Arizona Lower Basin Drought Contingency Plan
Steering Committee Meeting #2
August 9, 2018

Presentation Materials Available at:
ADWR’s website – new.azwater.gov/lbdcp
CAWCD’s website – www.cap-az.com/AZDCP
Arizona LBDPC Steering Committee
Meeting #2 Agenda

• Welcome, Introductions, and Recap from Meeting #1
• Update on Meeting Schedule and Locations
• Review of CAP Water Deliveries and CAP Ag Settlement Pool Programs
• Delegates’ Presentation on CAP Ag Settlement Pool Mitigation
• Potential CAP Mitigation Water Resources
• Next Steps for CAP Ag Settlement Pool Mitigation
• Additional Information in Response to Data Requests from Meeting #1
• Delegates’ Comments
• Preparation for Steering Committee Meeting #3
• Call to the Public
Recap from Meeting #1

- The delegates expressed general support for the Steering Committee mission, objectives, and process as outlined in Meeting #1
- There was support for working on the four key elements of implementing LBDCP in Arizona
- The delegates expressed support for the recommendation of beginning with CAP Ag Settlement Pool mitigation, followed by Tribal ICS
- The delegates agreed to video recording the proceedings
- Requested that delegates meet with their constituents to begin to obtain their feedback
Steering Committee Draft Schedule

• Seven remaining Steering Committee Meetings:
  – August 23rd Central Arizona Project,¹ 1:00 to 4:00 pm
  – September 13th Burton Barr Library,² 1:00 to 4:00 pm
  – September 27th CAP, 1:00 to 4:00 pm
  – October 10th Burton Barr Library, 1:00 to 4:00 pm
  – October 25th CAP, 1:00 to 4:00 pm
  – November 8th [Location TBD], 1:00 to 4:00 pm
  – November 29th CAP, 1:00 to 4:00 pm

¹ 23636 N. 7th Street
² 1221 N. Central
Role of Agriculture in CAP System

• Development and implementation of the Central Arizona Project was premised on three primary objectives:
  – Reduce groundwater overdraft in Central Arizona
  – Preserve irrigated farm land in Central Arizona
  – Provide a water source to meet expanding municipal and industrial needs

• CAP agriculture played a role in all three objectives
  – Districts invested in CAP distribution systems to reduce reliance on groundwater and increase efficiency
  – Lands that were irrigated from 1958 – 1968 and could be irrigated under Arizona law were eligible for CAP water
  – To accommodate the transition from Ag to urban uses, NIA subcontracts were based on a percentage of the supply not used by senior users

• The portion of CAP repayment attributed to non-Indian Ag uses is “non-interest bearing”
CAP Underutilization

• CAWCD and CAP Ag Districts faced economic and water management challenges due to underuse of CAP water
  – 1991 CAP deliveries <500 KAF
    • Potential rate shock for all CAP users due to high O&M
  – CAP Ag Districts had large debt to finance CAP distribution systems to take delivery of CAP water – many faced bankruptcy
  – Governor Symington convened CAP Advisory Committees in 1992 & 1993
  – Secretary of the Interior triggers CAWCD repayment obligation in 1993
  – CAWCD sues the United States over repayment and related issues in 1995
CAP Ag Target Pricing Program

• 1993 Target Pricing Program:
  – Based on recommendations from Governor Symington’s second CAP Advisory Committee
  – To address financial challenges facing CAWCD and Ag districts, and to prepare for repayment, CAWCD initiated a Target Pricing Program
    • Encouraged CAP Ag use, which preserved the interest-free designation of a significant portion of CAP deliveries
    • Reduced rate variability and uncertainty for M&I users by establishing a forward pricing policy based on using interest savings and reserves
  – Three pools of Excess CAP Water of differing volumes and energy rates
  – Implemented through letter agreements between CAWCD and districts
CAP Agricultural Settlement Pool

• CAP Ag issues were part of the repayment litigation between the U.S. and CAWCD, but resolved in the Repayment Stipulation and 2004 Arizona Water Settlement Act and Agreement

• Ag districts relinquished their NIA subcontracts in exchange for creation of the Ag Settlement Pool, through 2030, and other considerations
  – The NIA subcontracts were converted to fixed volumes and dedicated for tribal and M&I purposes

• The Ag Settlement Pool has first priority to CAP Excess Water
  • 400,000 AF (2004–2016); 300,000 AF (2017–2023); 225,000 AF (2024–2030)

• Energy-only rates applied for Ag Pool deliveries
  – CAWCD covers the fixed OM&R

• Ag Pool allocations are based on CAP-eligible acres
CAP Agricultural Settlement Pool

• Repayment Stipulation provided the basis for CAP Ag Settlement Pool:
  – The stipulation authorized CAWCD to enter into contracts for the sale of Excess Water pursuant to multi-year programs established by CAWCD.

• The Arizona Water Settlement Agreement, which was authorized, ratified and confirmed by the Arizona Water Settlements Act established the terms of the Ag Settlement Pool:
  – volume
  – duration
  – priority
  – price
## CAP Agricultural Settlement Pool

<table>
<thead>
<tr>
<th>Name</th>
<th>AMA/INA</th>
<th>Allocation</th>
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<tbody>
<tr>
<td>CAIDD</td>
<td>Pinal</td>
<td>83,302</td>
</tr>
<tr>
<td>MSIDD</td>
<td>Pinal</td>
<td>81,886</td>
</tr>
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<td>HIDD</td>
<td>Pinal</td>
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<td>SCIDD</td>
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<td>25,237</td>
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<td>QCID</td>
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<td>CMID</td>
<td>Tucson</td>
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<tr>
<td>RWCD</td>
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<tr>
<td>MWD</td>
<td>Phoenix</td>
<td>3,000</td>
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<td>TID</td>
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<td>BKW Farms</td>
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<td>CHCID</td>
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*AMA/INA: Agricultural Management Area/Intra-Area*
Arizona’s Colorado River Use

2.8 MAF
CAP Deliveries
CAP Ag Settlement Pool Deliveries

- Available Pool (400 KAF)
- Available Pool (300 KAF)
Arizona’s Contributions to Lake Mead

Contributions by Program, 2014 - 2018
Total = 878,998 AF

- CAP AG MOU: 359,879
- AZ PSCP CAP Ag Projects: 287,086
- CAP M&I MOU: 93,933
- AZ PSCP Projects: 71,835
- Federal Conservation Programs: 35,265
- CAP MOU Excess Water: 31,000
Arizona’s Contributions to Lake Mead

Contributions, by Source and Year
Total = 878,998 AF

2014 2015 2016 2017 2018

- Other Excess
- Ag Pool
- CAP Long-Term Contracts
- On-River

Total = 878,998 AF
CAP Ag Pool Forbearance Programs

- Five programs
- Mix of ICS and System Conservation
- Funding from CAWCD and others
- ADWR & CAWCD have cooperatively adopted policies to facilitate Ag Forbearance programs supporting conservation

<table>
<thead>
<tr>
<th>Program</th>
<th>Year (s)</th>
<th>Volume (KAF)</th>
<th>ICS?</th>
<th>Participants</th>
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<tr>
<td>Forbearance I</td>
<td>'15-'16</td>
<td>160</td>
<td>X</td>
<td>X X X X X X X X X X X X X X</td>
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<td>X X X X X X X X X X X X</td>
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<td>X</td>
<td>X X X</td>
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<tr>
<td>Forbearance V</td>
<td>'18</td>
<td>10</td>
<td>X</td>
<td>X</td>
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DELEGATES’ PRESENTATION ON CAP AG MITIGATION
Potential Resources for Mitigation

• CAWCD has accrued storage in Lake Mead through the funding and implementation of conservation, generating Intentionally Created Surplus (ICS)
• If LBDCP is adopted, ICS may be used to offset LBDCP reductions, thus mitigating LBDCP reductions to some CAP users

Estimated CAWCD ICS

<table>
<thead>
<tr>
<th>Type</th>
<th>Acre-Feet</th>
</tr>
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<tbody>
<tr>
<td>Current</td>
<td>126,800</td>
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<tr>
<td>Pending</td>
<td>166,592</td>
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<tr>
<td>Anticipated</td>
<td>116,402</td>
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Lake Pleasant

- Lake Pleasant Reservoir is a multi-use facility that CAP shares with Maricopa Water District (MWD)
- CAP operates and maintains the New Waddell Dam which impounds Lake Pleasant
- CAP and MWD have independent water delivery plans and separate water storage accounts of water in the Lake
- Lake Pleasant has a conservation pool of 812 KAF (roughly 80/20 split between CAP/MWD)
- MWD stores Agua Fria water
- CAP stores Project Water from the Colorado River
Lake Pleasant Operations

• Lake Pleasant is CAP’s regulatory reservoir with the following purposes
  – Operational reserve of a 60-90 day water supply
  – Energy management for the CAP system
  – Maintain sufficient project water supply to ensure scheduled CAP water is available for delivery
  – Flood Control
  – Recreation

• Lake Pleasant operational water could be available as a potential resource for mitigation
  – 50,000 to 70,000 acre-feet could be withdrawn from Lake Pleasant
  – Using this storage could increase the probability that releases through New Waddell Dam will not generate electricity in future years

• The operational storage in Lake Pleasant is CAP Project Water
Proposed Next Steps for CAP Ag Settlement

Pool Mitigation

• Convene a Work Group
• Delegates that expressed interest or participated in earlier discussions: ADWR, CAWCD, CAP Ag, Gila River Indian Community, Arizona Legislature, Phoenix, Tucson, and WFF
• Other delegates are invited to volunteer
• Initial Ground Rule – not public meetings but a commitment to report proceedings to the Steering Committee, in open session including opportunity for public comment
• Scope - review of potential mitigation resources, and identify mitigation concepts to discuss with the Steering Committee
• Proposed meeting dates: August 15th (ADWR at 2:00 – 5:00) and 21st (CAP 2:00 – 5:00) with a progress report to the Steering Committee on August 23rd
Information Requested at Meeting #1

• Table and Chart of CAP Long-Term Contracts
  – Handouts include a link CAWCD contracting/subcontracting status report

• Map and Table of CAP Agriculture
Next Steps

• Next meeting - **August 23rd** (CAP 23636 N. 7th St. 1 – 4 pm)
• CAP Ag Mitigation Work Group meetings – August 15th (ADWR at 2:00 – 5:00) and 21st (CAP at 2:00-5:00)
• Update on draft LBDCP documents
• At the next meeting we hope to:
  – Discuss Tribal ICS
  – Progress report on CAP Ag Settlement Pool Mitigation from the Work Group
CALL TO THE PUBLIC
With additional questions contact:
ADWR at sslee@azwater.gov
CAWCD at cthompson@cap-az.com

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