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The Honorable T. J. Shope
1700 West Washington, Suite 338
Phoenix, AZ 85007

The Honorable Frank Pratt
1700 West Washington, Suite 223
Phoenix, AZ 85007

Gentlemen:

Thank you for meeting with us to discuss the concerns that have been raised over the Extinguishment Credit calculations under the Assured Water Supply Rules (AWS) in the Pinal Active Management Area (Pinal AMA) and your proposal to address these concerns. We certainly understand that the current requirements to annually reduce the Extinguishment Credits a farm may acquire when extinguishing the farm's right to use water for irrigation has raised concerns for some landowners and farmers operating within the Pinal AMA. We also are aware that there are many misconceptions that resulted from these concerns and the Department has always been willing to address those misconceptions while at the same time not being dismissive of those concerns.

As discussed in our meeting, the rule modification originally adopted in 2007 was designed as a solution to protect the aquifer in meeting the demands of agricultural irrigation, current approvals for the 100-year Assured Water Supply and possible future approvals for a 100-year Assured Water Supply as required by Arizona's Groundwater Code. However, the groundwater models, which affirmed the application of this modification, had projected growth patterns which were turned upside down by the economic recession which began in 2007. Growth and development slowed to a crawl and some stakeholders worked with the Department to delay the beginning "phase out" of extinguishment credits from 2009, when it was scheduled to begin, until 2014.

Because similar conditions for growth and development exist today, just as they did in 2009, combined with public concerns over economic and property impacts of the existing phase out of Extinguishing Credits – the issue bears addressing once again. Because the intent of the phase out of Extinguishment

The Honorable T. J. Shope
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Page 2 of 2
August 20, 2013

Credits was a part of balancing the aquifer for both agricultural uses and future growth – a fully informed, locally led process will be required to engage in finding an acceptable solution to this challenge. As we discussed at our meeting last week, you are interested in forming a Pinal AMA “Local Water Group” (LWG) consisting of individuals in the Pinal AMA to work on crafting acceptable solutions to balancing the Pinal AMA’s water budget. The Department is supportive of this initiative. The Department is willing to provide technical expertise and data to the LWG as they examine the conditions on the ground and look for possible solutions to the challenges that we all face in meeting the Pinal AMA goal of “protecting the agricultural economy for as long as feasible while maintaining water supplies for future municipal and industrial development.”

Also as you requested, while this important conversation is happening within the broad community of the Pinal AMA, the Department will submit a request for a rule modification on August 30, 2013 that puts in place a 5-year delay in the reduction of Extinguishment Credits until September 15, 2014. This initial delay will give the LWG time to examine the conditions and offer alternatives. The Department will open another rule package in the spring of 2014 to give the Department and the community adequate time to develop a permanent solution - either to continue the 5-year extension or to develop an agreed upon alternative.

The Department has always preferred to work with local communities to craft creative solutions to water management challenges. We look forward to working with you and the local committee in the Pinal AMA to find creative solutions. I personally want to thank both of you for helping to foster this effort.

Sincerely,



Sandy Fabritz-Whitney
Director

cc: Kevin Kinsall, Natural Resources Policy Advisor
Jeff Tannler, AMA Area Director
Pinal AMA GUAC Members