



CAP
CENTRAL ARIZONA PROJECT

**Approved Revision 1
2006 STRATEGIC PLAN**

November 2, 2006

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August 3, 2006

To Our Constituents, Customers and Stakeholders:

In late 2004, CAP's Board of Directors adopted a two-year planning cycle to allow more time for strategic planning. In odd years, two-year budgets and business plans would be completed, and in even years the focus would be long-range financial planning, rate setting and strategic planning.

The Board embarked on its 2006 strategic planning effort at a two-day session in January of this year. In addition to covering strategic planning topics at regular monthly meetings, the Board attended special work/study sessions in February, March, May and July. We have made tremendous progress in a short period of time, which is due to the dedication and hard work of our Board and the CAP staff. I would particularly like to thank our Board "champions," Tim Bray, Jim Hartdegen, Carol Zimmerman and Dan Donahoe, who worked with the staff to make sure that the strategic planning effort stayed on track.

The theme for the 2006 Strategic Plan, "Connecting the Dots," has particular significance for this Board. In the initial planning sessions the Board identified over 100

potential strategic issues. The Board prioritized these issues and reduced the list to less than 25 strategic issues organized under five Key Results Areas (KRAs), quite literally, using brightly colored dots. Each Board member was given his or her ten dots and was asked to place them by the issues they felt were most critical to the organization.

As part of the Board's strategic planning work, CAP's strategic planning consultants, L. L. Decker and Associates, interviewed a number of stakeholders, and CAP staff held a stakeholder workshop in April. These activities, as well as comments received at the other planning meetings, provided valuable feedback for the Board's consideration.

There was a great deal of consensus as to which issues were the most important. As a result, we will be concentrating on Leadership within the water community; building Public Trust by working to become more visible and bolstering relationships; working to improve the reliability of the existing Water Supply and identifying potential new water supplies; maintaining Project Reliability, including operations and maintenance, strengthening our workforce

and planning for potential events that might interfere with project operations; and optimizing our Power and transmission resources.

The dot ranking exercise, plus the work done at a second two-day session in May to identify strategic objectives for each issue, was the core of the strategic planning effort. Along the way the Board also adopted a new Mission Statement and Values. In July, staff presented alternative action plans for each strategic objective, and the Board chose which action plans it wanted staff to pursue. At its August meeting, the Board adopted the 2006 Strategic Plan for the Central Arizona Water Conservation District (CAWCD). The action plans identified in the strategic planning process will drive the 2008-2009 budget and business plan that will be created next year.

November 2, 2006 Update

The Central Arizona Groundwater Replenishment District (CAGRDR) was deliberately carved out from the CAWCD strategic planning effort in order to prevent the CAGRDR discussion from overshadowing other important issues for

William K. Perry
President

CAWCD. This was somewhat controversial, but the Board remained steadfast in its plan for completing the strategic plan, and we believe that this proved to be the right decision. The CAGRDR strategic plan supplement the Board approved today was completed one month ahead of schedule, and will be incorporated into a consolidated CAWCD strategic plan document with an added KRA for "Replenishment."

We are proud of the work we have done so far, and are pleased to present this strategic plan to you. This document contains a narrative for each KRA describing the present state and desired future state for the KRA and related strategies and objectives, a tabular presentation of the action plans for each KRA and related strategic issues and objectives and a map that illustrates the relationship of the Strategic Plan to our Balanced Scorecard Framework.

Once again, I would like to thank our Board members and our stakeholders for all of their hard work that has taken us to this point. I want to encourage continued hard work to address the action plans identified by the Board.



CAP
CENTRAL ARIZONA PROJECT

Our Mission

*CAP is the steward of central Arizona's
Colorado River water entitlement
and a collaborative leader in Arizona's water community.*



CAP
CENTRAL ARIZONA PROJECT

Our Values

Reliability

We will use every drop of Colorado River water available to us.

Leadership

We will be a leader in local and regional water issues.

Our Employees

Our employees are our most important resource.

The Public Trust

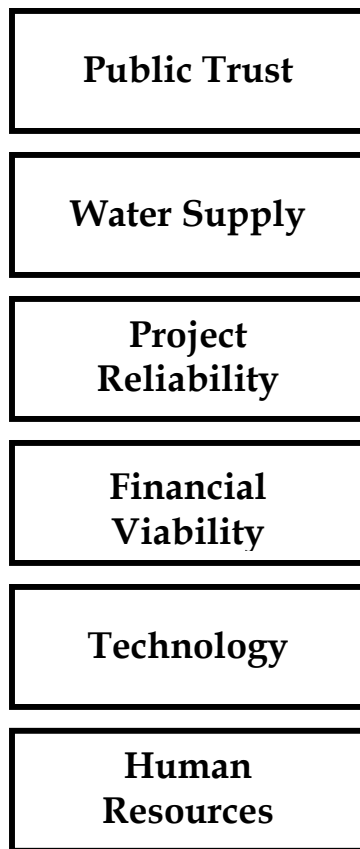
We respect the trust we have earned from our constituents.

The Environment

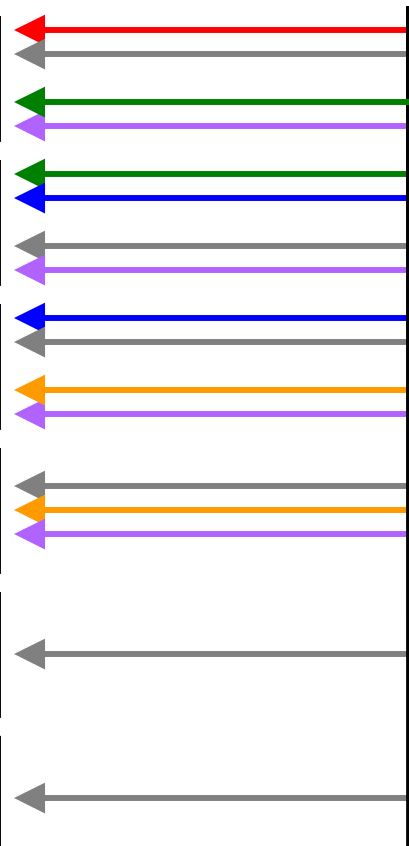
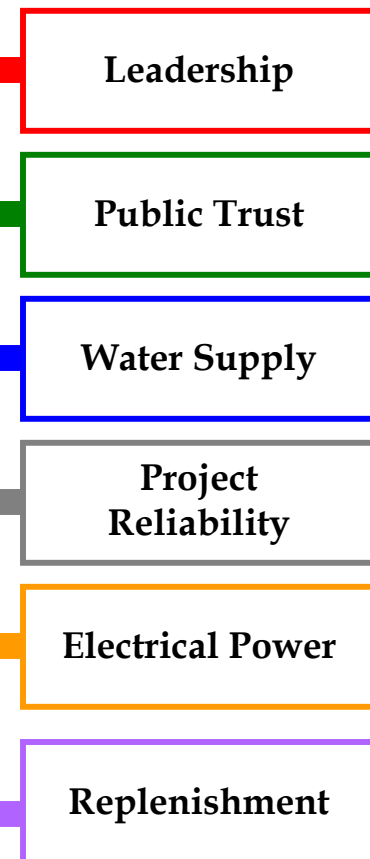
We will operate in an environmentally responsible manner.

Key Results Area Strategic Map

Balanced Scorecard Framework



Strategic Plan Key Results Areas



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
2006 STRATEGIC PLAN**

KEY RESULTS AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
W A T E R S U P P L Y	Improving Colorado River Reliability	Reduce the risk associated with CAP's junior priority	Be a leader in efforts and financial assistance to establish shortage criteria and acquire and manage supplies, while searching for opportunities to change the priority in Congress.
		Manage the river to optimize existing supply	Make a commitment of significant staff and budget to influence Colorado River management decisions, identify and implement programs and ensure necessary facilities are constructed and operated. These activities include: - Continuing CAP's role in providing input into Colorado River issues, e.g. operation of YDP, Drop 2 Reservoir, MSCP; - Evaluating the business case and determine how much effort and resources are needed to devote to YDP operation; - Evaluate the need for a formal Arizona Colorado River Advisory Board, with CAP as a designated principal.
		Augment Colorado River Supplies	Fully commit CAP's public, political and financial resources to support updated augmentation studies and pilot programs (e.g. weather modification, watershed management, phreatophyte removal, ocean desalinization), followed by, when feasible and cost effective, technical and financial leadership in establishing programs that will increase average annual yield and reduce probability of shortfall significantly.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
2006 STRATEGIC PLAN**

KEY RESULTS AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
W A T E R S U P P L Y	Developing New Water Supplies for the CAP Three County Area	Identify the potential demand for new supplies and the potential supply to meet that demand.	Collaborate with CAP service area users to develop and maintain a CAP service area database. Revisit and update, if necessary, data prepared in the CAGRDR Plan of Operation.
		Develop an approved standard form wheeling agreement that addresses all cost components and the issue of project and non-project water.	Set a short-term process and timeline for CAP to lead a collaborative effort to identify potential future water supplies and develop a wheeling agreement, pricing guidelines, definition of non-project water and environmental compliance requirements for all future needs. Revisit existing policy.
		Establish a collaborative process to determine when new supplies need to be acquired and what entities get those supplies. Encourage fair competition and eliminate perceptions of unfair advantage.	CAP takes the lead role developing a process that includes water user entities, CAGRDR, and ADWR to decide the who, when, what and how much questions. CAP, as owner/operator of the CAP system, is lead agency.
	Managing the Competition for New Water Supplies & CAP System Capacity	Maximizing available System Capacity to support future need for new supplies.	Evaluate constraints and risks to increasing and using system capacity in excess of 3,000 cfs. Make further decisions after evaluation. Prior to evaluation and further decisions, do not agree to deliveries above 3,000 cfs and 1.8 million acre-feet.
Drought Contingency Planning	Develop credible recovery plans for AWBA banked water.	Complete planning process by mid-2007.	

Key Results Area: *Water Supply*

KRA Description

Current State:

The CAP has a junior water right priority. Severe drought and long periods of below-normal hydrology will cause a reduction in Colorado River supply for CAP. The Bureau of Reclamation (USBR) and the Seven Basin States are considering new rules, which include shortage criteria and “special surplus.” There is no clear-cut process or organizational structure for making water resource management decisions within the state or among the Seven Basin States.

Desired State:

Clear rules are established for managing shortages and surplus such that CAP has developed realistic future plans. CAP shares a strong leadership role in Arizona and among the Seven Basin States in management of the Colorado River resource. The base flow of the Colorado River is augmented and managed so that Arizona’s junior priority is easily managed. New supplies have been identified and plans are in place to collaboratively develop those supplies for future growth.

Strategy:

Improving the Reliability of Colorado River Supply

Strategy Description

Current State:

The Colorado River is over allocated. CAP has a junior priority. Shortage criteria have not been developed. CAP faces an uncertain future concerning the availability of its share of Arizona's 2.8 million acre-feet (MAF) allocation.

Desired State:

CAP can reasonably predict the available water supply during normal and shortage conditions. The frequency and severity of shortages are minimal.

Strategic Objective:

Eliminate the Risk Associated with CAP's Junior Priority

Current State:

As a political reality necessary to accomplish project authorization, CAP is the primary junior water right holder in the Lower Colorado River Basin.

Desired State:

CAP shares shortages on an equitable basis with other Colorado River users.

Strategic Objective:
Manage the Colorado River to Optimize Existing Supply

Current State:

Many historic river operation practices are being changed through a Seven Basin State/USBR process. The Multi-Species Conservation Plan (MSCP) is being implemented. Substantial over-deliveries to Mexico occur annually. The Yuma Desalting Plan (YDP) is not being operated, causing a loss of 100,000 acre-feet per year. CAP is involved in the Seven Basin State process through the Arizona Colorado River Advisory Committee.

Desired State:

CAP has a clearly identifiable collaborative leadership role on Colorado River management. The YDP is operating as part of a planned program. Drop 2 and other regulatory storage features are operational and over-deliveries to Mexico seldom occur. The MSCP is a well-established, successful program.

Strategic Objective:
Augment Colorado River Supplies

Current State:

Along with CAP's junior priority, came the promise to augment the Colorado River supplies by up to 2.5 MAF per year with the federal responsibility for 1.5 MAF. Many studies have occurred, but no federal programs have been implemented. The Seven Basin States have reviewed the consideration for augmentation. Nevada is leading and funding the effort to update and add to the body of studies.

Desired State:

Weather modification programs are in place and well funded and Colorado River base flows have increased by over 1.0 MAF per year. Long-range programs to eradicate and replace Salt Cedar are being implemented. Watershed vegetation management programs are an integral part of healthy forest and fire damage revegetation programs. A catalog of reasonably feasible ocean desalinization plans has been assembled that include California coast desalting plants that leave Colorado River water in the river through exchange programs and a plan for a major ocean desalting plant in Mexico that delivers water into the United States.

Strategy:

Developing New Water Supplies for the CAP Three-County Area

Strategy Description

Current State:

In addition to improving the Colorado River supply, there are other sources of water being considered. The list includes groundwater in Butler Valley and Harquahala Valley, Indian leases, high priority Colorado River contractors in Arizona, effluent, and brackish groundwater within the three-county area. These sources have been identified and quantified in the CAGR Plan of Operation, the Superstition Vistas Study, and a Water Resources Research Center (WRRC) paper. There are no processes

identified or collaboration plans for acquiring and delivering this water into the three-county area.

Desired State:

A formalized process has been established that identifies who and when new water supplies will be acquired, who will receive the supplies, and how the cost will be paid. CAP has a leadership role in the process.

Strategic Objective:

Identify Potential Demand for New Supplies and Potential Supply to Meet that Demand

Current State:

Regional based supply and demand analysis for growing needs has been done as part of the CAGR Plan of Operation and the Superstition Vistas/State Land future scenario. The WRRC recently produced a white paper that estimated statewide supply and demand. The Governor's Statewide Water Advisory Group (SWAG) is considering supply and demand issues outside the three-county area.

Those studies suggest we have plenty of water for growth through 2060 and possibly 2100. The studies have not been fully reconciled with any municipal plans.

Desired State:

A comprehensive statewide report exists that catalogs supplies and projected demand. The database is updated regularly through a coordinated ADWR process.

Strategic Objective:

Develop an Approved Standard Form Wheeling Agreement that Addresses All Cost Components and the Issue of Project and Non-Project Water

Current State:

This existing wheeling policy discusses but has no definitive rules on cost components or non-project water. The Master Repayment Contract provides some guidance on project and non-project water. The repayment settlement stipulation requires a USBR approved wheeling agreement.

Desired State:

A wheeling agreement and pricing guidelines are established for all types of new water to be delivered through the CAP system.

Strategic Objective:

Establish a Collaborative Process to Determine When New Supplies Need to be Acquired and What Entity Gets Those Supplies

Current State:

New supplies are not needed for wet water delivery. Individual entities have acquired groundwater “ranches.” CAP receives requests to reserve wheeling capacity in the canal. CAP has no long-term wheeling policy and a “standard form” wheeling agreement requires USBR approval. CAP has a key role in delivering water through the CAP system. CAGR D has identified needs for new water. Some users fear the CAP policy will grant a competitive advantage to CAGR D. A variety of entities seeking new supplies could create a bidding war and drive up costs.

Desired State:

CAP is the lead agency in a collaborative process to determine when to acquire, who gets it, how much, and the cost of new supplies. A wheeling policy and agreement is in place to use as needed. As CAP is the single point of acquisition, CAP can shop for the most cost effective new supply without competition from other three-county entities. One buyer considering a variety of sources that results in lowest reasonable cost. Established rules exist that are acknowledged as fair.

Strategy:

Manage the Competition for New Water Supplies and CAP System Capacity

Strategy Description

Current State:

Several municipal water supply providers and the CAGR D have water resource plans that anticipate the need to acquire new supplies within 10 to 20 years to support planned growth. Most of them are considering the same supplies that include agricultural and Indian water from the Colorado River, Butler Valley groundwater, and Harquhala Valley groundwater. All assume that new water can be

delivered through CAP. No established guidelines or processes are in place.

Desired State:

An established process exists where one entity, using clearly established procedure, arranges for the acquisition and delivery of all new supplies that require use of the CAP system.

Strategic Objective:

Maximize Available System Capacity to Support Future Need for New Supplies

Current State:

The CAP system was authorized to have 3,000 cfs capacity with discussion on limitation of use above 2,500 cfs. Subsequent legislation and direction to maximize power marketing and certain Indian settlements appear to have eased any operational limitation. Mark Wilmer Pumping Plant has been upgraded to 3,600 cfs. Canal physical dimensions and other pumping plant capacity limit the ability to deliver water into the Phoenix metro area to about

3,100 cfs. CAP staff regularly monitors and evaluates canal capacity.

Desired State:

Constraints are identified. A business case for capacity improvements has been completed. A plan is in place to systematically increase canal capacity to the limit of tunnels and pipelines. When improvements are completed, the canal system can reliably deliver 2.0 MAF into the Phoenix metro area.

Strategy: Drought Contingency Planning

Strategy Description

Current State:

An Arizona Department of Water Resources (ADWR) led effort with CAP and others has essentially established shortage-sharing criteria with CAP and with other Priority 4 river users. There is a real possibility, but low probability, that extended droughts could exceed our plans. The CAP and Arizona Water Banking Authority (AWBA) have (or will have) sufficient water banked to fulfill long-term M&I

subcontract demands during shortages. Recovery planning is ongoing.

Desired State:

Plans to recover banked water are completed and physical facilities are in place or on schedule. Plans include recovery for Southern Nevada Water Authority (SNWA) and Priority 4 M&I users on the river. Plans have been developed to address greater shortages than are included in the AWBA and Colorado River shortage criteria assumptions. Shortage plans for new supplies are completed.

Strategic Objective:

Develop Credible Recovery Plans for AWBA Banked Water

Current State:

AWBA led a conceptual recovery plan early in the banking process. CAP and AWBA groundwater savings facility agreements include requirements to assist and facilitate recovery. CAP has plans to meet early recovery requirement for SNWA. CAP has initiated development of a comprehensive plan to consider recovery for AWBA banked water for M&I subcontracts, SNWA, river M&I users, and Indian firming. Recovery methods include

exchange of credits to CAGR, exchange and recover through customer facilities, and recovery with return to the CAP system.

Desired State:

Completed plans, timelines, and schedules. Demonstrated ability to meet early needs for SNWA.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
2006 STRATEGIC PLAN**

KEY RESULTS AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
P U B L I C T R U S T	Image - Education / Knowledge and Visibility of CAP	Improve knowledge of water and CAP among the general public and community leaders.	Continue efforts to involve Board members in setting strategic communications direction.
			Develop opportunities for Board members to educate community leaders, elected officials and members of the public about water and the value CAP brings to the tri-county service area.
	Relationships - Customers	Improve relationships with customers.	Identify and develop opportunities for Board members to collaborate with customers and other stakeholders, including involvement in meetings, issues, discussions, etc., based on expertise, experience, and relationships.
			Identify opportunities to obtain customer input and collaborate with customers on decisions, but without abdicating decisions to others.
	Relationships - Other stakeholders	Improve relationships with other stakeholders.	Define relationship that CAP wishes to have with environmental groups and how that relationship will benefit CAP.
			Define relationship that CAP wishes to have with Indian communities and how that relationship will benefit CAP; recognize that tribes vary in objectives, culture, etc.
Define relationship that CAP wishes to have with public land use constituencies and how those relationships will benefit CAP.			

Key Results Area: *Public Trust*

KRA Description

Strategic Issue:

Building CAP's image and identity to increase customer/constituent trust, educate the public, and build relationships with key stakeholders.

Current State:

During the construction of Central Arizona Project in the 1970's and 80's, considerable media coverage resulted in high levels of public visibility, name recognition and awareness of CAP within central and southern Arizona. When construction was substantially complete in 1993 and CAP was cost-effectively delivering reliable water supplies, media coverage subsided. In addition to the decline in media coverage, huge population growth in central and southern Arizona contributed to a decrease in public awareness of CAP and its operations. In 1996, the CAP Communications Group was created by the General Manager as mandated by the CAWCD Board of Directors and charged with building and maintaining a

comprehensive communications, public affairs and governmental relations program to benefit the organization and its variety of internal and external audiences.

Desired State:

To vigorously pursue and develop strategic relationships with customers, stakeholders, business and community leaders, the media, elected officials and the general public through enhanced marketing communications efforts, including advertising, cooperative business partnerships, community investment programs, educational programs, participation in leadership organizations and charitable activities, among other efforts. The goal is for Central Arizona Project to be positioned as a premier leader in local, state and regional water and power issues by developing a solid base of support throughout its three-county service territory, as well as statewide and regionally.

Strategy:

Image – Education/Knowledge of CAP

Strategy Description

Current State:

CAP conducts ongoing broad-based communications and public awareness programs, including primary education programs, biennial water leadership training, involvement in community and civic organizations (Valley Forward, League of Women Voters, etc.), grants funds to organizations through its community

investment program, partnerships with organizations (Water Use it Wisely, Tap into Quality).

Desired State:

CAP has a well-established presence in the community, is recognized as a leader in providing water resources to central Arizona, and supports the community. The general public knows that CAP is responsible for bringing Colorado River water to central Arizona.

Strategic Objective:

Improve Knowledge of Water and CAP Among the General Public and Community Leaders

Current State:

CAP is well known by members of the community who are concerned about water resources. The general public is cognizant of water issues to the degree that the media promotes the issue (drought, brown water, 1995 initiative in Tucson) or they have personal experience with CAP. It is reliable and not necessarily noteworthy to some members of the public.

Desired State:

CAP is recognized by the general public as a responsible and reliable source of water to cities, farms and Indian communities. The public understands that CAP stores water today to meet the needs of people during extended periods of future drought.

Strategy:

Relationships – Customers

Strategy Description

Current State:

Customers provide regular input to CAP staff and Board members regarding issues of concern. Input is regularly provided to staff directly, to the Board during a public meeting, and less frequently to individual Board members.

Desired State:

Customers provide input to CAP staff and the Board on a regular basis regarding issues of concern. Focused issue public meetings are conducted to receive public input on issues of general impact.

Strategic Objective:

Improve Relationships With Customers

Current State:

Customers may provide input on issues that may impact them during public meetings of the Board.

Desired State:

Customers are invited to provide input on issues that may impact them.

Strategy:

Relationships – Other Stakeholders

Strategy Description

Current State:

Other stakeholders provide infrequent input to CAP staff and Board members regarding issues of concern. Input may be provided to staff directly, to the Board during a public meeting, and at times, to individual Board members.

Desired State:

Other stakeholders are routinely invited to provide input to CAP staff and the Board regarding issues of concern. Focused issue public meetings are conducted to receive public input on issues of general impact.

Strategic Objective:

Improve Relationships With Other Stakeholders (members of Indian and environmental communities)

Current State:

Other stakeholders may provide input on issues that may impact them during public meetings of the Board.

Desired State:

Other stakeholders are invited to provide input on issues that may impact them or their stakeholders at any time during a deliberative process.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
2006 STRATEGIC PLAN**

KEY RESULTS AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
L E A D E R S H I P	Future Water Leadership	Educate potential future CAP leaders.	Continue efforts and identify additional opportunities to educate community leaders, elected officials and members of the public about water and the value CAP brings to the tri-county service area through leadership development programs and other forums.
			Identify new audiences for leadership development opportunities, including customers, employees, emerging and former community leaders and elected officials.
	CAP External Leadership - Board	Better inform and involve community decision makers and leaders.	Develop opportunities for Board members to educate community leaders, elected officials and members of the public about water and the value CAP brings to the tri-county service area. (Same action in Public Trust)
	CAP Internal Leadership - Board	Identify how interested Board members become officers.	Executive Committee to develop guidance for members wishing to hold a leadership position on the Board (officer terms, how to qualify, etc.) (NEW -- short term)
CAP Internal Leadership - Key Staff & Succession Planning	Have a succession plan for the General Manager and key senior staff.	Develop a succession plan for the General Manager that provides flexibility to replace with internal or external candidates. (Submit to Board by December 2007)	
		Develop succession plan for senior staff that provides flexibility to replace with internal or external candidates.	

Key Results Area: ***Leadership***

KRA Description

Strategic Issue:

Position CAP, its Board members and its senior managers as leaders in western water issues in Arizona and the southwest region generally. Additionally, help grow new water leadership from all constituent groups (agriculture, municipalities, business and community groups).

Current State:

CAP, its Board and its senior management team have built a base of good communications about the organization, its issues and processes with customers and stakeholders. However, the community at large needs to better understand the critical Colorado River issues and support CAP in its strategic responses. Outreach to leadership

organizations has been ongoing over the last ten years but more concerted efforts need to be made to ensure future water leaders are attracted to the business to carry forward decisive agendas.

Desired State:

CAP's leadership position on state and regional water issues is elevated by producing ever increasing opportunities for public speaking engagements, media coverage, and significant interactions with high-ranking elected officials and business executives throughout the service territory. The results attract new interest and generate dialogue with a larger scope of capable, innovative leaders and problem solvers.

Strategy:

Future Water Leadership

Strategy Description

Strategic Issue:

Develop a “leadership vision” and effectively communicate it to a variety of existing business and leadership organizations.

Current State:

CAP has effectively provided outreach information materials to a variety of educational, community and business-oriented organizations. CAP has hosted biennial leadership forums to attract potential new recruits to the water business and is a member of a variety of Chambers of Commerce, economic development groups and organizations focused on protecting the environment (Valley Forward, in particular). Board members have been placed on leadership boards (Southern Arizona Leadership Council) and featured in video programs related to CAP’s

leadership positions on state and regional water issues. Board members and senior staff regularly serve as public speakers in a variety of other public forums debating the issues related to surface and ground water. More can be accomplished.

Desired State:

Motivated, inspired and energized people are involved in CAP and its water and power-related issues. CAP has developed long term programs (which require commitment, resources and time) featuring a series of activities, experiences, opportunities and events that maximize participants’ own gain. CAP creates external opportunities where real learning occurs through effective and ongoing communications, i.e., between the Board and the public, the Board and staff and the Board and the media.

Strategic Objective:
Attract Potential Future CAP Leaders

Current State:

CAP conducts a biennial leadership series to expose community leaders to the complex issues associated with water and power resource management.

Desired State:

CAP designs and implements programs that attract emerging leaders while simultaneously seeking opportunities to engage current Board members in existing programs that reach similar targeted audiences throughout the state.

Strategy:

CAP External Leadership – Board

Strategy Description

Strategic Issue:

The Board is involved in leadership opportunities within the local, tri-county, state and regional community.

Current State:

The Board regularly develops public policy through an open, iterative, and interactive process.

Desired State:

The Board is a recognized leader and is regularly consulted on issues associated with establishing public policy.

Strategic Objective:

Better Inform & Involve Community Decision Makers & Leaders

Current State:

Decision makers and community leaders may obtain information and provide input during the public policy making process.

Desired State:

Decision makers and community leaders are advised of impending policy decisions and are invited to provide input during the public policy making process.

Strategy:

CAP Internal Leadership – Board

Strategy Description

Strategic Issue:

Board members are recognized as community leaders through their involvement and exposure.

Current State:

CAP refers individual members to organizations and the media; members identify and become involved in local and statewide activities.

Desired State:

Individual members are identified as leaders and invited to become involved in local and statewide organizations.

Strategic Objective:

Identify How Interested Board Members Become Officers

Current State:

The members elect CAP officers in March of odd-numbered years; potential candidates are nominated by the Nominating Committee or may be nominated by a member.

Desired State:

Members identify future potential officers and provide opportunities to demonstrate leadership skills; roles and responsibilities are clearly defined.

Strategy:

CAP Internal Leadership – Key Staff & Succession Planning

Strategy Description

Strategic Issue:

Pursue a process to have a qualified internal candidate to assume responsibilities of identified key staff positions.

Current State:

CAP employees may apply to the succession planning process through self- or management-identification.

Desired State:

Potential candidates are identified by management and groomed for key staff positions.

Strategic Objective:

Have a Succession Plan for the General Manager and Key Senior Staff

Current State:

The General Manager has only been replaced once in the history of CAP. This was done by establishing a search committee. If the present General Manager needed to be replaced, the method to do so would have to be determined by the Board.

Desired State:

The qualifications of a CAP General Manager and key senior staff are defined and available to external parties.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
2006 STRATEGIC PLAN**

KEY RESULTS AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
R E P L I C I T Y	Managing our workforce	Attract and retain human resources.	Continue the following activities: - Conduct regular employee surveys and target lowest scoring items with improvement programs. - Review employee turnover annually. - Conduct market salary surveys at least every two years. - Conduct market benefit comparisons at least every two years.
		Develop and grow our own workforce.	Maximize efficiency and effectiveness of the existing Apprenticeship Program. Education is procured primarily from the outside; some modules may be brought in house. Continue the following activities: - Exploration of other alternatives for obtaining skilled labor. - Providing appropriate Manager and Supervisor training. - Providing training opportunities for employees to maintain job competency and improve skills. Employees and managers are responsible for achieving development plan goals. - Maintain the tuition reimbursement program for appropriate education.
		Investigate outsourcing.	Do not outsource critical activities necessary to maintain reliable water deliveries. Define what is critical and what is not. Explore more outsourcing for jobs that aren't done every day, jobs for which we do not have the expertise, and appropriate routine jobs.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
2006 STRATEGIC PLAN**

KEY RESULTS AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
R E L I A B I L I T Y	Managing our workforce (continued)	Plan for succession of key jobs.	Continue the following activities: - Use of succession planning for key jobs expected to be vacated within 3 years. - Proactive identification of candidates for succession to key jobs. - Maintenance of workforce planning for all jobs expected to be vacated.
		Provide a safe and secure work environment.	Continue efforts to obtain VPP Star Status and achieve Target Zero. Establish and achieve an improved target for participation in annual health assessment. Utilize appropriate state-of-the-art equipment to protect assets and employees and provide surveillance.
	Effectively operating and maintaining the system.	Maintain our physical assets.	Continue efforts to achieve Maintenance Excellence (CAP's asset management initiative).
		Establish and maintain a capital replacement plan.	Regularly review and update reserve strategy, capital replacement strategy and long-range financial forecast.
		Provide reliable water deliveries.	Attain 90% system operating availability while providing for necessary planned outages.
			Maintain current critical incident plan and emergency operations plan (current = less than 2 years old).
			Maintain cross-departmental partnership agreements.
Aggressively pursue consensus resolution of issues surrounding Pima County CAP reliability.			

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
2006 STRATEGIC PLAN**

KEY RESULTS AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS	
P R O J E C T R E L I A B I L I T Y	Effectively operating and maintaining the system. (continued)	Continue to establish reliable rates.	Regularly review rate setting process.	
			Regularly review and update rate components.	
			Update supply and demand assumptions annually.	
			Establish a policy to address rate setting in times of shortage.	
	Preparedness for business disasters and threats.	Prepare the workforce.	Proceed with current BDR planning efforts and maintain the existing BDR plan.	Meet semi-annually with managers/SMT for review and identification of critical skill sets.
				Provide annual BDR training and communications.
				Continue with current plan - IT BDR plan in place and tested by the end of 2007.
		Protect intellectual property and information technology.	Evaluate 2 complete hot sites - CAP site and IBM site (long term).	Vital records protection to be completed by 2008.
				Utilize appropriate state-of-the-art equipment to protect assets, monitor water quality and provide surveillance.
		Protect water resource.	Perform regular computer system security audits.	Maintain a current terrorism response plan.
Guard against internal and external threats.	Conduct a third-party security audit of CAP facilities every five years.			
Prepare for potential pandemics.	Develop a pandemic response plan and incorporate into the existing BDR plan.			

Key Results Area:

Project Reliability

KRA Description

Current State:

The CAP system is generally reliable, but is aging. Reliability of pumping equipment at some south pumping plants is questionable due to historically low utilization. The same is true of most checks and turnouts. West plants, including Salt-Gila, and Waddell are in better shape, but have been used much more extensively. We may be approaching the end of life cycle of some equipment, but we are not completely sure. Operating availability is about 80%. Forced outages to customers are rare; however, the system experiences routine service interruptions that cause operational problems. Occasionally, callouts are necessary to restore service. The Maintenance program is approaching industry best practices - still a year or two off.

Our work force is aging; significant turnover of staff due to retirement is occurring and expected to continue in the next three to five years. Internal candidates are not available for many positions. The Apprenticeship program does not keep pace with turnover of skilled craft labor. Wages and benefits are market-based and set slightly above the median (65th percentile). CAP occasionally loses professional and skilled craft labor to the market and is having increased difficulty competing in the market for degreed engineers, other support professionals, and skilled craft labor.

Desired State:

The CAP system is extremely reliable, despite the age of equipment. The Maintenance program is at industry best practices. CAP is an industry leader in the application of proactive, progressive, reliability-centered maintenance practices. Operating availability is consistently over 90%. Forced outages to customers are rare, and service interruptions have been virtually eliminated.

Turnover among key staff is effectively handled through progressive succession and workforce planning programs. Newly hired and promoted employees are promptly oriented and trained, integrated into CAP's culture, and performance issues are addressed as needed. The Apprenticeship program turns out qualified journeymen at a rate that keeps pace with turnover of skilled craft labor. Wages and benefits are determined based upon a business strategy of remaining competitive in the regional labor market. Retention of professional level support and administrative employees as well as skilled craftsmen and journeymen is 93-95% including retirees. CAP is an employer of choice in the regional market and is able to effectively compete for degreed engineers, technical support and other support professionals, and skilled craft labor.

Strategy:

Managing Our Workforce

Strategy Description

Current State:

Maintenance staff has declined from 263 employees in 2003 to 236 employees in 2006. Administrative and Support Staff has remained stable or increased slightly during this same period. The total employee budget remains at 464. Ratios of Planners, Supervisors, and Maintenance Engineers to the direct labor work force are improving but not yet at best practice levels. Workforce planning projects significant retirement losses of skilled craftsmen, planners, and engineers over the next five years. CAP occasionally loses professional and skilled craft labor to the market and is having increased difficulty competing in the market for degreed engineers, other support professionals, and skilled craft labor. The Apprenticeship program was recently revised to attract more applicants, but it is not keeping pace with projected retirements. No comprehensive craft/technical training program is currently available to ensure a high level of craft proficiency. Safety program and

injury losses have stabilized. Injury rates are at about 10 recordables per year.

Desired State:

The Maintenance work force has stabilized at 210 employees and is effectively sized and organized to manage the equipment maintenance program. Administrative and Support staff has grown slightly due to increased regulatory and other requirements. Total employee count remains below 465. Ratios of Planners, Supervisors, and Maintenance Engineers to the direct labor work force are at industry best practice levels. The Apprenticeship program turns out qualified journeymen at a rate that generally keeps pace with most of the turnover of skilled craft labor. CAP is an employer of choice in the local market and competes effectively for professional and skilled craft labor. Comprehensive training programs are in place to ensure high levels of craft proficiency. Safety program is “world class”; injuries are rare.

Strategic Objective:
Attracting & Retaining Human Resources

Current State:

Employee job satisfaction is above average, according to the employee survey. Trust and leadership are issues that are being addressed through focused training. Morale is generally good. Turnover at CAP is at 4.72%, including all retirements for 2005. Relatively few employees leave CAP for other employment. Recruitment in the regional labor market for some jobs (professional jobs, skilled craft labor) is difficult at times. Pay is targeted at midpoint of custom survey data for craft/trade (CT) jobs and slightly above midpoint of published market survey data for administrative, technical and professional (ATP) jobs to maintain equal position against the market. Benefit programs are competitive within the market. ASRS is 100% CAP paid and the 401(k) plan has over 90% participation. Training requirements are well established and developmental opportunities are available although promotional opportunities are limited. Managers and Supervisor are all participating in leadership training. Functional and department teams are working together in most areas.

Desired State:

Biannual employee attitude surveys show above-average scores for U.S.-wide utility index. Lower score items are addressed and improved. Morale is high and employees enthusiastically and effectively participate individually and in teams. Pay, benefits and positive employee relations are managed such that turnover (other than retirements) is minimized at less than 2%. CAP maintains a competitive position in the regional labor market for all jobs and is an employer of choice regionally. Benefit plans remain competitive within the market and employees are wise consumers and health conscious through greater employee education and participation in health and wellness programs. Employees share in the cost of ASRS participation and 98% participate and receive matching funds in the 401(k) plan. Employee training is an essential function for all employees and career paths have been developed and are available. Leadership efforts by Managers and Supervisors are more effective as shown by survey results in employee involvement in decision making and consistency in application of policies.

Strategic Objective:
Developing & Growing Our Own

Current State:

Employees have performance plans, which support CAP's business objectives and identify their expected annual results. Development plans accompany most performance plans. There is some inconsistency in supervisors' evaluations of performance. Training, Succession Planning and Tuition Reimbursement programs provide opportunities for all employees to maintain present skills and develop additional skills to meet future responsibilities.

Apprenticeship program is currently at 12 apprentices (about 7% of direct Maintenance labor). CAP apprentice pay starts at 72% of the journeyman rate and progresses upward based upon on-the-job training (OJT).

Apprenticeships are limited to CAP employees; CAP pays all tuition, books, and other education expenses.

Maintenance Specialist program is also based on education and OJT. Only a fixed number of Maintenance Specialists – jobs are filled on an “as available” basis. Maintenance Specialist pay is about 10% above Maintenance Worker pay. Progression to Lead Maintenance Specialist is as available.

Maintenance Planners are recruited from journeyman employees at ATP grade 7. Promotion to grade 8 requires a two-year development program. Maintenance Engineers are recruited from journeyman employees and externally degreed engineers. Maintenance Engineer's are promoted

directly to grade 8. There are currently 13 Planners and 16 Maintenance Engineers. Ratios to direct maintenance labor are 13.67 to 1 and 10.5 to 1, respectively.

Maintenance Supervisors are recruited internally from journeymen, Planners, and Maintenance Engineers. Supervisors attend a supervisor's academy and a four-week Maintenance Excellence course. Certified Plant Maintenance Manager (CPMM) certification is recommended but not mandatory. There are 22 Maintenance supervisors; ratio to direct labor is 7.45.

Desired State:

Performance and development plans support CAP objectives, are electronic and in place for every employee. Pay increases reflect performance. Supervisors are skilled at providing positive feedback and at holding employees accountable. Training is planned and responds to identified needs. Every employee understands their role in achieving CAP's mission and takes responsibility for their own development.

Effective Apprenticeship program is maintained with no change in basic program, but more apprenticeship slots are available

Maintenance Specialist program is also maintained, with more emphasis on leadership and providing work direction

Strategic Objective:
Developing & Growing Our Own
(Continued)

Desired State (continued):

as needed. Lead Maintenance Specialist position has been phased out.

Planner program is maintained, with emphasis on Maintenance Planner certification. Ratio of Planners to direct labor is near industry best practices: between 15-20 to 1.

Maintenance Engineer program is revised similar to Planner program. Journeymen are promoted to grade 7 and are promoted to grade 8 after completion of a development

program. Ratio of Maintenance Engineers to direct labor is also near industry best practices: between 40-50 to 1.

Maintenance Supervisors recruited internally and CPMM is mandatory. Supervisor to subordinate ratios are at industry best practices: between 8-12 to 1. Training, Succession Planning Program and Tuition Reimbursement Plans continue to provide all employees meaningful development opportunities. Development plans are in effect and working for all employees.

Strategic Objective:
Plan for Succession of Key Jobs

Current State:

Work force plans are developed based upon retirement eligibility. Jobs that are within three years of an eligible retirement are listed. A voluntary Succession Planning program is in place, but only a few candidates have been identified to date. Recruitment time averages two months per position.

Desired State:

Workforce plans are effective in forecasting losses and are current. Cross training is in place for expected vacant positions. Succession planning program is effective in identifying candidates at least three years in advance for 50% of listed positions. Employees and Management identify succession planning candidates. Critical jobs are filled with qualified succession plan candidates. Recruitment time is shortened with aggressive internal and external recruitment strategies in place.

Strategic Objective:
Providing a Safe and Secure Working Environment

Current State:

Recordable injuries have stabilized at about 10 per year. Separate Employee Safety Committee and Management Committee (CAPS) manage the overall program. Most safety programs are management initiated. Some trust issues exist between employees and management. Application for Voluntary Protection Program (VPP) status is underway. Wellness programs in place with annual health assessments. Agents patrol the canal by vehicle and helicopter, and respond to emergency situations 24 hours per day. Electronic security systems are used to protect facilities during nonworking hours. Working relationships have been established with all federal, state, county and city law enforcement agencies that provide public safety services to the District. Approximately 90% of the approved Sandia Security Audit recommendations have been completed.

Desired State:

Safety program is world class. Injuries are rare. CAP is a recognized VPP site within OSHA's program. Single Safety Committee comprised of employees and management provides effective management of the program. Trust issues have been resolved and safety culture embedded. Employees initiate safety activities and readily accept personal responsibility for their safety and the safety of those they work with. Employees actively participate in strong and effective health and wellness programs that are supported by all. Canal security patrols are increased in areas where potential threats to CAP employees and facilities may occur. Maintain cutting edge electronic security systems in place. Maintain strong relationships with law enforcement agencies for immediate communication and response to emergency situations. Sandia National Laboratories conducts a security audit every five years and approved recommendations are implemented.

Strategy:

Facilities Operations & Maintenance

Strategy Description

Current State:

Maintenance of CAP assets has progressively evolved toward “best practices” over the past three years. Reliability of some equipment remains questionable. Most maintenance work (about 75%) is planned and scheduled; schedule compliance is about 70%. Newly formed Asset Management Teams (planners, maintenance engineers, and work execution supervisors) make most maintenance decisions and are gradually becoming more effective. Administrative and Support services are separate and distinct from Maintenance. New preventive maintenance (PM) procedures have been put in place for most assets; criteria to effectively manage PM’s so as to extend the life cycle of critical equipment is emerging. PM’s are still primarily time based. Maintenance spending (labor, materials and supplies) is increasing but at a declining rate.

Backlog is not stable and fluctuates significantly. Backlog relief is sporadic; age of some backlog is excessive.

Desired State:

Maintenance of CAP assets is at industry best practice levels and is progressive and reliability centered. 90% of maintenance work is planned and scheduled; schedule compliance is above 90%. Asset Management Teams are the hub of the maintenance effort and make all maintenance decisions. Administrative and Support services are fully integrated within Maintenance providing greater cooperation and higher service levels to all. PM procedures are condition based; a Condition Based Monitoring system is in place to provide real time information upon which to make equipment maintenance decisions. Equipment life cycles have been optimized and are at best practice levels. Ready Backlog is 2-4 weeks; backlog relief and age of backlog are within industry best practices.

Strategic Objective:
Maintaining our Physical Assets

Current State:

Physical assets are approaching 25 years old, still generally reliable. However, reliability of some pumping equipment and checks and turnouts is questionable. Operating Availability for pumping units is 80% average across the system. PM's have been revised using Failure Mode and Effects Analysis (FMEA); however, most are time based. PM compliance is about 80%. Significant service interruptions for critical equipment regularly occur - exceed 25 per year. Maintenance spending is increasing year over year, but at a declining rate. Maintenance work force is somewhat oversized due to unforeseen reactive work and asset modification assistance. Virtually no maintenance work is contracted. Overtime is less than 3% of maintenance labor.

Desired State:

Assets are extremely reliable despite their age. Maintenance keeps pace with technology advances, especially electronics and condition-based monitoring equipment. Over 90% of all maintenance work is scheduled and planned; schedule compliance is also over 90%. PM's are reliability centered and condition based. Life cycle of assets has been maximized. PM compliance is over 90%. Reactive work is less than 1% of total maintenance work. Service interruptions are rare. Maintenance work force is sized adequately to perform the equipment maintenance plan. Contractors and temporary labor are utilized to perform work beyond the basic maintenance program including all asset modifications. Overtime is between 5-10% of maintenance labor. Maintenance spending has stabilized year over year.

Strategic Objective:
Establish and Maintain a Capital Replacement Plan

Current State:

In 2002, CAP hired R.W. Beck, Inc. to complete a Replacement Planning Study (Study). This Study was most recently updated in 2004. The Study estimated that CAP would be spending approximately \$20-25 million per year on capital additions and replacements before the end of the decade – at the time, CAP was spending \$10-12 million per year. The CAP Board adopted a revised reserve strategy in early 2003 as the result of the completion of a long-term (through 2011) settlement stipulation with the United States. The portion of the reserves identified for capital replacements is \$50 million (2 times \$25 million). This is intended to provide a reserve for one year of replacements, if other sources of funds are not available, plus a second year to allow time to seek legislative approval for general obligation bonds to replace the capital reserve. Since the District does not have general obligation bonding authority, the capital budget is funded on a “pay-as-you-go” basis from District reserves. In 2004, the District began including a “capital replacement” component to the water rates that

represents the difference between annual capital expenditures and depreciation expense.

Going forward, the Study will be updated every four years. As part of the biennial financial planning process, the District analyzes additions, replacements, and refurbishment to CAP’s infrastructure every two years and incorporates changes into the 6-year capital budget and the 10-year long-range financial plan.

Desired State:

Maintain reserves in sufficient amount to provide a reasonable supply of funds for capital additions, and replacements and refurbishments, if other sources of funds become unavailable. Revise the reserve strategy to include reserves for catastrophic failure in addition to planned capital spending. Continue to update the Capital Replacement Study every four years and analyze CAP’s infrastructure needs and reserve requirements every two years to ensure sufficient funds are available to meet current and future capital replacement and refurbishment needs.

Strategy:

Planning for Business Disasters & Threats

Strategy Description:

Current State:

The Critical Incident Oversight Team (CIOT) is responsible for providing oversight and review of critical incidents at CAP and for guidance and leadership of implementing the Incident Command System (ICS) for CAP. The Committee's goal is to overlay the ICS into all of the Emergency Plans, which include the Emergency Operations Plan, the Business Disaster Recovery (BDR) Plan that is specific to the 7th Street Headquarters, the Terrorism Response Plan, Control Center's Emergency Response Plan, the New Waddell Dam Emergency Action Plan and the Reach 11 Dikes Emergency Action Plan. The current BDR Plan is written for a 30-day immediate recovery of normal operations. CAP has a warm site for critical information

technology systems (where restoration of IT operations could take place).

We are currently working on the Pandemic threat and how it could affect CAP and training Managers and Supervisors on the new Disaster Recovery Software (LDRPS) that will eventually house or link together all of the above plans.

Desired State:

Completed plans exist that cover operations at all facilities. Critical employees are fully informed and trained in ICS and emergency preparedness. There is a CAP-maintained full hot site for computer recovery (instantaneous switch over if main site fails). Recovery and resumption plans that allow operations past the 30-day current state exist and all Managers or their designee are fully trained in BDR software and keep their plans updated electronically.

Strategic Objective:
Preparing the Workforce

Current State:

Not all plans have identified critical employees and needed skill sets.

Desired State:

Prepare CAP at all levels to operate in the event of business emergency, disaster or threat. Critical employees identified and maintained and skill sets established and documented for critical functions.

Strategic Objective:
Protect Intellectual Property & Information Technology

Current State:

No hot site for Business Disaster Recovery (BDR) Plan exists. A recovery plan is in place for only the critical Business Impact Analysis (BIA)-defined systems. A warm site for CAP systems was tested and operational based on 2005 requirements. The Information Management Systems Division has a vital records protection program that identified all CAP records. To date approximately 45% of these records are protected. Information Technologies Department (I.T.) successfully backs up all identified critical

computer systems and has demonstrated the capability of restoring them.

Desired State:

Protect CAP's data and records critical to continued business operations. All vital records identified with redundant protection. Functional BDR plan in place that provides for continued business operations. Successfully tested annually based on present requirements. I.T. has a fully operational hot site for critical systems.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
2006 STRATEGIC PLAN**

KEY RESULTS AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
E L E C T R I C A L P O W E R	Use of Power Resources	Effectively Manage Costs	Continue the following activities: - Participation on Navajo O&M committee. - Effective utilization of Hoover resources. - Maintaining operating flexibility. - Energy Risk Oversight Committee evaluation of energy costs and risks. - Efforts to participate in NGS audits.
		Effectively Manage Revenue	Monitor and evaluate the possibility of auditing APA. Manage sale and use of SO ₂ credits to stabilize rates. Maximize benefit of Basin Development Fund revenues to CAWCD. Optimize CAP's flexibility in sale of excess Navajo power after 2011. Evaluate contracting with marketing specialist (short term action plan). Evaluate the use of Navajo power for treating and delivering CAP water. Maintain energy rate structure associated with use (in-state, out of state, subcontract, recharge, etc.) after 2011. (long term)

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
2006 STRATEGIC PLAN**

KEY RESULTS AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
E L E C T R I C A L P O W E R	Prepare CAP and the Board to Manage Its Power Future after 2011	Increase the Board’s understanding of the electric power environment, operation and policies.	Provide ongoing training for Board members in the area of electric power economics in order for them to become well-versed in the subject. <hr/> Create an electric power primer to use for orientation of new Board members and act as a reference after new member is seated. <hr/> Hold semi-annual informational and educational seminars on electric power policy.
		Decide how CAP will manage its electric power resources after 2011.	Staff and consultant initiative to assist Board in establishing strategies and policies. (short term action plan) <hr/> Maintain the FA&P committee to stimulate innovative thinking, provide oversight, evaluate options and champion legislative changes.
		Transmission	Construct new lines
	Maximize reliability		Partner with others to maintain transmission lines, increase reliability and reduce costs. <hr/> Establish transmission redundancy.

Key Results Area:

Electrical Power

KRA Description

Current State:

Demand: One acre-foot of pumping for CAP uses 1.76 megawatt hours (MWH) of energy – so for 1,600,000 acre-feet annually, we need 2,816,000 MWH.

Supply: Energy is supplied by the Navajo Generating Station and by contract from Hoover Dam. CAP's supply of energy exceeds the demand for CAP operations by about 50%. Getting supply to demand – electric transmission – is provided by Navajo Project transmission, the CAP transmission system, and other electric transmission providers to get energy to the pumps. CAP has integrated its demand and supply into a "Four Party" contractual arrangement, operated by SRP that is in place through September 30, 2011. SRP supplies energy annually in amounts specified in the agreement at low cost Navajo Generation cost, leaving CAP significant market price exposure in the electric market for 20% or

less of total needs. CAP receives about \$47 million per year to meet debt service requirements on the revenue bonds (\$25.2 million per year) and contributes about \$21.8 million towards federal debt repayment.

Desired State:

Demand and supply as in current state. However, with a new Navajo Power Marketing Agreement, CAP is directly responsible for reliably meeting hourly energy requirements of CAP pumps while minimizing market price exposure and costs of energy supply/delivery. Daily and seasonal CAP pumping operations produce significant value from the sale of Navajo energy in excess of CAP energy needs. CAP is a competent and competitive entity in the electricity market and continues to seek opportunities to leverage CAP assets for greater value.

Strategy:

Prepare CAP and the Board to Manage Its Power Future after 2011

Strategy Description

Current State:

CAP staff competent in energy matters is few in number, and the Board feels a lack of knowledge about the power industry as we face the necessity to plan for our power needs in the future. CAP is constrained by state and federal laws from being an electrical utility. CAP can only buy or sell power to balance pump load demands consistent with the federal marketing of Navajo supplies.

Desired State:

Each Board member understands CAP's energy demands and resource supply, enabling them to make good policy that promotes good power decisions by an appropriately sized staff, competent in energy matters.

Strategic Objective:

Increase the Board's Understanding of the Electric Power Environment, Operation & Policies

Current State:

Understanding of electric power is variable but generally members of the Board are not well versed about the electric power industry.

Desired State:

Each Board member can accurately, confidently and easily discuss CAP's power situation with a reporter.

Strategic Objective:

Decide How CAP Will Manage Its Electric Power Resources After 2011

Current State:

CAP is guided by a variety of federal power and transmission contracts and an Energy Risk Oversight Policy. A new Navajo Surplus Power Marketing Plan is being developed to guide the process beginning in 2011. New transmission agreements are being considered and implemented.

Desired State:

Be able to competitively and competently run our own electric power business needs, using either CAP's own resources or through partnering with other electric utilities, while balancing the need for CAP to use all the power required for pumping with the opportunity of producing revenue from the sale of excess power and transmission.

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
2006 STRATEGIC PLAN**

KEY RESULTS AREA	STRATEGIC ISSUE	STRATEGIC OBJECTIVE	ACTION PLANS
R E P L E N I S H M E N T	Water Supply	Obtain sufficient water supplies to meet replenishment obligation.	<p>Revisit and update CAGR D Plan of Operation, as necessary, including obligations, available water supplies, water supply portfolio, timing and cost of acquisition, and fees and rates.</p> <hr/> <p>Memo: See page 7 re: Water Supply KRA.</p>
	Enrollment	Identify and implement an appropriate level of management for enrollment.	Establish a process to reach consensus on whether there are any conditions to enrollment upon which stakeholders can agree.
	Hydrologic Impact of Replenishment	Evaluate the magnitude of the problem. Identify CAGR D roles, responsibilities and capabilities.	Support ADWR's efforts to investigate potential areas where excessive groundwater declines are possible; investigate ways to mitigate local groundwater decline impacts through new CAWCD policies and contract replenishment.

Key Results Area: *Replenishment*

KRA Description

Current State:

In accordance with 1993 legislation, CAWCD provides replenishment services (commonly referred to as the CAGR D) within the CAP three-county service area. Through a lengthy and collaborative stakeholder process, CAGR D has developed a new Plan of Operation, which was determined by the Director of ADWR to be consistent with the Management Goals for the Phoenix, Pinal and Tucson AMAs. Absent unforeseen circumstances, this determination is effective through December 31, 2015. Explosive growth in Arizona in recent years, and particularly the growth in CAGR D enrollment and membership, has increased concern by others regarding CAGR D's ability to meet its replenishment obligations in a cost-effective and hydrologically-sound manner.

Desired State:

CAGR D has implemented a process by which its actual operations are monitored regularly and compared against expectations under the currently approved Plan of Operation. There is general agreement by the Board, staff and stakeholders that CAGR D is being operating in an effective and appropriate manner.

Strategy:
Water Supply

Strategic Objective:

Obtain sufficient water supplies to meet replenishment obligation.

Current State:

Although the current CAGR D Plan of Operation identifies water supplies that are potentially available to CAGR D to meet its projected replenishment obligations, the actual volume of water rights that CAGR D holds is minimal. Concern has been expressed that CAGR D may have difficulty obtaining the supplies identified in the Plan of Operation, that the supplies may be much more expensive than anticipated, and that CAGR D's attempts to obtain water rights will exacerbate issues regarding competition among numerous other entities in the state. There is also concern that future Plans of Operation will identify an even greater need for water, thereby amplifying current concerns.

Desired State:

Acquisitions of water supplies by CAGR D are timed to adequately meet obligations, are funded in a fiscally responsible manner, and are carried out on an equitable basis, to the extent possible with other entities seeking water supplies.

Strategy:
Enrollment

Strategic Objective:

Identify and implement an appropriate level of management for enrollment.

Current State:

Enrollment in the CAGR D during its first twelve years of operation has exceeded all projections. The processes and procedures implemented to date by CAGR D regarding enrollment have been generally accepted by prospective enrollees. However, existing statutes limit CAGR D's ability to place conditions or restrictions on enrollment, resulting in concern by some that enrollment will exceed CAGR D's ability to meet its obligations over the long-term.

Desired State:

CAGR D and its stakeholders agree that appropriate membership enrollment checks and balances are in place.

Strategy:

Hydrologic Impact of Replenishment

Strategic Objective:

Better understand the magnitude of the problem. Identify CAGRDR roles, responsibilities and capabilities.

Current State:

While CAGRDR is replenishing in accordance with existing laws within the AMAs in which pumping is occurring, there is concern by some that replenishment is taking place outside of the sub-basins from which members are pumping and may result in site-specific dewatering of aquifers.

Desired State:

An acceptable process is established that provides the ability to identify areas with potential hydrologic concerns early enough to act accordingly. CAWCD's replenishment, underground storage and recovery programs remain in compliance with all state laws and are operated, to the extent possible, in the best interest of all CAP customers.

Key Results Area Strategies & Objectives

Acronyms

ADWR	Arizona Department of Water Resources	KRA	Key Results Area
AF/YR	Acre-feet Per Year	MAF	Million Acre Feet
AF	Acre-foot	M&I	Municipal and Industrial
APA	Arizona Power Authority	MSCP	Multi-Species Conservation Plan
AWBA	Arizona Water Banking Authority	MWH	Megawatt hours
BDR	Business Disaster Recovery	NGS	Navajo Generating Station
CAGRD	Central Arizona Groundwater Replenishment District	O&M	Operation and Maintenance
CAP	Central Arizona Project	SMT	Senior Management Team
CAWCD	Central Arizona Water Conservation District	SNWA	Southern Nevada Water Authority
CFS	Cubic feet per second	SWAG	Statewide Water Advisory Group
CIOT	Critical Incident Oversight Team	USBR	U.S. Bureau of Reclamation
GRD	Ground Replenishment Department	WRRC	Water Resources Research Center
		YDP	Yuma Desalting Plant