapiro that there will be several briefings during the year to inform CAP water users of current conditions.

Commissioner Olsen stated that he attended the Tucson AMA M&I subcontractors meeting and said that he had found it very helpful and that he heavily recommended that subcontractors in Phoenix attend these meetings. In particular, he saw concise information about how shortages impact M&I subcontractors in each Tier.

Chair Buschatzke asked if future RPAG meetings are going to be virtual or in person. Ms. O'Connell said that has not been decided yet, but that they will most likely be hybrid.

Chair Buschatzke announced that ADWR, which had been closed to the public since March 2020, will reopen on April 4, 2022. The public will be welcome at ADWR with an appointment. Virtual meetings have been so well attended that future in-house meetings will also be accessible online.

IV. Discussion of Firming Proposal for the Gila River Indian Community for Potential Shortage Year 2023

Ms. O'Connell briefed Commission members on the AWBA's firming obligation for the (Gila River Indian Community) Community under the Arizona Water Settlement Act (AWSA). She explained that with the first Tier 1 shortage in 2022, it was also the first year the AWBA had a firming obligation for the Community. The AWBA is firming 6,429 af of CAP NIA priority water. The firming plan that was agreed upon by the Community and the

AWBA was to utilize firming credits that were developed on-Reservation. The firming credits are credits the AWBA developed by offsetting the full water delivery costs for a portion of the Community's deliveries on-Reservation.

Ms. O'Connell indicated that staff and Community representatives are proposing the same firming method for 2023. Due to the uncertainty in Colorado River conditions, she identified firming proposals for both Tier 1 and Tier 2a shortage conditions. Each table described the costs that were paid for the year the firming credits were developed, the firming credits utilized, and the amount of firming credits to be utilized under both Tier 1 and Tier 2a shortage conditions. The estimated firming volumes are 9,462 af under a Tier 1 shortage leaving 28,108 af of credits remaining to address future shortage reductions and 14,898 af under a Tier 2a shortage leaving 22,673 af of credits remaining.

Commissioner Olsen noted that even under a Tier 1 scenario in 2023, the AWBA was still expending a little bit over a third of the total firming credits that were developed and asked for confirmation that no firming credits had been developed from 2019 on. Ms. O'Connell responded that this was correct because that was when the agreement expired. She then added that the AWBA had done other things. Exhibit B of the 2015 intergovernmental agreement between the AWBA and the Community identifies different options the AWBA has to meet a firming requirement including recovery of AWBA long-term storage credits (LTSC) by CAP for direct delivery to the Community, the extinguishment of LTSCs accrued at the former Groundwater Saving Facility located on-Reservation (~105 kaf) and ICS firming credits, which can be used after 2026.

Chair Buschatzke asked for the total number of AWBA water credits available for Indian firming. Ms. O'Connell responded that the total was about 167 kaf. She added that the AWBA also has withdrawal fee credits (also referred to as groundwater management credits) available in the Phoenix AMA (~251,000 LTSCs) and the Pinal AMA (~417,000 LTSCs) that can be used for this purpose. Chair Buschatzke stated that these volumes of LTSCs were substantial, and can therefore be used for obligations for many years for the Community.

Commissioner Braun asked if withdrawal fee credits were dedicated to Indian firming specifically or to other purposes. Ms. O'Connell responded that withdrawal fees accrued on-Reservation have been dedicated for firming the Community. The withdrawal fee credits are used for water management purposes, which includes CAP M&I and Indian firming. They will likely be made available for M&I firming in the Tucson AMA. In the Phoenix and the Pinal AMA, they would be dedicated as needed.

Commissioner Braun commented that the withdrawal fee credits were the most versatile types of credits because they can be used for multiple purposes. Ms. O'Connell refined this statement by explaining that the general fund LTSCs are the most versatile because they can be used for any purpose. However, by AWBA resolution, on-River firming is the top priority for use of these funds.

Chair Buschatzke noted that under the AWSA and the state legislation, there is a legal obligation to firm the tribes AWBA agreed to firm. He said that the 4-cent tax can only be used for M&I firming. He added that there is not the same level of obligation for the M&I subcontractors as there is for the tribes. Nicole Klobas, ADWR Deputy Chief Counsel, confirmed that was correct.

Commissioner Braun stated that this helps the public and the Commission members understand where the legislative priorities are, as well as what the AWBA should be doing as an agency.

Commission members directed staff to utilize the firming credits as presented in the firming proposal and to continue to work with the Community in accordance with the IGA, to develop firming proposals for each shortage year.

V. Call to the Public

Chair Buschatzke asked for public comment. Joe Singleton, representing the Pinal County Water Augmentation Authority, asked for clarification on whether the 3 kaf of ICS credit purchase this year anticipated the restoration of the \$1.2 million or if it was before restoration. Ms. O'Connell confirmed the latter and added the restoration of funds would be for FY 2023, which could roughly double the amount purchased next year.

Chair Buschatzke asked for clarification that it was not a requirement that the AWBA use the restored money for ICS credit purchases, but only that the AWBA has those funds available for use. Ms. O'Connell confirmed that it was not a requirement, but that they are the only funds that have been available for that purpose. Having these funds restored could accelerate how quickly AWBA could purchase the ICS credits under the agreement and would also allow the AWBA to have withdrawal fees in the future to acquire other firming resources (Gila River Indian Community or other purposes). For historical context, Chair Buschatzke stated that the AWBA has been choosing to use withdrawal fees to meet the budgetary requirements for the AWBA to provide funds to ADWR and the Arizona Navigable Stream Adjudication Commission.

There were no additional comments.

Future Meeting Dates:

Wednesday, June 15, 2022

Wednesday, September 21, 2022

Wednesday, December 7, 2022

The meeting adjourned at 11:09 a.m.