

CAWCD's Role with the AWBA and Interstate Water Banking

CAWCD had a key role in the formation of the Arizona Water Banking Authority (AWBA). One of the driving issues was to more fully use Arizona's Colorado River water supply and the CAP system. CAWCD is the operating arm of the AWBA. We provide the scheduling, delivery, and water accounting for the AWBA. We build and operate State Demonstration recharge facilities that the AWBA uses for water storage. The CAWCD Board President is, by statute, a member on the AWBA. Another member of the five person Authority is a CAP M&I customer. CAWCD collects a property tax that is the largest source of AWBA funding. In short, CAWCD and the AWBA have many common goals and must function in an effective partnership.

As the AWBA moves forward to accomplish its mission, CAWCD will have a lead role in storing water and in the recovery and delivery of the stored water. These activities must occur for in-state purposes but will be increased and accelerated by interstate banking.

The Department of the Interior has issued formal rules and regulations regarding interstate off stream storage. The Director of the Arizona Department of Water Resources (ADWR) has concluded the state of Arizona may reasonably and safely enter into interstate agreements. The AWBA has directed its staff to begin formal discussions with Nevada and California. The discussion team is led by Tim Henley, Manager of the AWBA, and assisted by Mike Pearce, General Counsel for ADWR, and Larry Dozier, CAWCD.

CAWCD will be involved in four major areas of an interstate storage arrangement: 1) a water delivery; 2) storage; 3) recovery; and 4) creation of Intentionally Created Unused Apportionment (ICUA).

CAWCD will not be a part of the Interstate Agreement but our IGA with AWBA is the contract for water delivery to be stored for interstate purposes.

We already build and operate State Demo recharge facilities. If more sites are needed (and State Demo fund ran out), we could build and operate our own sites for Inter & Intrastate storage. The use fee would include recovery and construction costs as well as O&M.

A logical role for CAWCD is to recover the stored water. The water recovered is to replace Colorado River water not available, whether due to shortage or interstate arrangements, and is delivered and paid for as CAP water. Any recovery plan must be a coordinated part of our operational delivery plan whether water is pumped back into the canal or delivered directly to a CAP customer as part of their CAP water order. In addition, recovery should be coordinated with the groundwater management plans of the ADWR, AWBA, and other affected parties.

Even if water is physically recovered by another entity (irrigation district, municipality, or Indian tribe), the recovered AWBA stored water becomes a part of the CAP supply for the year. It seems reasonable that CAWCD would be the recovery agent for AWBA credits and would, where needed, make arrangements with other parties to recover. Recovery to replace water not available due to a Colorado River shortage is not expected for 30-40 years. However, at that time we would need to recover 50,000 - 100,000 af each year of the shortage. Recovery for interstate purposes as planned by Nevada could start as early as 2015 at 5,000 - 10,000 af per year and grow to 60,000 af by 2030.

Intentionally Created Unused Apportionment (ICUA) is created by forbearance of pumping from the Colorado River. It must be water that the ICUA agent had a right and plan to use. It cannot be water that is not used but left in the river. ICUA must be demonstrated by actual recovery and use of stored water, not just a reduction in use. I believe that, practically speaking, only CAWCD can develop ICUA. No individual CAP user can and no higher priority user on the river can. CAWCD has a right for any of Arizona's water available from the Colorado River not taken by a higher or equal priority user. Individual CAP contractors and subcontractors can order up to their contract allocation. Any water not ordered is excess CAP water that CAWCD markets under our Excess Water Programs. Some entities will argue that they would specifically forego some of their CAP rights and recover stored water and that they could make specific individual arrangements with the AWBA to create ICUA. I think that would require CAWCD's acquiescence and the agreement of other potential excess water customers. Those entities that want to do this would be looking for monetary gains or overall savings in water cost by being paid to recover stored water or being able to recover stored water at a lower cost than CAP water.

CAWCD may need to remain open to other possibilities but my initial analysis is that we are the logical entity to develop ICUA on behalf of the AWBA. Also, developing ICUA requires actual recovery of stored credits and CAWCD is the most logical recovery agent.

There are broader policy issues to consider in an interstate water banking arrangement. For example, Nevada would pay the full CAP price; energy, O&M, capital, in-lieu taxes, administrative fees if justified, and any "hidden" subsidies. One such subsidy is, AWBA pays no construction cost fee for use of State Demo sites as the initial construction was funded by CAP area taxpayers.

The AWBA and Nevada have discussed a broad array of possibilities for interstate storage. These range from specific sites with definable costs to build, operate, and recover to just being a part of the AWBA Program as part of the overall program. If AWBA had money to store 300,000 af per year for shortage protection but water use facilities to store 400,000 af, Nevada would store 100,000 af and pay 25% of AWBA cost. In the site specific example, the interstate storage credits would be recovered from the specific storage site while in the overall program credits could be recovered at any legally available site.

If we make interstate storage a part of the overall program, we could include sites from Tucson to La Paz County and either direct or in-lieu storage facilities. The AWBA would guarantee the availability of credits and CAWCD would develop the necessary recovery plan that best fits its operational needs. If more recharge sites are needed to meet the combined AWBA shortage needs and within state needs, then new sites could be developed and used both for interstate storage and in-state shortage protection purposes with each "user" paying appropriate costs.

Since interstate needs will require recovery before shortage needs are imposed, we can grow into a recovery plan and recovery facilities at our discretion rather than be forced to recover at a specific site for interstate needs.

Another critical issue is Arizona needs assurance that Nevada (or California) doesn't become dependent each year on ICUA then run out of credits with no new water supply to support that demand. Nevada for example, could develop a Virgin River Project when demands make it feasible. Both Nevada and California discussed their long-term plans at the March 14 AWBA meeting.

CAWCD is poised to be a part of the interstate water banking program. We have in place a water delivery agreement. We have some water storage facilities and could develop more. We are the logical entity to provide recovery arrangements, and we are certainly the best positioned to develop ICUA. CAWCD and this Board, will need to consider these issues as the year progresses and final arrangements are made on Interstate Agreements. Our role will be expanded as the operating arm of the AWBA. Our Board President is an AWBA member and will need your guidance and concurrence to fulfill his responsibility in that capacity.

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