

ARIZONA WATER BANKING AUTHORITY
Interstate Water Banking Subcommittee
Final Minutes

October 24, 2000
Arizona Department of Water Resources

Opening Remarks

Rita Pearson Maguire welcomed attendees to the subcommittee meeting. Tim Henley informed the subcommittee that representatives from Nevada would be attending, however, their flight had been delayed.

Approval of Minutes of the August 21, 2000 Meeting
The subcommittee members approved the minutes.

Discussion of Issues Related to the Agreement for Interstate Water Banking

Mr. Henley stated that the primary purpose of this meeting was to provide additional information to the members regarding several issues, specifically pricing, deliveries, and capacities. Issue papers were included in the member's books and in public handouts.

He provided an overview of the current status of the on-going negotiations. There have been no substantive changes to the draft agreement that the members received at the last subcommittee meeting. He informed the members that Nevada is looking for a commitment of 1.2 MAF of storage capacity and some storage in the short term, however, Arizona has maintained that there can be no commitment to any amount of water or long term storage credits. Finally, he informed the members that Nevada is not concerned with the actual payment process. They want to get a fair, fixed price, however, how payment is completed is not of concern to them.

Mr. Henley proceeded with an in-depth discussion of the third issue paper provided to the members, "Water and Capacity Availability for Interstate Banking". Specific items of importance noted in the discussion are summarized below:

1. Scenario assumptions include ADWR's assumptions for M&I buildup, Indian demand numbers based on the numbers used throughout the Indian settlement process, agriculture use based on CAWCD's NIA pool policy, the probability of surplus is based on the 70-R strategy not on the proposed negotiated recommendation between the seven basin states, there were no westside (outside of the AMA) facilities included in the facility capacity, and the number of long term storage credits developed do not include the number accrued to this date.
2. Cost assumptions are based on inflated dollars and an Energy 2 rate that Mr. Henley estimated. There were questions regarding the accuracy of this Energy 2 rate based on the current high cost of natural gas. Larry Dozier stated that even though the 2001 water delivery rates had been set with Energy 2 at \$40.00 per acre-foot, the rate today is probably closer to \$60.00 per acre-foot. There have been no cost assumptions/estimates put together for recovery. Mr. Henley stated that it is more likely that any agreement will identify that recovery will happen and that costs will be calculated at that time.
3. The base case scenario can be thought of as where we are today. It paints a fairly good picture of the AWBA's ability to do (on an intrastate basis) what they need to do. The conclusions are that storage capacity is the limiting factor in the short term and water supply is the limiting factor in the long term. Mr. Henley reviewed all of the scenarios and their specific assumptions and conclusions.

In the process of reviewing the scenarios, a number of suggestions were made to staff. First, it was suggested that staff include in future model runs the total dollar amount expended annually in addition to carryover. Second, it was suggested that drought and decadal weather patterns be considered in the process of determining the AWBA's ability to accomplish its own intrastate storage. Staff was also directed to reevaluate the intrastate firming requirements based on changes to the Upper Basin development assumptions previously used and any new information gained from the Indian settlement process. It was suggested that each scenario be re-done using a higher Energy 2 rate to determine how that would effect the ability of the AWBA to achieve firming. It was also noted that increasing the CAP capacity above 1.8 MAF could also impact the model runs.

Ms. Pearson Maguire stated that she thought it would be helpful for the members to attempt to draw some conclusions from the discussion and provide guidance to staff. She then stated that it is obvious that increased capacity is valuable to the AWBA and that it should be developed sooner rather than later. She questioned CAWCD's financial ability to construct new facilities and George Renner responded that as long as the repayment stipulation remains in effect and the reserve study they are conducting shows that their reserve amount is favorable, CAWCD should have sufficient funds to construct new storage facilities.

Mr. Dozier stated that he is aware that Nevada wants to do something quickly. He wanted to know if the members wanted the negotiating team to offer some percentage to Nevada in the beginning or only offer capacity to them once intrastate needs have been met. Bill Chase stated that he is not prepared to answer this question at this time because of the complexity of the issue. He also stated that he has been an advocate of Nevada having dedicated capacity at a dedicated facility. George Renner stated that he is not ready to dedicate a percentage of capacity at this time or to select a particular scenario. He also stated that he has some concerns about recovery and water quality that he would like to see addressed in interstate and any new intrastate agreements.

A technical group was appointed to reevaluate the intrastate firming requirements. Ms. Pearson Maguire named Larry Dozier, Bill Chase, Herb Dishlip, Tim Henley, and Deanna Ikeya to the group.

The negotiating team was directed to continue meeting with Nevada to discuss issues, but not to attempt to negotiate actual agreement language until the Authority members are more comfortable with the specifics of all of the issues associated with the interstate banking process.

Jim Davenport of Nevada stated that although they are anxious to begin this process, they recognize that patience is important. They agree that adequate time should be taken to develop an agreement that everyone is comfortable with.

Call to the Public

There were no comments or questions from the public.

The next Interstate Water Banking Subcommittee Meeting will be scheduled in the next 2-3 weeks to discuss the other issue papers provided to the members, the new model runs for the various scenarios based on suggested changes and the new firming requirements developed by the technical group.

The meeting concluded at 12:05 p.m.