

FINAL DRAFT

ARIZONA WATER BANKING AUTHORITY

ANNUAL PLAN OF OPERATION

2023



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EXECUTIVE SUMMARY

The operation of the Arizona Water Banking Authority (AWBA) continues to change. Initial activities of the AWBA were primarily to store excess Central Arizona Project (CAP) water to create long-term storage credits (LTSCs). These LTSCs will be used to mitigate the effects of future Colorado River shortages on municipal and industrial (M&I) water users, provide groundwater management benefits, assist the State in the settlement of Indian water rights claims, and assist Nevada through interstate banking arrangements. While the concept of the AWBA originally arose to make beneficial use of the State's full entitlement of Colorado River water, it serves multiple purposes, including certain statutory obligations. With the first-ever Colorado River shortage declaration by the Secretary of the Interior (Secretary) in 2022, the AWBA transitioned to its next phase, making its stored water supplies available to meet its responsibilities.

The AWBA has made considerable progress toward meeting its objectives, developing more than 4.4 million acre-feet of credits for future use, including 613,846 acre-feet for interstate banking on behalf of Nevada. In recent years, and with the adoption of the Lower Basin Drought Contingency Plan (LBDCP), excess CAP water supplies have been used to conserve water in Lake Mead, leaving little to no water supplies available to the AWBA. As a result, the AWBA has focused on other methods for acquiring credits to continue to make progress on its firming goals. In 2023, the Colorado River will operate under a Tier 2a shortage condition, which will reduce Arizona's Colorado River supplies by 592,000 acre-feet, an additional 80,000 acre-feet in reductions from the Tier 1 shortage declared in 2022. Consequently, the AWBA's Tribal firming requirement will also increase.

The AWBA 2023 Plan of Operation (Plan) proposes to purchase 44,784 acre-feet of credits for a total cost of \$13.95 million. LTSC acquisitions are anticipated to occur in both the Phoenix and Tucson Active Management Areas (AMAs). Potential LTSC purchases total 38,650 acre-feet and are estimated to cost \$12.1million. Additionally, the AWBA plans to spend \$1.83 million to purchase 6,134 acre-feet of Intentionally Created Surplus (ICS) Firming Credits pursuant to a 2019 intergovernmental agreement (IGA) with the Gila River Indian Community (Community). This agreement is a component of Arizona's plan for implementing the LBDCP. These credits will be used to meet the AWBA's firming obligations to the Community after 2026.

While significant, the reductions in Colorado River supplies under a Tier 2a shortage condition will not impact supplies for CAP M&I Priority subcontractors or on-river M&I contractors in 2023. However, the reductions will impact CAP non-Indian agricultural (NIA) pool supplies. As a result, the AWBA has an obligation under the Arizona Water Settlements Act of 2004 to firm 14,575 acre-feet of supplies for the Community. There are no other firming or replenishment requirements for the AWBA in 2023. Additionally, the Southern Nevada Water Authority (SNWA) 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 2023 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 (AMAs) 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.

AWBA water storage is accomplished through the Recharge Program administered by the Arizona Department of Water Resources (ADWR). The AWBA stores renewable water supplies when available in underground storage facilities (USFs) and groundwater savings facilities (GSFs) based on available storage capacity. 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 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 may affect the actual monthly deliveries made on behalf of the AWBA when available excess supplies have been scheduled or when turn back supplies become available during the year. 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 as needed.

2023 PLAN OF OPERATION

The AWBA's Plan for 2023 has two components. The first component addresses the AWBA's ability to develop LTSCs through water storage or acquisition as well as the development of other non-storage firming resources. The second component assesses the need to distribute or extinguish LTSCs or other firming credits to satisfy a firming and/or replenishment responsibility, or to make water available for interstate purposes. In developing its Plan, the AWBA also takes into consideration comments solicited from the public and recommendations made by the Groundwater Users Advisory Councils in the Phoenix, Pinal and Tucson AMAs.

Credit Development

The AWBA evaluates three critical factors for accruing or acquiring credits: 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 credits.

1. Water Availability

In accordance with the Bureau of Reclamation's Annual Operating Plan¹, which sets the annual operations for Lake Mead and Lake Powell for the following year, the Colorado River will operate under a Lower Basin Tier 2a shortage condition in 2023. As a result, Arizona's Colorado River entitlement will be reduced by 592,000 acre-feet. This volume includes 400,000 acre-feet in reductions under the 2007 operating guidelines² and 192,000 acre-feet in additional contributions to Lake Mead under the LBDCP. Consequently, there will be no water available to CAWCD's Statutory Firming Pool that is used by the AWBA. As a result, the AWBA's 2023 Plan will focus on developing credits through non-storage alternatives.

2. Storage Capacity

Since there are no supplies available for storage, the availability of storage capacity is of less concern for the 2023 Plan. However, in the event water becomes available during the year, the AWBA should have sufficient capacity available to store the water as these supplies would likely to be minimal. Additional water storage permits are not anticipated for 2023.

3. Available Funds

The AWBA will have an estimated \$2.81 million in withdrawal fee revenues available for use in calendar year 2023: \$1.83 million for the Phoenix AMA and \$978,000 for the Tucson AMA. Total available revenues take into consideration \$200,000 in funds reallocated to the Arizona Navigable Stream Adjudication Commission by the legislature for fiscal year 2023.

¹ Draft Annual Operating Plan for Colorado River Reservoirs 2023 dated October 7, 2022.

² Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead.

Withdrawal fees levied in the Pinal AMA through 2026 will not be made available to the AWBA but will be used to support groundwater and irrigation efficiency projects in the Pinal AMA.³

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. Revenues held by CAWCD have been used to offset AWBA delivery and storage costs at its recharge projects as part of O&M of the project. However, funds reserved and used for LTSC purchases must be deposited to the Arizona Water Banking Fund. Funds reserved by the CAWCD Board for AWBA LTSC purchases that are not spent can continue to be used by the AWBA for LTSC purchases in subsequent years. Based on anticipated LTSC purchases, the AWBA could have up to \$11.14 million in unspent funds remaining available from previous years: \$3.32 in Maricopa County funds and \$7.82 million in Pima County funds. Since carryover funds are available, the AWBA did not request that the CAWCD Board reserve additional funds for 2023.

Credit Purchases

The AWBA has several options for credit development through non-storage means, including the acquisition of LTSCs through purchase agreements and payment for ICS developed in Lake Mead as part of the LBDCP.

Purchases 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 2023, the AWBA will evaluate the offer to determine if it is reasonable to purchase those LTSCs. There is a restriction that the LTSCs may not be recovered within five miles of the exterior boundary of the reservation.

Other LTSC Purchases

The AWBA will have an estimated \$12.12 million available in 2023 for LTSC purchases. These funds include \$11.14 million in water storage tax funds and \$ 978,000 in Tucson AMA withdrawal fees. The AWBA’s price per LTSC has typically been equal to the cost of accruing an LTSC through CAP water storage. Based on Tier 2a water rates for 2023, the AWBA could potentially purchase up to 38,650 acre-feet of LTSCs: 10,640 acre-feet in the Phoenix AMA (\$312/AF) and 28,010 acre-feet in the Tucson AMA (\$314/AF). However, the cost to purchase LTSCs is increasingly market driven with prices typically higher than CAP water storage rates. A tightening market could affect the AWBA’s ability to acquire LTSCs in 2023. Still, the AWBA will continue to seek practicable LTSC

³ A.R.S. § 45-611(C)(3), § 45-611(C)(5), § 45-613(D) and § 45-615.01.

purchase opportunities with consideration given to the location of the credits available for sale.

ICS Firming Credits

The AWBA entered into an IGA with the Community to purchase 50,000 acre-feet of firming ICS created by the Community under Arizona’s Implementation Plan for the LBDCP.⁴ Due to a one-time, ten-percent assessment for system and evaporation losses, the 50,000 acre-feet of firming ICS resulted in 45,000 acre-feet of ICS, referred to as ICS Firming Credits under the IGA. These credits will be used to satisfy AWBA firming obligations to the Community after 2026. The AWBA has paid incrementally for the creation of firming ICS, which started at a rate of \$240 per acre-foot in 2019. The rate schedule has an annual escalator of three percent.

For 2023, the AWBA estimates purchasing 6,815 acre-feet of firming ICS at a cost of \$268.80 per acre-foot. The total cost is \$1.83 million and will result in 6,134 acre-feet of ICS Firming Credits after assessment. ICS Firming Credits will be purchased using withdrawal fee revenues collected in the Phoenix AMA.

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 storage of Nevada’s unused apportionment. Storage is paid for by SNWA in years when storage occurs. There is no interstate storage planned for 2023.

Accounting of Credits

The AWBA has a statutory requirement to account for all LTSCs accrued by the funding sources used to develop the credits. The AWBA also maintains an accounting of all non-storage firming credits, replenishment activities, and the funds used for these purposes.

The estimated cost of the 2023 Plan is just under \$ 14 million and could potentially develop 44,784 acre-feet of credits as described above. **Table 1** summarizes the 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 2023 Plan.

⁴ IGA between the AWBA and the Community for the Development of ICS Firming Credits executed May 20, 2019 (2019 IGA).

Table 1. Funding for 2023 Plan of Operation and Estimated Credits Developed

Funding Source	Estimated Funds Available		Estimated Funds Utilized		Estimated Credits (AF)	
	AWBA	CAWCD	AWBA	CAWCD	Water Storage	Developed Credits
Withdrawal Fees						
Phoenix AMA ¹	\$1,832,000	-	\$1,832,000	-	0	6,134
Tucson AMA	\$978,000	-	\$978,000	-	0	3,110
Water Storage Tax²						
Phoenix AMA	\$0	\$3,321,000	\$0	\$3,321,000	0	10,640
Pinal AMA	\$0	\$0	\$0	\$0	0	0
Tucson AMA	\$0	\$7,818,000	\$0	\$7,818,000	0	24,900
	Total Funds Available		Total Funds Expended		Total Credits	
	\$13,949,000		\$13,949,000		0	44,784

¹ Funds used to develop ICS Firming Credits at \$268.80/AF pursuant to AWBA's 2019 IGA with the Community. Developed credits include a 10% loss factor.

² Carryover from funds reserved by the CAWCD Board of Directors for AWBA LTSC purchases in 2021 and 2022.

Distribution or Extinguishment of AWBA Credits

Based on current demand, Tier 2a Colorado River shortage reductions in 2023 will reduce all but 5,702 acre-feet of water supplies available to the CAP NIA pool. As a result, the AWBA will have a firming obligation as defined under the Arizona Water Settlements Act of 2004 (AWSA). The reduction in Colorado River supplies will not impact fourth priority CAP M&I priority subcontractors nor on-River contractors. As for interstate banking, SNWA has not requested the recovery of LTSCs accrued on its behalf. **Table 2** identifies the volume of credits available by objective, the anticipated credit use for firming in 2023, and the remaining credits thereafter.

Arizona Water Settlements Act Requirements

The AWSA recognizes three categories where the state has firming responsibilities. The first two obligations relate to firming of CAP NIA water for the Community and other Arizona Indian tribes in times of shortage for a 100-year period (through 2107); the third obligation pertains to assisting the Secretary in carrying out federal obligations under the Southern Arizona Water Rights Settlement Act (SAWRSA).

1. Gila River Indian Community

The AWBA must ensure that up to 15,000 acre-feet per year of CAP NIA water be made available to the Community during shortages. The AWBA has dedicated 169,281 acre-feet of

credits for this purpose (Table 2) pursuant to its firming agreements with the Community.⁵ 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, 37,571 acre-feet of Firming Credits accrued on-Reservation, which reflects 6,429 acre-feet utilized in 2022, and 26,320 acre-feet of ICS Firming credits accrued in Lake Mead. If needed, the AWBA's withdrawal fees LTSCs could also be used for this purpose.

Based on CAWCD's final accounting of 2023 water orders, the firming volume is 14,575 acre-feet. As in 2022, the AWBA and the Community elected to extinguish an equal volume of Firming Credits to satisfy this firming obligation. **Appendix A** provides an accounting of the Firming Credits used for this purpose.

2. Other Settlements

The AWBA must also firm up to 8,724 acre-feet per year of CAP NIA water for other Tribal Settlements. The White Mountain Apache Tribe entered into an agreement that will require the AWBA to firm 3,750 acre-feet per year once the agreement becomes enforceable. This water is intended to be leased by cities in the Phoenix AMA.⁶ Therefore, the AWBA's firming obligation will be to the lessees. The enforceability date is currently April 30, 2023. Legislation to extend the enforceability date an additional 2 years was introduced to congress on March 23, 2022.⁷ Additionally, the Hualapai Tribe entered into an agreement that would require the AWBA to firm up to 557.5 acre-feet per year. Legislation to approve this settlement was resubmitted to congress on April 28, 2022.⁸ Since these settlements are not yet enforceable, the AWBA does not have a firming requirement in 2023. Withdrawal fee LTSCs can be made available for this purpose when needed.

3. Federal Assistance

The AWBA has completed the State's obligation to contribute \$3 million in cash or in-kind services to assist the Secretary in meeting Federal obligations to the Nation. This obligation was met by accruing LTSCs at an equivalent cost. These LTSCs will be distributed to the Secretary during shortages when requested.

Southside Replenishment Bank

In addition to the firming requirements of the AWSA, the AWBA was required to deliver 15,000 acre-feet of water to the Community to establish the Southside Replenishment Bank. This obligation was satisfied in 2015. The Replenishment Bank can be used to fulfill obligations

⁵ Intergovernmental Agreement (IGA) between the AWBA and the GRIC executed June 16, 2015; Agreement between the Arizona Water Banking Authority and the Gila River Indian Community for the Development of Firming Credits executed June 30, 2016, and the 2019 IGA.

⁶ Lessees receiving firming CAP NIA water under the Quantification Agreement include the cities of Avondale, Chandler, Gilbert, Glendale, Mesa, Peoria, Phoenix and Tempe.

⁷ S.3168/ H.R.5880 - A bill to amend the White Mountain Apache Tribe Water Rights Quantification Act of 2010 to modify the enforceability date for certain provisions, and for other purposes, 117th Congress (2021-2022).

⁸ S.4104/H.R. 7633 - Hualapai Tribe Water Right Settlement Act of 2022, 117th Congress (2021-2022).

created under the AWSA for protection of the Reservation from off-reservation groundwater pumping.

In September 2022, ADWR informed the AWBA that there was no replenishment obligation for the 2021 reporting year. Therefore, credits will not be extinguished for this purpose in 2023. Pursuant to A.R.S. § 45-2623(A), if any replenishment obligation exists, the AWBA must satisfy the replenishment obligation by June 1 of the third calendar year following the year the obligation was created.

CAP M&I Subcontract Firming

The reduction in CAP water supplies under a Tier 2a shortage condition will not impact CAP M&I priority subcontractors. Therefore, the LTSCs will not be distributed for firming purposes in 2023. Under current Colorado River operations, CAP M&I Priority supplies would only be impacted under Tier 2b or Tier 3 shortage conditions. The AWBA has accrued more than 2.3 million acre-feet of LTSCs using water storage tax funds, which are specifically used for CAP M&I firming purposes (Table 2). When necessary, LTSCs will be distributed either to CAWCD for recovery and delivery of firming water to subcontractors or to subcontractors who have entered into a firming agreement with the AWBA and elected to receive LTSCs in a given shortage year.

On-River Firming

As with CAP M&I Priority subcontractors, there are no reductions in supply to Fourth Priority (P4) on-River M&I contractors under a Tier 2a shortage condition. Therefore, LTSCs will not be distributed for on-River firming purposes in 2023.

The AWBA has a total of 403,830 LTSCs for on-River M&I firming (Table 2). The AWBA entered into an agreement with the Mohave County Water Authority (MCWA) to reserve 256,174 acre-feet of LTSCs to firm MCWA subcontractors during times of shortage.⁹ MCWA has also entered into an agreement with CAWCD for the exchange and recovery of these reserved LTSCs when they are needed. The distribution of these LTSCs will be based on requests made by MCWA in a shortage year. The AWBA has also set aside 147,656 acre-feet of LTSCs for the remaining P4 M&I entitlement holders. These entities may enter into similar firming agreements with the AWBA to receive their pro rata share of the available LTSCs during shortages.¹⁰

Interstate Requests for Intentionally Created Unused Apportionment

The AWBA has accrued 613,846 acre-feet of LTSCs on behalf of SNWA (Table 2). SNWA may request up to 40,000 acre-feet per year of recovery for the development of Intentionally

⁹ Amended Agreement to Firm Future Supplies between the AWBA and MCWA executed March 17, 2010.

¹⁰ AWBA Resolution 2010-1.

Created Unused Apportionment (ICUA) by Arizona for diversion by SNWA.¹¹ However, if sufficient recovery capacity exists, SNWA may request the development of additional ICUA to replace reductions in supply during Colorado River shortages up to its annual entitlement. When SNWA requests water, the AWBA will distribute LTSCs to CAWCD for recovery and development of ICUA. CAWCD currently has agreements in the Pinal and Tucson AMAs for this purpose. Requests for the development of ICUA are not anticipated until 2025.

LTSCs Distributed for Exchange under Arizona’s LBDCP Implementation Plan

The AWBA plays an important role in facilitating wet water mitigation under Arizona’s Implementation Plan for the LBDCP. In 2019, the AWBA entered into an agreement to exchange LTSCs with Phoenix and Tucson AMA CAP M&I Priority subcontractors that agreed to store water at GSFs in the Pinal AMA during Tier 1 and Tier 2a shortages between 2020 and 2022. Under the agreement, the AWBA will exchange its LTSCs accrued in the Phoenix and Tucson AMAs for an equal volume of LTSCs accrued by the storing entities in the Pinal AMA. This allows storing entities the ability to recover and use the water in the AMA where they are located. The AWBA agreed to exchange up to 43,225 acre-feet of LTSCs per year (from 45,500 acre-feet of storage less 5 percent cut to the aquifer) for the three-year period. However, since 2020 and 2021 were non-shortage years, the exchange will only apply to water stored in 2022. Legislation authorizing the AWBA to exchange its water management LTSCs for this purpose expires December 31, 2026. Therefore, all exchanges must be completed by this date.

In 2023, based on water stored in the Pinal AMA in 2022, the storing entities could request that the AWBA exchange up to 43,225 acre-feet of LTSCs discussed above. As a result, the AWBA could exchange up to 38,475 acre-feet of LTSCs held in the Phoenix AMA and up to 7,450 LTSCs held in the Tucson AMA. **Table 2** reflects the LTSC debit from the AWBA’s accounts in the Phoenix and the Tucson AMAs, and the LTSC credit to the AWBA’s account in the Pinal AMA, should the total volume of LTSCs be exchanged in 2023.

Achievement of Goals and Obligations

In summary, the AWBA will extinguish 14,575 acre-feet of Firming Credits to satisfy a firming obligation to the Community. This is the only firming requirement for the AWBA in 2023. The AWBA does not have a replenishment obligation for the Southside Protection Zones and there is no requirement to distribute LTSCs for the development of ICUA for SNWA. **Table 2** identifies the volume of credits accrued or acquired by the AWBA as of December 2022, the estimated credits used to meet AWBA objectives, and the balance of remaining credits.

¹¹ SNWA may request up to 20,000 acre-feet in the initial year and up to 30,000 acre-feet in the second year.

Table 2. Uses of Credits in 2023 and Credits Remaining

Objective and Location	Estimated Credits Available as of Dec. 31, 2022 ¹	Estimated Credits Used in 2023	Estimated Credits Remaining after 2023
	Acre-feet		
CAP M&I Firming (4-cent tax)	2,329,457	0	2,329,457
Phoenix AMA	1,582,453	0	1,582,453
Pinal AMA	234,791	0	234,791
Tucson AMA	512,213	0	512,213
On-River M&I Firming (gen. fund)	403,830	0	403,830
Tribal Settlement Obligations: ²	169,281	14,575	154,706
Community - 15,000 AFY	169,281	14,575	154,706
<i>LTSCs</i>	<i>105,390</i>	<i>0</i>	<i>105,390</i>
<i>Firming Credits</i>	<i>37,571</i>	<i>14,575</i>	<i>22,996</i>
<i>ICS Firming Credits</i>	<i>26,320</i>	<i>0</i>	<i>26,320</i>
WMAT - 3,750 AFY	0	0	0
Hualapai - 557.5 AFY	0	0	0
Future Settlements- 4416.5 AFY	0	0	0
Federal Assistance (SAWRSA)	34,102	0	34,102
Groundwater Mgmt. ³ (W/Fees)	776,265	0	776,265
Phoenix AMA	251,411	38,475	212,936
Pinal AMA	417,706	- 43,225	460,931
Tucson AMA	107,148	4,750	102,398
Shortage Reparations ⁴	109,489	0	109,489
Phoenix AMA	20,642	0	20,642
Pinal AMA	60,507	0	60,507
Tucson AMA	28,340	0	28,340
Pinal Redirect Credits ⁵	14,125	0	14,125
Interstate - SNWA	613,846	0	613,846
Phoenix AMA	60,021	0	60,021
Pinal AMA	440,241	0	440,241
Tucson AMA	113,584	0	113,584

¹ Includes all credits accrued and utilized through 2022.

² WMAT enforceability date is currently April 30, 2023; Hualapai settlement subject to congressional approval.

³ Withdrawal Fee LTSCs may be used for CAP M&I firming and/or Tribal settlement obligations if needed.

⁴ LTSCs accrued pursuant to Arizona-Nevada Shortage-Sharing Agreement executed in 2007.

⁵ Credits accrued from water provided to Pinal AMA GSFs at full cost to the GSF operators.

PUBLIC REVIEW AND COMMENT

AWBA staff presented the 2023 Plan to the public in conjunction with the 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. In general, there were questions related to the purchase and use of ICS Firming Credits. Staff clarified that the AWBA agreed to purchase 50,000 acre-feet of firming ICS created by the Community as part of Drought Contingency Plan. The credits are being purchased incrementally because funds were not available to purchase the entire amount in 2019. The cost to purchase firming ICS credits are identified in the agreement and started at \$240/AF. There is an annual increase of 3 percent (non-compounded) which puts the cost in 2023 at \$268.80/AF. There were also questions regarding the Firming Credits that will be used to satisfy the AWBA's firming obligation to the Gila River Indian Community in 2023. Staff indicated that the AWBA will satisfy its firming obligation by extinguishing an equal volume of Firming Credits developed on-Reservation. These are not LTSCs but rather credits that were developed through payment of water previously delivered to Community.

In the Phoenix AMA there were questions concerning the AWBA's ability to purchase LTSCs under a tightening market, and whether the AWBA should buy credits now before they get more expensive. Staff indicated that the AWBA's purchase price has been based on CAP water delivery and storage costs. Purchase opportunities have become more challenging using this method. Any potential new agreements would be discussed in open meeting and voted on by the Commission. There was also a question on whether all AMAs pay the same withdrawal fee rate. Staff responded that by statute, the rate for AWBA use in the Phoenix and Tucson AMAs is \$2.50/AF. In the Pinal AMA the rate can vary up to \$2.50/AF. However, withdrawal fee revenues levied in the Pinal AMA through 2026 are not available to the AWBA because they are being used to support groundwater and irrigation efficiency projects in that AMA.

In the Tucson AMA there was a question from the public on whether the AWBA's acquisition of water would be limiting supplies available to others. Staff clarified that the AWBA's original mission was to store unused excess CAP supplies. Since these supplies are no longer available, the AWBA will seek opportunities to purchase LTSCs that are within range of its target price and available for sale to all potential customers.

APPENDIX A

Firming Plan for Gila River Indian Community for Shortage Year 2023

Year	Firming Credits Developed			Firming Credits Used (AF)		Remaining Balance (AF)
	Firming Credits Developed (AF)	Cost/AF	Total Cost	Through CY 2022	CY 2023 ¹	
2015	16,000	\$157.00	\$2,512,000	6,429	9,571	0
2016	12,000	\$161.00	\$1,932,000	0	5,004	6,996
2017	7,000	\$164.00	\$1,148,000	0	0	7,000
2018	9,000	\$160.00	\$1,440,000	0	0	9,000
Total	44,000		\$7,032,000	6,429	14,575	22,996

¹ Based on CAWCD's final accounting of 2023 water orders.