

List of Ideas Identified by the Post-2025 AMAs Committee for Possible Solutions October 26, 2021

From June to September 2021, the Post-2025 AMAs Committee met to generate ideas for solutions and strategies to address three of the Committee's six identified issues. These three issues have a common nexus across all the AMAs – Groundwater in the Assured Water Supply Program, Unreplenished Groundwater Withdrawals, and the Hydrologic Disconnect. The following list identifies each of the ideas suggested by Committee members.

It is recognized that this is a tight timeframe and so the Co-Chairs are using the following criteria to initially consider ideas that:

- Address more than one challenge or opportunity
- Gain general overall support from the Committee
- Are politically viable in 2022 considering ADWR and/or legislative leadership

The first section of ideas includes proposals that the Co-Chairs have identified for initial consideration that meet the above criteria. The include items that may be legislative, policy, and/or rules.

We are seeking input by the Committee on items #2 and #3 of the criteria on October 27, 2021. Then the items will move for discussion and action by the Governor's Water Council on November 30, 2021. The items that are legislative would move to a legislative stakeholder process for potential action in 2022. All ideas that were heard during our "solutions" phase haven been captured and those items that do not meet the criteria are listed in the second section of this paper for potential additional discussion in 2022.

Proposals identified by the Post-2025 Co-Chairs for 2021 Package

The Co-Chairs are viewing this first section of proposals as a package of legislation, rules and policy that would be collectively presented to the Governor's Water Council on November 30, 2021.

Improve the Regulatory Process for Recharge & Recovery

Stakeholders in all AMAs have encountered significant regulatory obstacles in permitting new recharge facilities and renewing the existing permits of operational recharge facilities. Regulatory concerns also have been raised about recovery in general to encourage recovering in areas of the AMA that are not experiencing ground water level declines as well as how recovery wells in and out of area of hydrologic impact are used for Assured Water Supply purposes.

Specific suggestions made by Committee members include:

- Make it easier to permit recharge facilities by changing Unreasonable Harm Standard
- Make it easier to recover by improving AOI Policy
- Improve ADWR's Recharge Program modeling procedures
- Increase the "cut to the aquifer," when recovery / replenishment is taking place in a separate subbasin from where it was stored.

GWAICC Post-2025 AMAs Committee Proposals

Proposal: ADWR initiate a comprehensive review of its recharge and recovery program with input from stakeholders. The expectation is this would lead to improvements to the recharge and recovery program.

Broad support from public and private providers in the Phoenix, Pinal, and Tucson AMAs. Applicable primarily to hydrologic disconnect but also could influence the other two issues.

Amend ADWR's Volumetric Accounting Policy for Commingled Water Supplies

ADWR would consider policy change that enables a developer to provide water to a water provider that can then serve that water provider through the provider's mixed system without regard to historic volumetric accounting policy.

Certificates and individual entities are currently able to wheel LTSC and other supplies through a water provider's distribution system.

One issue that will be need to be addressed is clarifying how commingled water supplies would be considered if one of the supplies is impacted by affected by shortage.

Remove WaterBUD Restrictions

Current statutes prevent the accrual of Long-Term Storage Credits for certain entities that are pumping groundwater. This statutory provision was an early component of the underground storage statutes to encourage direct use of renewable supplies. Removing "WaterBUD" would allow entities to accrue and buy LTSC regardless of their groundwater pumping.

It was also suggested that a limited repeal – such as exempting certain LTSC exchanges among water providers – could be a more feasible starting point.

Establish a Cut-to-the-Aquifer for Annual Storage & Recovery outside of AOI

Unlike recovery of long-term storage credits, renewable supplies stored and recovered on an annual basis are fully recoverable. Establishing a cut to the aquifer for AS&R that takes place outside the AOI would decrease unreplenished groundwater pumping as well as incentivize recovery near the location of storage in a way that mitigates the hydrologic disconnect and leaves more water in the aquifer.

Addresses both Unreplenished Groundwater Pumping and Hydrologic Disconnect issues.

Establish a Mechanism/Structure for Augmentation in AMAs

- Actively pursuing the development of new water supplies in the AMAs is essential for the management of the AMAs. It will be difficult to address challenges in the AMAs through firmer regulations without a coordinated focused effort by having in place a mechanism / structure to identify and pursue resources and infrastructure. Such mechanism or structure would allow interested entities to collaborate and combine resources to effectively obtain new supplies and build the necessary infrastructure to utilize the water. For example, it could range from allowing a group of water providers to have the ability to collectively bond for a regional water project to the

establishment of an authority to gather fees with purposes such as infrastructure and renewable water supplies. The specifics for such a mechanism or structure needs to be carefully crafted.

Financing such an effort will be paramount. One possible approach is to implement a higher groundwater withdrawal fee (which already exists) and/or institute a new “mined groundwater fee” is needed to better align the cost of groundwater with its value, reduce pumping, and generate more funds for the state. Collected funds would be utilized to purchase renewable supplies and to finance renewable supply infrastructure. This would apply to all sectors.

A new fee or increased fee will need to designate a clear purpose for the collected funds that demonstrates an overall benefit to water management in the AMAs.

The new or increased fee was suggested by multiple entities. The mechanism/structure for Augmentation would address Unreplenished Groundwater issue, Groundwater in the Assured Water Supply Program issue, and Hydrologic Disconnect issue.

Accelerate ADEQ’s Development of Administrative Rules for Direct Potable Reuse

Demonstrate stakeholder support and community benefit for expediting the importance of direct potable reuse for Arizona's future ensuring that the regulations are in place so public and private water providers have a clear path for developing this resource. This would involve providing resources to ADEQ to fast track updating the Arizona Administrative Code on Purified Water for Potable Use.

This would assist with Unreplenished Groundwater issue and Groundwater in the AWS Program issue.

Promote smart tax policy to decrease groundwater mining in the Active Management Areas (AMAs)

The agricultural tax status provides for a lower-rate property tax – essentially necessitating water use to pay less tax. Adding temporary and permanent fallowing as a classification of agricultural tax status will allow landowners to voluntarily cease mining groundwater and retain the lower tax rate. There would be no change in tax revenues. This will help align the tax structure with the AMA’s water management goals. It would assist with Unreplenished Groundwater issue.

Other Proposals Identified or Submitted by Committee Members to be further discussed in 2022

Prescott AMA Exempt Wells Concepts -

- Engage with the Arizona Department of Real Estate to require lot splits and dry-lot subdivisions in the Prescott AMA to follow the same AWS rules as other subdivisions.
- Amend A.R.S. § 45-454(D) to require all new wells within a municipal or private water company service area in the Prescott AMA to meet AWS requirements.
- Provide an exemption for municipal providers in the Prescott AMA from the requirement of not causing additional drawdown from new service area wells where exempt well owners within the service area have the ability to connect to the existing service provider water system but choose not to do so.

Address the Subdividing Loophole in AWS Program for development that doesn't require replenishment

Encourage Urban Development on Agricultural Lands

Evaluate the allowable groundwater pumping depth in the AWS Program, currently ~ 1,000' below land surface

Facilitate Groundwater Transfers

Recovery of LTSC stored in the Tonopah Area

Identification of potential aquifer recharge locations for preservation

Limitations on Groundwater Withdrawals

Limit Unreplenished Pumping in the Industrial Sector

Revisit Conservation Requirements in Management Plans

Evaluate the AOHI associated with Groundwater Savings Facilities

Require CAGR Replenishment within the AOI of Development

Review ADWR's Assured Water Supply Model Run Assumptions