

ARIZONA DEPARTMENT OF WATER RESOURCES

SUBSTANTIVE POLICY STATEMENT**INTERCONNECT CONTRACTS OR AGREEMENTS
BETWEEN MUNICIPAL WATER PROVIDERS**

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BACKGROUND

Municipal water providers located in close proximity to one another routinely develop interconnect contracts or agreements which, among other things, improve water system capabilities and minimize costs. Interconnect contracts can be either reciprocal or unilateral and are usually agreements to provide relatively small volumes of supplemental or emergency water. Typically, municipal providers enter into interconnect contracts for:

- *Supplemental water* - one provider is better situated geographically to serve a portion of another provider's service area.
- *Emergency water* - fire demands or water system outages will cause one provider to rely on another provider's infrastructure/capacity.
- *Peak demand water* - on certain occasions or during the summer high demand months, one provider with insufficient capacity will contract with another provider who has excess capacity.

However, some interconnect contracts are designed to obtain large volumes of groundwater and account for a substantial portion of the total water used in a service area. The water management implications associated with continuous, large volume deliveries as well as sales of disproportionately large volumes of groundwater from a small water provider to another city, town or private water company for purposes of revenue generation may be significant.

DEPARTMENT REVIEW OF INTERCONNECT CONTRACTS

Pursuant to A.R.S. § 45-492(C), the Director of the Arizona Department of Water Resources (Department) is authorized to review water delivery contracts such as interconnect contracts. A.R.S. § 45-492(C) provides that:

A city, town or private water company may contract to supply groundwater to a city, town or private water company in the same active management area if it is consistent with the management plan for the active management area and § 45-576 [assured water supply requirements] and is approved by the director.

Pursuant to this authority, the Director deems interconnect contracts which are designed to obtain *small* volumes of groundwater to be consistent with the management plans of the active

management areas and A.R.S. § 45-576. The Director does not review interconnect contracts for small volumes of groundwater unless a contract may negatively impact water management. The Director reviews interconnect contracts which are designed to obtain *large* volumes of groundwater and/or which account for a substantial portion of the total water used in a service area on a case-by-case basis as they come to the Director's attention.

DEPARTMENT POLICY

The Director may review interconnect contracts for municipal providers as authorized by A.R.S. § 45-492(C) and as explained in this substantive policy statement. The Department has developed this advisory substantive policy statement in order to inform the public of the Department's current approach, practices, procedures and methods of action regarding interconnect contracts for municipal providers. A.R.S. § 41-1001(21).

Department's General Policy

The Director may review interconnect contracts in light of the general policy that a municipal provider has unlimited access to groundwater within a provider's service area but has extremely limited access to groundwater from outside its service area. *See* A.R.S. §§ 45-492 and 45-493. In particular, the Legislature prohibits water providers in an active management area from extending their service areas for the purpose of:

1. including a well field within the service area,
2. furnishing disproportionately large amounts of water to an industrial or any other large water user unless it is consistent with the management plan for the active management area and is approved by the director, and
3. including irrigation acres within the exterior boundaries of the service area to extinguish the right to convey irrigation grandfathered rights to a non-irrigation use.

A.R.S. § 45-493(A). The Director will disapprove interconnect contracts that are inconsistent with A.R.S. § 45-493(A).

Small Volume Interconnect Contracts

The Director deems interconnect contracts for small volumes of groundwater to be consistent with the management plans of the active management areas and A.R.S. § 45-576 if all of the following apply:

1. Agreements are for an annual amount of groundwater less than 500 acre-feet and that amount comprises less than 10 percent of the sending providers service area deliveries.

2. Agreements are for interrupted service (not continuous deliveries).
3. The distance that groundwater is being transported from sending provider to receiving provider is one mile or less and occurs within the same sub-basin.

The Director does not review deemed interconnect contracts unless a deemed contract may negatively impact water management.

Large Volume Interconnect Contracts

The Director may review interconnect contracts which are designed to obtain large volumes of groundwater and/or which account for a substantial portion of the total water used in a service area on a case-by-case basis as they come to the attention of the Director. Among other things, the Director's review of large volume interconnect contracts examines the following:

1. The impact of the interconnect contract in areas with high groundwater level decline rates or with existing substantial depths to water.
2. The impact of interconnect contracts on areas where designations of assured water supply or certificates of assured water supply have been previously issued and the impact on physical availability in the area of the sending provider.
3. The impact of interconnect contracts on areas where groundwater withdrawals may cause the migration of poor quality water or disrupt a remedial action or contaminant plume containment plan.
4. The extent to which the receiving provider relies on the interconnect contract for its permanent water supply.

The Director may review interconnect contracts prior to, during, or after the effective dates of such contracts. After the Director's evaluation is complete, a contract will either be approved, conditionally approved or disapproved. The Director may reconsider any action taken under this policy if contractual or hydrologic conditions change. If water delivery continues after a contract has been disapproved, the Department will treat such delivery as a violation of the Arizona Groundwater Code.