

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

**December 12, 2000
Arizona Department of Water Resources**

Opening Remarks

All members of the subcommittee were present.

Approval of Minutes of the November 14, 2000 Meeting

The subcommittee members approved the minutes.

Discussion Regarding Requested Model Runs

Tim Henley provided an overview of the most recent model runs which incorporated components of the current 7 state proposal for interim surpluses and non-operation of the Yuma Desalting Plant (YDP). In his discussion, he stated that correction of an error within the model had resulted in a decrease in the numbers needed for firming for the on-river communities. The M&I protect level used was also discussed. Deanna Ikeya provided the information in a Power Point presentation with key points summarized below:

1. The 70R strategy with the YDP operational shows a first shortage in 2015. The 7 state proposal with YDP operational shows a first shortage in 2012. The 70R strategy without the YDP has no real effect in the early years but an increased probability of shortage in the later years. The 7 state proposal without the YDP is the worst case scenario.
2. YDP operation has limited impact on surpluses.
3. The largest impact of the two requested scenarios is not having the YDP operational. Rita Pearson Maguire stated that operation of the YDP is more important to Arizona than the 7 state proposal. Tom Carr replied that this is true, based on these model runs.

Mr. Henley also discussed changes to the scenario runs based on Authority member requests. All scenarios were included in the Authority member's books and the public packets. There was a comment that the new scenarios require lots of surplus years. Larry Dozier commented that the scenarios show a few contiguous years in which surpluses are needed. However, some of them are relatively small quantities of water and one good year could make up all of the surplus need. Mr. Dozier stated that this means that the entities in Arizona need to be poised to utilize the water when it is available. A member of the public commented that, although the scenarios require surpluses, it should be recognized that it is likely that the term of the AWBA will be extended. If you evaluate the scenarios through 2025 instead of 2016, the need for surpluses to meet the demand may not be as critical. Mr. Henley also stated that firming needs are only about 5.0 MAF and scenarios show more than 6.5 MAF. Consequently, the AWBA has the potential to develop more credits than needed and surpluses may not be as important.

There was a comment that if individuals wanted to compare the impact of letting Nevada commence interstate banking prior to development of additional storage capacity, a comparison of either of the 2B or 2C scenarios would suffice. Nevada could then be charged for the difference. Currently, the only motivation for allowing interstate banking prior to development of additional storage capacity is interstate comity. With regard to the scenarios that incorporated an increase of \$20 in the water delivery rate, Ms. Pearson Maguire stated that she did not think that cost will be an issue because the AWBA could go to the legislature and request additional appropriations if costs increase significantly. George Renner concurred with that statement.

Discussion of Issues Related to the Agreement for Interstate Water Banking

Mr. Henley provided a brief summary of each of the issue papers as described below.

1. Shortages

Shortages occur and the model can be utilized to predict their timing, however, the model is based on assumptions that are put into it. The first shortage occurs in 2015 but Arizona's M&I uses are still low at that time and there is probably no real impact from a shortage. There will probably be an impact from shortages around 2030. The impact of shortages to Nevada will likely be different than Arizona. Due to their demand, there may be an impact to M&I users in Nevada with a shortage in 2015. With respect to statutory guidance, the statutes are pretty lenient regarding interstate banking and shortages. Mr. Renner asked if a decision would be made annually with regard to the level of firming for Nevada. Mr. Henley replied that an agreement could be drafted either way, i.e. based on an annual decision or something more restrictive. The Authority will need to make that decision. Mr. Henley also stated that the AWBA currently is firming Arizona's M&I supply back to normal year uses and that he thought it may be politically unacceptable to firm Nevada to an amount greater than their entitlement. This is a sensitive issue with the river communities. Bill Chase stated that he did not agree that it would be a political problem because he didn't feel that interstate banking was a firming obligation while intrastate banking is. In his opinion, Arizona is just making a deal with Nevada and creating ICUA on an annual basis with the only constraint being the legislatively mandated 100,000 acre feet per annum. Mr. Dozier stated that the river community concerns had been partially addressed with the new water banking statutes that allow them to use their own money to store water greater than their firming needs. Mr. Dozier also stated that he thought that the principles to be kept in an agreement would be that Nevada would be kept whole as long as they had credits, the recovery plan allowed for creation of ICUA and there was no harm to Arizona users. Herb Dishlip noted that there is a relationship between recovery and shortage and that even if M&I are being firming, agricultural use is not. Specifically, the statute allows the AWBA to defer creation of ICUA during times of shortage.

2. Recovery

There was no issue paper prepared regarding recovery and it was decided that a section needs to be added to the Pricing issue paper to address the concept of recovery. Mr. Henley stated that, in his opinion, the agreement would be fairly silent on the issue of recovery but would be drafted to insure that all recovery costs would be covered by the interstate party. Mr. Henley also stated that the cost of recovery had been discussed with Nevada in a recent meeting. It was concluded that the agreement should include provisions for an annual discussion and decision regarding the recovery plan and the costs associated with it, however, the AWBA would have the final decision. This is necessary because the cost Nevada pays will be dependent on the timing and location of recovery. There should also be a reasonableness clause.

Mr. Renner commented that he did not like Nevada's credits being identified as such at any storage facility. Mike Pearce agreed and stated that this concept had been recently discussed with Nevada. In essence, while the location of Nevada's credits will be known by default, it is not statutorily necessary to tie them to a particular facility.

Ms. Pearson Maguire noted that the meeting was nearing adjournment and she wanted to conclude discussion of the issue papers and attempt to identify further direction for staff. Mr. Renner questioned staff whether there were areas that still needed addressed by the Authority members. Mr. Pearce stated that he felt that staff were at a point where they could begin putting

the components of the issue papers into contractual language. Mr. Renner questioned whether the issue papers had been distributed to interested parties and what the direction was perceived to be once a draft contractual decision had been reached. Ms. Pearson Maguire stated that she thought staff could resume drafting of the two party agreement and wondered whether the Authority members wanted to continue with the subcommittee. Mr. Renner stated that he felt there should be at least one more subcommittee meeting at which the draft agreement could be compared with the issue papers.

Mr. Henley stated that the only other outstanding issue was the idea of constraining Nevada's actions regarding changes to the Law of the River during the term of the interstate agreement. Ms. Pearson Maguire agreed with Mr. Pearce's recommendation in the issue paper and stated that Arizona could make an annual decision regarding interstate banking based on Nevada's actions. Mr. Chase stated that he was comfortable with Mr. Pearce's recommendation. Mr. Renner stated that he was not comfortable with completely rejecting the concept and thought that there could be some middle ground that was essentially an opt out clause. Mr. Pearce stated that he thought the AWBA could refuse to bank additional water for the interstate party based on their actions but could not refuse to create ICUA for water already banked on their behalf.

It was decided that a draft agreement would be prepared for a meeting tentatively scheduled for January 24, 2001. The agenda for that meeting should also have an action item to direct staff to begin negotiating the agreement.

Call to the Public

There were no comments or questions from the public.

The next Interstate Water Banking Subcommittee Meeting will be held on January 24 from 10:00-12:00 at ADWR, Conference Room B.

The meeting concluded at 12:10 p.m.