



Central Arizona Project  
**Stakeholder  
Rate Briefing  
2025-2030**

May 9, 2024

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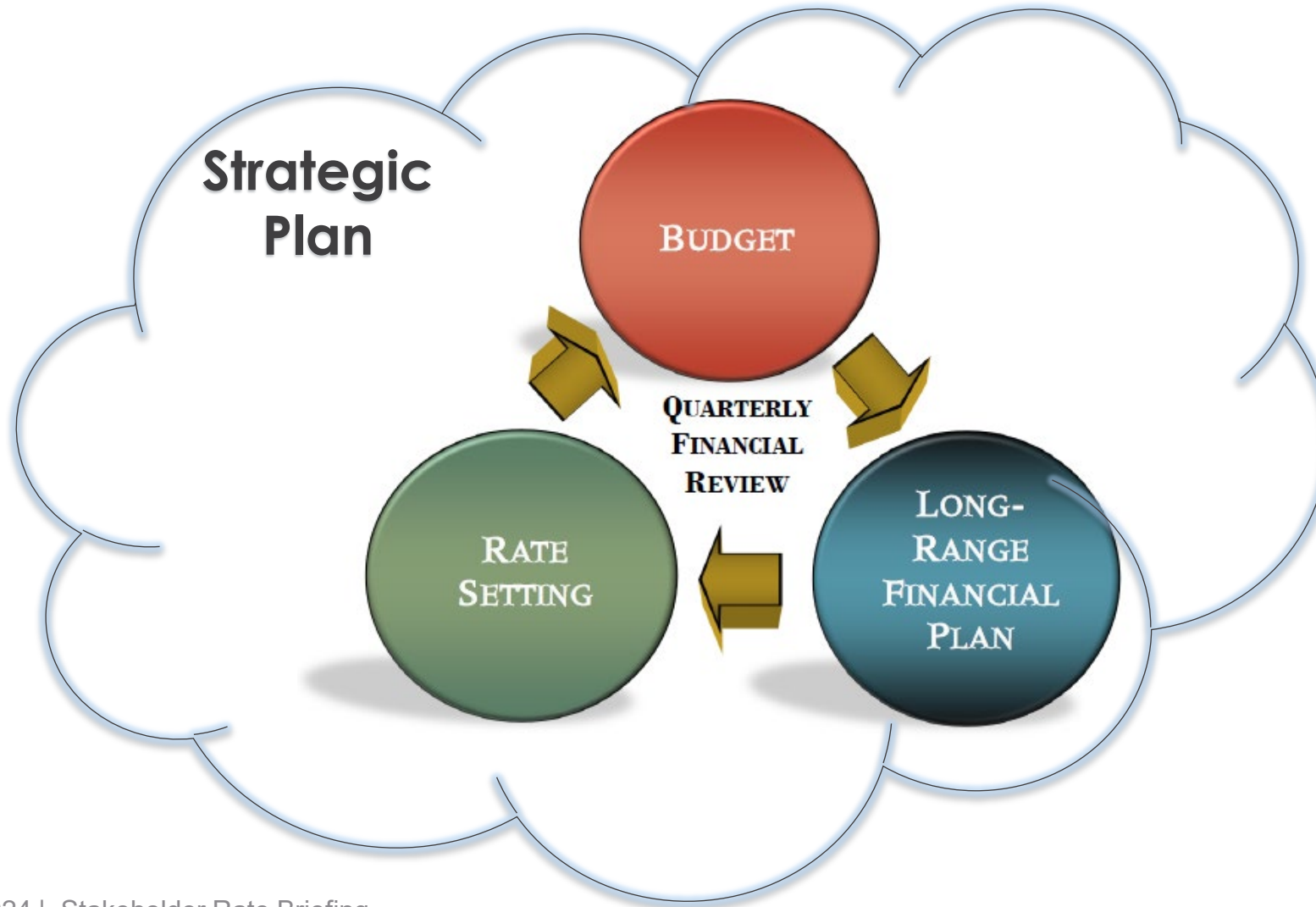
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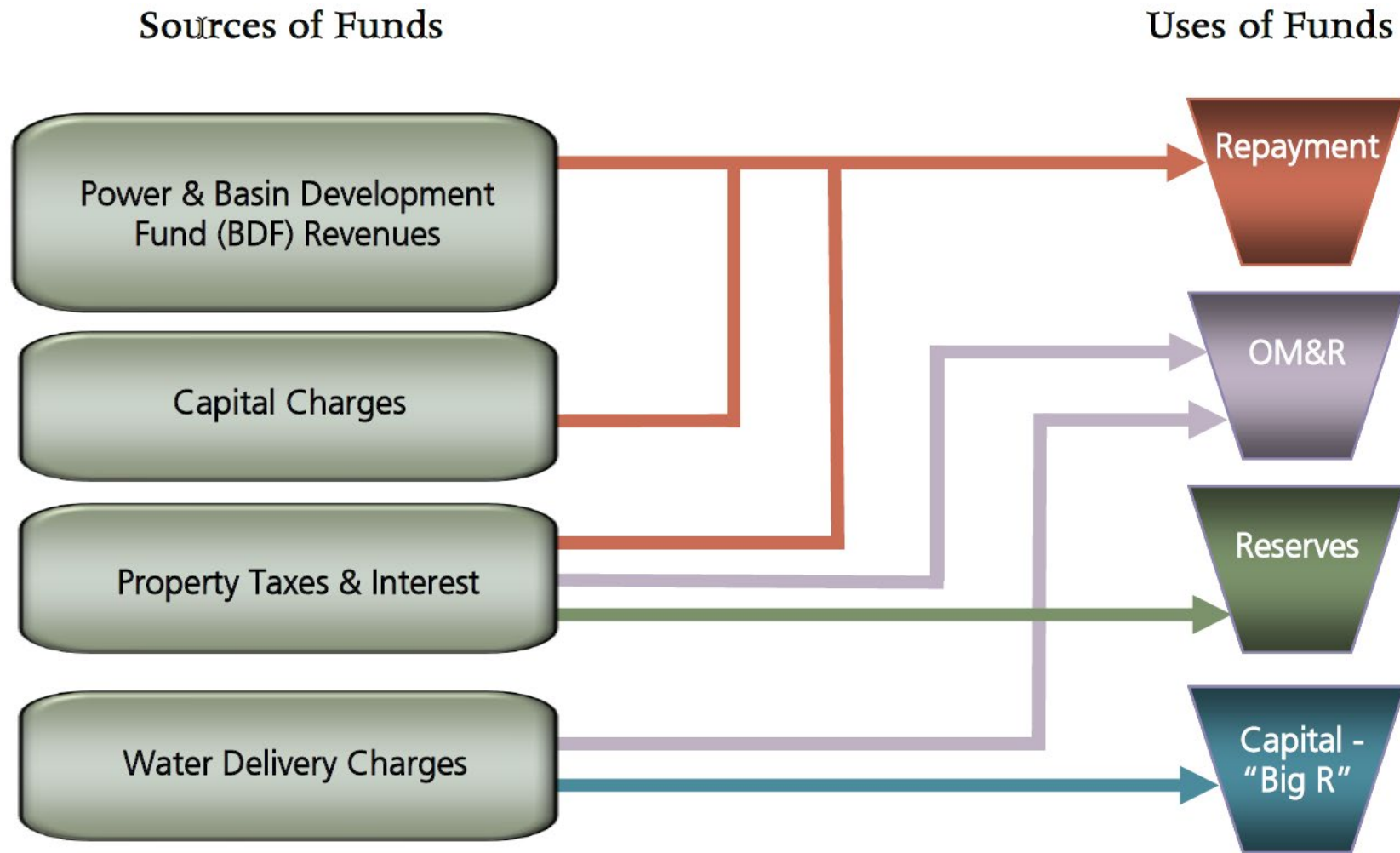
**YOUR WATER. YOUR FUTURE.**



# 2-Year Financial Planning Process



# General Fund Sources and Uses of Revenue



# CAP Water Delivery Rate

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- ✓ Water delivery rates are necessary to recover water delivery costs, on a long-term basis, net of other revenue sources
- ✓ Water rates are based on “Cost of Service” and reconciled annually
- ✓ In general, annual rates = costs ÷ deliveries
- ✓ Major rate-setting process in even years, with update (if necessary) in odd years
- ✓ Annual rates are published six years in advance:
  - 1 year **FIRM** – e.g., 2025
  - 1 year **PROVISIONAL** (becomes FIRM with no further action unless modified by the Board) – e.g., 2026
  - 4 years **ADVISORY** – e.g., 2027-2030

# CAP Water Delivery Rate Components

Operational costs  
(salaries & related,  
outside services,  
materials and  
supplies, etc.)

- calculated on annual basis

Fixed  
O&M

Energy

Tax revenues may be utilized to reduce these rate components

Power costs  
calculated on annual  
basis

- Customers billed directly for each acre-foot taken (vs. take-or-pay)

“Big R”

Capital expenditures & major maintenance component.

- smoothed over time

# Rate Updates

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- ✓ Rates will be published according to water volumes, moving away from published DCP tiers
  - Rates will be published at a volume of 900,000 acre-feet
  - Rates for volumes between 700,000 - 1,100,000 acre-feet will be published in 100,000 increments at the end of the rate schedule
  - Reduces confusion of Tier levels and implications of conservation programs
- ✓ “Big R” rate will be adjusted in reconciliation to be in alignment with water volumes to correspond with expected “Big R” annual collections

# Key Assumptions

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- ✓ Water rates are set to recover costs, on a long-term basis, net of other revenue
- ✓ Water delivery estimates are 900,000 acre-feet after conservation efforts
- ✓ Projects funded from Extraordinary Cost Reserve or alternative source will be excluded from Fixed OM&R as identified in budget & 2024 Extraordinary Cost Reserve update
- ✓ Non-project water anticipated for 2025-forward, though becomes part of total delivery volume
- ✓ No additional Non-Indian Ag (NIA) reallocation included in rate period

# Key Assumptions

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## Taxes

- ✓ General ad valorem property tax rate held at 10¢
- ✓ Water storage tax held at maximum to be retained for federal repayment and CAWCD operational costs
  - 4¢ through 2029 and drops to 3¢ in 2030-2034
  - Following reserve funding guidelines utilizing proposed reserve targets
  - No Ag Settlement pool, therefore, no taxes needed for Ag Consideration
  - No set aside for Arizona Water Banking Authority Long Term Storage Credit (LTSC) purchases
- ✓ No tax contribution reduction on water delivery rates or federal repayment incorporated into proposed rates beyond prior Board approval



# Key Assumptions

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## Power

- ✓ Energy will follow water volume assumptions
  - Long-term contracts fully utilized during the period
  - SRP Option expiring at the end of 2024 with no extension in place
  - Solar Phase 2 not included
  - Potential Renewable Energy Certificate (REC) sales from Hoover and Solar P1 not included
- ✓ Future market purchases are currently unfavorable for uncontracted power needs, resulting in an increase from previous estimates
- ✓ At lower levels of water deliveries, more significant shaping of energy may be possible, which could result in lower energy rates

# Key Assumptions

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## Transmission

- ✓ Based on basic characteristics, variable costs are included in energy & fixed costs are included in O&M
- ✓ WAPA's One Transmission Rate is in effect. Rates follow proposed schedule.
- ✓ El Paso contract – 80MW expires end of 2024. 4MW expires end of 2025. Contract expires in Sept 2026.

## Reconciliations

- ✓ Established rates are estimates
- ✓ End-of-year rate reconciliations are completed based on actual expenses and volumes

# “Big R”

	2024	2025	2026	2027	2028	2029	2030
<i>(Millions, except where noted)</i>							
Total "Big R" Capital	\$ 28.0	\$ 23.5	\$ 31.6	\$ 31.6	\$ 29.8	\$ 37.4	\$ 46.1
Transmission Projects:							
Debt Service	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Extraordinary Maintenance	2.5	2.5	1.5	10.0	-	6.0	-
"Big R" Spending	\$ 34.1	\$ 29.6	\$ 36.7	\$ 45.2	\$ 33.4	\$ 47.0	\$ 49.7
<b>Billed Water Volume (KAF)</b>	<b>900.0</b>	<b>900.0</b>	<b>900.0</b>	<b>900.0</b>	<b>900.0</b>	<b>900.0</b>	<b>900.0</b>
Calculated "Big R" Rate per year (\$/AF)	\$ 37.83	\$ 32.91	\$ 40.84	\$ 50.24	\$ 37.19	\$ 52.30	\$ 55.22
Published "Big R" Rate (\$/AF)	\$ 47.00	\$ 40.00	\$ 40.00	\$ 41.00	\$ 41.00	\$ 44.00	\$ 46.00
<b>Expected Annual Collection (\$M)</b>	<b>\$ 42.3</b>	<b>\$ 36.0</b>	<b>\$ 36.0</b>	<b>\$ 36.9</b>	<b>\$ 36.9</b>	<b>\$ 39.6</b>	<b>\$ 41.4</b>

# Water Delivery Rate Reconciliation

	Firm <u>2024</u>	Firm <u>2025</u>	Provisional <u>2026</u>	Advisory			
				<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
<b>900,000 acre-feet for 2025-2030</b>							
<b>Water Delivery Costs (\$Thousands)</b>							
Fixed O&M Expenses	129,543	<b>143,132</b>	<b>149,032</b>	146,716	159,160	165,394	173,737
Total Pumping Energy Expenses	70,218	<b>84,773</b>	<b>86,937</b>	90,239	93,109	96,088	98,771
<b>Water Deliveries (Acre-Feet)</b>							
Total water deliveries with credits	900,000	<b>900,000</b>	<b>900,000</b>	900,000	900,000	900,000	900,000
Take or Pay adjustment	-	-	-	-	-	-	-
Billed Fixed OM&R Water Volume	900,000	<b>900,000</b>	<b>900,000</b>	900,000	900,000	900,000	900,000
Pumping Energy Rate 1 Water Volume	900,000	<b>900,000</b>	<b>900,000</b>	900,000	900,000	900,000	900,000
<b>Water Delivery Rate (\$/AF)</b>							
Calculated Fixed O&M Rate	145.00	<b>160.00</b>	<b>166.00</b>	164.00	177.00	184.00	194.00
Capital Replacement Component ("Big R")	47.00	<b>40.00</b>	<b>40.00</b>	41.00	41.00	44.00	46.00
<b>Total Fixed OM&amp;R</b>	<b>192.00</b>	<b>200.00</b>	<b>206.00</b>	205.00	218.00	228.00	240.00
<b>Total Pumping Energy Rate 1</b>	<b>78.00</b>	<b>95.00</b>	<b>98.00</b>	101.00	104.00	107.00	110.00
<b>Total Delivery Rate</b>	<b>270.00</b>	<b>295.00</b>	<b>304.00</b>	306.00	322.00	335.00	350.00

# Fixed OM&R Rates at Alternate Delivery Levels

(\$/acre-foot)						
Acre-feet	2025	2026	2027	2028	2029	2030
700,000	\$257	\$265	\$263	\$281	\$294	\$309
800,000	\$224	\$232	\$231	\$246	\$257	\$270
900,000	\$200	\$206	\$205	\$218	\$228	\$240
1,000,000	\$180	\$186	\$184	\$197	\$206	\$216
1,100,000	\$164	\$169	\$168	\$179	\$187	\$196

# Federal Repayment & Capital Charges

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## Federal Repayment

- ✓ Basin Development Fund net revenues are applied toward repayment first
- ✓ Balance must be made up as a cash makeup payment
- ✓ Annually CAWCD Board determines if any taxes are applied towards repayment
- ✓ Balance of cash makeup payment are made from capital charges
- ✓ Repayment between \$51 million to \$56 million for 2025-2030
- ✓ No taxes beyond previous commitments are incorporated into proposed rates

# Federal Repayment & Capital Charges

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## Capital Charges

- ✓ Paid on M&I allocations, regardless of water delivery
  - Hohokam CDR contract holders only pay if order any of this class of water, which would decrease the rate by \$4/acre-foot; excluding from assumptions due to lower water volume projections
- ✓ Not paid by federal and Ag Settlement Pool
- ✓ Must be used toward federal debt payment on a cumulative basis
- ✓ Calculated after previous tax commitments for repayment

# Federal Repayment & Capital Charges

<i>(Thousands, except where noted)</i>	2025	2026	2027	2028	2029	2030
Federal Repayment	\$ 56,417	\$ <b>55,002</b>	\$ 53,586	\$ 53,425	\$ 51,968	\$ 50,510
Total Basin Development Fund Credit	(8,901)	<b>(8,889)</b>	(8,969)	(9,029)	(9,049)	(9,071)
Net Cash Payment	\$ 47,516	\$ <b>46,113</b>	\$ 44,617	\$ 44,396	\$ 42,919	\$ 41,439
<u>Taxes Applied:</u>						
2023/24 – General Ad Valorem @ 1.5¢	(10,500)	-	-	-	-	-
Cash Needed from Capital Charges	\$ 37,016	\$ <b>46,113</b>	\$ 44,617	\$ 44,396	\$ 42,919	\$ 41,439
Allocation* (acre-feet) (Incl. CAGR D Credits & Wheeled Water)	686,476	<b>686,886</b>	690,075	691,188	692,364	693,612
Capital Charge (\$/acre foot)	\$ 54	\$ <b>67</b>	\$ 64	\$ 64	\$ 61	\$ 59



# Rate Components

Units = \$/acre-foot	Firm 2024	Firm 2025	Provisional 2026	Advisory			
				2027	2028	2029	2030
Capital Charges							
(A) M&I – Long Term Subcontract	\$53	\$54	\$67	\$64	\$64	\$61	\$59
Delivery Charges – 900KAF for 2025-2030							
Fixed O&M	\$145	\$160	\$166	\$164	\$177	\$184	\$194
Big “R”	\$47	\$40	\$40	\$41	\$41	\$44	\$46
(B) Fixed OM&R	\$192	\$200	\$206	\$205	\$218	\$228	\$240
(C) Pumping Energy Rate	\$78	\$95	\$98	\$101	\$104	\$107	\$110
(D) 2020 Voluntary Rate Stabilization	\$ (11)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

# Rate Schedule

Units = \$/acre-foot The letter designations in the formulas refer to the Rates Components above	Firm 2024	Firm 2025	Provisional 2026	Advisory			
				2027	2028	2029	2030
M&I Subcontract (B + C)	\$270	<b>\$295</b>	<b>\$304</b>	\$306	\$322	\$335	\$350
Federal Contract (B + C)	\$270	<b>\$295</b>	<b>\$304</b>	\$306	\$322	\$335	\$350
Ag Settlement Pool (C)	\$78	<b>\$95</b>	<b>\$98</b>	\$101	\$104	\$107	\$110
Excess (A + B + C)	\$323	<b>\$349</b>	<b>\$371</b>	\$370	\$386	\$396	\$409

# Rates Compared to Previous Rate Case

900KAF	2025	2026
<b>Fixed OM&amp;R:</b>		
Proposed	\$200	\$206
Advisory	\$205	\$215
Change	(\$5)	(\$9)
<b>Energy:</b>		
Proposed	\$95	\$98
Advisory	\$84	\$87
Change	\$11	\$11
<b>Capital Charges:</b>		
Proposed	\$54	\$67
Advisory	\$54	\$67
Change	\$-	\$-

# Underground Storage Rates

Units = \$/acre-foot	Firm 2024	Firm 2025	Provisional 2026	Advisory			
				2027	2028	2029	2030
<u>USF O&amp;M Rates (\$/af)</u>							
Phoenix AMA	\$14	<b>\$14</b>	<b>\$15</b>	\$15	\$15	\$15	\$15
Tucson AMA	\$15	<b>\$15</b>	<b>\$15</b>	\$15	\$15	\$15	\$15
<u>USF Capital Charges (\$/af)</u>							
Phoenix AMA	\$15	<b>\$15</b>	<b>\$15</b>	\$15	\$15	\$15	\$15
Tucson AMA	\$ 9	<b>\$ 9</b>	<b>\$ 9</b>	\$ 9	\$ 9	\$ 9	\$ 9

# Authorization to Levy Taxes

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Arizona Revised Statutes § 48-3715 and § 48-3715.02 authorize CAWCD to levy two distinct taxes in its service territory

## General *Ad Valorem* Tax

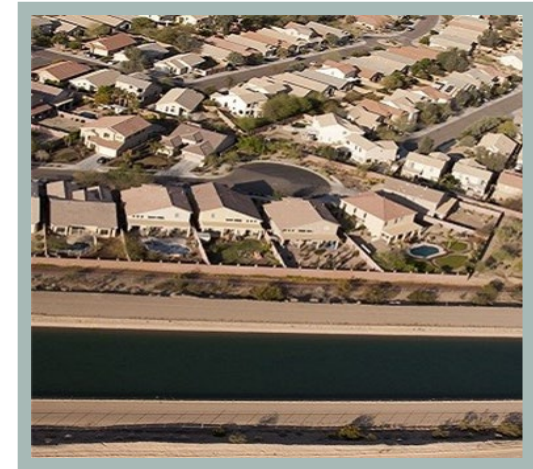
- Up to \$0.10 per \$100 of assessed valuation

## Water Storage Tax

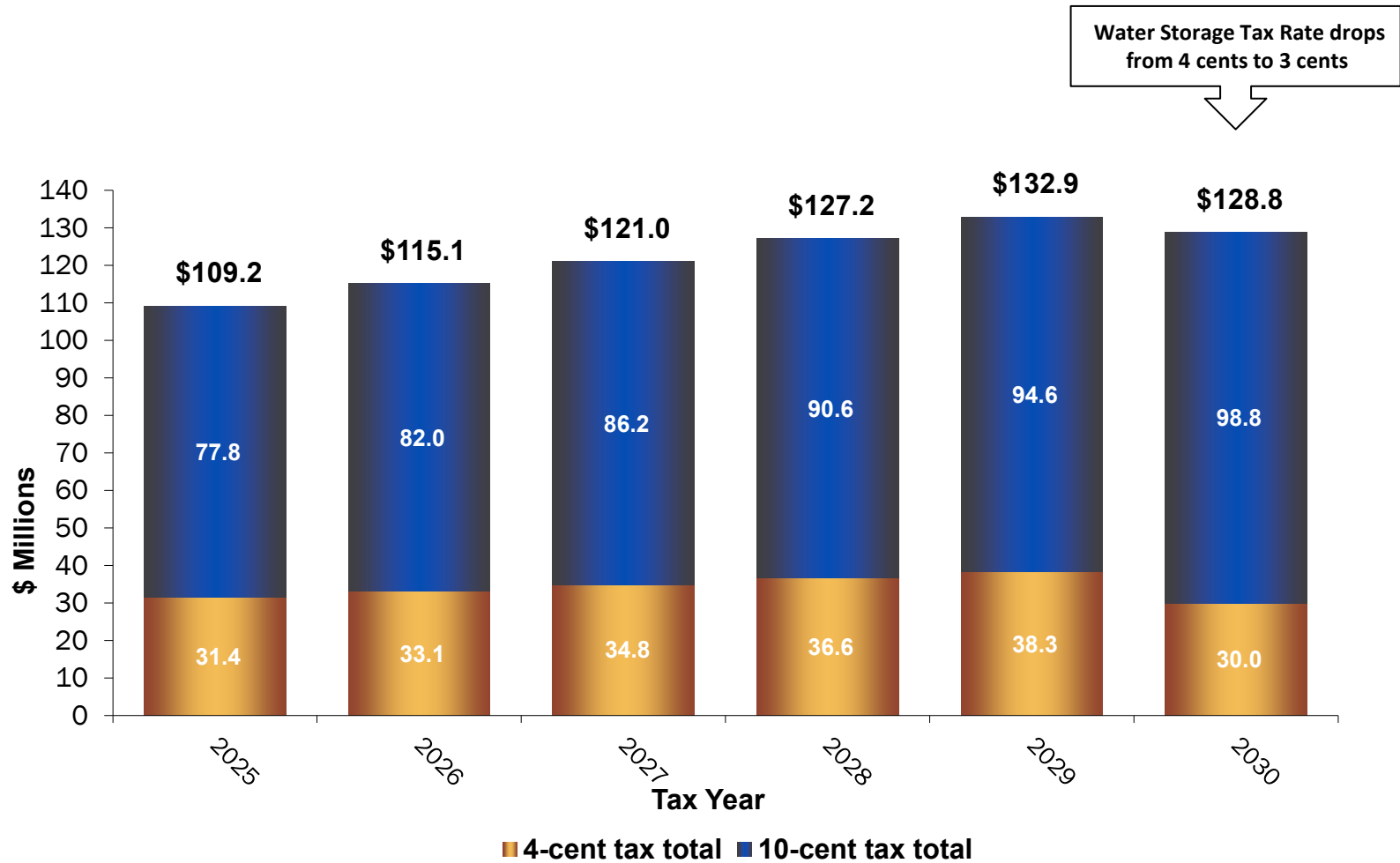
- Up to \$0.04 per \$100 of assessed valuation

✓ Taxes equate to approximately 20% of CAWCD's total revenues in a given fiscal year

✓ 1 cent equals approximately \$7.2 million in CAWCD property tax revenues in 2024



# Property Tax Revenue



# Taxes & Rates

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- ✓ Taxes are for 2024/25 tax year:
  - ✓ 1 cent of tax = \$7.2 million
  - ✓ 1 cent of tax = \$10.50 per acre-foot decrease in 2026 capital charges
  - ✓ 1 cent of tax = \$8 per acre-foot decrease in Fixed O&M rate or Energy rate for 2025

# Property Tax Use

I move that the Finance, Audit, and Power Committee recommend that the Board of Directors approve the CAP 2025-2030 rate schedule with the following adjustments to the published rates (if necessary):

Total Taxes Levied (Cents) 14.0

	Taxes Applied (cents)	2025 Rate/AF
x	0.0	\$ 95
	0.5	\$ 91
	1.0	\$ 87
	1.5	\$ 83
	2.0	\$ 79
	2.5	\$ 75
	3.0	\$ 71
	3.5	\$ 67
	4.0	\$ 63

2025 Energy Rate

➡ Denotes prior year adopted rate

	Taxes Applied (cents)	2025 Rate/AF
x	0.0	\$ 200
	0.5	\$ 196
	1.0	\$ 192
	1.5	\$ 188
	2.0	\$ 184
	2.5	\$ 180
	3.0	\$ 176
	3.5	\$ 172
	4.0	\$ 168
	4.5	\$ 164
	5.0	\$ 160

2025 Fixed O&M Rate

Extraordinary Cost Reserve Transfer	
\$	100,800,000
Cents Applied to Rates	0.0
Cents Applied to Water Bank	0.0
Cents Applied to Reserves	14.0

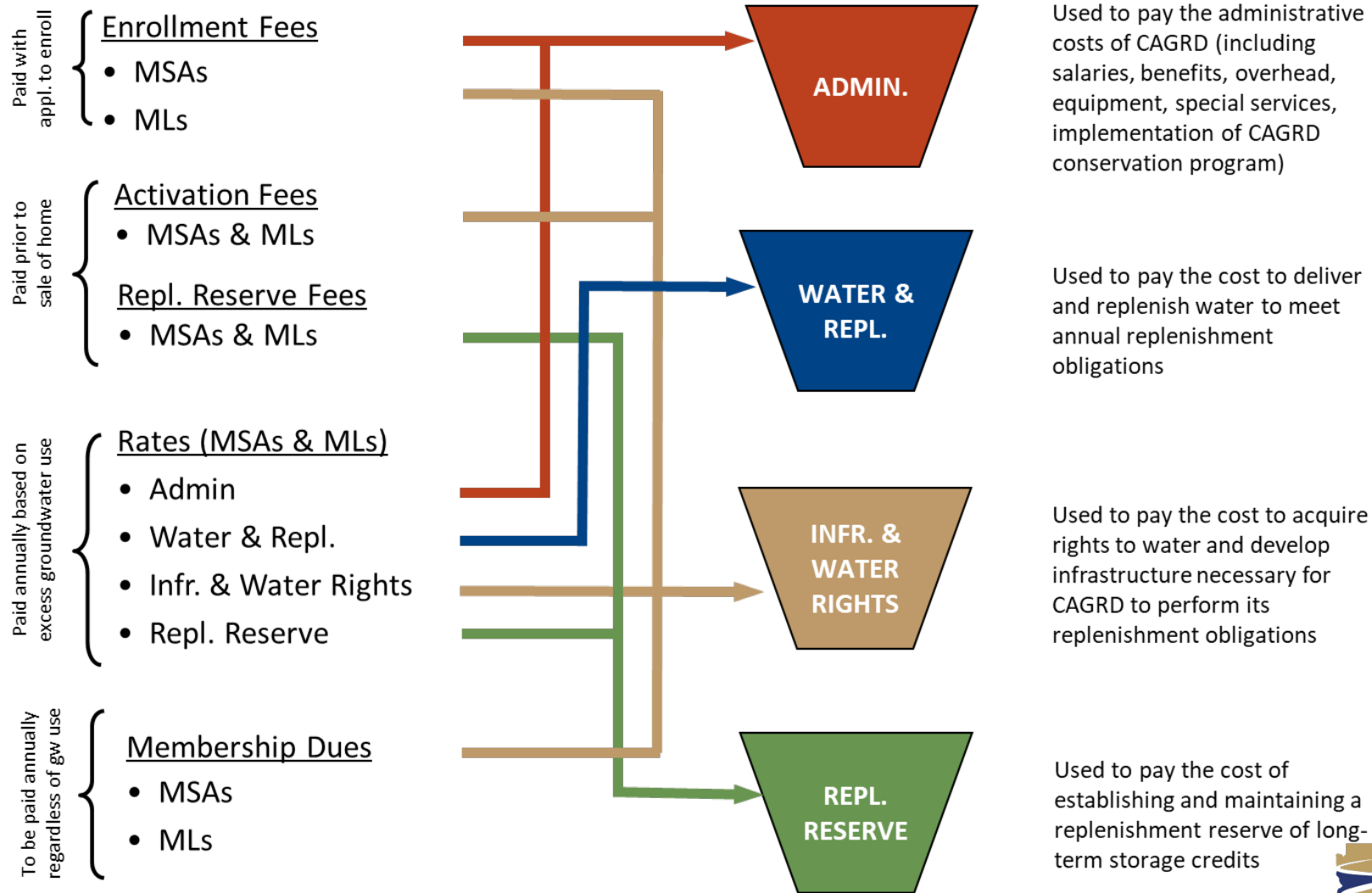
	Taxes Applied (cents)	2026 Rate/AF
x	0.0	\$ 67
	0.5	\$ 61
	1.0	\$ 56
	1.5	\$ 51
	2.0	\$ 46

2026 Capital Charges



**Stakeholder Rate Briefing  
CAGR Assessment  
Rate Schedule  
2024/25 thru 2029/30  
May 9, 2024**

# CAGRDR Revenue Stream



# CAGRD Assumptions

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- ✓ Rates will be posted at 900K acre-feet
- ✓ Future rates with water volumes from 700K acre-feet to 1.1M acre-feet will be shown separately
- ✓ Collect Annual Membership Dues at 100% allowable
- ✓ Meet replenishment requirements in year following obligation created
- ✓ Continue progress toward replenishment reserve target at 1/3 of replenishment obligation

# CAGR Rates, Fees and Dues

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- ✓ Administrative rate component increases from previous rate case
  - Decrease in Enrollments, which reduces administrative component
  - Lower replenishment obligation than previous estimates
- ✓ Water & Replenishment rates are consistent with prior rates (follows CAWCD rates)
- ✓ Replenishment Reserve rates are consistent with prior rates (follows CAWCD rates)
- ✓ Infrastructure and Water Rights rate component increasing at 2% for 2024/2025, 3% for 2025/2026 and 5% per year thereafter to address water market cost increases
- ✓ Annual Membership Dues (AMDs) decrease due to lower enrollments and obligations than previous rate case
  - AMDs can only be 25% of total projected I&WR collections
  - A decrease of I&WR revenues from other sources decreases the total amount to be collected through AMDs (if collected at maximum amount)

# CAGR Rates

CAWCD Delivery Volumes acre-feet	900K	900K	900K	900K	900K	900K	900K
	Firm 2023/24	Firm 2024/25	Provisional 2025/26	Advisory 2026/27	Advisory 2027/28	Advisory 2028/29	Advisory 2029/2030
<b>Phoenix Active Management Area</b>							
Water & Replenishment Component <sup>1</sup>	\$ 280	\$ 323	\$ 349	\$ 371	\$ 370	\$ 386	\$ 396
Administrative Component <sup>2</sup>	48	65	67	67	67	67	67
Infrastructure & Water Rights Component <sup>3</sup>	353	360	371	389	409	429	451
Replenishment Reserve Charge <sup>4</sup>	93	108	116	124	123	129	132
<b>Total Assessment Rate (\$/AF)</b>	<b>\$ 774</b>	<b>\$ 856</b>	<b>\$ 903</b>	<b>\$ 951</b>	<b>\$ 969</b>	<b>\$ 1,011</b>	<b>\$ 1,046</b>
<b>Pinal Active Management Area</b>							
Water & Replenishment Component <sup>1</sup>	\$ 300	\$ 342	\$ 361	\$ 379	\$ 378	\$ 386	\$ 396
Administrative Component <sup>2</sup>	48	65	67	67	67	67	67
Infrastructure & Water Rights Component <sup>3</sup>	353	360	371	389	409	429	451
Replenishment Reserve Charge <sup>4</sup>	93	108	116	124	123	129	132
<b>Total Assessment Rate (\$/AF)</b>	<b>\$ 794</b>	<b>\$ 875</b>	<b>\$ 915</b>	<b>\$ 959</b>	<b>\$ 977</b>	<b>\$ 1,011</b>	<b>\$ 1,046</b>
<b>Tucson Active Management Area</b>							
Water & Replenishment Component <sup>1</sup>	\$ 300	\$ 342	\$ 361	\$ 379	\$ 378	\$ 386	\$ 396
Administrative Component <sup>2</sup>	48	65	67	67	67	67	67
Infrastructure & Water Rights Component <sup>3</sup>	353	360	371	389	409	429	451
Replenishment Reserve Charge <sup>4</sup>	93	108	116	124	123	129	132
<b>Total Assessment Rate (\$/AF)</b>	<b>\$ 794</b>	<b>\$ 875</b>	<b>\$ 915</b>	<b>\$ 959</b>	<b>\$ 977</b>	<b>\$ 1,011</b>	<b>\$ 1,046</b>
<b>Contract Replenishment Tax - Scottsdale <sup>5</sup></b>							
Cost of Water	\$ 323	\$ 349	\$ 371	\$ 370	\$ 386	\$ 396	\$ 409
Cost of Transportation	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cost of Replenishment	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Administrative Component <sup>2</sup>	48	65	67	67	67	67	67
<b>Total Tax Rate (\$/AF)</b>	<b>\$ 371</b>	<b>\$ 414</b>	<b>\$ 438</b>	<b>\$ 437</b>	<b>\$ 453</b>	<b>\$ 463</b>	<b>\$ 476</b>

# CAGR Fees and Dues

	Firm	Firm Provisional		Advisory			
	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/2030</u>
<b>Enrollment Fee - Commercial Subdivisions<sup>6</sup></b>	\$ 1,422	\$ 1,494	\$ 1,568	\$ 1,647	\$ 1,729	\$ 1,815	\$ 1,906
<b>Enrollment Fee<sup>6</sup></b>	\$ 372	\$ 391	\$ 411	\$ 431	\$ 453	\$ 475	\$ 499
<b>Activation Fee - Minimum<sup>7</sup></b>	\$ 370	\$ 389	\$ 409	\$ 429	\$ 451	\$ 473	\$ 497
<b>Activation Fee - Phoenix AMA<sup>7</sup></b>	\$ 1,520	\$ 1,596	\$ 1,676	\$ 1,760	\$ 1,848	\$ 1,940	\$ 2,037
<b>Activation Fee - Pinal Post-2007<sup>7</sup></b>	\$ 1,520	\$ 1,596	\$ 1,676	\$ 1,760	\$ 1,848	\$ 1,940	\$ 2,037
<b>Activation Fee - Tucson AMA<sup>7</sup></b>	\$ 1,050	\$ 1,103	\$ 1,158	\$ 1,216	\$ 1,276	\$ 1,340	\$ 1,407
<b><u>Member Land Annual Membership Dues (\$/Lot)<sup>8</sup></u></b>							
Phoenix Active Management Area	\$ 29.11	\$ 26.93	\$ 27.72	\$ 29.94	\$ 32.57	\$ 34.63	\$ 36.92
Pinal Active Management Area	\$ 22.61	\$ 20.95	\$ 21.56	\$ 23.30	\$ 25.34	\$ 26.94	\$ 28.72
Tucson Active Management Area	\$ 35.50	\$ 30.63	\$ 31.53	\$ 34.06	\$ 37.04	\$ 39.38	\$ 41.99
<b><u>Member Service Area Annual Membership Dues (\$/AF)<sup>8</sup></u></b>	\$ 113.42	\$ 105.31	\$ 108.40	\$ 117.11	\$ 127.37	\$ 135.42	\$ 144.38

# CAGR Rates at Alternative CAWCD Delivery Levels

Water & Replenishment Component	Acre-feet	Provisional	Advisory				
		2025/26	2026/27	2027/28	2028/29	2029/2030	
Phoenix AMA	700,000	\$ 408	\$ 429	\$ 433	\$ 452	\$ 465	
Phoenix AMA	800,000	\$ 375	\$ 397	\$ 398	\$ 415	\$ 426	
Phoenix AMA	900,000	\$ 349	\$ 371	\$ 370	\$ 386	\$ 396	
Phoenix AMA	1,000,000	\$ 329	\$ 350	\$ 349	\$ 364	\$ 372	
Phoenix AMA	1,100,000	\$ 312	\$ 334	\$ 331	\$ 345	\$ 352	
<b>Replenishment Reserve Charge</b>							
Phoenix AMA	700,000	\$ 136	\$ 143	\$ 144	\$ 151	\$ 155	
Phoenix AMA	800,000	\$ 125	\$ 132	\$ 133	\$ 138	\$ 142	
Phoenix AMA	900,000	\$ 116	\$ 124	\$ 123	\$ 129	\$ 132	
Phoenix AMA	1,000,000	\$ 110	\$ 117	\$ 116	\$ 121	\$ 124	
Phoenix AMA	1,100,000	\$ 104	\$ 111	\$ 110	\$ 115	\$ 117	

Provided for all AMAs



CENTRAL ARIZONA PROJECT

YOUR WATER. YOUR FUTURE

Central Arizona Project