



DATE: July 14, 2022

TO: All CAP Water Users

SUBJECT: CAP Water Delivery Schedule Requests for 2023

It is time to begin planning for 2023 Central Arizona Project (CAP) water deliveries. Each year the Available CAP Supply is determined by the Bureau of Reclamation. For 2023, the Available CAP Supply will be established after a determination of the Lower Basin Shortage Condition, in accordance with the procedures set forth in the *Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead (2007 Guidelines)* and the *Agreement Regarding Lower Basin Drought Contingency Plan Obligations (DCP)*. The Available CAP Supply is based on Arizona's basic apportionment of 2.8 million acre-feet, less equal and higher priority consumptive uses, less any 2007 Guidelines reductions and DCP contributions, as required by the Shortage Condition determined by the August 2022, 24-Month Study projection of the Lake Mead water surface elevation on January 1, 2023.

The June 2022, 24-Month Study, projected the most probable end of calendar year Effective Elevation for Lake Mead to be 1,045.95 feet, or a Tier 2a Shortage Condition. However, modelling shows that a Tier 1, Tier 2a, or Tier 2b Shortage Condition is possible. Under a Tier 2a or Tier 2b Shortage Condition, the decreased Available CAP Supply eliminates all water available to the CAP Excess priority pool, reduces water available to the CAP Non-Indian Agriculture pool, and may also reduce water available to the CAP Indian and Municipal and Industrial priority pools.

In addition to the reductions under the 2007 Guidelines and DCP, on June 14, Camille Touton, Commissioner of the Bureau of Reclamation, testified to the U.S. Senate Energy & Natural Resources Committee that "unprecedented actions" are necessary to protect the Colorado River system, including between two and four million acre-feet of additional conservation in 2023. Commissioner Touton further invited the Basin States to develop a recommendation, by mid-August, on how those reductions should be achieved. There are active discussions underway among the Basin States, however the magnitude and impact of any additional reductions to the 2023 Available CAP Supply are not yet known. Therefore, it is prudent for CAP water users to plan for the possibility of additional reductions to the Indian and M&I priority pools in 2023.

Water delivery schedule requests for 2023, along with a preliminary estimate of requests for 2024 and 2025, are due on or before October 1, 2022, as provided in your CAP water delivery contract. Please submit requests indicating how you desire to

exercise your contractual rights to CAP water. Schedule requests received after October 1, 2022, will be subject to water availability and may not be fulfilled.

Rates for delivery of CAP water in 2023 are set forth in the attached Final 2023-2028 Rate Schedule, approved by the CAWCD Board of Directors on June 2, 2022. The rates were established at a Tier 1 DCP level. CAP will invoice customers at the Tier 1 published rate throughout 2023, with the impacts of any further reductions to the Available CAP Supply being accounted for in the April 2024 rate reconciliation. However, CAP will provide payment flexibility for customers who might want to pay down the anticipated reconciliation amount prior to April 2024 or at a published lower Tier rate. The CAWCD Board of Directors may consider changing the drought tier for rate purposes following the publication of the August 24-Month Study. The rate schedule includes the Fixed OM&R Rate estimate for all DCP Tiers, beginning in 2024, to aid in planning purposes. CAP will provide more details on the 2023 Available CAP Supply at the Annual Water Users Meeting, following the release of the August 24-Month study.

Upcoming Water Operations Events

August 24, 2022 Annual Water Users Briefing. Discussion on the 2023 CAP water supply, CAP water operations and maintenance activities.

October 1, 2022 Water Schedules are due to CAP Water Operations – send to wateradmin@cap-az.com

Oct. 13 to Nov. 24, 2022 Tucson Aqueduct 2022 Annual Fall Outage – Customers downstream of Brady Pumping plant are affected; a schedule was sent on June 16, 2022, outlining the work to be done.

Please e-mail your water delivery schedule requests and other information to: wateradmin@cap-az.com. If you have any questions, contact Candi Brunk at (623) 869-2573.

Sincerely,



Darrin Francom
Assistant General Manager

Attachment: Final 2023-2028 Rate Schedule

**CENTRAL ARIZONA PROJECT
FINAL 2023-2028 RATE SCHEDULE**

June 2, 2022

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	T1	T1	T1	T1
		Firm	Provi-		Advisory		
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Municipal and Industrial Subcontract (B+C) ^{6,7}	\$ 192	\$ 217	\$ 235	\$ 245	\$ 258	\$ 274	\$ 281
Federal Contract (B+C) ^{6,7}	\$ 192	\$ 217	\$ 235	\$ 245	\$ 258	\$ 274	\$ 281
Agricultural Settlement Pool (C) ¹	\$ 56	\$ 65	\$ 76	\$ 79	\$ 82	\$ 85	\$ 88
Excess (A+B+C) ^{2,6}	\$ 242	\$ 270	\$ 288	\$ 310	\$ 320	\$ 334	\$ 341
Interstate (A+B+C+D)	TBD	TBD	TBD	TBD	TBD	TBD	TBD

RATE COMPONENTS

Units = \$/acre-foot

DCP Tier	T1	T1	T1	T1	T1	T1	T1
		Firm	Provi-		Advisory		
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
<u>Capital Charges</u>							
(A) Municipal and Industrial - Long Term Subcontract ³	\$ 50	\$ 53	\$ 53	\$ 65	\$ 62	\$ 60	\$ 60
<u>Delivery Charges</u>							
Fixed O&M ⁴	103	115	118	125	133	142	146
"Big R" ⁴	33	37	41	41	43	47	47
(B) Fixed OM&R ⁴	\$ 136	\$ 152	\$ 159	\$ 166	\$ 176	\$ 189	\$ 193
(C) Pumping Energy Rate ⁵	\$ 56	\$ 65	\$ 76	\$ 79	\$ 82	\$ 85	\$ 88
(D) Property Tax Equivalency	TBD	TBD	TBD	TBD	TBD	TBD	TBD
(E) Full Rate Stabilization ⁶	\$ (13)	\$ (12)	\$ -	\$ -	\$ -	\$ -	\$ -
(F) 2020 Voluntary Rate Stabilization ⁷	\$ -	\$ -	\$ (11)	\$ -	\$ -	\$ -	\$ -

DIRECT UNDERGROUND WATER STORAGE

Units = \$/acre-foot

	2022	Firm	Provi-	2025	Advisory		
		2023	2024		2026	2027	2028
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
<u>Underground Water Storage O&M</u> ⁸							
Phoenix AMA	\$ 13	\$ 13	\$ 14	\$ 14	\$ 15	\$ 15	\$ 15
Tucson AMA	15	15	15	15	15	15	15
<u>Underground Water Storage Capital Charge</u> ⁹							
Phoenix AMA	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15
Tucson AMA	9	9	9	9	9	9	9

**CENTRAL ARIZONA PROJECT
FINAL 2023-2028 RATE SCHEDULE**

June 2, 2022

NOTES:

- 1) Agricultural Settlement Pool only pays the energy rate in accordance with the Arizona Water Settlement Agreement.
- 2) Excess water is administered via Board Policy "Procedure For Distributing CAP Excess Water and Turn-Back Water for the Period of 2020 Through 2024".
- 3) For M&I use water, the Capital Charge is paid on full allocation regardless of amount delivered and is not included in delivery rates. The Capital Charge rate is impacted by the following:
 - 2022 - 2 1/2 cents of 2020/21 property taxes are being applied to the federal repayment, resulting in a reduction of \$21/AF.
 - 2023 - 1 1/2 cents of 2021/22 property taxes are being applied to the federal repayment, resulting in a reduction of \$13/AF.
 - 2024 - 1 1/2 cents of 2022/23 property taxes are being applied to the federal repayment, resulting in a reduction of \$14/AF.
- 4) Fixed OM&R charge consists of Fixed O&M and "Big R" (Water delivery capital, large extraordinary maintenance projects and bond debt service). 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 scheduled water whether delivered or not. For 2023, 2 1/2 cents of 2022/23 property taxes are being applied to the Fixed OM&R charge, resulting in a \$12/AF reduction.
- 5) The pumping energy rate applies to all actual water volumes delivered as opposed to scheduled. For 2023, 2 cents of 2022/23 property taxes are being applied to the pumping energy rate, resulting in a \$11/AF reduction.
- 6) If Tier 1 or higher occurs, the Full Rate Stabilization takes effect, resulting in a reduction in the Fixed OM&R rate. Posted rates do not include this reduction. This is a customer funded program.
- 7) If Tier 1 or higher occurs, the 2020 Voluntary Rate Stabilization program takes effect for those entities participating, resulting in a reduction in the Energy rate. Posted rates do not include this reduction. This is a customer funded program.
- 8) Underground Water Storage O&M is paid by all direct recharge customers using CAP recharge sites.
- 9) Underground Water Storage Capital Charge is paid by all direct recharge customers except AWBA for M&I firming, the CAGRD, municipal providers within the CAP service area and co-owners of CAWCD recharge facilities using no more than their share of capacity.

Key Assumptions

- 2023 includes 93,000 acre-feet of reduction for the 500+ Plan, which equates to approximately \$11/acre-foot increase
- 2024 and beyond do not include any additional volume reductions related to potential system conservation plans; additional reductions would increase rates
- Hohokam CDR allocations are ordered and therefore pay capital charges
- Wheeling starts in 2026 at 4,000 acre-foot/year and remains at that level
- Rates are in accordance with Arizona Implementation Plan for Drought Contingency Plan

FIXED OM&R RATE AT DCP TIERS (For Planning Purposes Only)

Units = \$/ acre-foot

	<u>2023</u>	Provi- sional <u>2024</u>	<u>Advisory</u>			
			<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Tier Zero		\$ 124	\$ 131	\$ 136	\$ 146	\$ 148
Tier 1	\$ 152	\$ 159	\$ 166	\$ 176	\$ 189	\$ 193
Tier 2a	\$ 162	\$ 169	\$ 180	\$ 192	\$ 206	\$ 209
Tier 2b		\$ 177	\$ 189	\$ 202	\$ 214	\$ 218
Tier 3		\$ 192	\$ 210	\$ 221	\$ 238	\$ 242