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Water Rights & Contracts  
P.O. Box 52025  
Phoenix, AZ 85072-2025

August 11, 2020

*SENT VIA U.S. MAIL AND E-MAIL: ron@creativebrandconsulting.com*

Ron Robinett, President  
Bonita Creek Land and Homeowners' Association  
251 North Big Al's Run  
Payson, AZ 85541

**Re: Bonita Creek Land & Homeowners' Association Expenses for C. C. Cragin Facilities:  
Revised Three-Year Rate Calculation**

Dear Mr. Robinett:

In accordance with Subparagraphs 18.2.3 and Exhibit 18.2.3 of the First Supplemental Water Rights Transfer, Water Exchange and Water Delivery and Use Agreement ("Agreement") among SRP and the Bonita Creek Land & Homeowners' Association (BCLHOA), executed on June 18, 2018, beginning in May 2020 and every three years thereafter, SRP will review and revise the Average Rate of its capital and O&M Costs. An amended Exhibit 18.2.3 is enclosed and details the new three-year Average Rate calculation for fiscal years 2021, 2022 and 2023. You will be receiving the combined C. C. Cragin capital and O&M invoice for BCLHOA's semi-annual FY2021 Average Rate billing in October 2020.

As a reminder, the Average Rate is a three-year average of both O&M and capital costs to be adjusted once every three years. For for fiscal years 2021, 2022, and 2023, the Average Rate is based on actual expenses incurred in 2019 and 2020, the estimated budget for fiscal year 2021, and a reconciliation (True Up) of actual costs for the previous three years versus the average rate paid. SRP has continued to improve its operations of the C. C. Cragin facilities. These improvements, combined with minimal operations in 2018 due to low water levels, resulted in a significant True-Up going forward into this next three year cycle.

In May 2023, SRP will review and revise BCLHOA's calculated annual Average Rate for the next three-year cycle as specified in Subparagraph 18.2.3 and Exhibit 18.2.3 of the Agreement.

Should you have any questions or require additional information, please feel free to contact Greg Kornrumpf at (602) 236-3264.

Sincerely,

A handwritten signature in black ink, appearing to read 'Grant Smedley', written in a cursive style.

Grant Smedley  
Director, Water Rights & Contracts  
Authorized Representative for SRP

GMS/rjh

Enclosures (1)

Cc: (email only)  
Greg Kornrumpf, SRP  
Rodney Held, SRP  
Sharon Morris, SRP

**FIRST SUPPLEMENTAL WATER RIGHTS TRANSFER, WATER EXCHANGE, AND  
WATER DELIVERY AND USE AGREEMENT  
FOR THE BONITA CREEK LAND AND HOMEOWNERS' ASSOCIATION WATER SYSTEM  
AMONG  
SALT RIVER VALLEY WATER USERS' ASSOCIATION,  
SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT,  
AND  
BONITA CREEK LAND AND HOMEOWNERS' ASSOCIATION (BCLHOA)**

**REVISED EXHIBIT 18.2.3**

Three (3) Year Average Rate Methodology

- Three (3) year average rate calculation for fiscal years 2021, 2022, and 2023 is based on:
  1. O&M actuals for fiscal years 2019 and 2020,
  2. O&M budget for fiscal year 2021,
  3. Reconciliation (True-Up) of actual costs for previous three-years versus average rate paid (fiscal years 2018, 2019, and 2020)

*NOTE: Capital costs and O&M costs are combined and presented as COSTS*

<b>Average Rate Calculation for Fiscal Years 2021, 2022, and 2023</b>	<b>COSTS</b>	<b>TOTAL</b>
Reconciliation of Actual Costs for past three (3) years versus three (3) year Average Rate paid (True-Up) (fiscal years 2018, 2019, and 2020)	(\$719,637)	(\$719,637)
FY19 (actual)	\$918,472	\$918,472
FY20 (actual)	\$745,300	\$745,300
FY21 (budgeted)	\$1,041,142	\$1,041,142
<b>Subtotal</b>		<b>\$1,985,276</b>
Administrative & General (A&G) Loads		\$117,622
<b>Total</b>		<b>\$2,102,899</b>
Annual Average Rate based on Three Year Total (Total / 3)		\$700,966
<b>Annual Average Rate for BCLHOA (0.136%)</b>		<b>\$953.31</b>

*NOTE:*

- *Beginning in May 2020, and every three (3) years thereafter, SRP will review and revise BCLHOA's calculated annual average rate as specified in Subparagraph 18.2.3 and this Exhibit 18.2.3.*
- *This revised exhibit reflects the May 2020 update to the BCLHOA's calculated annual average rate. The next review and revision of the Town of Payson's calculated annual average rate and this Exhibit 18.2.3 will occur in May 2023.*
- *The A&G load rate to be used in the calculation of the annual average rate will be an average of SRP's corporate rates during the Actual Costs and Budgeted Costs time period.*
- *A&G loads are not included in the calculation of the following:*
  - *True-Up amount*
  - *Actual Costs*
  - *Budgeted Costs*
- *For fiscal years 2021, 2022, and 2023, BCLHOA's annual three (3) year Average Rate without A&G loads is \$899.99*