

ORIGINAL

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION C
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COMMISSIONERS

GARY PIERCE – Chairman
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2011 JUN 23 P 4:17

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

JUN 23 2011

DOCKETED BY

IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES, LLC, DBA
JOHNSON UTILITIES COMPANY FOR AN
INCREASE IN ITS WATER AND
WASTEWATER RATES FOR CUSTOMERS
WITHIN PINAL COUNTY, ARIZONA.

DOCKET NO. WS-02987A-08-0180

COMPLIANCE FILING REGARDING
CAGR D ADJUSTER MECHANISM

Expedited Action Requested

In Decision 71854 (August 24, 2010), the Arizona Corporation Commission ("Commission") approved an adjuster mechanism to permit Johnson Utilities, LLC ("Johnson Utilities" or the "Company") to collect from its customers the taxes assessed by the Central Arizona Project ("CAP") for the Company's participation as a member service area in the Central Arizona Groundwater Replenishment District ("CAGR D"). On September 23, 2010, Johnson Utilities filed with the Commission its proposed initial CAGR D adjuster fees for the Phoenix and Pinal Active Management Areas ("AMAs"), together with calculations and documentation from the relevant state agencies to support the data used in the calculations. On October 18, 2010, the Company filed revised CAGR D adjuster fees. On December 10, 2010, Utilities Division Staff ("Staff") filed its second supplemental memorandum addressing the Company's proposed CAGR D adjuster fees. The Commission approved CAGR D adjuster fees for Johnson Utilities in Decision 72089 (January 19, 2011). In accordance with Decision 72089, the Company filed its CAGR D tariff on January 27, 2011, with an effective date of October 1, 2010. The tariff was accepted by Staff in a Notice of Compliance dated and filed February 14,

Brownstein Hyatt Farber Schreck, LLP
40 North Central Avenue, 14th Floor
Phoenix, AZ 85004

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1 2011.¹ Johnson Utilities is currently collecting charges from customers under the CAGR
2 adjuster mechanism.

3 In 2010, the Arizona Legislature enacted a bill codified at A.R.S. §48-3779 which
4 permits CAP to begin charging annual membership dues ("AMDs") in 2011 "on all parcels of
5 member lands and on all municipal providers having a member service area." Johnson Utilities
6 is a designated water provider with a member service area. On April 7, 2011, the board of
7 directors of CAP adopted a Policy on Collection of CAGR Annual Membership Dues that
8 outlined the methodology and timing for its collection of AMDs. On May 5, 2011, the board
9 adopted a preliminary rate schedule that proposed AMDs for member service areas for 2011 of
10 \$10.35 per acre-foot. The policy and rate schedule are based on a provider's current water
11 demands, plus projected populations increases through 2017. The goal is to allow CAGR to
12 acquire reliable, sustainable water supplies to meet the actual replenishment obligations that will
13 be incurred by CAGR during its current Plan of Operation, which will expire in 2015.

14 The information relating to CAGR's implementation of AMDs under A.R.S. §48-3779
15 is outlined in a letter from Kenneth Seasholes of CAP to Steve Olea dated May 27, 2011, a copy
16 of which is attached as Attachment 1. On June 2, 2011, the CAP board adopted the final rate
17 schedule containing the firm 2011/2012 AMD rates, which did not modify the preliminary rate
18 schedule attached to Mr. Seasholes' letter. A copy of the final rate schedule and board meeting
19 summary are attached as Attachment 2.

20 For Johnson Utilities, CAP calculated the Company's reliance on CAGR for the
21 Phoenix AMA to be 8,236 acre-feet for the current CAGR Plan of Operation. For the Pinal
22 AMA, CAP calculated the Company's reliance on CAGR to be 686 acre-feet. In making these
23 calculations, CAGR took into account available water supplies that are not subject to the
24 CAGR replenishment obligation, such as recycled water (effluent), incidental recharge and
25 applicable groundwater allowances in the respective Phoenix and Pinal AMAs. For example,
26 Johnson Utilities was credited for 3,216 acre-feet of available recycled water (effluent that will

27 _____
28 ¹ The Utilities Division filed a corrected Notice of Compliance dated February 23, 2011, to correct the
effective date contained in the February 14, 2011 letter.

1 either be used directly or stored in permitted underground storage facilities for later recovery) in
2 the Phoenix AMA.

3 Applying the approved rate of \$10.35 per acre-foot, the 2011 AMDs for Johnson Utilities
4 are expected to be as follows:

5

2011 CAGR D ANNUAL MEMBERSHIP DUES—JOHNSON UTILITIES			
	RATE PER AF	CAGR D RELIANCE	AMD
PHOENIX AMA	\$10.35	8,236	\$85,242.60
PINAL AMA	\$10.35	686	\$7,100.10
TOTAL			\$92,342.70

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11 Johnson Utilities will receive an invoice from the CAGR D for the 2011 AMDs in the
12 very near future. The invoice will be payable by October 15, 2011. The \$92,342.70 in AMDs
13 for 2011 is not reflected in the Company's current CAGR D adjuster fees.

14 Decision 71854 adopted the following Staff recommended condition associated with the
15 Company's CAGR D adjuster mechanism:

16 If the CAGR D changes its current method of assessing fees (*i.e.* based on the
17 current volume of water used by customers) to some other method, such as, but
18 not limited to, future projection of water usage, or total water allocated to the
19 Company, the Company's collection from customers of CAGR D fees shall
cease.²

20 Johnson Utilities does not believe that CAP's adoption and implementation of the new
21 AMDs necessarily constitutes a "change [in the] current method of assessing fees ... to some
22 other method." However, Johnson Utilities believes that the Commission should be aware of the
23 new AMDs, and that the Company would expect to begin recovering the AMDs through the
24 CAGR D adjuster fees that will be submitted for Commission approval later this year and
25 effective October 1, 2011. To clarify the inclusion of AMDs in the CAGR D adjuster, Johnson
26 Utilities requests that the Commission issue its order expressly authorizing the recovery of the
27 new AMDs in the CAGR D adjuster mechanism, beginning with the inclusion of the 2011

28 ² Decision 71854 at page 39, lines 4-7.

1 AMDs which would be recovered through the CAGR D adjuster fees that will be effective on
2 and after October 1, 2011. Representatives of Johnson Utilities and CAP have met with Utilities
3 Division Staff regarding the new AMDs, and Staff strongly encouraged the Company to submit
4 this compliance filing.

5 In approving the CAGR D adjuster mechanism in Decision 71854, the Commission
6 concluded as follows:

7 We agree with Staff that this Commission has in the past approved adjuster
8 mechanisms where appropriate to advance important policy concerns that protect
9 the public interest. The CAGR D adjuster mechanism that Staff designed,
10 inclusive of all eight conditions without modification, appears to be a just and
11 reasonable means of dealing with the costs of the CAGR D. Conservation and
12 wise stewardship of increasingly stressed water supplies is a matter of paramount
13 concern in Arizona, and we believe that it is important to send appropriate signals
14 to water companies regarding their duty to fully engage in conservation programs
15 administered by the ADWR. The CAGR D assessment fee is not discretionary for
16 Companies such as Johnson Utilities, and the Commission believes that the
17 CAGR D participation represents the kind of investment that is appropriate for
18 timely cost recovery. To not allow the Company to recover its CAGR D costs in
19 real time may threaten the Company's ability to participate in the CAGR D
20 program and would send a negative signal to water providers regarding this
21 Commission's support for sound regional approaches to achieving safe yield in
22 Active Management Areas. While we are not satisfied with the Company's past
23 accounting methodologies, and are supportive of the steps taken in this Order to
24 require Johnson Utilities to come into compliance with NARUC accounting
25 standards, we believe Staff's adjuster mechanism proposal will accord the
26 Commission maximum oversight over the application of the adjuster mechanism.
27 We will therefore approve the CAGR D adjuster mechanism, inclusive of all eight
28 conditions proposed by Staff.³

20 The various reasons which the Commission found compelling in supporting its decision
21 to approve the Company's CAGR D adjuster mechanism are equally applicable with regard to the
22 new AMDs. Specifically:

- 23 • Allowing Johnson Utilities to collect the new AMDs through the CAGR D
24 adjuster will send appropriate signals to water companies regarding their duty
25 to fully engage in conservation programs administered by ADWR.
- 26 • The AMDs are not discretionary for Johnson Utilities.
- 27 • CAGR D participation represents the kind of investment that is appropriate for
28 timely cost recovery.

³ Decision 71854 at page 43, line 19, to page 44, line 13.

- Not allowing Johnson Utilities to recover the AMDs in real time (at an initial annual cost of approximately \$92,000) may threaten the Company's ability to participate in the CAGR program and would send a negative signal to water providers regarding the Commission's support for sound regional approaches to achieving safe yield in active management areas.

For the reasons set forth herein, Johnson Utilities requests an order authorizing the Company to recover AMDs in the CAGR adjuster beginning with the 2011 AMDs which would be recovered through the CAGR adjuster fees that will become effective on and after October 1, 2011.

EXPEDITED ACTION REQUESTED

Pursuant to Decision 71854, Johnson Utilities must file by August 25, 2011, its proposed new CAGR adjuster fees with supporting calculations and documentation for the collection cycle that will begin October 1, 2011. Given that the filing date is only two months away, the Company requests that the Commission address this request on an expedited basis.

RESPECTFULLY submitted this 23rd day of June, 2011.

BROWNSTEIN HYATT FARBER SCHRECK, LLP



Jeffrey W. Crockett, Esq.
40 N. Central Ave., Fourteenth Floor
Phoenix, Arizona 85004
Attorneys for Johnson Utilities LLC

ORIGINAL and thirteen (13) copies of the foregoing filed this 23rd day of June, 2011, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Copy of the foregoing hand-delivered this 23rd day of June, 2011, to:

Teena Jibilian, Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

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5 Phoenix, Arizona 85007

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7 Utilities Division
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11 Daniel W. Pozefsky, Chief Counsel
12 RESIDENTIAL UTILITY CONSUMER OFFICE
13 1110 W. Washington Street, Suite 220
14 Phoenix, Arizona 85007

15 COPY of the foregoing sent via e-mail and first
16 class mail this 23rd day of June, 2011, to:

17 Mr. James E. Mannato
18 Town Attorney
19 P.O. Box 2670
20 775 North Main Street
21 Florence, Arizona 85232-2670

22 Craig A. Marks, Esq.
23 Craig A. Marks, PLC
24 10645 North Tatum Boulevard, Suite 200-676
25 Phoenix, Arizona 85028

26
27
28

14676111547558.2

Attachment 1



P.O. Box 43020 • Phoenix, AZ 85080-3020
23636 North Seventh Street • Phoenix, AZ 85024

623-869-2333 • www.cap-az.com

May 27, 2011

Mr. Steve Olea
Director, Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Subject: CAGRDR Annual Membership Dues

Dear Mr. Olea:

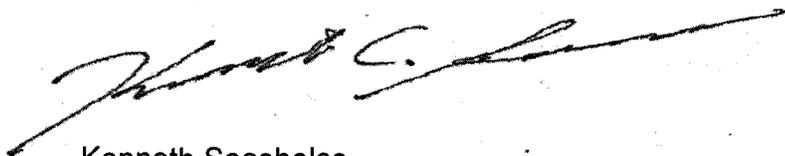
I'm writing this letter as a follow-up to our May 5, 2011, meeting on the new Central Arizona Groundwater Replenishment District (CAGRDR) Annual Membership Dues (AMDs). In that meeting, we reviewed how AMDs were established and we discussed the need for Johnson Utilities and Sahuarita Water Company (both are CAGRDR member service areas) to make filings with the ACC requesting that the AMDs be included in their CAGRDR Fee Adjustor calculations for the upcoming year. We understand that these water providers are required to make those filings by August 25, 2011.

As we indicated in the meeting, the CAWCD Board of Directors has the authority (pursuant to A.R.S. § 48-3779) to collect AMDs from all members of the CAGRDR each year beginning in 2011. On April 7, 2011, the Board adopted a Policy on Collection of CAGRDR Annual Membership Dues (attached) that outlines the methodology and timing for AMD collection. On May 5, 2011, the Board adopted a preliminary rate schedule (also attached) that would establish this year's AMD rate for member service areas at \$10.35 per acre-foot of long-term reliance on CAGRDR. The Board is scheduled to take action on a final rate schedule on June 2, 2011. The final rate schedule that staff is asking the Board to consider consists of the same rates as the preliminary schedule. Upon adoption of a final rate schedule, CAGRDR staff will send an invoice to each member service area. The invoice will identify the components of the service area replenishment tax, including the AMD amount, on separate line items. As required by statute, payment for the full invoice amount must be submitted to CAGRDR by October 15, 2011.

In our meeting you also asked that we indicate what a water provider could do to reduce the amount of AMDs it must pay to CAGRDR. A member service area may reduce its AMD by decreasing its long-term reliance on CAGRDR replenishment. A water provider could do this by securing its own renewable water supplies for use instead of groundwater, or otherwise developing mechanisms for reducing groundwater use within its service area (i.e., conservation). Such activities would not only reduce the AMDs, but would also reduce the total service area replenishment taxes owed to the CAGRDR.

I hope this provides the information you needed at this time. If you have questions or need additional information, please don't hesitate to contact me at 623-869-2476 or kseasholes@cap-az.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth Seasholes", written in a cursive style.

Kenneth Seasholes
Senior Policy Analyst
Central Arizona Water Conservation District

Attachments

cc: Mark Seamans, Sahuarita Water Company
Brian Tompsett, Johnson Utilities
Michael Pearce, Johnson Utilities
Kim Grouse, CAWCD

Board Policy



CAP
CENTRAL ARIZONA PROJECT

Approved by CAWCD Board
April 7, 2011

POLICY ON COLLECTION OF CAGR D ANNUAL MEMBERSHIP DUES

Arizona Revised Statutes (ARS) provides CAWCD with the authority to charge Annual Membership Dues (AMDs) on all parcels of Central Arizona Groundwater Replenishment District (CAGR D) member lands and on all municipal providers having a CAGR D member service area, even if they are not yet reporting excess groundwater use. Revenues generated by the collection of AMDs must be used to pay costs associated with the acquisition, lease or exchange of water or water rights and development of infrastructure necessary for CAGR D to perform its replenishment obligations, including the payment of debt service expenses, and necessary reserves and coverage requirements, on bonds issued for replenishment purposes. Revenues generated by the collection of AMDs will not be used to pay the annual costs associated with delivery of water for replenishment purposes.

Policy Objective:

The objective of this policy is to describe the general methodology that will be used in establishing AMDs. The policy will be applied in any year in which the CAWCD Board proposes to collect AMDs. Unless otherwise modified by the CAWCD Board, this policy shall be in effect through the 2014/2015 tax year, at which point the policy will be reviewed and revised as necessary to insure compliance with the next CAGR D Plan of Operation.

Methodology:

Each year, the CAWCD Board of Directors shall decide if AMDs should be collected from CAGR D member lands and member service areas. In determining the total amount of revenues to be generated through the collection of AMDs in a year, CAWCD shall comply with ARS §48-3772.A.8. In determining the AMDs to be charged against each parcel of member land and against each member service area, CAWCD shall comply with the provisions in ARS §48-3779. While most aspects of the methodology that staff will use to implement collection of AMDs are specified in statute, the following describes the supporting data that must be generated to carry out the implementation.

Member Lands

CAGR D Staff will maintain and publish a count of AMD-eligible lots (as defined in ARS §48-3779.E), based on data from plats and county parcel records, summed by Active Management Area.

Member Service Areas

CAGR Staff will estimate the long-term replenishment obligation associated with 2015 current-and-committed demands for each Member Service Area (ARS §48-3779.D.2). That "planned annual service area obligation" will be determined based on the water provider's projected 2017 demand as indicated in the "Schedule AWS" data submitted to the Arizona Department of Water Resources (ADWR), less supplies available to the Member that are consistent with the management goal of the AMA in which the Member is located. The specific volumes of those supplies will be based upon information contained in each Member's current Designation Order, long-term storage account summary, ADWR Annual Reports and contracts for any additional permanent or long-term (100-year) renewable water supplies. CAGR Staff may request additional information regarding the *basis of demand projections* and will consider renewable supplies not otherwise included in the Member's Designation of Assured Water Supply.

Staff will also calculate the reliance on the CAGR in the Member's current Designation Order. Unless specifically identified, the volume shall be calculated based on the total groundwater, less the portion that is not subject to a replenishment requirement. That exempted portion shall include the calculated incidental recharge, groundwater allowance (divided by 100, [except Pinal AMA, as applicable]) and extinguishment credits (divided by 100, [except Pinal AMA, as applicable]). The Assured Water Supply exemption granted to groundwater remediation projects expires in 2025, and is therefore ineligible.

Process:

The process of establishing AMDs will generally coincide with the CAGR rate-setting process, on a biennial schedule, with the primary rate-setting activity taking place in even years and an update, if required, in odd years. AMDs will be established only after being publicly announced and providing adequate time for public comment. The suggested calendar for establishing AMDs is shown below, and is applicable to both the primary AMD-setting process in even years and updates in odd years:

- 1) April – Staff includes proposed AMDs in the preliminary CAGR rate schedule that is delivered to the CAGR and Underground Storage Committee of the Board for study.
- 2) May – Board adopts the preliminary CAGR rate package, including the proposed AMDs. Announcement is made through public notice, which also invites all interested parties to submit written comments.
- 3) May – Public comments are analyzed and reviewed by staff and a proposed final CAGR rate schedule, including proposed AMDs, is disseminated to the Board and interested parties.
- 4) June – Board adopts the final CAGR rate schedule, including AMDs.

Forward Announcement of AMDs –

CAGR AMDs will be announced during each primary or update rate-setting process. Primary AMD rate schedules will be for three years, and updated AMD rate schedules, if required, will be for two years. The first year of the primary rate schedule will be considered "firm" pricing, subject to change only in emergency circumstances and if a change would be permitted under applicable contracts. The second year of the primary rate schedule will be considered "provisional," and will become firm unless updated by the Board prior to the commencement of the second year during the rate update process. The remaining year in the rate schedule is "advisory" for customer planning purposes, but subject to change in subsequent primary rate-setting or rate update processes. Rate updates affecting provisional or advisory rates may be made if there are material changes in assumptions made when these rates were originally published.

**CENTRAL ARIZONA
GROUNDWATER REPLENISHMENT DISTRICT
PRELIMINARY 2010/11 AND 2011/12 RATE SCHEDULE UPDATE**

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ASSESSMENT RATES

Units = \$/acre-foot

	2009/10	2010/11	Firm		Advisory		
			2011/12	2012/13	2013/14	2014/15	2015/16
Phoenix Active Management Area							
Water & Replenishment Component ¹	\$ 143	\$ 140	\$ 140	\$ 140	\$ 144	\$ 157	\$ 156
Administrative Component ²	33	38	42	44	44	44	44
Infrastructure & Water Rights Component ³	101	131	170	204	245	294	353
Replenishment Reserve Charge ⁴	41	47	51	54	54	55	55
Total Assessment Rate (\$/AF)	\$ 318	\$ 356	\$ 403	\$ 442	\$ 487	\$ 550	\$ 608
Pinal Active Management Area							
Water & Replenishment Component ¹	\$ 107	\$ 110	\$ 116	\$ 120	\$ 121	\$ 133	\$ 128
Administrative Component ²	33	38	42	44	44	44	44
Infrastructure & Water Rights Component ³	101	131	170	204	245	294	353
Replenishment Reserve Charge ⁴	38	45	53	61	60	61	61
Total Assessment Rate (\$/AF)	\$ 279	\$ 324	\$ 381	\$ 429	\$ 470	\$ 532	\$ 586
Tucson Active Management Area							
Water & Replenishment Component ¹	\$ 153	\$ 155	\$ 155	\$ 161	\$ 164	\$ 166	\$ 163
Administrative Component ²	33	38	42	44	44	44	44
Infrastructure & Water Rights Component ³	101	131	170	204	245	294	353
Replenishment Reserve Charge ⁴	46	53	60	65	61	59	57
Total Assessment Rate (\$/AF)	\$ 333	\$ 377	\$ 427	\$ 474	\$ 514	\$ 563	\$ 617
Contract Replenishment Tax - Scottsdale ⁵							
Cost of Water	\$ 126	\$ 133	\$ 137	\$ 137	\$ 141	\$ 139	\$ 142
Cost of Transportation	0	0	0	0	0	0	0
Cost of Replenishment	0	0	0	0	0	0	0
Administrative Component ²	33	38	42	44	44	44	44
Total Tax Rate (\$/AF)	\$ 159	\$ 171	\$ 179	\$ 181	\$ 185	\$ 183	\$ 186

ENROLLMENT & ACTIVATION FEES

Units = \$/Housing Unit

Enrollment Fee ⁶	\$ 83	\$ 107	\$ 138	\$ 165	\$ 198	\$ 237	\$ 284
Activation Fee ⁶	\$ 81	\$ 105	\$ 136	\$ 163	\$ 196	\$ 235	\$ 282

ANNUAL MEMBERSHIP DUES

Member Land Annual Membership Dues (\$/Lot) ⁷

Phoenix Active Management Area	--	--	\$ 6.88	\$ 8.80	TBD	TBD	TBD
Pinal Active Management Area	--	--	\$ 0.90	\$ 1.15	TBD	TBD	TBD
Tucson Active Management Area	--	--	\$ 4.34	\$ 5.55	TBD	TBD	TBD

Member Service Area Annual Membership Dues (\$/AF) ⁷

--	--	\$ 10.35	\$ 13.32	TBD	TBD	TBD
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**CENTRAL ARIZONA
GROUNDWATER REPLENISHMENT DISTRICT
PRELIMINARY 2010/11 AND 2011/12 RATE SCHEDULE UPDATE**

NOTES:

- 1 The Water & Replenishment Component is designed to cover the projected annual costs of satisfying replenishment obligations, including the purchase of long-term storage credits (LTSC) and the purchase and replenishment of water and effluent. The total volume of water to be purchased and replenished includes a sufficient volume to offset losses incurred during the replenishment process (generally 1% to 2.5%). For the Phoenix Active Management Area (AMA), replenishment will be accomplished at direct underground storage facilities (USFs) and groundwater savings facilities (GSFs) as well as through the use of LTSCs purchased from others. For the Pinal AMA, replenishment will be accomplished at GSFs. For the Tucson AMA, replenishment will be accomplished at USFs as well as through the use of LTSCs purchased from others.
- 2 The Administrative Component is designed to cover all CAGRDR administrative costs. A \$2/AF rate has been added to this component to help fund the CAGRDR conservation program.
- 3 The Infrastructure & Water Rights Component is designed to generate funds required for the acquisition, lease or exchange of water or water rights and development of infrastructure necessary for CAGRDR to perform its
- 4 The Replenishment Reserve Charge is designed to cover costs associated with establishing a replenishment reserve of LTSCs as required by statutes. Water will be stored at a combination of USFs and GSFs in the Phoenix and Tucson AMAs. LTSCs purchased from CAP and others will also be used to help establish the replenishment reserve in the Phoenix and Tucson AMAs. In the Pinal AMA, LTSCs will be purchased from CAP in accordance with Board policy adopted on October 6, 2005. This charge will be levied as provided in ARS Sections 48-3774.01 and 48-
- 5 The components of the Contract Replenishment Tax - Scottsdale reflect the provisions in the Water Availability Status Contract to Replenish Groundwater between CAWCD and Scottsdale. The rates reflect the assumption that Non-Subcontract CAP water will be available to meet the associated contract replenishment obligations.
- 6 The Enrollment Fee and Activation Fee reflect the fees established pursuant to the CAGRDR Enrollment Fee and Activation Fee Policy adopted by the Board on May 1, 2008. A \$2 per housing unit is included in the Enrollment Fee to help fund CAGRDR's conservation program.
- 7 The Annual Membership Dues for Member Lands and Member Service Areas reflect the fees established pursuant to ARS Sections 48-3772.A.8. and 48-3779 as well as the Policy on Collection of CAGRDR Annual Membership Dues adopted by the Board on April 7, 2011.

Attachment 2

**Agenda Number 5.e.
Attachment 1.**

Final Updated
June 2, 2011

**CENTRAL ARIZONA
GROUNDWATER REPLENISHMENT DISTRICT
FINAL 2010/11 AND 2011/12 RATE SCHEDULE UPDATE**

CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ASSESSMENT RATES

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ENROLLMENT & ACTIVATION FEES

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ANNUAL MEMBERSHIP DUES

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Tucson Active Management Area	--	--	\$ 4.34	\$ 5.55	TBD	TBD	TBD

Member Service Area Annual Membership Dues (\$/AF) ⁷

--	--	\$ 10.35	\$ 13.32	TBD	TBD	TBD
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**CENTRAL ARIZONA
GROUNDWATER REPLENISHMENT DISTRICT
FINAL 2010/11 AND 2011/12 RATE SCHEDULE UPDATE**

NOTES:

- 1 The Water & Replenishment Component is designed to cover the projected annual costs of satisfying replenishment obligations, including the purchase of long-term storage credits (LTSC) and the purchase and replenishment of water and effluent. The total volume of water to be purchased and replenished includes a sufficient volume to offset losses incurred during the replenishment process (generally 1% to 2.5%). For the Phoenix Active Management Area (AMA), replenishment will be accomplished at direct underground storage facilities (USFs) and groundwater savings facilities (GSFs) as well as through the use of LTSCs purchased from others. For the Pinal AMA, replenishment will be accomplished at GSFs. For the Tucson AMA, replenishment will be accomplished at USFs as well as through the use of LTSCs purchased from others.
- 2 The Administrative Component is designed to cover all CAGRDR administrative costs. A \$2/AF rate has been added to this component to help fund the CAGRDR conservation program.
- 3 The Infrastructure & Water Rights Component is designed to generate funds required for the acquisition, lease or exchange of water or water rights and development of infrastructure necessary for CAGRDR to perform its replenishment
- 4 The Replenishment Reserve Charge is designed to cover costs associated with establishing a replenishment reserve of LTSCs as required by statutes. Water will be stored at a combination of USFs and GSFs in the Phoenix and Tucson AMAs. LTSCs purchased from CAP and others will also be used to help establish the replenishment reserve in the Phoenix and Tucson AMAs. In the Pinal AMA, LTSCs will be purchased from CAP in accordance with Board policy adopted on October 6, 2005. This charge will be levied as provided in ARS Sections 48-3774.01 and 48-3780.01.
- 5 The components of the Contract Replenishment Tax - Scottsdale reflect the provisions in the Water Availability Status Contract to Replenish Groundwater between CAWCD and Scottsdale. The rates reflect the assumption that Non-Subcontract CAP water will be available to meet the associated contract replenishment obligations.
- 6 The Enrollment Fee and Activation Fee reflect the fees established pursuant to the CAGRDR Enrollment Fee and Activation Fee Policy adopted by the Board on May 1, 2008. A \$2 per housing unit is included in the Enrollment Fee to help fund CAGRDR's conservation program.
- 7 The Annual Membership Dues for Member Lands and Member Service Areas reflect the fees established pursuant to ARS Sections 48-3772.A.8. and 48-3779 as well as the Policy on Collection of CAGRDR Annual Membership Dues adopted by the Board on April 7, 2011.

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Board

June 2, 2011

Location: Central Arizona Project

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

(CENTRAL ARIZONA PROJECT)

Board of Directors

ACTIONS TAKEN

June 2, 2011 – 10:00 a.m.

Central Arizona Project

23636 North Seventh Street

Phoenix, Arizona

Board Room

Board members present were President Pam Pickard, Maricopa County; Lisa Atkins, Maricopa County; Gayle Burns, Maricopa County; Tim Bray, Maricopa County; Gayle Burns, Maricopa County; L.M. "Pat" Jacobs, IV, Pima County Terri Kibler, Pinal County; Mark Lewis, Maricopa County; Jean McGrath, Maricopa County; Sharon Megdal, Pima County Cynthia Moulton, Maricopa County; Warren Tenney, Pima County; and Janie Thom, Maricopa County

Consideration of Action to Approve Items on the Consent Agenda

- a. Approved minutes of the May 5, 2011, Regular Meeting.
- b. Approved the award of a contract to Aquatic Environments, Inc., to supply and operate a Weed Harvester Boat and provide support services as needed to remove aquatic weeds from the intake channel at Mark Wilmer Pumping Plant starting July 2011 through October 2011, and authorized the General Manager to execute an agreement up to \$280,000.
- c. Approved the acquisition of the 6.7 acre parcel located at 5110 S. Spencer Ave., Tucson, Pima County, Arizona between Wyoming Street and Utah Street and authorized the General Manager or his designee, to execute an agreement up to \$90,600, plus an additional \$9,600 (10%) for contingencies (totaling \$100,200).
- d. Approved the Final 2011-2012 Rate Schedule Update (attached).
- e. Approved the CAGR Final 2010/11 and 2011/12 Rate Schedule Update (attached).

Discussion and Consideration of Action Regarding CAWCD Ad Valorem Taxes for the 2011-12 Tax Year

- a. Set the ad valorem tax rate for CAWCD at six cents (\$0.06) per one hundred dollars (\$100) of assessed valuation for tax year 2011-2012.

b. Set the Water Storage ad valorem tax rate at four cents (\$0.04) per one hundred dollars (\$100) of assessed valuation for tax year 2011-2012.

c. Adopted a resolution determining that all of the tax levied for Water Storage in tax year 2011-12 is required for CAP annual operations, maintenance and replacement costs and should be deposited in a designated CAWCD account with the Arizona State Treasurer.

Consideration of Action to Approve a Balancing Authority Agreement Between Western Area Power Administration and CAWCD

Approved the Operating Agreement (Balancing Authority) with Western Area Power Administration and authorized the President of the Board of Directors to sign the Operating Agreement (Balancing Authority) in substantially the form in which it was presented at today's meeting

Consideration of Action to Authorize CAWCD's Participation in the Joint Action Authority of Arizona through an Intergovernmental Agreement

Approved the form of written resolution presented at this meeting approving CAWCD's participation in the Joint Action Authority of Arizona by agreement to the provisions of the Joint Action Authority of Arizona Intergovernmental Agreement and execution of New Member Agreement No. 1, and appointing CAWCD's representatives to the JAAAz governing board.

Consideration of Action to Approve Additional Spending Authority in the CAWCD 2011 Budget

Approved Additional Spending Authority in the CAWCD 2011 Capital Budget in the Amount of \$3.6 million for the APS Palo Verde-Morgan (T-9) Transmission Project.

Consideration of Action to Approve a Line Item Waiver in the CAWCD 2011 Budget

Approved a Line Item Waiver in the CAWCD 2011 General Fund Operating Budget in the Amount of \$1.5 million for Transmission Charges.