



Zack Heim, PE  
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September 25, 2023

**BY U.S. MAIL AND E-MAIL**

Bryan Staley, President  
Bonita Creek Water Company  
450 N. Chase Ct.  
Chandler, AZ 85225  
[bryan@phoenixhomes.com](mailto:bryan@phoenixhomes.com)

**Re: Bonita Creek Water Company's Expenses for C. C. Cragin Facilities:  
Revised Three-Year Rate Calculation**

Dear Mr. Staley:

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 Water Company (BCWC), 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 2024, 2025 and 2026. You will be receiving separate C. C. Cragin capital and O&M invoices for BCWC's semi-annual FY2024 Average Rate billing in October 2023.

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 fiscal years 2024, 2025, and 2026, the Average Rate is based on actual expenses incurred in 2022 and 2023, the estimated budget for fiscal year 2024, 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 2021 due to low water levels, resulted in a True-Up that led to lower annual assessments for the next three-year cycle.

In May 2026, SRP will again begin the process to review and revise BCWC'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. As Cragin operations increase and O&M returns to more normal levels, SRP anticipates that rates will begin to rise in future three-year cycles.

Should you have any questions or require additional information, please feel free to contact Lucas Shaw at (602) 236-3228.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Zack Heim', is written over a light blue horizontal line.

Zack Heim, PE  
Director, Water Rights & Contracts  
Authorized Representative for SRP

ZJH/rjh

Enclosures (1)

C (via e-mail): Lucas Shaw, SRP  
Rodney Held, SRP  
Craig McGinnis, SRP  
Michelle Bigman, SRP

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

**REVISED EXHIBIT 18.2.3**

*Three (3) Year Average Rate Methodology*

- Three (3) year average rate calculation for fiscal years 2024, 2025, and 2026 is based on:
1. O&M / A&G Load actuals for fiscal years 2022 and 2023,
  2. O&M / A&G Load budget for fiscal year 2024,
  3. Reconciliation (True-Up) of actual costs for previous three-years versus average rate paid,
  4. Capital Costs for fiscal years 2019 thru 2023

<b>Average Rate Calculation for Fiscal Years 2024, 2025, and 2026</b>	<b>TOTAL</b>
Reconciliation of Actual Costs for past three (3) years versus three (3) year Average Rate paid (True-Up)	(\$270,420)
O&M FY22 (actual)	\$534,257
O&M FY23 (actual)	\$497,613
O&M FY24 (budgeted)	\$752,573
<b>Subtotal</b>	<b>\$1,487,024</b>
Administrative & General (A&G) Loads	\$65,311
Capital Costs (FY2019 – FY2023)	\$368,395
<b>Total</b>	<b>\$1,920,729</b>
Annual Average Rate based on Three Year Total (Total / 3)	\$640,243
<b>Annual Average Rate for BCWC (0.136%)</b>	<b>\$871*</b>
<p><b>*Breakdown of \$871 Average Rate Total: O&amp;M Costs + A&amp;G Loads = \$704 Capital Costs = \$167 These costs will be billed on separate invoices</b></p>	

*NOTE:*

- *Beginning in May 2020, and every three (3) years thereafter, SRP will review and revise BCWC's calculated annual average rate as specified in Subparagraph 18.2.3 and this Exhibit 18.2.3.*
- *This revised exhibit reflects the May 2023 update to BCWC's calculated annual average rate. The next review and revision of BCWC's calculated annual average rate and this Exhibit 18.2.3 will occur in May 2026.*