

**CENTRAL ARIZONA PROJECT
PRELIMINARY 2020-2024 RATE SCHEDULE
ALTERNATIVE 1: SHORTAGE STARTS IN 2020**

May 2, 2019

DELIVERY RATES FOR VARIOUS CLASSES OF WATER SERVICE

Units = \$/ acre-foot

(The Letter Designations in the Formulas Refer to the Rate Components Shown Below)

| DCP Tier | T1 | | T1 | | T1 | | T2a | | T2a | |
|--|--------|-----------|-----------|----------|--------|--------|--------|--|-----|--|
| | 2018 | Firm 2019 | Firm 2020 | Advisory | | | | | | |
| | 2018 | Firm 2019 | Firm 2020 | 2021 | 2022 | 2023 | 2024 | | | |
| Municipal and Industrial Subcontract (B+C) | \$ 160 | \$ 158 | \$ 186 | \$ 188 | \$ 195 | \$ 212 | \$ 221 | | | |
| Federal Contract (B+C) | \$ 160 | \$ 158 | \$ 186 | \$ 188 | \$ 195 | \$ 212 | \$ 221 | | | |
| Agricultural Settlement Pool (C) ¹ | \$ 65 | \$ 62 | \$ 58 | \$ 57 | \$ 57 | \$ 59 | \$ 61 | | | |
| <u>Agricultural Incentives</u> | | | | | | | | | | |
| Meet Settlement Pool Goals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| Meet AWBA/CAGR GSF Goals | (1) | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| Meet Recovery Goals | (1) | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| Excess (A+B+C) ² | \$ 205 | \$ 199 | \$ 242 | \$ 254 | \$ 266 | \$ 280 | \$ 291 | | | |
| Interstate (A+B+C+D) | \$ 254 | \$ 253 | TBD | TBD | TBD | TBD | TBD | | | |

RATE COMPONENTS

Units = \$/acre-foot

| | 2018 | Firm 2019 | Firm 2020 | Advisory | | | |
|---|-------|-----------|-----------|----------|--------|--------|--------|
| | 2018 | Firm 2019 | Firm 2020 | 2021 | 2022 | 2023 | 2024 |
| Capital Charges | | | | | | | |
| (A) Municipal and Industrial - Long Term Subcontract ³ | \$ 45 | \$ 41 | \$ 56 | \$ 66 | \$ 71 | \$ 68 | \$ 70 |
| Delivery Charges | | | | | | | |
| Fixed O&M ⁴ | 67 | 72 | 98 | 101 | 109 | 119 | 124 |
| Big "R" ⁴ | 27 | 24 | 30 | 30 | 29 | 34 | 36 |
| Fixed OM&R Rate Stabilization ⁴ | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| (B) Fixed OM&R ⁴ | \$ 95 | \$ 96 | \$ 128 | \$ 131 | \$ 138 | \$ 153 | \$ 160 |
| (C) Pumping Energy Rate ⁵ | \$ 65 | \$ 62 | \$ 58 | \$ 57 | \$ 57 | \$ 59 | \$ 61 |
| (D) Property Tax Equivalency | \$ 49 | \$ 54 | TBD | TBD | TBD | TBD | TBD |
| (E) Proposed Rate Stabilization ⁶ | | | \$ (18) | \$ (7) | \$ - | \$ - | \$ - |

DIRECT UNDERGROUND WATER STORAGE

Units = \$/acre-foot

| | 2018 | Firm 2019 | Firm 2020 | Advisory | | | |
|--|-------|-----------|-----------|----------|-------|-------|-------|
| | 2018 | Firm 2019 | Firm 2020 | 2021 | 2022 | 2023 | 2024 |
| Underground Water Storage O&M ⁷ | | | | | | | |
| Phoenix AMA | \$ 13 | \$ 13 | \$ 13 | \$ 13 | \$ 14 | \$ 14 | \$ 15 |
| Tucson AMA | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Underground Water Storage Capital Charge ⁸ | | | | | | | |
| Phoenix AMA | \$ 15 | \$ 15 | \$ 15 | \$ 15 | \$ 15 | \$ 15 | \$ 15 |
| Tucson AMA | 9 | 9 | 9 | 9 | 9 | 9 | 9 |

**CENTRAL ARIZONA PROJECT
PRELIMINARY 2020-2024 RATE SCHEDULE
ALTERNATIVE 1: SHORTAGE STARTS IN 2020**

May 2, 2019

NOTES:

- 1) Rate is the Pumping Energy Rate component. Board policy is to allow the rate to increase no more than \$4/AF per year.
- 2) Excess includes the Arizona Water Banking Authority, CAGR and BOR and is administered according to CAP's Access to Excess policy.
- 3) For M&I subcontract water, the Capital Charge is paid on full allocation regardless of amount delivered and is not included in delivery rates. Capital charge rate for 2020 includes reduction of \$12/AF and 2021 includes a reduction of \$8/AF as a result of application of property taxes to federal repayment.
- 4) Fixed OM&R charge consists of Fixed O&M, "Big R" (Water delivery capital, large extraordinary maintenance projects and bond debt service) and Fixed OM&R Rate Stabilization. Debt service on CAP's Water Delivery O&M Revenue Bonds, Series 2016 is about \$3.6 million annually and is included in "Big R". This rate is collected on all ordered water whether delivered or not.
- 5) The pumping energy rate applies to all actual water volumes as opposed to scheduled. The energy rate decline post-2019, reflects the closure of the Navajo Generating Station.
- 6) Proposed application of Rate Stabilization, not included in above rates.
- 7) Underground Water Storage O&M is paid by all direct recharge customers using CAP recharge sites.
- 8) Underground Water Storage Capital Charge is paid by all direct recharge customers except AWBA for M&I firming, the CAGR, municipal providers within the CAP service area and co-owners of CAWCD recharge facilities using no more than their share of capacity.

Key Assumptions

- Non-Indian Ag reallocation occurs in 2021 for 2022 deliveries
- Wheeling starts in 2021 at 700 acre-foot/year and remains at that level
- Rates are in accordance with Arizona Implementation Plan for Drought Contingency Plan