



May 03, 2024

Arizona Department of Water Resources
Attn: Sharon Scantlebury, Docket Supervisor
Delivered Electronically To: docketsupervisor@azwater.gov
1802 W. Jackson St., Box 79
Phoenix, Arizona 85007

RE: *Draft Rule Amendment To The Arizona Administrative Code, Title 12, Chapter 15, Article 7 and specifically the following rules: R12-15-701, R12-15-704, R12-15-710, R12-15-711, R12-15-720, and R12-15-724 (“Draft Rule”)*

Dear Ms. Scantlebury,

Global Water Resources (“Global Water”) appreciates that the Arizona Department of Water Resources (“Department”) is forging ahead with advancing water management, and we appreciate the opportunity to comment on the above-mentioned proposed Draft Rule change. Global Water was founded in 2003 around our philosophy we call Total Water Management. This philosophy includes strong conservation programs, smart water meters, and the reuse of effluent. While barely 20 years in existence we have grown to 31 utilities today. Our largest utility, Global Water - Santa Cruz Water Company has a Designation of Assured Water Supply (“Designation”) and also has the second lowest gallons per capita per day amongst the Designated providers in the Phoenix Active Management Area (“AMA”).¹ Our approach to water management works.

Global Water strives to bring these types of water management successes to all areas we provide water. To that end we have applied for a Designation for Global Water - Belmont Water Company (“Belmont”) in 2008. In 2018 the Department worked with Belmont on the language of the final decision and order when the application process was halted – the Department wanted to rework the groundwater model. Five years later, in 2023 the new groundwater model was released, and the community was informed of unmet demand and the halting of issuances of final assured water supply determinations, including the issuance of our pending Designation application.

We have met with Department officials regarding our pending Belmont Designation and the application of the Draft Rule. Unfortunately, we find that the Draft Rule as written creates real obstacles for the implementation of good water management as well as real regulatory cost issues.

¹ Fourth Management Plan, Phoenix Active Management Area



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Although, over the last 40 plus years of water management, regulators, water providers and end users alike have been successful in breaking down barriers to implementing good water management, it appears that the proposed Draft Rule creates new barriers. Water providers and end users have invested millions of dollars to be able to fully utilize CAP water as well as effluent. More investment is needed to continue to efficiently use these supplies yet the formulas under the new Designation provisions in the Draft Rule actually results in penalizing both water providers and end users. When water providers make capital investments and bring these water supplies to use, the Draft Rule will reduce the amount of physically available water available to the provider per R12-15-710.H. This reduction in the amount of physically available water, applicable to only a subset of water providers, not only seems punitive, but creates a new barrier to fully utilize these supplies. In contrast, water providers that previously obtained a Designation or water providers who simply do not have a Designation will suffer no penalties for making capital investments and further utilizing CAP water or effluent. It appears that the Draft Rule and penalty has the unintended consequence of discouraging the use of these supplies.

The proposed Draft Rule also creates potential cost recovery issues. As a regulated public utility in the State of Arizona, cost recovery of any fees and charges (including fees associated with obtaining and maintaining a Designation and associated water acquisition) from ratepayers involves a long regulatory process in front of the Arizona Corporation Commission (“Commission”). Such cost recovery is accomplished via a rate making process called a rate case, which is time consuming and expensive. In addition, any cost recovery burdening ratepayers is contingent upon the Commission determining that such costs are reasonable, reasonably related to utility service and the expenditure for such asset is deemed “used and useful.” Typically, the Commission approves rates and charges associated within current customer bases and does not require current customers to pay for future growth. In effect the Draft Rule causes current customers to pay for water for future use. Any asset that the Commission deems not used and useful (i.e. water for future use) will be excluded from cost recovery. The costs associated with acquiring more water than necessary (as required in the Draft Rule) will undoubtedly further complicate cost recovery through a rate case before the Commission.

We appreciate the efforts of the Department staff, and we would like the Draft Rule to be successful. To that end, we propose the following changes:

- Exclude the penalties to water providers with a new Designation that put CAP water and effluent to beneficial use. This may be accomplished by specifically excluding CAP water and effluent in the definition of a New Alternative Water Supply.



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- Reduce the amount of the penalties on New Alternative Water Supplies to five percent. This would be consistent with the ‘cut to the aquifer’ for the creation of Long-Term Storage Credits and may be a defensible overage amount before the Commission when considering ratemaking.
- Move the penalty from R12-15-710.H. to R12-15-724.A.4. This will further reduce the impact of a penalty for using a New Alternative Water Supply by not reducing the physically available water yet allowing for a reduction in the amount of groundwater allowance, thus still increasing replenishment.

We appreciate the Department’s efforts to advance good water management as well as this opportunity to comment. While we believe there are new issues and barriers created to implementing good water management in the Draft Rule, changes can be made to address these issues.

We continue to seek ways for our Belmont utility to obtain a Designation and are hopeful that the Department brings this process to the Pinal AMA. We look forward to continuing to work with the Department on the Draft Rule and advancing good water management.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jake Lenderking', with a long horizontal line extending to the right.

Jake Lenderking

Senior Vice President, Water Resources and Legislative Affairs

cc: Carol Ward, Assistant Director Arizona Department of Water Resources
Pam Muse, Water Resource Specialist, Global Water Resources
Robert Metli, Regulatory Counsel, Global Water Resources