

2025 ANNUAL OPERATIONS REPORT

SUPPLEMENT TO THE 2025 CONSERVATION DISTRICT ANNUAL REPORT

CAGRD
CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT
A Division of Central Arizona Project

www.cagrd.com

Table of Contents

Abbreviations and Glossary i
Executive Summary 1
Brief Introduction to CAGRD 2
1. Enrollment and Activation 5
A. Enrollment 5
B. Activation 5
2. Replenishment Obligation Incurred and Replenishment Obligation Completed 7
3. Water Supply Program 11
A. Water Supply Activity 11
B. Summary of Water Supplies 13
C. CAGRD Long-Term Storage Subaccount 13
4. Replenishment Reserve 16
5. Operational Efforts and Successes 18
6. Conservation Activities 20
7. Legislative Action 21
8. Other Activity 22
Appendix I: 2025 ADWR Determination Letter 23

Abbreviations and Glossary

TERM	*DEFINITION*
ADWR	Arizona Department of Water Resources
AF	Acre-feet
AF/yr	Acre-feet per year
AFRP	Agua Fria Recharge Project
AMA	Active Management Area
A.R.S.	Arizona Revised Statutes
AWS	Assured Water Supply
Board	The Central Arizona Water Conservation District Board of Directors
BOR	The United States Bureau of Reclamation, a federal agency overseeing water resource management as it applies to western infrastructure projects
CAP	Central Arizona Project
CAGRD	Central Arizona Groundwater Replenishment District
CAWCD	Central Arizona Water Conservation District
CAWS	Certificate of Assured Water Supply
CDAR	Conservation District Annual Report
DAWS	Designation of Assured Water Supply
GRIC	Gila River Indian Community
GSF	Groundwater Savings Facility
HMRP	Hieroglyphic Mountains Recharge Project
HOA	Homeowners Association
LPSCO	Litchfield Park Service Company
LTSCs	Long-term Storage Credits
M&I	Municipal and Industrial
MDWID	Metropolitan Domestic Water Improvement District
ML	Member Land
MSA	Member Service Area
MWD	Maricopa Water District
NIA	Non-Indian Agricultural (CAP Priority Pool)
NMIDD	New Magma Irrigation and Drainage District
PSA	Purchase and Sale Agreement
QCIDD	Queen Creek Irrigation and Drainage District
Report Year	The year in which Excess Groundwater was delivered to each ML or withdrawn from each MSA, the year covered by the report as opposed to the year report was i
RID	Roosevelt Irrigation District
SEAP	Sustainable Effluent to Aquifer Project – former LARF site renamed following upgrades
TON	Tohono O'odham Nation
USF	Underground Storage Facility

Executive Summary

Each year, CAGRD releases its Annual Operations Report (AOR) to supplement the required Conservation District Annual Report (CDAR) submittal to the Arizona Department of Water Resources (ADWR). This report provides additional information on water supplies and administrative actions taken by CAGRD. Like the CDAR, it covers the activity from the previous calendar year. While released in 2026, the AOR represents CAGRD operations in 2025.

Enrollment and Activation

In 2023, there was a pause of the issuance of Certificates of Assured Water Supply (CAWS) based on groundwater in the Phoenix Active Management Area (AMA). The Pinal AMA has been experiencing a similar pause for several years. This is the primary driver of the decrease in enrollments since 2022. However, enrollments crept up in 2025 as developers utilized alternative supplies to receive a CAWS, or hoped to be first in line if groundwater-based CAWS reopened.

On the other hand, activations have remained very steady over the last 5 years, with the exception of 2021, which had a significant jump. Despite groundwater physical availability constraints, activations continue to be strong.

Enrollment and Activation Since 2021

Year	Lots Enrolled	Lots Activated
2025	2,086	16,487
2024	789	15,689
2023	3,518	14,397
2022	7,102	16,935
2021	7,823	25,506

Replenishment Obligation Since 2021

Year	Obligation (AF)
2025	42,430
2024	37,097
2023	33,893
2022	34,292
2021	35,433

Replenishment

In 2025, CAGRD incurred a replenishment obligation of 42,430 AF. This is a significant increase from recent replenishment obligations which havehovered around 35,000 AF. In fact, 2025's obligation is the highest since CAGRD's inception. The increase can be attributed to several factors: changes in water provider reporting strategies, depletion of groundwater allowances, and the construction of new homes. CAGRD continues to replenish excess groundwater in accordance with statutory requirements and typically completes most of its replenishment in the year after obligation is incurred.

Water Supply Program

August 2024's 24-month study confirmed Tier 1 drought operating conditions would be in place for another year. CAGRD continued its efforts on firming existing water supplies in preparation for deeper or longer-term shortage conditions. In 2025, CAGRD acquired nearly 29,000 AF of LTSCs. Additionally, CAGRD met its Replenishment Reserve targets in both the Phoenix and Tucson Active Management Areas (AMAs).

Brief Introduction to CAGRD

The Central Arizona Groundwater Replenishment District (CAGRD) was established in 1993 to provide a mechanism for landowners and water providers to demonstrate one of the requirements necessary to secure a 100-year Assured Water Supply (AWS) under Arizona law. CAGRD recharges Central Arizona Project (CAP) water and other water supplies to replenish groundwater used by its members in excess of the limits established by ADWR'S AWS Rules.

The AWS Rules limit the quantity of mined groundwater that an applicant may use to demonstrate an AWS. This groundwater use limitation prevents new development from relying solely on mined groundwater to satisfy its water demands. If a landowner or water provider has access to sufficient groundwater to demonstrate an AWS, it must also demonstrate its groundwater use will be consistent with the groundwater management goals of that area. As a member, the landowner or water provider pays CAGRD to replenish any groundwater pumped for the member that exceeds the pumping limitations (referred to as "excess groundwater") imposed by the AWS Rules.

CAGRD is operated by the Central Arizona Water Conservation District (CAWCD) throughout the portion of CAWCD's three-county service area that is within an Active Management Area (AMA). It is governed by the CAWCD Board of Directors, but CAGRD's finances are completely separate from the rest of CAWCD's finances. All costs incurred by CAGRD must be paid by CAGRD members.

Membership

Enrollment in CAGRD is voluntary; however, if a landowner or water provider is relying on groundwater to serve a new development, it is often required to meet AWS Rules. Any city, town, private water company, or subdivision located in the Phoenix, Pinal, or Tucson AMA may join CAGRD so long as it meets the State's requirements. CAGRD is comprised of two types of members: Member Service Areas (MSAs) and Member Lands (MLs).

> **MSA** - The service area of a city, town, district or private water company, including any extensions of the service area. The water provider is required annually to submit a report to CAGRD identifying the volume of total water delivered and the volume of groundwater pumped within the service area and must pay CAGRD replenishment assessments on groundwater volumes pumped in excess of the pumping limitations imposed by the AWS rules. When applying to enroll as an MSA in CAGRD, the applicant provides a projection of future population, water demands, and renewable supplies available to meet those demands. These projections serve as a basis for

estimating CAGRD's long-term replenishment obligation for the service area. Membership in CAGRD enables the water provider to receive a Designation of Assured Water Supply (DAWS) issued by ADWR for its service area.

ML – An individual subdivision with a defined legal description. The water provider agrees to annually submit water delivery information necessary to calculate the replenishment assessment for each parcel of land enrolled within the subdivision. A ML water provider does not have a DAWS. Instead, each individual subdivision must receive its own separate CAWS from ADWR, and enrollment in CAGRD enables it to do so.

Replenishment Obligation

CAGRD must replenish in each AMA the amount of Excess Groundwater that has been pumped by or delivered to its members in that AMA. The replenishment may be accomplished through: 1) the operation of underground storage facilities, where water is recharged underground into existing aquifers; 2) through groundwater savings facilities, where water is used directly by irrigation districts in lieu of pumping groundwater; or 3) through the use of long-term storage credits (LTSCs) held by CAGRD. Water used for replenishment may be CAP water or water from any other lawfully available source, except groundwater withdrawn from within an AMA.

A.R.S. § 48-3771.A requires CAGRD to "complete" the replenishment of its replenishment obligation within three calendar years after it is incurred. By statute, CAGRD replenishment obligation is fulfilled or "complete" when CAGRD's conservation district account has been credited to reflect either the storage of replenishment water or the transfer of LTSCs in sufficient volume to meet the replenishment obligation.

Revenue Sources

All operations of CAGRD must be funded completely by its members. These costs are covered by a combination of up-front fees, annual membership dues, replenishment taxes, and assessments. Each type of revenue source is dedicated to specific purposes and helps cover costs associated with replenishment activities, such as development of infrastructure, recharge facility construction, water supply acquisition, operation and maintenance, replenishment reserve accruals and administration. CAGRD also has the authority to issue revenue bonds to develop infrastructure and acquire water rights necessary to perform its replenishment obligation.

MSAs pay CAGRD for replenishment services performed on behalf of their service area, as well as annual membership dues. Individual property owners in MLs each pay a special assessment to CAGRD based on their excess groundwater use, as well as annual membership dues, collected through the annual property tax assessment.

Planning

Plan of Operation – Every ten years, CAGRD is required to submit a Plan of Operation (Plan) to the Director of ADWR. The primary purpose of the Plan is to document the actions of CAGRD over the past ten years and describe the proposed activities of CAGRD

in each AMA during the twenty-year and 100-year periods following the Plan submission. CAGRD's 2015 Plan of Operation (2015 Plan) was approved by the Director on August 5, 2015, and covers the ten-year period from 2015-2024. At the end of 2024, CAGRD submitted its proposed 2025 Plan of Operation (2025 Plan) to ADWR for review. The 2025 Plan was approved by ADWR on December 23, 2025 and covers the ten-year period from 2025-2034. See Section 5 for additional details on the 2025 Plan.

Board Strategic Plan – On December 3, 2020, the CAWCD Board of Directors unanimously adopted the 2022 CAWCD Board Strategic Plan, following a series of planning meetings and collecting stakeholder feedback. The 2022 Strategic Plan carries over many of the strategic issues from the 2016 CAWCD Strategic Plan, with additional emphasis on the relationship between CAGRD member pumping and replenishment as well as conservation messaging considering potential Colorado River shortages. CAGRD will continue the process of a five-year formal review of its operations, completing an annual operations report and quarterly updates to the CAGRD and Underground Storage Committee under the 2022 CAWCD Strategic Plan.

Mid-Plan Review - The Mid-Plan Review is a comprehensive assessment of the mid-term trends in CAGRD operations under the Plan of Operation. The Mid-Plan Review provides indications of where these trends may lead CAGRD over the remaining five years of the Plan. The first Mid-Plan Review was completed in 2011 during the 2005 Plan of Operation period. CAGRD published its second Mid-Plan review in 2020.

Annual Reporting - The Conservation District Annual Report (CDAR) is submitted to ADWR by August 31 of each year for the previous calendar year (A.R.S. § 48-3775.E). The CDAR details numerical information in a series of tables showing water storage amounts, credit transfers, account balances, groundwater replenishment obligations, contract replenishment obligations and contract replenishment credit accounting.

The Board has directed staff to develop an enhanced annual report, this document, referred to as the CAGRD Annual Operations Report, to supplement the CDAR with additional information about CAGRD operations. More specifically, this report provides further details in a narrative format on new enrollment, up-to-date replenishment obligations, water supply and replenishment reserve activities, and any new legislation and administrative activities that occurred in the report year.

The first CAGRD Annual Operations Report was completed in late 2015 for calendar year 2014, which was the final year covered under the 2005 Plan of Operation. This twelfth CAGRD Annual Operations Report was completed in fall 2026 for calendar year 2025, the first year covered under the 2025 Plan of Operation. Completion of the Annual Operations Report will always follow the submittal of the CDAR to ADWR. This report was posted on the CAGRD website (CAGRD.com) in November 2026.

1. Enrollment and Activation

A. Enrollment

Enrollment has seen a substantial decline since the pause of the issuance of groundwater-based determinations of AWS in 2023. Some enrollment activity still took place in the Phoenix AMA despite this pause. For example, a ML with 825 lots enrolled in the West Phoenix AMA in anticipation of receiving a CAWS through the Agriculture to Urban (Ag-to-Urban) program, which is described more in Section 7.

Table 1.1
New Member Land Enrollment in 2025

AMA	ML Subdivisions	ML Lots*	Projected Demand (AF/Yr)
Phoenix	4	2,034	1,171
East Phoenix	2	1,070	686
West Phoenix	2	964	485
Pinal	0	0	0
Tucson	1	52	17
TOTAL	**5**	**2,086**	**1,188**

** ML Lots refers to the total number of lots or homes within all ML Subdivisions.*

In 2025, two new MSAs enrolled. Section 7 discusses the new Alternative Path to Designation of Assured Water Supply (ADAWS) program. The ADAWS rules seek to address challenges some water providers face in pursuing a new DAWS. A prerequisite for becoming Designated through ADAWS is to enroll in the CAGRD as an MSA. In October 2025, CAGRD enrolled EPCOR – West Valley as an MSA, and they become the first water provider to become Designated through the ADAWS rules.

Additionally, in 2024, CAGRD worked with Global Water – Farmers Water Co. (Farmers) on enrolling in the CAGRD as a Member Service Area. In June 2024, the CAWCD Board of Directors voted to approve the MSA Agreement between Farmers and CAGRD. The agreement was structured so that the MSA became effective on January 1, 2025.

B. Activation

The Arizona Department of Real Estate issues a public report allowing the sale and lease of lots within subdivisions. Prior to the issuance of the public report for subdivisions within CAGRD MLs and MSAs, an Activation Fee must be paid to CAGRD for each residential unit offered for sale. In 2025, the number of lots activated totaled 16,487. This is approximately a 5% increase from 2024, although still very close to the average over the last 5 years. More lots were activated in MSAs versus MLs.

Table 1.2
Number of Lots Activated in 2025

AMA	MLs	MSAs	Combined
Phoenix	6,198	7,220	**13,418**
Pinal	-	-	**-**
Tucson	142	2,927	**3,069**
Total	**6,340**	**10,147**	**16,487**

2. Replenishment Obligation Incurred and Replenishment Obligation Completed

A municipal water provider serving MLs is required by statute to file an annual report with CAGRD for each ML subdivision that it serves; this report must indicate the volume of total water and the volume of groundwater delivered to each parcel in the subdivision, as well as a calculation of Excess Groundwater delivered. MSAs also are required by statute to file an annual report with CAGRD indicating the volume of total groundwater and the volume of excess groundwater pumped within their service areas. These reports must be submitted to CAGRD by March 31st of each year, and the volumes reported represent pumping or deliveries from the previous year. CAGRD must complete its Replenishment Obligation within three calendar years after it is incurred. Therefore, at any given point in time there may be one or more years of obligation unfulfilled.

Current CAGRD practice is to complete replenishment the calendar year after groundwater delivery. Depending on operational circumstances, it may be prudent for CAGRD to prioritize replenishment in certain areas or delay its replenishment. CAGRD replenishment has always been completed within statutory time frames.

The replenishment obligation reflects the volume of excess groundwater delivered by municipal water providers serving CAGRD ML subdivisions and withdrawn by MSA providers within their service areas. In 2025, CAGRD incurred a replenishment obligation of 42,430 AF. Table 2.1 shows the distribution of obligation between MLs and MSAs by AMA.

CDAR and Updated Data

Each year, CAGRD receives updated information from water providers, developers and homebuilders regarding activities from previous years, necessitating updates to CAGRD records. Corrections sometimes occur after the CDAR is submitted to ADWR or after yearly totals of enrollment and activation occur.

The 2025 CDAR reflects a decrease in obligation of 6.04 AF in the Phoenix AMA due to updated reporting from a Homeowner's Association.

Additionally, in 2022, GRD stored water at a groundwater savings facility (GSF) that fell out of compliance with adwr. Some of the credits GRD earned were withheld. The credits were restored and CAGRD utilized them to meet 2024 replenishment obligation.

Table 2.1
Replenishment Obligation (AF) for MLs and MSAs in 2025 by AMA

AMA	MLs	MSAs	Combined
Phoenix	28,854	8,317	37,171
Pinal	33	1,485	1,518
Tucson	1,928	1,813	3,741
TOTAL	**30,815**	**11,615**	**42,430**

**All values rounded to the nearest AF. Totals may vary slightly from yearly component values. Non-rounded quantities available on* https://cagrd.com/operations/cagrd-reports-and-information/

Tables 2.2 through 2.4 list the volumes of Excess Groundwater reported from 2022 through 2025 along the top row. The tables also identify the year and extent to which the replenishment obligation resulting from those deliveries has been completed. Recent activity is shown to demonstrate CAGRD has met its obligation within the statutory replenishment time frame. In 2025, CAGRD fulfilled 34,693 AF of replenishment obligation as shown in Tables 2.2, 2.4 and 2.5 (refer to 2025 row).

The following explanation may assist in interpreting these tables: The top row (green) shows the year in which deliveries of excess groundwater occurred. In the Phoenix AMA, (Table 2.2), the 2022 column reflects 31,400 AF of excess groundwater reported for both MLs and MSAs. Fulfillment of this obligation occurred over a 2-year period; 31,334 AF was replenished in 2023; and 66 AF was replenished in 2024. This table illustrates that CAGRD continues to meet its statutory requirement of fulfilling obligation within 3 years of incurring it.

Table 2.2
Completion of Replenishment Obligation - Phoenix AMA

Phoenix AMA		Excess Ground Water Obligation by Report Year (AF)			
		2022	2023	2024	2025
		31,400	30,704	33,011	37,171
Year and Volume (AF) Obligation Completed	2022			1,242*	
	2023	31,334	2,982		
	2024	66	27,690		
	2025		32	31,433	
Amount Unmet to Date		**0**	**0**	**335**	**37,171**

All values rounded to the nearest AF. Totals may vary slightly from yearly component values. Non-rounded quantities available on https://cagrd.com/operations/cagrd-reports-and-information/.

**Reflects a carry-forward credit restoration by ADWR of 1,242.24 AF for water delivered to the Maricopa Water District GSF in 2022.*

East Phoenix AMA and West Phoenix AMA

A.R.S. §48-3772.I compels CAGRD to:

> "In the Phoenix active management area, the district [CAGRD], to the extent reasonably feasible, shall replenish groundwater in the east portion of the active management area and in the west portion of the active management area in the approximate proportion that the groundwater replenishment obligation attributable

in a particular year to member lands and member service areas located in the east portion of the active management area bears to the groundwater replenishment obligation attributable in that year to member lands and member service areas located in the west portion of the active management area."

Year-to-year operational decisions, contractual requirements, and availability of recharge locations dictate the amount of replenishment occurring in each portion of the Phoenix AMA. Table 2.3 provides a breakdown on replenishment activities in 2025 of 2024 obligation between the east and west portions of the Phoenix AMA.

Table 2.3
2025 Replenishment of 2024 West Phoenix and East Phoenix Obligation (AF)

West Phoenix		East Phoenix	
Obligation	**Replenishment**	**Obligation**	**Replenishment**
18,137	17,762*	14,874	14,914
2024 Remaining Obligation for 2026		**335**	

**Reflects a carry-forward credit restoration by ADWR of 1,242.24 AF for water delivered to the Maricopa Water District GSF in 2022.*

Table 2.4
Completion of Replenishment Obligation - Pinal AMA

Pinal AMA		Excess Ground Water Obligation by Report Year (AF)			
		2022	**2023**	**2024**	**2025**
		208	24	694	1,518
Year and Volume (AF) Obligation Completed	**2023**	208	3,403*		
	2024			2,709*	
	2025				1,191*
Amount Unmet to Date		**0**	**0**	**0**	**0**

All values rounded to the nearest AF. Totals may vary slightly from yearly component values. Non-rounded quantities available on https://cagrd.com/operations/cagrd-reports-and-information/.

**Per discussion with ADWR staff on 8/20/2024, an administrative credit of 3,426.99 AF in the Pinal AMA was made due to a revision of accounted groundwater allowance. 2024 and 2025 Pinal AMA obligation was met using this administrative credit.*

Table 2.5
Completion of Replenishment Obligation - Tucson AMA

Tucson AMA		Excess Ground Water Obligation by Report Year (AF)			
		2022	2023	2024	2025
		2,750	3,054	3,392	3,741
Year and Volume (AF) Obligation Completed	2023	2,7230			
	2024	20	2,956		
	2025		98	3,130	
Amount Unmet to Date		**0**	**0**	**262**	**3,741**

All values rounded to the nearest AF. Totals may vary slightly from yearly component values. Non-rounded quantities available on https://cagrd.com/operations/cagrd-reports-and-information/.

3. Water Supply Program

A description of CAGRD's Water Supply Program for 2025 is provided under two headings: Section A - Water Supply Activity and Section B - Summary of Water Supplies. Section A describes both new and ongoing activity in the program for 2025. Discussion of new activity in 2025 will identify whether new physical supplies became available during the reporting year or will become available at some future date as specified in the associated contract or agreement. Section B shows an overall picture of CAGRD's water supplies for 2025, summarizing the volume of water supplies CAGRD had available going into the year, water accrued or acquired during the year and the total volume available at the end of the year.

A. Water Supply Activity

2025 Long-Term Storage Credit Acquisition Activities

In 2025, CAGRD acquired a total of 28,932 AF of long-term storage credits (LTSCs) through ongoing water leases and agreements, as well as the Recovery and Exchange Agreement with the Gila River Indian Community (GRIC). Table 3.1, found below, details the LTSC transactions, by seller name and AMA, that CAGRD completed in 2025.

Table 3.1
LTSCs Acquired in 2025

AMA	LTSCs (AF)
Phoenix AMA	
Tohono O'odham Nation	10,000
City of Peoria	7,182
Stone Applications, LLC	2,000
Phoenix AMA Subtotal	***19,182***
Tucson AMA	
City of Tucson	5,000
U.S. Bureau of Reclamation	4,500
MDWID (Metro)	250
Tucson AMA Subtotal	***9,750***
AMAs Total	**28,932**

Gila River Indian Community

In 2025, a Tier 1 Colorado River shortage year, CAGRD ordered and GRIC delivered a reduced subcontract volume of 13,639 AF or 75% of 18,185 AF contracted volume due to NIA mitigation provided under the Arizona Drought Contingency Plan (DCP).

However, in 2025, CAGRD did not acquire LTSCs from the GRIC with the 25-year (2020 through 2044) CAP NIA Lease Agreement due to administrative filing issues. In 2026, GRIC and CAGRD will complete two LTSC transfers for LTSCs earned in both 2024 (1,579 AF) and 2025 (1,273) totaling 2,852 AF. A majority of the CAGRD's 18,185 AF/year CAP NIA Lease water is delivered and stored annually at the GRIC-owned MAR-5 USF. The MAR-5 USF primarily discharges water into the Gila River just upstream of the Olberg Dam at the Phoenix and Pinal AMAs boundary. Due to the unique geographic location of the MAR-5 USF, each year a percentage of the water delivery is attributed to the Phoenix and Pinal AMAs, approximately 80% to 20%, respectively. Therefore, each year CAGRD usually performs an LTSC transfer whereby CAGRD transfers Pinal AMA LTSCs to GRIC for an equal amount of the GRIC's Phoenix AMA LTSCs.

City of Peoria – LTSC PSA and 1,885 AF CAP M&I Transfer and Assignment

In 2020, CAGRD and the City of Peoria (Peoria) executed an LTSC Purchase and Sale Agreement (PSA) under which CAGRD will acquire from Peoria 34,397 LTSCs over five consecutive years from 2022 through 2026 for an annualized total of 7,182.20 LTSCs from 2022 through 2025 and 5,668 LTSCs in 2026. The LTSC PSA was the result of extensive negotiations between CAGRD and was contingent upon the successful approval of a transfer and assignment of 1,885 acre-feet of CAP M&I Priority Water from CAGRD to Peoria. The transfer and assignment of up to 1,885 acre-feet of CAP M&I Priority Water is contractual under section 5.5 of CAGRD's Supplemental Contract and a result of Peoria's acquisition and successor in interest status of New River Utility Company (NRUC) since 2016. In December 2020, the parties filed a joint application to ADWR requesting a review of the transfer and assignment. ADWR determined that the proposed transfer was consistent with applicable "Water Management Objectives and Review Criteria of the CAP Subcontract Transfer Policy" and recommended the Bureau of Reclamation (BOR) initiate the process to assign the 1,885 acre-feet entitlement to Peoria. In April 2022, the parties received their amended M&I subcontracts from BOR and began implementation of the 5-year LTSC PSA.

City of Tucson

In 2013, CAWCD and the City of Tucson (Tucson) entered into an agreement where Tucson agreed to sell and transfer 100,000 AF of Tucson AMA LTSCs to CAGRD. CAGRD has committed to purchasing 4,000 AF of credits each year for 25 years and retains an option to purchase up to an additional 1,000 AF of LTSCs in any given year. Through 2025, CAGRD has acquired 60,000 AF of LTSCs through this agreement.

Metro Water

CAWCD and Metropolitan Domestic Water Improvement District (Metro) entered into a

credit purchase agreement in 2015. Under this agreement, Metro will sell to CAGRD a minimum of 250 LTSCs, up to a maximum of 1,000 LTSCs, each year. The agreement was amended in 2017 to change the storage facility at which the credits would be accrued. This agreement will be effective until 2061 if the option for two additional 10-year terms is exercised beyond the initial 25- year term. CAGRD has acquired 3,500 AF of LTSCs through 2025 under this agreement.

2025 Single Year LTSC Acquisitions

In 2025, CAGRD completed three single-year LTSC acquisitions. Two LTSC acquisitions occurred in the Phoenix AMA with the Tohono O'odham Nation (10,000 LTSCs) and Stone Applications, LLC (2,000 LTSCs) and the third was in the Tucson AMA with the U.S. Bureau of Reclamation (4,500 LTSCs).

B. Summary of Water Supplies

In addition to the water supplies described in Section A, CAGRD utilizes the following water supplies to fulfill its statutory annual replenishment obligations.

CAGRD CAP Entitlement

Since April 2022, CAWCD, for benefit of the CAGRD, holds an annual entitlement to 6,426 AF of CAP Municipal & Industrial (M&I) Priority water pursuant to the "Supplemental Contract between the U.S. and CAWCD for Delivery of CAP Water, Contract No. 14-06W-245, Exhibit A, Amendment No. 3, Supplement No. 1 as amended" (Supplemental Contract). The Supplemental Contract is for permanent water service for replenishment obligations incurred solely in the Phoenix AMA.

CAGRD Effluent Entitlement

CAWCD acquired 2,400 AF annually of effluent produced at the Palm Valley Water Reclamation Facility in Goodyear as part of the "Agreement for Development of Effluent Recharge Facility, Effluent Disposal and Purchase and Sale of Effluent" completed with Liberty Utilities in 2014. This 100-year lease of the effluent entitlement became effective in 2017 with the completion of the Sustainable Effluent to Aquifer Project (SEAP), where the leased effluent is recharged. Modifications to the facility implemented in 2020 have increased recharge rates. As a result of these improvements CAGRD's entire entitlement of 2,400 AF of effluent was recharged at SEAP in 2025.

CAWCD NIA Allotment

In September 2021, CAWCD, for the benefit of CAGRD replenishment, received the fully executed Non-Indian Agricultural (NIA) subcontract from the Bureau of Reclamation. In 2025, a Tier 1 Colorado River shortage year, CAGRD ordered and delivered a reduced subcontract volume of 13,639 AF or 75% of 18,185 AF contracted volume due to NIA mitigation provided under the Arizona DCP.

C. CAGRD Long-Term Storage Subaccount

In 2025, CAGRD began the year with a cumulative AMA (Phoenix, Tucson and Pinal AMAs) LTSC balance of 992,906 LTSCs in the Long-Term Storage Subaccount and ended 2025 with a balance of 1,021,808 LTSCs. Table 3.2 and the narrative below provide an AMA-by-AMA summary of water supply deliveries and LTSC accrual for calendar year 2025.

Table 3.2
2025 CAGRD Long-Term Storage Subaccount

AMA	2024 Year End Balance	2025 LTSC Activities Storage/Recovery/RR (Net)	2025 Year End Balance
Phoenix	524,884	32,880	557,763
Pinal	301,579	-13,727	287,852
Tucson	166,443	9,750	176,193
TOTAL	**992,906**	**28,903**	**1,021,808**

**All values rounded to the nearest AF. Totals may vary slightly from yearly component values. Non-rounded quantities available on https://cagrd.com/operations/cagrd-reports-and-information/.*

Phoenix AMA

As discussed in the previous section subtitled, "2025 Long-Term Storage Credits Activities", a total of 32,880 LTSCs were added in the Phoenix AMA in 2025. These LTSCs were obtained through LTSC PSAs, GRIC water supply agreements, and public and private entities. CAGRD's Phoenix AMA LTSC Sub-Account 2025 year-end balance totaled 557,763 LTSCs.

Tucson AMA

A total of 9,750 LTSCs were acquired by CAGRD in the Tucson AMA in 2025 via LTSC PSAs. Additionally, in 2025, all LTSCs generated through water delivery and storage activities were applied to CAGRD's annual obligation fulfillment. CAGRD's LTSC Sub-Account 2025 year-end balance totaled 176,193 LTSCs.

Pinal AMA

In 2025, CAGRD, pursuant to the Recovery and Exchange Agreement, recovered 15,000 AF of Pinal AMA LTSCs on behalf of GRIC for on-reservation irrigation activities. The water CAGRD recovered was then exchanged on a 1:1 acre-foot basis for Indian priority water deliveries to several Phoenix AMA GSFs; MWD, NMIDD and QCIDD. Additionally, CAGRD, pursuant to the GRIC NIA Lease, delivered 13,639 AF (reduced Tier 1 shortage volume) to the Community-owned MAR-5 USF. Deliveries to MAR-5 USF are subject to the ADWR calculations of cut-to-the-aquifer, evaporation losses and are split between the Phoenix

and Pinal AMAs due to the USF's proximity to the AMA boundary. In 2025, CAGRD earned 1,273 LTSCs in the Pinal AMA from water storage at the MAR-5 USF. CAGRD's LTSC Sub-Account 2025 year-end balance totaled 287,852 LTSCs.

4. Replenishment Reserve

The Replenishment Reserve consists of LTSCs that CAGRD accrues in a Replenishment Reserve subaccount established for each AMA where CAGRD operates. The purpose of the Replenishment Reserve is to ensure that CAGRD will be able to meet its replenishment obligation and to enhance rate stability. During periods of water supply shortage or infrastructure failure, CAGRD may use LTSCs from the Replenishment Reserve to offset its replenishment obligation rather than purchasing spot market water. Water purchased on the spot market is likely to be more costly during shortage or outage conditions.

CAWCD LTSCs Dedicated to CAGRD Replenishment Reserve or Meeting Replenishment Obligation

The Board has dedicated LTSCs held by CAWCD for exclusive use by CAGRD to meet its legal requirements to establish and maintain the CAGRD Replenishment Reserve subaccounts for each AMA or to meet its annual replenishment obligations. 489,486 AF of CAWCD LTSCs remain reserved for CAGRD purchase and use under CAWCD Board policy. These credits are in the Pinal (311,023 AF) and Phoenix (178,463 AF) AMAs.

CAGRD Replenishment Reserve Subaccount

CAGRD accrues LTSCs through a combination of storage in constructed USFs, storage at GSFs, purchases of pre-existing LTSCs, and LTSC transfers from MSAs who wish to offset the Replenishment Reserve component of their replenishment Tax. Table 4 provides the Replenishment Reserve balance at the end of 2024, the number of credits accrued during 2025, and the resulting balance of LTSCs in the Replenishment Reserve at year-end, by AMA. Also shown is the percentage of the Reserve Target goal achieved through the end of 2025. A Reserve Target must be identified for each AMA in the Plan of Operation.

During 2025, legislation was passed that included a new calculation of the Reserve Targets. This was part of the Ag-to-Urban legislation described in Section 7. Prior to this legislation, the Reserve Target for each AMA was equivalent to 20% of the difference between the total 100-year replenishment obligation for that AMA and the total volume of long- and intermediate-term water supplies planned to be used to meet the obligation. The Reserve Target for each AMA is now calculated by adding together the projected replenishment obligation for the first twenty years of the most recent Plan of Operation, then dividing the cumulative 20-year projected replenishment obligation by twenty to determine the 20-year average annual projected obligation. Finally, the 20-year average annual projected obligation is multiplied by five. Under the new Reserve Targets established in the 2025 Plan, CAGRD has met the Reserve Target in both the Phoenix and Tucson AMAs.

CAGRD began 2025 with a balance of 334,795 AF in the Replenishment Reserve subaccounts and purchased an additional 35 AF in the Pinal AMA. Because CAGRD has already met its Reserve Target in both the Phoenix and Tucson AMA, no credits needed to be acquired for the Replenishment Reserve in those AMAs.

Table 4.1
Replenishment Reserve Balance and Target Achieved for 2025 (AF)

AMA	Replenishment Reserve Balance (12/31/24)	Replenishment Reserve Accruals During 2025	Replenishment Reserve Balance (12/31/25)	Reserve Target	% of Reserve Target Achieved (12/31/25)
Phoenix	284,691	0	284,691	271,714	105%
Pinal	6,192	35	6,227	12,154	51%
Tucson	43,912	0	43,912	38,408	114%
TOTAL	**334,795**	**35**	**334,830**	**322,276**	

5. Operational Efforts and Successes

In August 2024, the Bureau of Reclamation released the Colorado River Basin August 24-month study which indicated that the Basin would be in a Tier 1 Shortage in 2025. As described in the above Water Supply section above, CAGRD was well-prepared for potential reductions in water supplies. Efforts have been made to acquire new supplies and firm existing supplies.

Shortage conditions also framed CAGRD/CAWCD as one of the cost-share partners in a feasibility study regarding a potential modification to Bartlett Dam. This modification would increase the storage capacity at Bartlett Lake, potentially creating a larger supply of Verde River water. The CAGRD and Underground Storage Committee received regular updates on the feasibility study.

Another success was the creation of a new CAWCD Board Policy on LTSC transfers. In recent years, CAGRD staff have received requests to participate in transfers of LTSCs between CAGRD and outside entities. These requests are indicative of the desire by outside entities to obtain credits in a preferred location while transferring to CAGRD a like number of credits in a different location, still within the same AMA. Because of current market conditions, CAGRD anticipated that requests for credit transfers were likely to continue in the future. Staff developed the LTSC transfer policy to ensure that CAGRD and its members receive at least an equal benefit from the transfer. The CAWCD Board approved the policy in May 2025.

As discussed in the 2024 Annual Operations report, a new water management concept emerged in response to the pause on the issuance of new determinations of AWS based on groundwater. ADAWS creates a path for municipal providers to grow while still meeting the 100-year AWS rules. Growth was significantly limited in some providers' service areas, and ADAWS became one of the only ways to continue developing. As mentioned in earlier sections, becoming an MSA is a prerequisite to receiving a Designation through ADAWS. Becoming an MSA can be a time-consuming process, as the MSA Agreement must be discussed and voted on by the CAGRD and Underground Storage Committee, and then voted on by the CAWCD Board. Because of the urgency to restart growth in these impacted areas, CAGRD created standard form MSA Agreements that can be signed by CAWCD's General Manager, rather than discussed and voted on at the Committee and Board for each MSA. The different forms accommodate ADAWS applicants that are seeking to utilize Transitional Reporting, as well as those that are not utilizing Transitional Reporting. These two forms also exist for both the Phoenix and Pinal AMAs.

2025 Plan of Operation

Perhaps the most significant achievement of 2025 was the approval of the 2025 Plan of Operation. Every 10 years, CAGRD is required to submit a Plan of Operation for approval by the Director of the Arizona Department of Water Resources. Previous Plans were approved in 1995, 2005 and 2015. After nearly three years of development, the draft 2025 Plan of Operation was submitted to ADWR on December 30, 2024 for review.

On February 28, 2025, ADWR requested that GRD make several changes to the draft 2025 Plan, including removing Non-Indian Agriculture (NIA) priority CAP water as an available supply, and providing additional information about certain analysis. In late May, CAGRD submitted an amended version of the 2025 Plan to ADWR for further review. Upon the Ag-to-Urban legislation passing during the 2025 legislative session, ADWR once again requested an updated 2025 Plan that included the potential impacts of Ag-to-Urban, as well as clarification on components of CAGRD's water supply. CAGRD submitted another version of the 2025 Plan to ADWR in August, and on December 22, 2025, ADWR determined that the 2025 Plan is consistent with achieving the management goal in all 3 AMAs.

6. Conservation Activities

CAGRD created the Water Efficient Construction Incentive Program (WECIP) to encourage conservation efforts among new construction homes in parts of its service area. WECIP is a voluntary program that awards $1,000 per home that is certified to WaterSense 2.0 standards. A WaterSense 2.0 certified home uses less water than its uncertified counterpart. By using less water, CAGRD members pump less groundwater, resulting in a lower obligation volume. This reduces costs for CAGRD members and competition for water supplies.

The third cycle of WECIP opened in June 2025. Each cycle, there is $150,000 available (equal to 150 homes at $1,000 per lot) that developers can apply for to receive the incentive. The incentive is available to all homes in MLs, as well as those MSAs expected to have a replenishment obligation. Just like 2024, the program was very successful, and all of the funds were distributed after just a few months of the program being opened.

Another aspect of CAGRD's conservation efforts is a continued partnership with Water Use It Wisely (WUIW), an Arizona water conservation campaign. CAGRD contributed $15,000 towards WUIW's general campaign, and an additional $25,000 for WUIW's 2025-2026 Robust XL marketing campaign which supports things like targeted ads focused on water conservation.

7. Legislative Action

Annual Membership Dues

The Plan of Operation has significant impacts across CAGRD's operations. One such impact is in the calculation of Annual Membership Dues (AMDs). Statute previously tied the calculation of AMDs to the projected replenishment obligation in the most recent Plan of Operation. Under the 2025 Plan, staff analysis determined that there would be substantial rate increases for MSA AMDs and inequities between ML AMDs across AMAs.

Staff conducted analysis and stakeholder outreach to develop a solution. During the 2025 legislative session, a bill was run to make minor technical changes to the AMD statutes that would stabilize the AMD rates. HB2691 was signed by Governor Katie Hobbs on May 7th, 2025.

Ag-to-Urban

At the end of the 2025 legislative session, an agreement was reached on an Ag-to-Urban proposal. The Ag-to-Urban program allows agricultural land to be converted in exchange for groundwater savings credits. The credits can be used towards new Certificates or Designations of AWS through 2030. After 2030, groundwater savings credits can be pledged only to Designations. The final Ag-to-Urban agreement contained requests from CAP to minimize replenishment impacts. These included amending the Replenishment Reserve Target calculation, as well as formal support from the legislature for CAGRD's water supply acquisitions.

8. Other Activity

Third-Party Marketing of LTSCs to ML Homeowners Associations

First described in the 2015 Annual Operations Report, third-party entities began marketing LTSCs to homeowners associations (HOAs) within CAGRD MLs in 2015 as an alternative to receiving excess groundwater and paying CAGRD assessments. The concept involves individual ML property owners, such as an HOA, obtaining a recovery permit for one of their water provider's wells, purchasing LTSCs from a third-party, and entering into an agreement whereby the water provider would recover the LTSCs on behalf of the property owner and "wheel" the recovered water in lieu of groundwater that would otherwise be delivered to the property. The LTSCs may be used to reduce or eliminate the property's replenishment obligation and thereby reduce the CAGRD assessment for that year.

In 2025, the total amount of credits wheeled and recovered within Member Land subdivisions, in order to reduce or eliminate a property's replenishment obligation, was 463.69 AF within the Phoenix AMA. No wheeled and recovered LTSCs were reported in the Pinal or Tucson AMAs.

Appendix I: 2025 ADWR Determination Letter

CAGRD received notification from ADWR on October 7, 2026 that the 2025 CDAR had been reviewed. CAGRD was determined to be in compliance with its groundwater replenishment obligations as required by statute.

A copy of the letter is included on the following page.

KATIE M. HOBBS
GOVERNOR

THOMAS BUSCHATZKE
DIRECTOR

ARIZONA DEPARTMENT OF WATER RESOURCES
1110 WEST WASHINGTON STREET, SUITE 310
PHOENIX, ARIZONA 85007
602.771.8500
AZWATER.GOV

October 7, 2026

Via email to vbaji@cap-az.com

Viviane Baji, Manager
Central Arizona Groundwater Replenishment District
P.O. Box 43020
Phoenix, AZ 85080-3020

Re: CAGRD Accounting Status 2025

Dear Ms. Baji:

The Arizona Department of Water Resources (Department) has reviewed the Central Arizona Groundwater Replenishment District (CAGRD) 2025 Conservation District Annual Report, dated August 20, 2026. As prescribed by A.R.S. § 45-859.01(I), the Department determined in October of 2026 that the CAGRD completed the groundwater replenishment obligation, as specified in A.R.S. §48-3771, for each Active Management Area. This letter is to inform you of that determination.

If you have any questions regarding this determination, please feel free to contact Kym Luttermoser at (602) 771-8660 or by email at kluttermoser@azwater.gov.

Sincerely,

Carol M. Ward, Assistant Director
Water Planning and Permitting

cc via email:

	Tom Buschatzke, ADWR	tbuschatzke@azwater.gov
	Patrick Dent, CAP	pdent@cap-az.com
	Monika Tkaczyk, CAGRD	mtkacyzk@cap-az.com
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Adobe Acrobat Sign Transaction Number: CBJCHBCAABAAKNPGhGKOZBUzsP0eUyIcD5IuA1YtIVpr