

EXHIBIT A-1
To Supplemental IGA

Calculation of Reclaimed Water (R&M) and Capital Costs

		RECLAIMED WATER SYSTEM			ALLOCATION RELATED DATA							
		Water Utility	Portable System		Production/	Distribution	Sum: Prod &	Possible	Prod	Distribution	Reclaimed	Reclaimed
		Total	Total	Total	Treatment		Distribution	Prod &	Percentage	Percentage	Percentage	Prod (AP)
								Distribution				
A	081-710-7127	\$1,419,000			\$1,166,000	\$212,000	\$61,000	\$1,378,000	84.6%	15.4%		
B					\$52,000	\$9,000						
		\$1,419,000		\$1,419,000	\$1,218,000	\$221,000						
C												
	081-710-7122	\$112,000										
	081-710-7117	\$2,519,000										
	081-710-7111	\$1,228,000										
	081-710-7126	\$92,000										
	081-710-7427	\$117,000										
	081-710-7128	\$769,000										
	081-710-7457	\$1,475,000										
	Sub total	\$7,252,000		\$863,000	\$730,000	\$131,000	\$0				11.9%	
	081-710-7416	\$1,923,000										
	081-710-7417	\$1,277,000										
	081-710-7418	\$119,000										
	081-710-7112	\$1,017,000										
	081-710-7114	\$412,000										
	081-710-7411	\$235,000										
	081-710-7175	\$212,000										
	081-710-7425	\$110,000										
	081-710-7429	\$387,000										
	081-710-7430	\$692,000										
	081-710-7370	\$591,000										
	081-710-7217	\$1,585,000										
	081-710-7117	\$1,662,000										
	081-710-7438	\$2,891,000										
	081-710-7119	(\$2,151,000)										
	Sub total	\$9,791,000		\$235,000	\$190,000	\$15,000					2.3%	
	Fixed revenue											
	Operating fund	\$2,115,000										
	Interest earn	\$112,000										
	Sub total	\$2,227,000		\$174,000	\$117,000	\$27,000						6.9%
	O&M Cost Per AP Produced			\$1,351,000	\$1,791,000	\$362,000						
				\$274.44	\$189.91	\$34.53						

Exhibit A-1
to Supplemental IGA

Calculation of Reclaimed Water O&M and Capital Costs

Account	RECLAIMED WATER SYSTEM			ALLOCATION RELATED DATA									
	Water Utility Total	Public System Total	Total	Production Treatment	Distribution	Admin/Other	Reclaimed Prod + Reclamation Dist	Publde Sys Percentage	Sums Prod & Distribution Percentage	Proof Percentage	Distribution Percentage	Reclaimed Sys Percentage	Reclaimed Profit (AF)
Equipment	\$2,129,000												
Debt Service	\$18,808,000												
Contract Payors	\$702,000												
Capital Programs	\$21,792,000												
Sub-total	\$19,311,000												
Connection Fees	\$2,078,000												
Area Dev Fees	\$927,000												
Interest/Offical Service Fund	\$277,000												
Interest/CAF Res Fund	\$51,000												
Interest/AAWVH Settlement	\$617,000												
Use of Metro Reserve Account	\$490,000												
Use of CAF Reserve Fund	\$1,175,000												
Use of Working Capital	\$1,116,000												
Sub-total	\$8,781,000												
Net Capital Costs to be Allocated	\$34,647,000												
Depreciation Basis:													
Source/Prod/Treatment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Storage for Source	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transmission/Distribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Storage for Distribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Meters & Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Hydrants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other (Studies, Office Fund, etc)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
General Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sub total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocate Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sub total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less Meters/Sves & Hydrants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sub total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocate General Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Capital Costs Remaining to be Allocated	\$34,647,000												

Calculation of Reclaimed Water (ASNI) and Capital Costs

Asset Basis:	RECLAIMED WATER SYSTEM			ALLOCATION RELATED DATA								
	Water Utility Total	Potable System Total	Total	Production Treatment	Distribution	Admin/Other	Reclaimed Prod + Reclaimed Dist	Potable Sys Percentage	Sum: Prod & Distribution	Prod Percentage	Reclaimed Sys Percentage	Reclaimed Prod (AF)
Property Register:												
Land	\$11,618,000	\$11,409,000	\$1,219,000			\$1,219,000						
Source/Prod/Treatment	\$125,229,000	\$115,542,000	\$9,687,000	\$9,687,000								
Storage for Source	\$1,521,000		\$1,521,000	\$1,521,000								
Transmission/Distribution	\$197,621,000	\$116,606,000	\$81,017,000		\$81,017,000							
Storage for Distribution	\$71,357,000	\$65,319,000	\$5,908,000		\$5,908,000							
Meters & Services	\$19,131,000	\$19,146,000	\$207,000									
Hydants	\$17,110,000	\$17,110,000										
Other (Studies, Office Equip, etc)	\$3,605,000		\$3,605,000									
General Plant	\$31,711,000											
Sub-total	\$751,157,000	\$627,262,000	\$123,895,000	\$123,895,000	\$56,925,000	\$1,811,000			\$70,133,000	18.8%	81.2%	
Allocate Other												
Sub-total	\$751,157,000	\$627,262,000	\$123,895,000	\$123,895,000	\$60,857,000	\$0						
Less Meters/Services & Hydants	\$56,161,000	\$56,257,000	\$207,000									
Contributed Capital	\$17,817,000	\$66,545,000	\$5,272,000	\$1,000,000	\$1,163,000	\$108,000						
Sub-total	\$625,876,000	\$504,460,000	\$69,705,000	\$13,120,000	\$56,697,000	\$108,000			\$51,161,000	19.4%	80.6%	
Allocate Other				\$21,000	\$87,000							
Sub-total	\$625,876,000	\$504,460,000	\$69,705,000	\$13,099,000	\$56,606,000	\$0			\$574,165,000	2.3%	9.9%	
Allocate General Plant		\$15,411,000		\$1,800,000	\$5,698,000							
Total Property Register	\$625,876,000	\$519,893,000	\$105,985,000	\$14,279,000	\$61,701,000							
Holding Accounts:												
Allocate Holding Account 1	\$5,698,000											
Total Assets in Place	\$625,876,000	\$554,899,000	\$171,683,000	\$16,079,000	\$67,399,000							
Contribution for Programs:												
Fund	\$0	\$0	\$0									
Source/Prod/Treatment	\$10,851,000	\$29,309,000	\$18,458,000	\$11,345,000								
Storage for Source	\$0	\$0	\$0									
Transmission/Distribution	\$55,558,000	\$51,751,000	\$3,807,000		\$3,807,000							
Storage for Distribution	\$1,195,000	\$1,095,000	\$100,000		\$100,000							
Meters & Services	\$1,661,000	\$1,662,000	\$1,000		\$1,000							
Hydants	\$0	\$0	\$0									
Other (Studies, Office Equip, etc)	\$270,000	\$0	\$270,000									
General Plant	\$18,218,000	\$0	\$18,218,000			\$270,000						
Sub-total	\$123,751,000	\$80,957,000	\$42,794,000	\$11,312,000	\$1,907,000	\$270,000			\$15,249,000	74.4%	25.6%	
Allocate Other				\$701,000	\$69,000							
Sub-total	\$123,751,000	\$80,957,000	\$42,794,000	\$12,013,000	\$2,076,000							

Calculation of Reclaimed Water O&M and Capital Costs

Add'l of	Water Utility		Potable System		RECLAIMED WATER SYSTEM				ALLOCATION RELATED DATA					
	Total	Total	Total	Total	Production/ Treatment	Distribution	Admin/ Other	Total	Reclaimed Prod + Reclaimed Dist	Potable Sys Percentage	Sum: Prod & Distribution	Prod Percentage	Reclaimed Sys Percentage	Reclaimed Prod (AF)
Sub-total	\$123,253,000	\$9,957,000	\$133,210,000	\$15,578,000	\$11,513,000	\$3,976,000	\$0	\$15,489,000	\$100,874,000	84.6%	\$11,492,000	11.4%	3.9%	
Less: Meters/Sves & Hydrants	\$4,661,000	\$1,602,000	\$6,263,000	\$50,000	\$2,085,000	\$718,000	\$0	\$2,803,000	\$350,666,000	87.3%	\$3,783,000	3.7%	8.9%	
Sub-total	\$118,592,000	\$8,355,000	\$126,947,000	\$15,528,000	\$11,628,000	\$3,698,000	\$0	\$15,326,000						
Allocate General Plant		\$15,415,000	\$15,415,000	\$15,519,000	\$28,017,000	\$66,960,000		\$44,981,000						
Total Construction-In-Progress			\$16,830,000	\$16,830,000	\$1,294,000	\$1,091,000		\$2,385,000						
Total Assets			\$16,830,000	\$16,830,000	\$1,294,000	\$1,091,000		\$2,385,000						
Net Capital Costs Remaining Allocable to Reclamation			\$151,762,000	\$151,762,000	\$123,433,000	\$319,483,000		\$123,433,000						
Summary: Capital Cost														
Allocation to Reclaimed					\$0	\$0		\$0						
Depreciation Basis					\$1,294,000	\$1,091,000		\$2,385,000						
Asset Basis					\$1,294,000	\$1,091,000		\$2,385,000						
Total					\$1,294,000	\$1,091,000		\$2,385,000						

Information for depreciation basis will be added later
on a month by asset type for the building account, if available, will be added later in place of an allocation

EXHIBIT B
To Supplemental IGA

Reclaimed Cost of Service
Preliminary FY 1999 ACTUALS

	Prod/Treatment	Distribution	Total
O&M Costs	\$1,991,000	\$362,000	\$2,353,000
<i>Cost Per AF Produced</i>	<i>\$189.91</i>	<i>\$34.53</i>	<i>\$224.44</i>
Capital Costs ¹	\$1,294,000	\$3,091,000	\$4,385,000
<i>Cost Per AF Produced</i>	<i>\$123.43</i>	<i>\$294.83</i>	<i>\$418.26</i>
Total ²	\$3,285,000	\$3,453,000	\$6,738,000
<i>Cost Per AF Produced</i>	<i>\$313.34</i>	<i>\$329.36</i>	<i>\$642.70</i>
<i>FY 1999 Reclaimed Water Produced (AF)</i>		<i>10,483.9</i>	

	<u>Supp. IGA Reference</u>	
Environmental Rate	Subsec. 5.2.2.1	\$224.44
Effluent Recovery Rate	Subsec. 6.5	\$189.91
Operating Expense Component of Reclaimed Wheeling Rate	Subsec. 12.3	\$34.53
Minimum Production Component for Non-Metropolitan Effluent	Subsec. 4.1.3	\$189.91

¹ For this preliminary calculation, capital costs have not been allocated on the bases of depreciation and asset relationships, but rather on the sole basis of asset relationships. Final calculations will be based on both depreciation and asset relationships.

² The methodology in this agreement has been negotiated between the parties and departs from the City's standard methodology used in water utility rate studies in the following ways: 1) Customer costs and tax costs have been excluded from total costs; and 2) cost per acre foot has been calculated on the basis of water produced rather than water sold.

WHEN RECORDED, MAIL TO:

HECTOR MARTINEZ
Administrator
Real Estate Division
201 North Stone, Sixth Floor
Tucson, Arizona 85701

CONSENT

This Consent is hereby granted to the City of Tucson, Arizona (the "City"), by Pima County (the "County"), this ____ day of February, 2000.

WHEREAS, the County is the owner of certain parcels of real property located in Pima County, Arizona, described by Pima County Tax Code Parcel Number as:

1. 103-04-001F
2. 103-06-004F
3. 103-06-092F
4. 101-20-031C
5. 101-19-0020
6. 101-19-0030
7. 101-06-006C
8. 214-01-0260
9. 214-01-014A
10. 214-01-018C
11. 214-01-017D
12. 214-04-042B
13. 214-04-042D

In addition, Pima County is the owner of various parcels listed under Parcel Code Number 999-99-9993, including the Sunset Road Right-of-Way, and any other such parcels as may be located near the Santa Cruz River between Roger Road and Ina Road; and

WHEREAS, certain portions of the above-listed parcels are located within the riverbed of the Santa Cruz River, between the banks thereof; and

WHEREAS, certain effluent is discharged into the riverbed of the Santa Cruz River; and

WHEREAS, the City has requested that the County consent to the use of the reach of the Santa Cruz river that flows through the above County Parcels as a Managed Recharge Facility under Arizona Revised Statutes §§ 45-801 *et seq*; and

WHEREAS, Pima County is willing to grant this Consent according to the specific terms of the Supplemental Intergovernmental Agreement between the City of Tucson and the Pima County ("the 2000 Supplemental IGA"), to which this Consent is attached as Exhibit C.

NOW THEREFORE, Pima County hereby agrees to the following:

1. The County hereby grants to the City consent to contain and transport effluent which flows over the above-listed Pima County parcels for the purposes of operating an underground storage facility pursuant to Permit No. 71-545944.0001 (the "Permit") or any subsequent underground storage facility permit issued by the Arizona Department of Water Resources to the City for a managed recharge project for this reach of the Santa Cruz River. Some of the parcels of land located within this reach of the Santa Cruz River are listed under a common parcel number: 999-99-9993; by this Consent, Pima County hereby grants the City permission to use any such parcel located in the bed of the Santa Cruz River between Roger Road and Ina Road for purposes of a Managed Recharge Project.
2. Said Consent shall run with the land in favor of the City of Tucson for the duration of the permit, or any extension or renewal thereof, and shall be binding on successors and assigns.

Pima County has executed this Consent as of the date written below.

By:

C.H. HUCKELBERRY
COUNTY ADMINISTRATOR

This ___ day of February, 2000.

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this _____ day of February, 2000,
by C.H. Huckelberry, County Administrator, Pima County.

Notary Public

My Commission Expires:

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EXHIBIT D
To Supplemental IGA

WHEN RECORDED, MAIL TO:

HECTOR MARTINEZ
Administrator
Real Estate Division
201 North Stone, Sixth Floor
Tucson, Arizona 85701

CONSENT

This Consent is hereby granted to the City of Tucson, Arizona (the "City"), by the Pima County Flood Control District (the "Flood Control District"), this ____ day of February, 2000.

WHEREAS, the Flood Control District is the owner of certain parcels of real property located in Pima County, Arizona, described by Pima County Tax Code Parcel Number as:

1. 101-06-009G
2. 101-06-004F
3. 214-01-024E
4. 214-01-024B
5. 214-01-024D
6. 214-01-024H
7. 214-01-024J

In addition, the Flood Control District is the owner of a parcel listed under Parcel Code Number 999-99-9993, which includes the Canada Del Oro drainageway; and

WHEREAS, certain portions of the above-listed parcels are located within the riverbed of the Santa Cruz River, between the banks thereof; and

WHEREAS, certain effluent is discharged into the riverbed of the Santa Cruz River; and

WHEREAS, the City has requested that the Flood Control District consent to the use of the reach of the Santa Cruz river that flows through the above Flood Control District Parcels as a Managed Recharge Facility under Arizona Revised Statutes §§ 45-801 *et seq*; and

WHEREAS, the Flood Control District is willing to grant this Consent according to the specific terms of the Supplemental Intergovernmental Agreement between the City of Tucson and Pima County ("the 2000 Supplemental IGA"), to which this Consent is attached as Exhibit D.

NOW THEREFORE, the Pima County Flood Control District hereby agrees to the following:

1. The Flood Control District hereby grants to the City consent to contain and transport effluent which flows over the above-listed Flood Control District parcels for the purposes of operating an underground storage facility pursuant to Permit No. 71-545944.0001 (the "Permit") or any subsequent underground storage facility permit issued by the Arizona Department of Water Resources to the City for a managed recharge project for this reach of the Santa Cruz River. One of the parcels of land located within this reach of the Santa Cruz River is listed under a common parcel number: 999-99-9993; by this Consent, the Flood Control District hereby grants the City permission to use any such parcel as may be located in the bed of the Santa Cruz River between Roger Road and Ina Road for purposes of a Managed Recharge Project. This Consent shall be subject to the limitations set forth in the 2000 Supplemental IGA.
2. Said Consent shall run with the land in favor of the City of Tucson for the duration of the permit, or any extension or renewal thereof, and shall be binding on successors and assigns.

The Pima County Flood Control District has executed this Consent as of the date written below.

By: _____
C.H. HUCKELBERRY
COUNTY ADMINISTRATOR

This ___ day of February, 2000.

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this _____ day of February, 2000,
by C.H. Huckelberry, County Administrator, Pima County.

Notary Public

My Commission Expires:

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EXHIBIT E
To Supplemental IGA

EXHIBIT E, FORM OF AGREEMENT FOR CONSENT FOR MANAGED RECHARGE PROJECTS NORTH OF
INA ROAD

WHEN RECORDED, MAIL TO:

Administrator
Real Estate Division
201 North Stone, Sixth Floor
Tucson, Arizona 85701

CONSENT

This Consent is hereby granted to the City of Tucson, Arizona (the "City"), by Pima County (the "County"), this ____ day of _____, _____.

WHEREAS, the Pima County is the owner of certain parcels of real property located in Pima County, Arizona, described by Pima County Tax Code Parcel Number as:

1. [List of Pima County Parcels]

In addition, Pima County is the owner of various parcels listed under Parcel Code Number 999-99-9995, which include [various rights-of-way and drainageway parcels]; and

WHEREAS, certain portions of the above-listed parcels are located within the riverbed of the Santa Cruz River, between the banks thereof; and

WHEREAS, certain effluent is discharged into the riverbed of the Santa Cruz River; and

WHEREAS, the City has requested that the County consent to the use of the reach of the Santa Cruz river that flows through the above County Parcels as a Managed Recharge Facility under Arizona Revised Statutes §§ 45-801 *et seq*; and

WHEREAS, Pima County is willing to grant this Consent according to the specific terms of the Supplemental Intergovernmental Agreement between the City of Tucson and the Pima County ("the 2000 Supplemental IGA"), to which this Consent is attached as Exhibit E.

EXHIBIT E, FORM OF AGREEMENT FOR CONSENT FOR MANAGED RECHARGE PROJECTS NORTH OF
INA ROAD

NOW THEREFORE, Pima County hereby agrees to the following:

1. The County hereby grants to the City consent to contain and transport effluent which flows over the above-listed Pima County parcels for the purposes of operating an underground storage facility pursuant to [a permit issued by the] Department of Water Resources to the City for a recharge project for this reach of the Santa Cruz River. [Some of the parcels of land located within this reach of the Santa Cruz River are listed under a common parcel number: 999-99-9993; by this Consent, Pima County hereby grants the City permission to use any such parcel located in the bed of the Santa Cruz River north of Ina Road for purposes of a Managed Recharge Project.
2. Said Consent shall run with the land in favor of the City of Tucson for the duration of the permit, or any extension or renewal thereof, and shall be binding on successors and assigns.

Pima County has executed this Consent as of the date written below.

By: _____
COUNTY ADMINISTRATOR

This ___ day of _____, _____.

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this ___ day of _____, _____
by [Pima County Administrator].

Notary Public

My Commission Expires:

WHEN RECORDED, MAIL TO:

Administrator
Real Estate Division
201 North Stone, Sixth Floor
Tucson, Arizona 85701

CONSENT

This Consent is hereby granted to the City of Tucson, Arizona (the "City"), by Pima County Flood Control District (the "Flood Control District"), this _____ day of _____, _____.

WHEREAS, the Flood Control District is the owner of certain parcels of real property located in Pima County, Arizona, described by Pima County Tax Code Parcel Number as:

1. [List of Flood Control District Parcels].

In addition, the Flood Control District is the owner of parcels listed under Parcel Code Number 999-99-9993, which include [various rights-of-way and drainageway parcels]; and

WHEREAS, certain portions of the above-listed parcels are located within the riverbed of the Santa Cruz River, between the banks thereof; and

WHEREAS, certain effluent is discharged into the riverbed of the Santa Cruz River; and

WHEREAS, the City has requested that the Flood Control District consent to the use of the reach of the Santa Cruz river that flows through the above Flood Control District Parcels as a Managed Recharge Facility under Arizona Revised Statutes §§ 45-801 *et seq*; and

WHEREAS, the Flood Control District is willing to grant this Consent according to the specific terms of the Supplemental Intergovernmental Agreement between the City of Tucson and Pima County ("the 2000 Supplemental IGA"), to which this Consent is attached as Exhibit F.

EXHIBIT F, FORM OF AGREEMENT FOR CONSENT FOR MANAGED RECHARGE PROJECTS NORTH OF
INA ROAD

NOW THEREFORE, the Pima County Flood Control District hereby agrees to the following:

1. The Flood Control District hereby grants to the City consent to contain and transport effluent which flows over the above-listed Flood Control District parcels for the purposes of operating an underground storage facility pursuant to [a permit issued by the] Arizona Department of Water Resources to the City for a managed recharge project for this reach of the Santa Cruz River. [One of the parcels of land located within this reach of the Santa Cruz River is listed under a common parcel number: 999-99-9993; by this Consent, the Flood Control District hereby grants the City permission to use any such parcel as may be located in the bed of the Santa Cruz River north of Ina Road for use in a managed recharge project.] This consent shall be subject to the limitations of the 2000 Supplemental IGA.
2. Said Consent shall run with the land in favor of the City of Tucson for the duration of the permit, or any extension or renewal thereof, and shall be binding on successors and assigns.

The Pima County Flood Control District has executed this Consent as of the date written below.

By: _____
COUNTY ADMINISTRATOR

This ___ day of _____, _____.

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this _____ day of _____, _____.
By [Pima County Administrator].

Notary Public

My Commission Expires:

EXHIBIT G
To Supplemental IGA

Kino Pipeline — Capital Component of County Kino Wheeling Rate

Assumptions:

- (1) Since the Kino pipeline will likely have additional non-County connections in the future, Pima County's obligation will be calculated at 50% of cost of construction.
- (2) *Distribution capital costs/AF* used in the calculation of liability balance reductions are the actual *Distribution Capital Cost/AF* for the previous FY (see Exhibits A, A-1 and A-2).
- (3) 100% of the *Distribution capital costs/AF* component for paid purchases of Reclaimed Water from the City for Kino Park shall be applied to reduce the Kino pipeline liability on which the capital component of the Kino wheeling rate shall be calculated.
- (4) 100% of the *Distribution capital costs/AF* component for paid billings from new customer connections to the Kino line shall be applied to reduce the Kino pipeline liability on which the capital component of the Kino wheeling rate shall be calculated.
- (5) Amortization of the Kino capital cost will be based on a 25 year repayment period beginning 2/1/2000 at 5.25% interest

Calculation of liability:

Pipeline costs (as of 1/2000)	\$1,458,418
Pima Co %	50%
Pima Co Liability	<u>\$ 729,209</u>

Calculation of liability reductions:

- (a) As Pima County is billed and pays for Kino reclaimed water use, reductions will be applied as follows:
Kino reclaimed purchases (AF) X Capital cost/AF
 The liability will be reduced for all paid Kino billings (AF) from 12/97 through 1/2000.
 As Pima County is billed and pays for Kino reclaimed water use after 1/2000, reductions will be applied on the same basis until Pima County begins providing Reclaimed Water to the Kino facility.
- (b) As future reclaimed customers connect to the Kino pipeline additional liability reductions will be applied as follows:
New customer's actual annual paid usage (AF) X Distribution Capital cost/AF
 The liability will be reduced for calculation of amortization for the remaining repayment period.

Calculation of Liability:

Beginning amount (50% of \$1,458,413)	\$ 729,209.00
Reduction for purchases through 1/2000:	
AF purchased 12/1997 to 1/2000	901
Capital Costs per AF (Exhibit A-2)	<u>\$294.83</u>
	<u>(\$265,641.83)</u>
Balance as of 1/31/2000	<u>\$ 463,567.17</u>

Calculation of Kino capital component (as of 1/2000):

Annual Capital charge:	
\$463,567.17 capitalized for 25 years at 5.25%	\$33,720.13
Capital charge per acre foot	
Divided by 430 a.f. purchases	\$73.42
Adjusted Capital Component	<u>\$73.42</u>

If there is a remaining capital component of the Kino wheeling rate after the adjustments illustrated in Exhibit G-1 have been made over the years, this capital component will terminate January 31, 2025.

See Exhibit G-1 for examples of potential future reductions of the capital component of the Kino wheeling rate.

EXHIBIT G-1
To Supplemental IGA

Exhibit G-1
to Supplemental IGA

KINO PIPELINE — POTENTIAL FUTURE CAPITAL COMPONENT ADJUSTMENTS

Example of potential future capital component assuming Randolph deliveries 1/1/2002

Balance as of 1/31/2000		\$ 453,567.17
Estimated future reductions		
Calendar 2000 (11 months):		
Estimated purchases (AF) 2/2000 to 12/2000	405	
Capital Costs per AF (Attachment A)	<u>\$294.83</u>	(S119,406.15)
Calendar 2001 (12 months)		
Estimated purchases (AF) 1/2001 to 12/2001	432	
Capital Costs per AF (Attachment A)	<u>\$294.83</u>	<u>(S127,366.56)</u>
Estimated balance as of 12/31/2001		\$ 216,794.46
Capital charge per acre foot		
\$ 216,794.46 capitalized for 23 years at 5.25%	\$16,453.31	
Divided by 430 a.f. prior year purchases	\$38.26	
Adjusted Capital Component		<u><u>\$38.26</u></u>

Example of potential future capital component assuming additional connections in 2001

Balance as of 12/31/2001		\$ 216,794.46
New connections purchase 30 a.f. in 2001		
30 X \$294.83 = \$8,844.90		<u>\$ 8,844.90</u>
Adjusted liability balance		\$ 207,949.56
Capital charge per acre foot		
\$ 207,949.56 capitalized for 23 years at 5.25%	\$ 15,782.04	
Divided by 430 a.f. prior year purchases	\$ 36.70	
Adjusted Capital Component		<u><u>\$ 36.70</u></u>

Appendix A

EX 15726

Point of Delivery	#	Meter #	Meter Location	City of Tucson Water Acct #	Acre-Ft Year	Rate Type
La Canada to Shannon (North Bank) (River Rd Medians La Canada to La Cholla)	_1	44032260	4845 N. Flowing Wells	34955-81934	40.0	E
	2	44032261	4845 N. Flowing Wells	34955-81936		
	_3	44032262	4845 N. Flowing Wells	34955-81938		
La Canada to Shannon (South Bank) La Canada to Shannon (South Bank) La Canada to Shannon (South Bank)	_4	44032257	4765 N. Flowing Wells	34955-81946	10.0	E
	5	44032258	4765 N. Flowing Wells	34955-81942		
	_6	44032259	4765 N. Flowing Wells	34955-81944		
Flowing Wells to Stone (North Bank) & Children's Memorial Park	_7	44228452	4840 N. La Canada		43.0	E
	_8	96111196	4841 N. La Canada			
Flowing Wells to Stone (South Bank) Flowing Wells To Stone (South Bank)	_9	44228454	4760 N. Flowing Wells #1		9.5	E
	_10	44228455	4760 N. Flowing Wells			
Stone to Campbell (North Bank) Stone to Campbell (North Bank)	_11	44228457	1500 E. River Rd. #2	28007-30698	15.5	E
	_12	44228458	1500 E. River Rd. #1			
Rillito Track & Park Rillito Track & Park	_13	97738770	1490 E. River Rd. #2	428133-456432	68.0	E
	_14	1476849	1490 E. River Rd. #1	423133-456434		
Stone to Campbell (South Bank) Stone to Campbell (South Bank)	_15	44228462	1321 E. Prospect Lane #1	28007-28972	14.0	E
	_16	44228463	1321 E. Prospect Lane #2	28007-28974		
Alvernon to Craycroft (South Bank)	_17	98527043	3400 N. Alvernon Way		15.0	E
Alvernon to Craycroft (North Bank)	_18	98520734	3800 N. Alvernon Way		15.0	E
Alamo Wash Alamo Wash	_19	41787647	5097 E. Glenn #1	151921-152684	2.0	E
	_20	41787579	5097 E. Glenn #2	34951-52682		
Speedway to St. Mary's (West Bank) Speedway to St. Mary's (West Bank)	_21	95428756	756 N. Riverside		18.0	E
	_22	95111193	757 N. Riverside			
Grant to Speedway (East & West Banks) Grant to Speedway (East & West Banks)	_23	44032284	830 W. Speedway		30.0	E
	_24	44032283	831 W. Speedway			
George Mehl (Foothills) Park	_25	1566591	4000 E. River Rd		30.0	E
George Mehl (Foothills) Park	_26	1565590	4000 E. River Rd			
Kino Delivery	_27				591.0	_O
Arthur Pack	_28		9101 N. Thornydale		700.0	_O

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<u>Arthur Pack - Other</u>	<u>29</u>	<u>9101 N Thornydale</u>	<u>72.0</u>	<u>0</u>
<u>Casas Adobes</u>	<u>30</u>	<u>6262 N. Oracle Jaynes Stat</u>	<u>8.0</u>	<u>0</u>
<u>Curtis Park (future)</u>	<u>31</u>	<u>1900 W. Curtis</u>	<u>20.0</u>	<u>0</u>
<u>Denny Dunn</u>	<u>32</u>	<u>4400 W. Massingale Road</u>	<u>24.0</u>	<u>0</u>
<u>Flowing Wells (being built)</u>	<u>33</u>	<u>5510 N. Shannon</u>	<u>24.0</u>	<u>0</u>
<u>Lawrence</u>	<u>34</u>	<u>6777 S. Mark</u>	<u>29.0</u>	<u>0</u>
<u>Littletown</u>	<u>35</u>	<u>6465 S. Cravcroft</u>	<u>38.0</u>	<u>0</u>
<u>Los Ninos</u>	<u>36</u>	<u>5432 S. Bryant</u>	<u>31.0</u>	<u>0</u>
<u>Manzanita</u>	<u>37</u>	<u>5200 S. Westover</u>	<u>37.0</u>	<u>0</u>
<u>Meadowbrook</u>	<u>38</u>	<u>2635 W. Sandbrook</u>	<u>24.0</u>	<u>0</u>
<u>McDonald</u>	<u>39</u>	<u>4100 N. Harrison</u>	<u>34.0</u>	<u>0</u>
<u>Northwest Commemorative</u>	<u>40</u>	<u>5955 N. Camino del Tierra</u>	<u>24.0</u>	<u>0</u>
<u>NW YMCA</u>	<u>41</u>	<u>7770 N. Shannon</u>	<u>3.0</u>	<u>0</u>
<u>NW YMCA Fields</u>	<u>42</u>	<u>7600 N. Mona Lisa</u>	<u>24.0</u>	<u>0</u>
<u>Cardinal</u>	<u>43</u>	<u>6925 S. Cardinal</u>	<u>19.0</u>	<u>0</u>
<u>Mission Ridge</u>	<u>44</u>	<u>3300 W Tucker</u>	<u>14.0</u>	<u>0</u>
<u>Dan Felix Memorial</u>	<u>45</u>	<u>5790 N. Camino del Tierra</u>	<u>30.0</u>	<u>0</u>
<u>Richardson</u>	<u>46</u>	<u>3500 W. Green Trees</u>	<u>24.0</u>	<u>0</u>
<u>Riverbend (future)</u>	<u>47</u>	<u>3350 E. River</u>	<u>24.0</u>	<u>0</u>
<u>Sunset Point</u>	<u>48</u>	<u>8535 N. Stargrass</u>	<u>24.0</u>	<u>0</u>
<u>Three-Points</u>	<u>49</u>	<u>10211 S. Sasabe</u>	<u>29.0</u>	<u>0</u>
<u>Ted Walker (some future)</u>	<u>50</u>	<u>6775 N. Casa Grande Hwy</u>	<u>72.0</u>	<u>0</u>
<u>Tucson Mountain Park</u>	<u>51</u>	<u>Ajo Way to Kinney Road</u>	<u>40.0</u>	<u>0</u>
<u>Wildwood</u>	<u>52</u>	<u>6201 N. Parsley</u>	<u>24.0</u>	<u>0</u>
<u>Emily Gray Jr High</u>	<u>53</u>	<u>4201 N. Melpomene Way</u>	<u>29.0</u>	<u>0</u>
<u>Murphy</u>	<u>54</u>	<u>4550 N. Camino Escuela</u>	<u>4.0</u>	<u>0</u>
			<u>2,326.0</u>	

E. - Environmental Rate

(Note that this will convert to the average operating rate when Randolph Park WRF becomes operational)

0 - Average Operating Rate Component pursuant to the Supplemental IGA Section 12.3 (when connected to system)