SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT MEETING NOTICE AND AGENDA

WATER COMMITTEE
Thursday, February 13, 2020, 9:30 AM
SRP Administration Building
1500 N. Mill Avenue, Tempe, AZ  85281

Committee Members: Mark Pace, Chairman; Kevin Johnson, Vice Chairman; and Robert Arnett, Corey Hawkey, Mario Herrera, Paul Rovey, and Stephen Williams

Call to Order
Roll Call

1. **CONSENT AGENDA:** The following agenda item(s) will be considered as a group by the Committee and will be enacted with one motion. There will be no separate discussion of these item(s) unless a Committee Member requests, in which event the agenda item(s) will be removed from the Consent Agenda and considered as a separate item ........................................................... CHAIRMAN MARK PACE

   - Request for approval of the minutes for the meeting of January 16, 2020

2. 2021 Water Function Budget ...............................................................JIM PRATT

   Informational presentation of the District's proposed Fiscal Year 2021 (FY21) water function budget, which will include the FY21 falling water allocation and the Association's proposed FY21 water reclamation budget and Calendar Year 2021 water charges.

3. Binational Desalination Update .........................................................REED BLOCHBERGER

   Informational presentation regarding a binational study, which SRP is involved with, evaluating the feasibility of seawater desalination along the Sonoran coast of the Sea of Cortez.

4. Executive Session, Pursuant to A.R.S. §38-431.03(A)(3) and (A)(4), to have Discussion or Consultation with Attorneys for Legal Advice and to give Instructions on Pending and Contemplated Litigation with Respect to an Update on the Status of Gallagher & Kennedy, P.A. v. City of Phoenix, et al., Case No. 2:16-CV-04447 JJT (G&K CERCLA Litigation), Roosevelt Irrigation District (RID) v. SRP, et al., Case No. 2:15-CV-00448 JJT (Declaratory Judgment Litigation), and RID v. SRP, et al., Case No. 2:15-CV-00439 JJT (Quiet Title Litigation) ..........................................................MICHAEL O’CONNOR and DAVID ROBERTS

5. Report on Current Events by the General Manager and Chief Executive Officer or Designees ..........................................................MIKE HUMMEL

6. Future Agenda Topics .......................................................... CHAIRMAN MARK PACE
The Committee may vote during the meeting to go into Executive Session, pursuant to A.R.S. §38-431.03 (A)(3), for the purpose of discussion or consultation for legal advice with legal counsel to the Committee on any of the matters listed on the agenda.

The Committee may go into Closed Session, pursuant to A.R.S. §30-808, for records and proceedings relating to competitive activity, including trade secrets or privileged or confidential commercial or financial information.

Visitors: All property in your possession, including purses, briefcases, packages or containers, will be subject to inspection.

THE NEXT WATER COMMITTEE MEETING IS SCHEDULED
TUESDAY, MARCH 10, 2020
A meeting of the Water Committee of the Salt River Project Agricultural Improvement and Power District (the District) convened at 9:30 a.m. on Thursday, January 16, 2020, in the Geronimo Conference Room at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona.

Committee Members present at roll call were M.V. Pace, Chairman; R.C. Arnett, C.J. Hawkey, and S.H. Williams; and L.D. Rovey of the Salt River Valley Water Users' Association (the Association). The District and Association are collectively known as SRP.

Committee Members absent at roll call were K.J. Johnson, Vice Chairman; and M.J. Herrera, and P.E. Rovey.

Also present were President D. Rousseau; Vice President J.R. Hoopes; Board Members N.R. Brown, R.J. Miller, J.M. White Jr., and K.B. Woods; Council Chairman M.L. Farmer; Council Vice Chairman J.R. Shelton; Council Liaisons W.P. Schrader III and W.W. Sheely; Mmes. K.J. Barr, L.F. Hobaica, and C.A. Zittle; Messrs. J.D. Coggins, J.M. Felty, P.M. Hayes, M. Hummel, B.J. Koch, M.J. O'Connor, J.M. Pratt, D.C. Roberts, and P.B. Sigl; and John Weldon of Salmon, Lewis & Weldon, PLC.

In compliance with A.R.S. §38-431.02, Anaveli H. Sierras of the Corporate Secretary’s Office had posted a notice and agenda of the Water Committee meeting at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona, at 9:00 a.m. on Tuesday, January 14, 2020.

Chairman M.V. Pace called the meeting to order.

Consent Agenda

Chairman M.V. Pace requested a motion for Committee approval of the Consent Agenda, in its entirety.

On a motion duly made by Board Member S.H. Williams and seconded by Board Member R.C Arnett, the Committee unanimously approved and adopted the following item on the Consent Agenda:

- Minutes of the Water Committee meeting on December 10, 2019, as presented
The vote was recorded as follows:

YES: Board Members M.V. Pace, Chairman; and R.C. Arnett, C.J. Hawkey, and S.H. Williams (4)
NO: None (0)
ABSTAINED: None (0)
ABSENT: Board Members K.J. Johnson, Vice Chairman; and M.J. Herrera and P.E. Rovey (3)

Executive Session: Roosevelt Irrigation District

Chairman M.V. Pace requested a motion to enter into executive session, pursuant to A.R.S. §38-431.03(A)(3) and (A)(4), to have discussion or consultation with attorneys for legal advice and to give instructions on pending and contemplated litigation with respect to an update on the status of Gallagher & Kennedy, P.A. v. City of Phoenix, et al., Case No. 2:16-CV-04447 JJT (G&K CERCLA Litigation), Roosevelt Irrigation District (RID) v. SRP, et al., Case No. 2:15-CV-00448 JJT (Declaratory Judgment Litigation), and RID v. SRP, et al., Case No. 2:15-CV-00439 JJT (Quiet Title Litigation).

On a motion duly made by Board Member S.H. Williams, seconded by Board Member R.C. Arnett and carried, the Committee convened into executive session at 9:31 a.m.

YES: Board Members M.V. Pace, Chairman; and R.C. Arnett, C.J. Hawkey, and S.H. Williams (4)
NO: None (0)
ABSTAINED: None (0)
ABSENT: Board Members K.J. Johnson, Vice Chairman; and M.J. Herrera and P.E. Rovey (3)

The Committee reconvened into open session at 10:23 a.m. with the following Members and others present: President D. Rousseau; Vice President J.R. Hoopes; Board Members R.C. Arnett, N.R. Brown, C.J. Hawkey, D.S. Hendrickson, M.J. Herrera, P.W. Hirt, R.J. Miller, M.V. Pace, J.M. White Jr., S.H. Williams, and K.B. Woods; Board Member L.D. Rovey of the Association; Council Chairman M.L. Farmer; Council Vice Chairman J.R. Shelton; Council Liaisons W.P. Schrader III and W.W. Sheely; Council Members J.W. Lines and M.G. Rakow; Mmes. K.J. Barr, A.P. Chabrier, L.F. Hobaica, and C.A. Zittle; Messrs. J.D. Coggins, J.M. Felty, P.M. Hayes, M. Hummel, B.J. Koch, M.J. O'Connor, J.M. Pratt, D.C. Roberts, and P.B. Sigl; and John Weldon of Salmon, Lewis & Weldon, PLC.

Report on Current Events by the General Manager and Chief Executive Officer or Designees

Mike Hummel, SRP General Manager and Chief Executive Officer, reported on a variety of federal, state, and local topics of interest to the Committee.

Board Member P.E. Rovey entered the meeting during the report.
Future Agenda Topics

Chairman M.V. Pace asked the Committee if there were any future agenda topics. None were requested.

There being no further business to come before the Water Committee, the meeting adjourned at 10:38 a.m.

John M. Felty
Corporate Secretary
2021 WATER FUNCTION BUDGET
BUDGET DEVELOPMENT

- Pricing principles mutually agreed on by both Association and District Boards
  - Reliability
  - Equity
  - Gradualism
  - Self-Sufficiency
- Water budget aligned with fiscal-year budget
- One joint board meeting for approval
- No change to timing of new water prices – January 1
## Draft Statement of Revenues and Expenses Water Function Budget – Phase 2

<table>
<thead>
<tr>
<th></th>
<th>FY20 Budget (000)</th>
<th>FY21 Proposed (000)</th>
<th>FY21 Reclamation Budget (000)</th>
<th>FY21 Other Water Budget (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Stored and Developed</td>
<td>$8,965</td>
<td>$9,364</td>
<td>$9,364</td>
<td></td>
</tr>
<tr>
<td>Additional Deliveries (including pump)</td>
<td>$3,653</td>
<td>$3,744</td>
<td>$3,744</td>
<td></td>
</tr>
<tr>
<td>Other Operating &amp; Non-operating Revenues</td>
<td>$4,299</td>
<td>$4,837</td>
<td>$4,837</td>
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</tr>
<tr>
<td>Other Water Function Revenues</td>
<td>$2,183</td>
<td>$3,442</td>
<td></td>
<td>$3,442</td>
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<tr>
<td>Falling Water Allocation</td>
<td>$5,275</td>
<td>$4,068</td>
<td></td>
<td>$4,068</td>
</tr>
<tr>
<td>Water Charge Revenues</td>
<td>$5,275</td>
<td>$4,068</td>
<td></td>
<td>$4,068</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>$24,375</td>
<td>$25,831</td>
<td>$18,321</td>
<td>$7,510</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>$78,658</td>
<td>$84,333</td>
<td>$80,248</td>
<td>$4,085</td>
</tr>
<tr>
<td>Power for Pumping</td>
<td>$8,732</td>
<td>$4,228</td>
<td>$4,222</td>
<td>$6</td>
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<tr>
<td>Depreciation</td>
<td>$8,731</td>
<td>$8,731</td>
<td>$8,561</td>
<td>$170</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$96,121</td>
<td>$97,292</td>
<td>$93,031</td>
<td>$4,261</td>
</tr>
<tr>
<td><strong>Net Operating Revenues (Loss)</strong></td>
<td>($71,746)</td>
<td>($71,461)</td>
<td>($74,710)</td>
<td>$3,249</td>
</tr>
<tr>
<td><strong>Other Income (Deductions) Net</strong></td>
<td>$8,224</td>
<td>($1,146)</td>
<td>($1,598)</td>
<td>$452</td>
</tr>
<tr>
<td><strong>Net Revenues (Loss)</strong></td>
<td>($63,522)</td>
<td>($72,607)</td>
<td>($76,308)</td>
<td>$3,701</td>
</tr>
</tbody>
</table>
## DRAFT WATER CAPITAL BUDGET FY21 (000) – PHASE 2

<table>
<thead>
<tr>
<th></th>
<th>FY20 Total</th>
<th>Estimated FY21 Total</th>
<th>Estimated Reclamation</th>
<th>Estimated Other Water Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groundwater</td>
<td>$7,896</td>
<td>$7,585</td>
<td>$7,585</td>
<td>$0</td>
</tr>
<tr>
<td>Transmission [1]</td>
<td>$8,006</td>
<td>$9,355</td>
<td>$7,033</td>
<td>$2,322</td>
</tr>
<tr>
<td>Distribution [1]</td>
<td>$7,203</td>
<td>$6,010</td>
<td>$6,010</td>
<td>$0</td>
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<tr>
<td>Water Resources</td>
<td>$3,658</td>
<td>$2,250</td>
<td>$50</td>
<td>$2,200</td>
</tr>
<tr>
<td>Technology</td>
<td>$6,262</td>
<td>$4,360</td>
<td>$4,360</td>
<td>$0</td>
</tr>
<tr>
<td>TOTAL CAPITAL</td>
<td>$33,025</td>
<td>$29,560</td>
<td>$25,038</td>
<td>$4,522</td>
</tr>
</tbody>
</table>

[1] Subject to CIAC reimbursement
PLAN: DEVELOPED SOURCES CONVERGING TO PUMP RATE


SSP Subdivision Pump Right

02/13/2020, Water Committee, J. M. Pratt
## PROPOSED PRICES

<table>
<thead>
<tr>
<th>Service Description</th>
<th>2020</th>
<th>2021</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Stored &amp; Developed (2 AF/AC)</td>
<td>$37.91</td>
<td>$40.18</td>
<td>6%</td>
</tr>
<tr>
<td>Normal Flow (per AF)</td>
<td>$15.45</td>
<td>$15.91</td>
<td>3%</td>
</tr>
<tr>
<td>Additional Stored and Developed (per AF)</td>
<td>$15.45</td>
<td>$15.91</td>
<td>3%</td>
</tr>
<tr>
<td>Pump Right Water (per AF)</td>
<td>$46.00</td>
<td>$46.00</td>
<td>0%</td>
</tr>
<tr>
<td>Additional Subdivision Water Fee (per AF) [1]</td>
<td>$41.50</td>
<td>$46.00</td>
<td>11%</td>
</tr>
<tr>
<td>Supplemental Supply Program (per AF) [1]</td>
<td>$46.00</td>
<td>$46.00</td>
<td>0%</td>
</tr>
</tbody>
</table>

[1] SSP for 2021 is limited to 1,000 Acre Feet
# Proposed Fees

<table>
<thead>
<tr>
<th>Service</th>
<th>2020</th>
<th>2021</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Delivery Fee</td>
<td>$76.07</td>
<td>$78.73</td>
<td>3.5%</td>
</tr>
<tr>
<td>Per Account</td>
<td>$0.38</td>
<td>$0.38</td>
<td>0.0%</td>
</tr>
<tr>
<td>Per Acre</td>
<td>$4.95</td>
<td>$5.12</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

[1] Formula for calculation is set by Association By-Laws
### WHAT DOES THIS MEAN?
#### AVERAGE COST PER ACRE FOOT

<table>
<thead>
<tr>
<th>Customer</th>
<th>2020</th>
<th>2021</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large account over 2,000 Acres</td>
<td>$17.48</td>
<td>$18.17</td>
<td>$0.69</td>
</tr>
<tr>
<td>Small account 10 Acres</td>
<td>$17.14</td>
<td>$17.90</td>
<td>$0.76</td>
</tr>
<tr>
<td>1 acre sub account</td>
<td>$42.26</td>
<td>$45.60</td>
<td>$3.34</td>
</tr>
<tr>
<td>2 acre water balance sub account</td>
<td>$30.59</td>
<td>$31.95</td>
<td>$1.36</td>
</tr>
<tr>
<td>All Cities</td>
<td>$21.19</td>
<td>$22.39</td>
<td>$1.20</td>
</tr>
</tbody>
</table>
PRICE PER AF COMPARISON TO OTHER DISTRICTS AS OF 2020

- Yuma (Average)
- Buckeye
- Wellton-Mohawk
- Paloma
- RWCD
- RID
- Queen Creek
- New Magma
- Maricopa-Stanfield

SRP

02/13/2020, Water Committee, J. M. Pratt
QUESTIONS?
Binational Desalination Update

Water Committee Presentation
February 13, 2020
Binational Desalination Update

Agenda

• Background
• Binational Study
• Study Findings / Next Steps
Binational Desalination Update

Background

• International Boundary and Water Commission (IBWC) Minute 323
  o Extension of Cooperative Measures and Adoption of a Binational Water Scarcity Contingency Plan in the Colorado River Basin (extension of Minute 319).
  o The Minute lists 5 water augmentation projects that could provide a binational benefit.
    • Binational desalination plant at the Pacific Ocean coast
    • Binational desalination plant in the New River
    • **Binational desalination plant in the Sea of Cortez**
    • Reuse of the effluent from the Mexicali Valley wastewater treatment plants in wetlands or riparian restoration of the Colorado River
    • Reuse in the United States of South Bay International Wastewater Treatment Plant effluent
  o The Minute formed the Binational Desalination Workgroup to study binational desalination opportunities at the Sea of Cortez.
Binational Desalination Update

Background

• Minute Oversight Group: Comprised of one representative from each state and federal government.

• US Stakeholders
  o International Boundary & Water Commission
  o US Bureau of Reclamation
  o Arizona Department of Water Resources
  o Salt River Project
  o Central Arizona Water Conservation District
  o Freeport McMoRan
  o San Diego County Water Authority
  o Metropolitan Water District of Southern California
  o Southern Nevada Water Authority
  o Colorado River Board of California

• Mexican Stakeholders
  o Comisión Internacional de Límites y Agua (IBWC – Mexican Section)
  o Comisión Nacional del Agua (~USBR)
  o Secretaría de Medio Ambiente y Recursos Naturales (~EPA/USFWS)
  o Comisión Estatal del Agua Sonora (~DWR)
  o Comisión Estatal del Agua Baja California (~DWR)
  o Comisión Nacional de Áreas Naturales Protegidas (~National Parks)
  o Pronatura (~Environmental Group)
  o Colegio de la Frontera Norte (~University)
Binational Desalination Update

Background

• Initial Work
  o The workgroup worked with consultant Black & Veatch to produce a scope of work for the study.
  o Scope of work completed October 2018.
  o RFP issued November 2018.

• Arizona-Mexico Commission (AMC)
  o SRP has been a longtime supporter of the AMC and is a co-chair on the Environment and Water Committee.
  o The idea for evaluating desalination opportunities at the Sea of Cortez was initially developed by the AMC.
Binational Desalination Update

Binational Study

• Black & Veatch / Libra were hired as a consultants.
  o Project timeline: 18 months (November 2018 – April 2020)
  o Project budget: $600k
Binational Desalination Update

Study Findings / Next Steps

• Technically and financially feasible opportunities for seawater desalination with a binational benefit exist in the Sea of Cortez region.

• A new Commission Minute would likely be required to establish a legal framework for exchanges.

• Key dates:
  o Final workgroup meeting – April 1, 2020
  o AMC Summit – June 25 & 26, 2020
  o Sonoran gubernatorial election – Summer 2021