

Action Brief

BOARD OF DIRECTORS



Agenda Number 4.e.

CONTACT: Marie Pearthree
(623) 869-2111
mpearthree@cap-az.com

DATE: November 25, 2009

AGENDA ITEM: Discussion and Consideration of Action to Approve the Staff Recommendations Regarding Potential 2010 State Legislation to be Pursued by CAWCD and Others that Could Affect the Central Arizona Project.

RECOMMENDATION: At its November 19, 2009, meeting, the Public Policy Committee voted to recommend to the Board that they approve the recommendations regarding the 2010 State Legislative Agenda

FINANCIAL IMPLICATIONS: None

RELEVANT POLICY, STATUTE OR GUIDING PRINCIPLE:

CAWCD Strategic Plan:

- Effectively Manage Power Resources
- Prepare for Post-2011 Power Resources
- Maintain Stable and Predictable Rates
- Manage a Viable CAGR Plan of Operation
- Protect Colorado River Rights

PREVIOUS BOARD ACTION/ACTIVITY:

None

ISSUE SUMMARY/DESCRIPTION:

See attached document and issue descriptions.

SUGGESTED MOTION:

Move that the Board Approve the Recommendations Regarding the 2010 State Legislative Agenda.

Proposed 2010 Central Arizona Project State Legislative Agenda

The 49th Legislature's Second Regular Session is set to begin on January 11, 2010. Pre-filing of bills begins on November 15, 2009.

This report describes CAP's proposed state legislative agenda and will guide lobbying activities during the upcoming special and regular legislative sessions.

While these proposed issues define the legislative agenda of the organization, the Business Planning Team will come before the Public Policy Committee on a regular basis throughout the legislative session to report on legislative activities and discuss direction on the various bills and amendments that arise.

Priority Issues – The following issues will encompass the majority of CAP's lobbying activities:

Joint Resolution Regarding Navajo Generating Station (NGS) – On August 28, 2009, the Environmental Protection Agency published the Advanced Notice of Proposed Rulemaking on the “Assessment of Anticipated Visibility Improvements at Surrounding Class I Areas and Cost Effectiveness of Best Available Retrofit Technology (BART) for Four Corners Power Plant and Navajo Generating Station.” The outcome of this rulemaking process, which focuses on BART for NOx emissions control, could seriously impact the ability of the NGS to continue to operate into the future and provide energy at an affordable rate. To date, members of both the State House and Senate majority and minority parties have asked the EPA to take into account the economic impacts to water users in Arizona and to the economic vitality of the Navajo Nation, Hopi Tribe and other Native American communities in the approach to determining the level of emissions controls at NGS.

Staff recommendation: Seek a joint resolution of the Arizona State Legislature formally expressing support of the Navajo Generating Station.

CAGRDR Revenue Bonding and Sustainability Policies – Last year the Board directed staff to seek legislation regarding the bonding authority of the CAWCD and the collection of dues for members of the CAGRDR to repay bonds issued in

order to meet groundwater replenishment obligations (SB 1288). The legislation introduced passed the State Senate but failed to pass out of the House of Representatives.

Staff Recommendation: Reintroduce legislation seeking bonding authority for CAGR purposes.

Statutory Authority to Invest in Alternative Power Supplies – Given the existing threats to the NGS and the possibility of its closure in the future, staff recommends the CAWCD begin to pursue the statutory authority for CAWCD to invest in new power sources.

Currently, CAWCD receives almost all of its pumping energy from the CAP federal interest in the coal-fired Navajo Generating Station (NGS) at Page. NGS has been and still is a low cost reliable source of energy. CAWCD has very limited authority to purchase from other power sources for project needs and to make incidental sales of power purchased, but not needed, to wholesale customers. While CAWCD recognized the potential need to replace NGS at some future date, it was thought that the NGS life cycle would extend through 2045, the end of our repayment schedule. If we are to maintain reliable cost effective power, CAWCD needs the authority to evaluate and enter into business arrangements for alternative sources of power. Those sources could include solar, wind, natural gas, or nuclear. We would need to make investments in new sources well before NGS power is either not available or becomes prohibitively expensive. In the event alternative power was available while NGS was still cost effective, CAWCD would need to sell the alternative power to recover our cost. Such authority would also allow CAWCD to supplement and manage the NGS power scheduled for project needs.

It is not the intent of CAWCD to become an electric power utility. We would limit our sales to the wholesale market. The sole purpose is to continue to provide reliable service while maintaining power costs to our customers as low as reasonably possible.

Staff Recommendation: Develop legislation to clarify CAWCD's ability to invest in alternative sources of power and to market on an interim, wholesale basis power not needed to pump water.

Issues Requiring CAP Involvement with Other Stakeholders:

Arizona Water Banking Authority – Collaboratively support efforts of the Arizona Department Water Resources (ADWR) and the Arizona Water Banking Authority (AWBA) to seek legislation regarding a change in priority with respect to CAP water.

Staff Recommendation: Support AWBA's efforts should the agency introduce such legislation this session.

Indian Firming – The State of Arizona, through the AWBA, is required by several Indian settlement acts to firm certain non-Indian agricultural (NIA) priority water to be as reliable as M&I priority water. All money appropriated or otherwise made available to the AWBA has been swept in the budget cutting processes. Consequently, several stakeholders have inquired about the possibility of using CAWCD's \$.04 ad valorem tax, commonly called the Water Storage Tax. CAWCD will seek input from a range of stakeholders and research the statute relating to the \$.04 tax to determine if it can be or should be used for Indian firming. It is possible legislation would be necessary.

Staff recommendation: Continue outreach efforts with stakeholders within the water community.

Arizona Game and Fish Department's Contribution to MSCP - State law provides for the collection of boater registration fees to support the Arizona Game and Fish Department's annual contribution to the costs of the Lower Colorado River Multi-Species Conservation Plan (MSCP). CAWCD should assist the Department in maintaining revenues sufficient to permit those contributions to continue.

Staff Recommendation: Support the Arizona Game and Fish Department's efforts to collect and maintain revenues sufficient to continue its annual contribution toward the costs of the MSCP.

**2010 Central Arizona Project
State Legislative Agenda**

CAWCD Board of Directors Meeting
December 3, 2009

2010 State Legislative Agenda

- 49th Legislature's Second Regular Session to begin January 11, 2010
- Budget Special Session was held November 17 - 23, 2009
- Additional Budget Special Session expected early December.



2010 State Legislative Agenda

- **Priority Issues**
 - Critical to CAP's success and will encompass the majority of the District's lobbying activities
- **Issues that Require Involvement with Other Stakeholders**

2010 State Legislative Agenda

Priority Issue



- **Joint Resolution Regarding Navajo Generating Station**
- *Staff Recommendation: Seek a joint resolution of the Arizona State Legislature formally expressing support of the Navajo Generating Station.*

Joint Resolution Regarding Navajo Generating Station (NGS) – On August 28, 2009, the Environmental Protection Agency published the Advanced Notice of Proposed Rulemaking on the “Assessment of Anticipated Visibility Improvements at Surrounding Class I Areas and Cost Effectiveness of Best Available Retrofit Technology (BART) for Four Corners Power Plant and Navajo Generating Station.” The outcome of this rulemaking process, which focuses on BART for NO_x emissions control, could seriously impact the ability of the NGS to continue to operate into the future and provide energy at an affordable rate. To date, members of both the State House and Senate majority and minority parties have asked the EPA to take into account the economic impacts to water users in Arizona and to the economic vitality of the Navajo Nation, Hopi Tribe and other Native American communities in the approach to determining the level of emissions controls at NGS.

2010 State Legislative Agenda

- **CAGRD Revenue Bonding and Sustainability Policies**
- *Staff Recommendation: Reintroduce legislation seeking bonding authority for CAGRD purposes.*

CAGRD Revenue Bonding and Sustainability Policies – Last year the Board directed staff to seek legislation regarding the bonding authority of the CAWCD and the collection of dues for members of the CAGRD to repay bonds issued in order to meet groundwater replenishment obligations (SB 1288). The legislation introduced passed the State Senate but failed to pass out of the House of Representatives.

2010 State Legislative Agenda

- **Statutory Clarification to Invest/Market Alternative Power Supplies**
- *Staff Recommendation: Develop legislation to clarify CAWCD's ability to invest in alternative sources of power and market on an interim, wholesale basis power not needed to pump water.*

Statutory Authority to Invest in Alternative Power Supplies – Given the existing threats to the NGS and the possibility of its closure in the future, staff recommends the CAWCD begin to pursue the statutory authority for CAWCD to invest in new power sources.

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2010 State Legislative Agenda

Issues that Require CAP Involvement with Other Stakeholders

- **Arizona Water Banking Authority**
- *Staff Recommendation:
Support the Arizona Water Banking Authority's efforts should the agency introduce such legislation this session.*



Arizona Water Banking Authority – Collaboratively support efforts of the Arizona Department Water Resources (ADWR) and the Arizona Water Banking Authority (AWBA) to seek legislation regarding a change in priority with respect to CAP water.

2010 State Legislative Agenda

- **Indian Firming**
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2010 State Legislative Agenda

- **Arizona Game and Fish Department's Contribution to MSCP**
- *Staff Recommendation: Support the Arizona Game and Fish Department's efforts to collect and maintain revenues sufficient to continue its annual contribution toward the costs of the MSCP.*

Arizona Game and Fish Department's Contribution to MSCP - State law provides for the collection of boater registration fees to support the Arizona Game and Fish Department's annual contribution to the costs of the Lower Colorado River Multi-Species Conservation Plan (MSCP). CAWCD should assist the Department in maintaining revenues sufficient to permit those contributions to continue.

2010 State Legislative Agenda

- Any Questions?