

**IMPORTANT NOTICE
FROM THE ARIZONA DEPARTMENT OF WATER
RESOURCES
TO IRRIGATION GRANDFATHERED RIGHT
HOLDERS**

The following is a list of general questions and answers regarding flexibility account credit conveyances. Be sure to consult the statute, A.R.S. § 45-467 (O) through (R), and the Department, before buying or selling credits.

Who can buy a credit?

Any person who owns or uses groundwater pursuant to an irrigation grandfathered right (IGFR) may purchase flex credits as explained below:

For an IGFR located in an Irrigation District:

- To another IGFR in the same district or**
- To an IGFR outside a district if both IGFRs**

**-are in the same groundwater sub-basin, and
-are in same AMA, and
-both IGFRs are owned or leased by same entity**

For IGFR not located in an Irrigation District:

- To IGFR not in a district if in the same sub-basin and AMA or**
- To IGFR in a district if both IGFRs**

**-are in the same sub-basin and
-both IGFRs are in the same AMA and
-both IGFRs are owned or leased by same entity**

(Please see .A.R.S §45-467.01).

When may I buy a credit?

Timing is important. A rightholder may only convey or buy credits that were added to a rightholder's flexibility account two years prior to the current calendar year. The Department must be notified of the purchase within thirty days after the sale. If these conditions are not met, the Department will not honor the conveyance. For example, in this year (2012) rightholders will be noticed of their 2010 balances and credits accrued in 2010. These 2010 credits accrued will be available for sale in 2012 to correct overages. (Please see A.R.S. §45-467.0.3).

Who can sell a credit?

A person who owns an IGFR which has a credit balance in its flexibility account may sell all or any portion of the credits registered to the account during the second calendar year following the year which the credit was registered. For example, in this year (2012), only credits accrued in 2010 are available for sale. Also note that an IGFR's flexibility account credits may not be sold unless the IGFR's appurtenant acres were capable of being irrigated at the end of the calendar year preceding the sale.

How much can be sold?

For this year, (2012) the maximum amount of credits that may be sold by an IGFR holder during any calendar year is limited to the amount of credits registered to the flexibility account of the IGR for 2010.

Is there a form to fill out?

Yes. A notification form, available at the Arizona Department of Water Resources Office (3550 North Central Avenue-2nd Floor, Phoenix, AZ 85012), must be completed, including the seller's dated and notarized signature, the buyer's signature, a dated bill of sale and a \$250 conveyance fee. The form must be filed with the Department within thirty days after the sale, or the transfer will not be processed.

How much does it cost?

A conveyance fee of \$250 per conveyance (regardless of the number of credits conveyed) is required and must accompany the notification form. The Department does not regulate the pricing of credits sold.

If I sell too much, may I purchase flexibility credits?

Yes, if you follow the statutory requirements regarding timing, location and notice to the Department, as described in this notice.

Is there a list of who is buying and selling credits?

Flexibility account balances are public record. A list of the flexibility account credit balances for each IGFR in each irrigation district is sent to each irrigation district office and a complete list of credit balances is available for public review at ADWR's office and on the website at www.azwater.gov. The Department does not market credits.

Does the Department guarantee my purchase will be credited to my account?

No. The Department will honor the earliest dated bill of sale if it is submitted within the thirty-day deadline. If at any time the Department finds that the credits do not exist or the seller does not have clear title to the credits, the transfer will be voided. The buyer must take precautions to ensure that the seller is trustworthy.

How much can be bought?

The total amount of credits that a person can buy or sell during a year is not limited to any certain amount, so long as the credits are transferred in accordance with the statutory requirements regarding location, timing, and notice to the Department, as described in this notice.

If you have any questions, please contact the Arizona Department of Water Resources at 602-771-8585.