

**CENTRAL ARIZONA PROJECT
115/230-KV Transmission System
RATE DESIGN**

Amortization Expenses

| | | |
|-----------|---|------------------|
| Principal | | 12,805,199 |
| Interest | | 14,700,073 |
| | Sum | 27,505,272 |
| | Average Annual Amortization Expenses | 5,501,054 |

Operation & Maintenance

| | | |
|---|--|-----------|
| Western Annual Operation and Maintenance Expenses | | 4,623,000 |
|---|--|-----------|

Other Expenses

| | | |
|--|--|---------|
| Civil Service Retirement Expense (CSRS) | | 21,864 |
| Capitalized Moveable Equipment (CME) Depreciation and Interest Expense | | 58,000 |
| Reclamation Annual Expense | | 100,000 |
| Facility Charge @ McCullough | | 400,000 |
| Warehouse Interest Expense | | 2,660 |
| Replacement Investments (RRADS) | | 1,000 |
| Purchase Power and Wheeling | | 900,000 |

Estimated Total Average Annual Operation & Maintenance Expenses 6,106,524

Major Capital 6,500,000

Estimated Total Annual Gross Expenses 18,107,578

Estimated Over/Undercollection from Rates 677,428

Other Revenues⁽¹⁾ 5,340,000

Estimated Annual Revenue Requirement 12,090,150

| *Current Rate Determination/Calculation for 115 / 230 - KV System Rate | | Current Year | 2015 |
|---|--|---------------------|-------------|
| 13.56 / KW - Year | $\$/kW\text{-Yr} = \text{Total Estimated Annual Revenue Requirement Divided By 5-Year Average Contract Rate of Delivery (CROD), rounded to the penny}$ | | |
| 1.13 / KW - Month | $\$/kW\text{-Month} = \$/kW\text{-Year divided by 12 months, rounded to the penny}$ | | |
| 0.26 / KW - Week | $\$/kW\text{-Week} = \$/kW\text{-Year divided by 52 weeks, rounded to the penny}$ | | |
| 0.04 / KW - Day | $\$/kW\text{-Day} = \$/kW\text{-Year divided by 365 Days, rounded to the penny}$ | | |
| 1.55 / KWh | $\text{mills}/kWh = \$/kW\text{-Year divided by 8,760 hours, multiplied by 1,000, rounded to 2 decimals}$ | | |
| Non-Firm Transmission Rate | | | |
| 1.55 mills / KWh | $\text{mills}/kWh = \$/kW\text{-Year divided by 8,760 hours, multiplied by 1,000, rounded to 2 decimals}$ | | |
| Contract Rate of Delivery- CROD | | | |
| 891,836 kW | 5 - Year Average | | |

*The formula rate design calculates the Estimated Annual Revenue Requirement for the 5-year Cost Evaluation Period, and divides it by the sum of the contractors 5-year average contract rate of delivery (CROD) rounded to the penny.

⁽¹⁾Est. of Non-Firm, Short-Term Firm and Line Loss Revenues received.

**CENTRAL ARIZONA PROJECT
OPERATION AND MAINTENANCE
ESTIMATED AVERAGE ANNUAL EXPENSES**

| BUDGET ACTIVITY | EXPENSES | ESTIMATED AVERAGE ANNUAL EXPENSES |
|---|--|-----------------------------------|
| FACILITY EXPENSES | | |
| N/FGCA COMMM | Communications and Control Equipment | \$91,000 |
| N/FGCA GWAMM | General Western Allocation | \$612,000 |
| N/FGCA LINCM | Direct Hours Not Identified- Transmission Lines | \$335,000 |
| N/FGCA LINSM | Operation and Maintenance for Transmission Lines | \$343,000 |
| N/FGCA RENTM | Multiproject Costs | \$318,000 |
| N/FGCA SAFEM | Safety Expense | \$41,000 |
| N/FGCA SUBCM | Direct Hours Not Identified-Substations | \$200,000 |
| N/FGCA SUBSM | Operation and Maintenance for Substations | \$450,000 |
| N/FGCA SUPTM | IS Support Costs | \$130,000 |
| N/FGCA SVCFM | Service Facility Distribution Costs | \$146,000 |
| TOTAL | | \$2,666,000 |
| SYSTEMWIDE EXPENSES | | |
| N/FGCA FINAM | Financial Management Support | \$88,000 |
| N/FGCA MRKTM | Power Marketing and Resources Planning | \$439,000 |
| N/FGCA SOLDM | System Operation and Load Dispatching | \$1,200,000 |
| N/FGCA STUDM | Transmission and Engineering Studies | \$230,000 |
| TOTAL | | \$1,957,000 |
| OTHER EXPENSES | | |
| N/FGCA DEPRM | Capitalized Moveable Equipment (CME) Depreciation and Interest Expense | \$58,000 |
| | Civil Service Retirement Expense (CSRS) | \$21,864 |
| | Facility Charge @ McCullough | \$400,000 |
| N/FGCA PPW-RW | Purchase Power and Wheeling | \$900,000 |
| | Reclamation Annual Expense | \$100,000 |
| | Warehouse Interest Expense | \$2,660 |
| TOTAL | | 1,482,524 |
| TOTAL FACILITY + SYSTEMWIDE + OTHER EXPENSES | | \$6,105,524 |
| N/FGCA REIBC | Replacement Investments (RRADS) | \$1,000 |
| N/FGCA SUBSB | Replacement Investments (RRADS) | \$6,500,000 |
| 2015 | GRAND TOTAL | \$12,606,524 |