System Improvement Fee for CAWCD Wheeling Contracts

Purpose

CAWCD and the United States Bureau of Reclamation (USBR) have approved the CAP System Use Agreement (SUA), which includes a Standard Form Wheeling Contract and provisions for the transportation of Non-Project Water through the CAP system. Section 13 of the SUA requires CAWCD to develop approved System Improvement Projects (SIP) that will increase the operational capability of the CAP prior to CAWCD issuing CAWCD Wheeling Contracts. On February 21, 2025, USBR approved the first SIP. This policy establishes the System Improvement Fee as a requirement for entering into a CAWCD Wheeling Contract to wheel Non-Project Water supplies in the Central Arizona Project, in order to recover the costs of approved additional operational capability.

System Improvement Fee Policy

A. To wheel Non-Project Water through the CAP system pursuant to a CAWCD Wheeling Contract, physical improvements to the system, known as System Improvement Projects (SIP), are necessary to increase the operational capability for wheeling projects.

B. A System Improvement Fee is a one-time fee to be paid by a Wheeling Entity upon approval of a CAWCD Wheeling Contract. The fee applies to the total volume of water approved in the Wheeling Contract.

C. For each Wheeling Contract, CAP staff will calculate the System Improvement Fee as the sum of the following components:

   1. The SIP Fee is based on the estimated present value of construction costs for System Improvement Projects.
      a. The SIP Fee may be revised as additional estimates of costs for planned and potential projects and design are made available.
      b. The SIP Fee may be adjusted for inflation using the Producer Price Index for the Materials and Components for Construction published by the United States Bureau of Labor Statistics.
      c. Funds collected under this portion of the fee will be retained in a separate account, to be used for the sole and exclusive purpose of SIP construction costs.

   2. The Back Capital Equivalency Charge is based on the historical Capital Charges plus interest.
      a. The Back Capital Equivalency Charge is updated annually to include each year's Capital Charge and interest.
      b. Funds collected under this portion of the fee will be applied to the federal repayment obligation, which is the nonfederal reimbursable portion of the Central Arizona Project.