

**CENTRAL ARIZONA PROJECT
PRELIMINARY 2020-2024 RATE SCHEDULE
BASE CASE: SHORTAGE STARTS IN 2021**

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	T0		T1	T1	T2a	T2a	
	2018	Firm 2019	Firm 2020	Advisory			
	2018	2019	2020	2021	2022	2023	2024
<u>Municipal and Industrial Subcontract (B+C)</u>	\$ 160	\$ 158	\$ 155	\$ 187	\$ 194	\$ 211	\$ 220
<u>Federal Contract (B+C)</u>	\$ 160	\$ 158	\$ 155	\$ 187	\$ 194	\$ 211	\$ 220
<u>Agricultural Settlement Pool (C) ¹</u>	\$ 65	\$ 62	\$ 56	\$ 57	\$ 57	\$ 59	\$ 61
<u>Agricultural Incentives</u>							
Meet Settlement Pool Goals	0	0	0	0	0	0	0
Meet AWBA/CAGR D GSF Goals	(1)	0	0	0	0	0	0
Meet Recovery Goals	(1)	0	0	0	0	0	0
<u>Excess (A+B+C) ²</u>	\$ 205	\$ 199	\$ 211	\$ 253	\$ 265	\$ 279	\$ 290
<u>Interstate (A+B+C+D)</u>	\$ 254	\$ 253	TBD	TBD	TBD	TBD	TBD

RATE COMPONENTS

Units = \$/acre-foot

	2018	Firm 2019	Firm 2020	Advisory			2024
	2018	2019	2020	2021	2022	2023	2024
<u>Capital Charges</u>							
(A) Municipal and Industrial - Long Term Subcontract ³	\$ 45	\$ 41	\$ 56	\$ 66	\$ 71	\$ 68	\$ 70
<u>Delivery Charges</u>							
Fixed O&M ⁴	67	72	75	100	108	118	124
Big "R" ⁴	27	24	24	30	29	34	35
Fixed OM&R Rate Stabilization ⁴	1	0	0	0	0	0	0
(B) Fixed OM&R ⁴	\$ 95	\$ 96	\$ 99	\$ 130	\$ 137	\$ 152	\$ 159
(C) Pumping Energy Rate ⁵	\$ 65	\$ 62	\$ 56	\$ 57	\$ 57	\$ 59	\$ 61
(D) Property Tax Equivalency	\$ 49	\$ 54	TBD	TBD	TBD	TBD	TBD
(E) Proposed Rate Stabilization ⁶			\$0	\$ (15)	\$ (6)	\$ (4)	\$0

DIRECT UNDERGROUND WATER STORAGE

Units = \$/acre-foot

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

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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