

**ARIZONA WATER BANKING AUTHORITY
INTERSTATE WATER BANKING SUBCOMMITTEE
Final Minutes**

**November 14, 2000
Arizona Department of Water Resources**

Opening Remarks

All members of the subcommittee were present.

Approval of Minutes of the October 24, 2000 Meeting

The subcommittee members approved the minutes.

Discussion of Technical Group Activities

Tim Henley stated that the technical group had been tasked with re-evaluating the availability of water to the CAP since the previous evaluation had been completed concurrent with preparation of the AWBA Study Commission report in 1997. In general, two types of changes had occurred since the 1997 report: (1) changes to the internal structure of the CRSEZ model; and; (2) changes to the assumptions input into the model. These changes could effect the firming requirements of the AWBA.

Deanna Ikeya presented a Power Point discussion of the re-evaluation. Key points of the presentation are summarized below:

1. The probability of shortage increased 5% based on changes to the internal structure of the model. The primary reason for this was modification of reservoir storage (due to sedimentation) and balance of the reservoir storage in the Upper Basin (UB) due to policy changes, changes to operation of reservoirs for 602 storage, and environmental concerns. There was no substantial change in the probability of surplus based on changes to the model.
2. The modeling assumptions that were changed by the technical work group were (1) use of 1906-1998 data, (2) use of updated demand curves for each of the Lower Basin (LB) states, (3) use of updated demand curves for the UB states, however, still limited total UB use to 4.8 MAF, (4) utilized projected reservoir levels for January 1, 2001, (5) set shortage deliveries to Arizona users at 2.3 MAF, (6) used an M&I protect level of 648 KAF through 2043 then increased to 676 KAF and (7) used the most recently negotiated shortage sharing method between CAP Indian and M&I uses.

There was a question regarding whether the LB demand curves reflected the most current 7 basin state proposal. The model assumes maximum California use of 4.4 MAF but does not reflect all components of the current proposal. Mr. Henley stated later in the discussion that inclusion of the 7 state plan will impact the number of surpluses available over the long term. There was a question regarding why the UB use was limited to 4.8 MAF. The response was that the 4.8 MAF level was one selected by the study commission as being a reasonable use, even though the UB projects its use at 5.2 MAF. It is perceived that it will be difficult for them to achieve the 5.2 MAF due to environmental issues associated with their projects. There was a question regarding running the model with the Yuma Desalting Plant (YDP) operational. The response was that the federal government has a legal commitment to either run the plant or make Arizona whole. It was requested that the model be run with the YDP non-operational to evaluate the difference it made.

3. Utilization of the updated model with the new assumptions shows the first shortage to be in 2015, although with a low probability (about 2%). This shows for the first time a probability of a shortage within the operational life span of the AWBA. It also raises the issue of the possibility of a shortage within the time frame that interstate banking may be occurring. Larry Dozier noted that the surplus should also be evaluated at that date. Although there is a 2% chance of a shortage in that year, there is also a 30% chance of a surplus.

4. The new model runs show that the AWBA will need to bank about 4.8 MAF to firm CAP M&I subcontracts and about 0.73 MAF for on-river users for a total of approximately 5.5 MAF. This amount does not include firming of Indian water that could be required based on the outcome of the settlement proceedings.

Discussion of Issues Related to the Agreement for Interstate Water Banking

It was requested at the last subcommittee meeting that Mr. Henley complete a model run of the base case scenario that increased the Energy 2 rate to \$63 per acre foot. Mr. Henley reviewed that run and specifically noted that (1) the AWBA was still able to develop almost 5.5 MAF of credits, however, the majority of those credits would be developed in the Phoenix AMA/Maricopa County, (2) the carryover in the Water Banking fund is gone in 2003 and (3) there is unused capacity available beginning in 2002 which could be used for interstate purposes due to the increased cost for development of credits.

Rita Pearson Maguire asked the subcommittee what they felt the next steps should be. Mr. Henley asked if the subcommittee is comfortable with the model as it has been changed and the numbers it now gives. William Chase stated that if the price of water delivery stays high, there appears to be more of an opportunity for interstate banking. However, the earlier probability of a shortage would need to be considered. Mr. Henley stated that staff would prepare a white paper to discuss how a shortage could be addressed within the interstate banking agreements. Herb Dishlip added that an early shortage may not actually result in a shortage to M&I customers due to the build-up of M&I use and the fact that there could still be significant lower priority water that could accommodate early shortages.

Mr. Henley stated that he felt that the subcommittee's next step needs to be a decision regarding whether or not to proceed with interstate banking and, if so, how interstate banking would be achieved in the next few years. George Renner stated that he would like to examine model runs that include the components of the most current 7 basin state proposal and then he would be ready to take the next step. Ms. Pearson Maguire stated that she would also like to know exactly what supply would be available to the AWBA based on the current proposal.

Finally, Mr. Renner stated that an on-going concern of his is water quality at the time of recovery and how possible costs associated with water quality can be addressed in an interstate agreement. Mr. Henley stated that staff would prepare a white paper to address that issue for the next subcommittee meeting. Mr. Dozier stated that he thought one aspect would be for the CAWCD to attempt to retain control over the aspect of water quality of water returned to the canal.

Call to the Public

There were no comments or questions from the public.

The next Interstate Water Banking Subcommittee Meeting will be held on December 12 from 10:00-12:00 at ADWR, Conference Room B.

The meeting concluded at 11:50 a.m.