



ARIZONA WATER COMPANY

CAP WATER SHORTAGE TARIFF

A.C.C. No. 644

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Title: President

Date of Original Filing: November 16, 2022

System(s): APACHE JUNCTION, PINAL VALLEY, WHITE TANK

Tariff or Schedule No. CWS-101

Filed: November 16, 2022

Effective: December 16, 2022

Arizona Water Company ("Company") is party to four Central Arizona Project ("CAP") water subcontracts for the Company's Apache Junction (Contract No. 07-XX-30-W0455), Casa Grande (Contract No. 07-XX-30-W0456), Coolidge (Contract No. 07-XX-30-W0457), and White Tank (Contract No. 07-XX-30-W0458) water systems, respectively. The Company's Casa Grande and Coolidge water systems are now combined into the Pinal Valley water system, but the Casa Grande and Coolidge CAP Contracts remain separate.

This CAP Water Shortage Tariff responds to the Arizona Department of Water Resource's requirement to create a Drought Preparedness Plan that evaluates demand reductions that can be implemented in response to drought conditions. The Company's Curtailment Tariff also responds to that requirement. This CAP Water Shortage Tariff will become a part of the Company's Drought Preparedness Plan. Upon request, the Company will provide a copy of this tariff to any customer.

The plan set forth in this CAP Water Shortage Tariff applies to all interruptions in supply and delivery of CAP water to the Company, including declarations of shortage of Colorado River water, agreements to reduce CAP water deliveries between Arizona and other Colorado River basin states, and interruptions in operation of the CAP canal. The plan set forth in this CAP Water Shortage Tariff also applies if the Company voluntarily agrees to reduce CAP water deliveries in response to requests from or under programs created by the Central Arizona Water Conservation District, Arizona Department of Water Resources, or the United States Bureau of Reclamation. This Tariff refers to all interruptions in supply and delivery of CAP water and agreements to reduce CAP water deliveries as an "Interruption."

REDUCTION AND PRIORITY OF CAP WATER DELIVERIES

In the event of an Interruption, the Company will reduce CAP water deliveries to each of the following classes of customers, in the order shown below.

- Class 1. Customers who use directly delivered CAP water for turf and landscape, including golf courses, parks, ball fields, and other sports facilities.
- Class 2. Customers who use directly delivered CAP water for commercial or industrial purposes, except for utility purposes.
- Class 3. Customers who use directly delivered CAP water for utility purposes.
- Class 4. Indirect delivery of CAP water to Company customers through recharge and recovery.
- Class 5. Direct delivery of CAP water to Company customers through surface water treatment facilities.

The Company will fully reduce all deliveries of CAP water to Class 1 before it begins to reduce deliveries to Class 2. The Company will fully reduce all deliveries of CAP water to Class 2 before it begins to reduce deliveries to Class 3. The Company will fully reduce all deliveries of CAP

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water to Class 3 before it begins to reduce deliveries to Class 4. The Company will fully reduce all deliveries of CAP water to Class 4 before it begins to reduce deliveries to Class 5. The Company will reduce deliveries of CAP water to customers within each class on a pro rata basis based on historic deliveries.

The Company will reduce CAP water deliveries to customers independently under each CAP Subcontract. Thus, the Company will reduce deliveries to customers who receive CAP water delivered to the Company under the subcontract for Coolidge (Contract No. 07-XX-30-W0457) independently of customers who receive CAP water delivered to the Company under the subcontract for Casa Grande (Contract No. 07-XX-30-W0456), and so on.

This CAP Water Shortage Tariff applies to all CAP water supplies the Company currently has and acquires after the effective date of this tariff.

NOTICE TO CUSTOMERS

Within five business days of learning of an interruption in supply and delivery of CAP water to the Company, the Company will provide written notice to each Class of customers whose CAP water deliveries will be reduced under the terms of this tariff. The Company will send such notice by United States Mail to the billing address on file for each such customer.