

NOTICE OF FINAL RULEMAKING

TITLE 12. NATURAL RESOURCES

CHAPTER 15. DEPARTMENT OF WATER RESOURCES

PREAMBLE

1. Article, Part, or Section Affected (as applicable) Rulemaking Action

<u>Sections Affected</u>	<u>Rulemaking Action</u>
R12-15-725	Amend
R12-15-725.01	New Section
R12-15-725.02	New Section

2. Citations to the agency's statutory rulemaking authority to include the authorizing statute (general) and the implementing statute (specific):

Authorizing statute: A.R.S. §§ 45-105(B)(1) and 45-576(H)

Implementing statutes: A.R.S. § 45-576

3. The effective date of the rule:

- a. **If the agency selected a date earlier than the 60 day effective date as specified in A.R.S. § 41-1032(A), include the earlier date and state the reason or reasons the agency selected the earlier effective date as provided in A.R.S. § 41-1032(A)(1) through (5):**

Pursuant to A.R.S. § 41-1032(A)(4), the rules become effective on December 3, 2013.

A.R.S. § 41-1032(A)(4) provides that a rule may be effective immediately if the rule provides a benefit to the public and a penalty is not associated with a violation of the rule. The amended rule and new rules provide a benefit to the public by allowing irrigation grandfathered right (IGRF) holders a delay in the reduction of the allocation

factor used to calculate extinguishment credits in the Pinal Active Management Area (AMA) until September 15, 2014. This temporary delay is designed to allow IGFR holders in the Pinal AMA time to explore alternatives for meeting the Pinal AMA's management goal and make recommendations to the Arizona Department of Water Resources (Department). Additionally, no penalty is associated with a violation of the rule.

4. Citations to all related notices published in the Register as specified in R1-1-409(A) that pertain to the record of the final rulemaking package:

Notice of Rulemaking Docket Opening: 19 A.A.R. 2795, September 6, 2013.

Notice of Proposed Rulemaking: 19 A.A.R. 2786, September 6, 2013.

5. Agency contacts who can answer questions about the rulemaking:

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6. An agency's justification and reason why a rule should be made, amended, repealed or renumbered, to include an explanation about the rulemaking:

Reasons for Initiating the Rulemaking

Developers of new subdivisions within an Active Management Area (“AMA”) must obtain a determination of assured water supply (“AWS”) from the Department prior to the sale of any lots. A.R.S. § 45-576(A). One of several requirements to obtain a determination of assured water supply is to demonstrate that any groundwater use is consistent with the management goal of the AMA. The management goal of the Pinal AMA, where a predominately agricultural economy exists, is to allow development of non-irrigation uses and to preserve existing agricultural economies for as long as feasible, consistent with the necessity to preserve future water supplies for non-irrigation uses. A.R.S. § 45-562(B).

One method of demonstrating that all or a portion of the groundwater use is consistent with the management goal of the AMA is through a mechanism for the extinguishment of grandfathered groundwater rights. Under the Department’s AWS Rules, when a

grandfathered groundwater right is extinguished, the Department issues credits that can be used to pump a specified volume of groundwater consistent with the management goal. An applicant for an AWS determination that acquires extinguishment credits can pledge those credits to demonstrate that all or apportion of the applicant's projected groundwater use is consistent with the AMA's management goal.

Prior to 2007, the amount of credits issued for the extinguishment of grandfathered groundwater rights in the Pinal AMA remained the same each year, regardless of when the extinguishment occurred. In 2007, the Department amended the rule governing the calculation of extinguishment credits in the Pinal AMA, R12-15-725, to provide for a gradual reduction in the amount of credits given for the extinguishment of grandfathered groundwater rights based on when the extinguishment occurs. Under the rule as amended in 2007, the first reduction in the allocation factor for calculating extinguishment credits was to take effect on January 1, 2010, with gradual increases in the reduction each year thereafter until 2054, when no credits would be given for the extinguishment of a grandfathered right.

One of the major reasons for the 2007 amendment was that residential development in the Pinal AMA was increasing rapidly, and the rate of development was projected to continue for the foreseeable future. Some of this development was anticipated to result in the extinguishment of IGFRs for extinguishment credits. Extinguishment of IGFRs under the extinguishment credit rule in effect at that time, combined with rapid development, would lead to over-allocation of unreplenished groundwater supplies. The 2007

amendment was designed to preserve sufficient groundwater supplies to meet the demands of agricultural irrigation, approved assured water supply determinations, possible future assured water supply determinations, and industrial uses, consistent with the Pinal AMA's management goal.

Shortly after the 2007 rule amendment, the Arizona real estate market began experiencing a significant downturn, and residential development in the Pinal AMA slowed dramatically. In 2009, landowners and irrigation districts in the Pinal AMA expressed concerns to the Department that implementation of the reduction in extinguishment credits as scheduled could result in owners of farm land in the AMA prematurely extinguishing their IGFRs before the first reduction in credits was to take effect on January 1, 2010. It was feared that this would exacerbate the effects of the economic recession in the area by taking more lands out of agricultural production and increasing the water and power costs for those lands that continued to be farmed.

Consistent with the Pinal AMA management goal of preserving the agricultural economy for as long as feasible while ensuring water supply availability for future municipal and industrial water uses, the Department amended rule R12-15-725 in 2009 to delay the effective date of the first reduction of the allocation factor for calculating extinguishment credits in the Pinal AMA until 2014. It was felt that by 2014, economic conditions in the AMA would improve sufficiently so that implementation of the reduction in extinguishment credits at that time would not have a significant negative impact on the local economy. Through the 2009 amendment, the allocation factors for calendar years

2010 through 2013 were increased to 100, and the allocation factors for calendar years 2014 through 2016 were increased to 94, 88 and 82, respectively. No changes were made to the allocation factors for calendar years 2017 and thereafter.

Earlier this year, a number of landowners in the Pinal AMA requested the Department to again delay the reduction in the allocation factors used to calculate extinguishment credits in the Pinal AMA because economic conditions in the area have not improved as much as expected when rule R12-15-725 was amended in 2009. After considering this request, the Department has determined that it is appropriate to adopt a rule temporarily delaying by five years each annual reduction in the allocation factor. The new rule will automatically repeal effective September 15, 2014, at which time the current reduction schedule will become effective again. This temporary nine and a half month delay in the reduction schedule will allow water users and other interested parties in the Pinal AMA to work together to examine conditions within the AMA and offer alternatives for meeting the Pinal AMA's management goal, which could include making the 5-year delay permanent or another alternative solution through another rulemaking proceeding.

Explanation of the Rules

Rule R12-15-725 is amended by deleting subsection (B), which contained the methodology for calculating extinguishment credits in the Pinal AMA. Two new rules are adopted governing the calculation of extinguishment credits in the Pinal AMA: R12-15-725.01 and R12-15-725.02. R12-15-725.01(A) contains the same language that

previously was in rule R12-15-725(B), except that the table of allocation factors has been changed to delay each annual reduction in the allocation factor by five years.

Consequently, the first year in which there is a reduction in the allocation factor is 2019, rather than in 2014, and the last year in which there is an allocation factor is 2059, rather than 2054. R12-15-725.01(B) provides that the section is automatically repealed effective September 15, 2014.

R12-15-725.02 contains the methodology for calculating extinguishment credits in the Final AMA beginning on September 15, 2014. The language in R12-15-725.02 is the same as the language previously in R12-15-725(B), except that the table of allocation factors has been changed by delaying the first reduction in the allocation factor until September 15, 2014. Beginning September 15, 2014, the allocation factors in R12-15-725.02 are identical to the allocation factors that were in R12-15-725(B).

7. A reference to any study relevant to the rule that the agency reviewed and either relied on or did not rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

None.

8. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable.

9. A summary of the economic, small business, and consumer impact:

The rule amendment will have potential positive short-term economic impacts on IGFR holders who would have prematurely extinguished their IGFRs under the existing rule, but will retain their IGFRs and continue farming under the rule amendment. These IGFR holders may benefit in the following ways: 1) by maintaining the lower tax rates applicable to agricultural land uses and 2) from an increased volume of extinguishment credits if they decide to extinguish between January 1, 2014 and September 15, 2014.

The rule amendment will likely have positive economic impacts on businesses within the Pinal AMA that sell farming materials, such as seed and equipment. Lastly, the rule changes may have a positive short-term economic impact on land developers and new homeowners within the Pinal AMA.

The rule amendment may have a negative short-term economic impact on governmental entities that receive tax revenues from the real estate taxes assessed on lands within the Pinal AMA, such as Pinal County and Maricopa County. Some lands within the AMA that otherwise would have been taken out of agricultural production may remain in agricultural production during the January 1, 2014 to September 15, 2014 delay period. These lands would retain their lower agricultural tax status during that period. However, the loss in real estate tax revenue may be offset by more revenues from other taxes paid by the persons farming the lands, such as income taxes and sales taxes.

The rule amendment will likely result in more unreplenished groundwater withdrawals within the Pinal AMA, as some IGFR holders will likely continue irrigating their lands with groundwater during the period from January 1, 2014 to September 15, 2014. Additionally, some IGFR holders will receive more extinguishment credits during that period than they would receive without the rule amendment. These additional unreplenished groundwater withdrawals could have a slight negative economic impact on groundwater users and landowners within the general areas of the withdrawals by reducing the physical availability of groundwater supplies in those areas. The economic impact is not possible to quantify because it depends on factors such as the current groundwater levels and rates of urbanization in the areas of the withdrawals. However, the Department believes there will be no significant negative economic impact.

10. A description of any changes between the proposed rulemaking, to include supplemental notices, and the final rulemaking:

There are no changes between the proposed rules and the final rules.

11. A summary of the public or stakeholder comments made about the rulemaking and the agency response to the comments:

Comment from Casa Grande City Council Member Dick Powell: The proposed rulemaking provides a good opportunity to explore the wisdom of the extinguishment process.

Response: The Department appreciates the support.

Comment from Casa Grande City Council Member Dick Powell: Casa Grande passed a resolution opposing any type of extinguishment process because of the economic damage it would do to the agricultural economy of Casa Grande, Eloy, Coolidge, Florence, Maricopa, and all of Central Arizona. If farming is forced out by the extinguishment process, Casa Grande could experience an over 40% impact to their economy. Extinguishments will be devastating to the agribusiness economy.

Response: Although the Department generally agrees that the premature extinguishment of a large number of IGFRs could have a negative impact on the local economy, it does not believe that a reduction of extinguishment credits under the schedule included in the proposed rules will cause Casa Grande to experience an “over 40% impact” to their economy,” or that it will be “devastating to the agribusiness economy.” Recent economic conditions and historical development patterns do not support this conclusion.

Comment from Casa Grande City Council Member Dick Powell: The first part of the Pinal AMA goal is to keep the agricultural economy going as long as possible and extinguishments are not consistent with that. I spoke recently with a former Pinal Groundwater Users Advisory Council member who said the goal was to get farmers out of the way in order for development to take place.

Response: The statutory management goal of the Pinal AMA is to allow development of non-irrigation uses and to preserve existing agricultural economies in the AMA for as long as feasible, consistent with the necessity to preserve future water supplies for non-irrigation uses. This rulemaking is designed to preserve the existing agricultural

economy while preserving future water supplies for non-irrigation uses. Under the current rule (R12-15-725) as well as the R12-15-725.01 and R12-15-725.02, IGFR holders are not required to extinguish their rights. The Department's policy is not to discourage or displace farming in the Pinal AMA.

Comment from Casa Grande City Council Member Dick Powell: The temporary stay lets us look at other concerns. The letter from Representatives Shope and Pratt said they wanted to give the group of local stakeholders time to work on a solution. The letter says the Department will open another rulemaking process in the Spring. The temporary delay will allow stakeholders to work together.

Response: The Department appreciates the support. The Department understands that currently an advisory committee is being established to meet and provide recommendations for meeting the Pinal AMA's management goal.

Comment from Casa Grande City Council Member Dick Powell: The rulemaking process takes six months, so a final recommendation would have to go into place in February. This is a very short turn around given the upcoming holiday season. I would like assurance in writing that a new rule or back-up process would be in place before September.

Response: In order for a new rule to take effect prior to the September 15, 2014 effective date of proposed rule R12-15-725.02, a rulemaking proceeding would need to be initiated in early March, 2014. The Department believes this is sufficient time for the advisory committee to provide recommendations to the Department on any alternative

proposal. It would be inappropriate for the Department to provide assurance that a new rule or back-up process will be in place before September 15, 2014 prior to receiving and considering the advisory committee's recommendations.

Comment from Tiffany Shedd: I support the nine month extension but am concerned that the committee has not yet been formed and the process may take longer than the 9-month delay. The issue requires not just looking at extinguishment credits but also new solutions to address the AMA goal. I would hope that the Department would consider an extension, as such an important issue takes more than one or two meetings.

Response: In order for a new rule to take effect prior to the September 15, 2014 effective date of proposed rule R12-15-725.02, a rulemaking proceeding would need to be initiated in early March, 2014. The Department believes this is sufficient time for the advisory committee and any other interested parties to provide alternate recommendations to the Department.

Comment from Rodney Shedd: I support an amendment of the Pinal Active Management Area Assured Water Supply rules to temporarily delay reduction in extinguishment credits.

Response: The Department appreciates the support.

Comment from Rodney Shedd: The same market conditions exist today as they did back in 2009 when the last amendment was proposed. Residential development has significantly decreased since the pre-2007 housing boom upon which the 2007

rulemaking was based. A delay will allow groundwater users within the AMA to reexamine the current conditions within the AMA and offer other alternatives.

Response: The Department appreciates the support.

Comment from Arnold Burruel: I am relieved at the Department's decision to potentially extend the extinguishment rights ruling. This along with the potential for a new steering committee is a great step towards bringing the agricultural community and DWR into a working relationship.

Response: The Department appreciates the support.

12. Any other matters prescribed by statute applicable to the specific agency or to any specific rule or class of rules.

a. Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:

The rules do not require a permit.

b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law and if so, citation to the statutory authority to exceed the requirements of federal law:

Federal law is not applicable to the subject of the rules because the rules are based on state law.

c. Whether a person submitted an analysis to the agency that compares the rule's impact of the competitiveness of business in this state to the impact on business in another state:

No analysis was submitted.

13. A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rule:

None.

14. Was this rule previously made, amended, or repealed as an emergency rule?

No.

15. The full text of the rules follows:

TITLE 12. NATURAL RESOURCES

CHAPTER 15. DEPARTMENT OF WATER RESOURCES

ARTICLE 7. ASSURED AND ADEQUATE WATER SUPPLY

Section

~~R12-15-725. Pinal AMA – Groundwater Allowance and Extinguishment Credits Calculation~~

R12-15-725.01. Pinal AMA – Extinguishment Credits Calculation; Automatic Repeal

R12-15-725.02. Pinal AMA – Extinguishment Credits Calculation Effective September 15,

2014

ARTICLE 7. ASSURED AND ADEQUATE WATER SUPPLY

R12-15-725. Pinal AMA – Groundwater Allowance and Extinguishment Credits

Calculation

~~A.~~ The Director shall calculate the groundwater allowance for a certificate or designation in the Pinal AMA as follows:

1. No change
2. No change
 - a. No change
 - i. No change
 - ii. No change
 - iii. No change
 - iv. No change
 - v. No change
 - b. No change
 - c. No change
 - d. No change
3. No change

~~B.~~ The Director shall calculate the extinguishment credits for the extinguishment of a grandfathered right in the Pinal AMA as follows:

- ~~1.~~ For the extinguishment of a type 2 non-irrigation grandfathered right, multiply the number of acre feet indicated on the certificate by the applicable allocation factor as determined under subsection (B)(3) or (B)(4) of this Section.

- ~~2. For the extinguishment of all or part of an irrigation grandfathered right, or all or part of a type 1 non-irrigation grandfathered right, an amount calculated by multiplying 1.5 acre-feet by the number of irrigation acres associated with the extinguished irrigation grandfathered right or the number of acres to which the extinguished type 1 non-irrigation grandfathered right is appurtenant, and then multiply that product by the applicable allocation factor as determined under subsection (B)(3) or (B)(4) of this Section, except that:~~
- ~~a. If only a portion of an irrigation grandfathered right or a type 1 non-irrigation grandfathered right is extinguished, the Director shall include in the calculation only those acres associated with the portion of the right that is extinguished; and~~
 - ~~b. If an extinguished irrigation grandfathered right has a debit balance in the corresponding flexibility account established under A.R.S. § 45-467, the Director shall subtract the amount of the debit from the amount of the extinguishment credits.~~
- ~~3. Except as provided in subsection (B)(4) of this Section, in calculating the extinguishment credits for the extinguishment of a grandfathered right under subsection (B)(1) or (B)(2) of this Section, the Director shall use the allocation factor associated with the year in which the grandfathered right is extinguished, as shown in the table below.~~

Year	Allocation Factor
2010	100
2011	100
2012	100
2013	100
2014	94

2015	88
2016	82
2017	76
2018	74
2019	72
2020	70
2021	68
2022	66
2023	64
2024	62
2025	60
2026	58
2027	56
2028	54
2029	52
2030	50
2031	48
2032	46
2033	44
2034	42
2035	40
2036	38
2037	36
2038	34
2039	32
2040	30
2041	28
2042	26
2043	24
2044	22
2045	20
2046	18
2047	16
2048	14
2049	12
2050	10
2051	8
2052	6
2053	4
2054	2
After 2054	0

4. ~~If, before January 1, 2055, there is a moratorium on adding new member lands and member service areas in the Pinal AMA pursuant to A.R.S. § 45-576.06(A), in~~

~~calculating the extinguishment credits for the extinguishment of a grandfathered right under subsection (B)(1) or (B)(2) of this Section, the Director shall use an allocation factor determined as follows:~~

~~a.—If the grandfathered right is extinguished while the moratorium is in effect, the Director shall use the allocation factor associated with the year in which the moratorium first became effective, as shown in the table in subsection (B)(3) of this Section.~~

~~b.—If the grandfathered right is extinguished when the moratorium is no longer in effect, the Director shall use the allocation factor associated with the year determined pursuant to this subsection, as shown in the table in subsection (B)(3) of this Section. The Director shall determine the year as follows:~~

~~i.—Subtract the year in which the moratorium first became effective from the year in which the moratorium ended.~~

~~ii.—Subtract the difference in subsection (B)(4)(b)(i) of this Section from the year in which the grandfathered right was extinguished.~~

R12-15-725.01. Pinal AMA – Extinguishment Credits Calculation; Automatic Repeal

A. The Director shall calculate the extinguishment credits for the extinguishment of a grandfathered right in the Pinal AMA as follows:

1. For the extinguishment of a type 2 non-irrigation grandfathered right, multiply the number of acre-feet indicated on the certificate by the applicable allocation factor as determined under subsection (A)(3) or (A)(4) of this Section.

2. For the extinguishment of all or part of an irrigation grandfathered right, or all or part of a type 1 non-irrigation grandfathered right, an amount calculated by multiplying 1.5 acre-feet by the number of irrigation acres associated with the extinguished irrigation grandfathered right or the number of acres to which the extinguished type 1 non-irrigation grandfathered right is appurtenant, and then multiply that product by the applicable allocation factor as determined under subsection (A)(3) or (A)(4) of this Section, except that:
- a. If only a portion of an irrigation grandfathered right or a type 1 non-irrigation grandfathered right is extinguished, the Director shall include in the calculation only those acres associated with the portion of the right that is extinguished; and
 - b. If an extinguished irrigation grandfathered right has a debit balance in the corresponding flexibility account established under A.R.S. § 45-467, the Director shall subtract the amount of the debit from the amount of the extinguishment credits.
3. Except as provided in subsection (A)(4) of this Section, in calculating the extinguishment credits for the extinguishment of a grandfathered right under subsection (A)(1) or (A)(2) of this Section, the Director shall use the allocation factor associated with the year in which the grandfathered right is extinguished, as shown in the table below.

<u>Year</u>	<u>Allocation Factor</u>
<u>2010</u>	<u>100</u>
<u>2011</u>	<u>100</u>
<u>2012</u>	<u>100</u>

<u>2013</u>	<u>100</u>
<u>2014</u>	<u>100</u>
<u>2015</u>	<u>100</u>
<u>2016</u>	<u>100</u>
<u>2017</u>	<u>100</u>
<u>2018</u>	<u>100</u>
<u>2019</u>	<u>94</u>
<u>2020</u>	<u>88</u>
<u>2021</u>	<u>82</u>
<u>2022</u>	<u>76</u>
<u>2023</u>	<u>74</u>
<u>2024</u>	<u>72</u>
<u>2025</u>	<u>70</u>
<u>2026</u>	<u>68</u>
<u>2027</u>	<u>66</u>
<u>2028</u>	<u>64</u>
<u>2029</u>	<u>62</u>
<u>2030</u>	<u>60</u>
<u>2031</u>	<u>58</u>
<u>2032</u>	<u>56</u>
<u>2033</u>	<u>54</u>
<u>2034</u>	<u>52</u>
<u>2035</u>	<u>50</u>
<u>2036</u>	<u>48</u>
<u>2037</u>	<u>46</u>
<u>2038</u>	<u>44</u>
<u>2039</u>	<u>42</u>
<u>2040</u>	<u>40</u>
<u>2041</u>	<u>38</u>
<u>2042</u>	<u>36</u>
<u>2043</u>	<u>34</u>
<u>2044</u>	<u>32</u>
<u>2045</u>	<u>30</u>
<u>2046</u>	<u>28</u>
<u>2047</u>	<u>26</u>

<u>2048</u>	<u>24</u>
<u>2049</u>	<u>22</u>
<u>2050</u>	<u>20</u>
<u>2051</u>	<u>18</u>
<u>2052</u>	<u>16</u>
<u>2053</u>	<u>14</u>
<u>2054</u>	<u>12</u>
<u>2055</u>	<u>10</u>
<u>2056</u>	<u>8</u>
<u>2057</u>	<u>6</u>
<u>2058</u>	<u>4</u>
<u>2059</u>	<u>2</u>
<u>After 2059</u>	<u>0</u>

4. If, before January 1, 2060, there is a moratorium on adding new member lands and member service areas in the Pinal AMA pursuant to A.R.S. § 45-576.06(A), in calculating the extinguishment credits for the extinguishment of a grandfathered right under subsection (A)(1) or (A)(2) of this Section, the Director shall use an allocation factor determined as follows:

- a. If the grandfathered right is extinguished while the moratorium is in effect, the Director shall use the allocation factor associated with the year in which the moratorium first became effective, as shown in the table in subsection (A)(3) of this Section.
- b. If the grandfathered right is extinguished when the moratorium is no longer in effect, the Director shall use the allocation factor associated with the year determined pursuant to this subsection, as shown in the table in subsection (A)(3) of this Section. The Director shall determine the year as follows:

- i. Subtract the year in which the moratorium first became effective from the year in which the moratorium ended.
- ii. Subtract the difference in subsection (A)(4)(b)(i) of this Section from the year in which the grandfathered right was extinguished.

B. This section shall repeal automatically effective September 15, 2014.

R12-15-725.02. Pinal AMA – Extinguishment Credits Calculation Effective September 15, 2014

Beginning September 15, 2014, the Director shall calculate the extinguishment credits for the extinguishment of a grandfathered right in the Pinal AMA as follows:

1. For the extinguishment of a type 2 non-irrigation grandfathered right, multiply the number of acre-feet indicated on the certificate by the applicable allocation factor as determined under subsection (3) or (4) of this Section.
2. For the extinguishment of all or part of an irrigation grandfathered right, or all or part of a type 1 non-irrigation grandfathered right, an amount calculated by multiplying 1.5 acre-feet by the number of irrigation acres associated with the extinguished irrigation grandfathered right or the number of acres to which the extinguished type 1 non-irrigation grandfathered right is appurtenant, and then multiply that product by the applicable allocation factor as determined under subsection (3) or (4) of this Section, except that:
 - a. If only a portion of an irrigation grandfathered right or a type 1 non-irrigation grandfathered right is extinguished, the Director shall include in the

calculation only those acres associated with the portion of the right that is extinguished; and

b. If an extinguished irrigation grandfathered right has a debit balance in the corresponding flexibility account established under A.R.S. § 45-467, the Director shall subtract the amount of the debit from the amount of the extinguishment credits.

3. Except as provided in subsection (4) of this Section, in calculating the extinguishment credits for the extinguishment of a grandfathered right under subsection (1) or (2) of this Section, the Director shall use the allocation factor associated with the year or portion of a year in which the grandfathered right is extinguished, as shown in the table below.

<u>Year</u>	<u>Allocation Factor</u>
<u>2010</u>	<u>100</u>
<u>2011</u>	<u>100</u>
<u>2012</u>	<u>100</u>
<u>2013</u>	<u>100</u>
<u>January 1, 2014 through September 14, 2014</u>	<u>100</u>
<u>September 15, 2014 through December 31, 2014</u>	<u>94</u>
<u>2015</u>	<u>88</u>
<u>2016</u>	<u>82</u>
<u>2017</u>	<u>76</u>
<u>2018</u>	<u>74</u>
<u>2019</u>	<u>72</u>
<u>2020</u>	<u>70</u>

<u>2021</u>	<u>68</u>
<u>2022</u>	<u>66</u>
<u>2023</u>	<u>64</u>
<u>2024</u>	<u>62</u>
<u>2025</u>	<u>60</u>
<u>2026</u>	<u>58</u>
<u>2027</u>	<u>56</u>
<u>2028</u>	<u>54</u>
<u>2029</u>	<u>52</u>
<u>2030</u>	<u>50</u>
<u>2031</u>	<u>48</u>
<u>2032</u>	<u>46</u>
<u>2033</u>	<u>44</u>
<u>2034</u>	<u>42</u>
<u>2035</u>	<u>40</u>
<u>2036</u>	<u>38</u>
<u>2037</u>	<u>36</u>
<u>2038</u>	<u>34</u>
<u>2039</u>	<u>32</u>
<u>2040</u>	<u>30</u>
<u>2041</u>	<u>28</u>
<u>2042</u>	<u>26</u>
<u>2043</u>	<u>24</u>
<u>2044</u>	<u>22</u>
<u>2045</u>	<u>20</u>
<u>2046</u>	<u>18</u>
<u>2047</u>	<u>16</u>
<u>2048</u>	<u>14</u>
<u>2049</u>	<u>12</u>
<u>2050</u>	<u>10</u>
<u>2051</u>	<u>8</u>
<u>2052</u>	<u>6</u>
<u>2053</u>	<u>4</u>
<u>2054</u>	<u>2</u>
<u>After 2054</u>	<u>0</u>

4. If, before January 1, 2055, there is a moratorium on adding new member lands and member service areas in the Pinal AMA pursuant to A.R.S. § 45-576.06(A), in calculating the extinguishment credits for the extinguishment of a grandfathered right under subsection (1) or (2) of this Section, the Director shall use an allocation factor determined as follows:

a. If the grandfathered right is extinguished while the moratorium is in effect, the Director shall use the allocation factor associated with the year in which the moratorium first became effective, as shown in the table in subsection (3) of this Section.

b. If the grandfathered right is extinguished when the moratorium is no longer in effect, the Director shall use the allocation factor associated with the year determined pursuant to this subsection, as shown in the table in subsection (3) of this Section. The Director shall determine the year as follows:

i. Subtract the year in which the moratorium first became effective from the year in which the moratorium ended.

ii. Subtract the difference in subsection (4)(b)(i) of this Section from the year in which the grandfathered right was extinguished.