

CUSTOMER NOTIFICATION

CAP SURCHARGE

VAIL WATER COMPANY

Docket No. W-01651B-12-0339

Effective May 4, 2015

The Arizona Corporation Commission approved the implementation of a Central Arizona Project ("CAP") surcharge, in Decision No. 75029, dated APRIL 23, 2015, to be used by the Company toward payment of its cost of delivery and treatment of its CAP water to Company's service area.

The **Surcharge** of **\$2.08** per **1,000** gallons per month will be effective on all customer billings for water after April 1, 2015. The surcharge will increase the monthly bill of the typical residential user with median usage of 5,500 gallons per month from \$33.90 to \$45.34, an increase of \$11.44, or 33.75 percent.

If you have any questions regarding the CAP surcharge, please contact the Company during office hours at 520-647-3679.

BACKGROUND:

The CAP was established by the Colorado River Basin Project Act of 1968, to transport water from the Colorado River to central and southern Arizona. Water is delivered to three active Management Areas ("AMAs"), Phoenix, Pinal, and Tucson. Members pay an annual commodity and delivery charge. In addition, members are allowed to recharge or store water from the annual CAP allotment to earn Long Term Storage Credits ("LTSCs") that may be sold or applied to future water purchases.

Vail Water Company has approximately 4,116 connections located in southern Pima County. Vail has been buying and recharging CAP water since 2000, and it is using the CAP water to meet the Company's recharge obligation. A recently-completed booster station and transmission line will allow the delivery of CAP water that has been wheeled by the City of Tucson to be delivered to the Company's service area.