

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

The formula rate design calculates the net average annual costs 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.

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Total Estimated Annual Costs	5-Year Average CROD	=	Rates	
\$8,291,266.10	/ 845,703 kW	=	\$9.80	\$/kW-Year ^{1/}
			\$0.82	\$/kW-Month ^{2/}
			\$0.19	\$/kW-Week ^{3/}
			\$0.03	\$/kW-Day ^{4/}
			1.12	mills/kWh ^{5/}
Non-Firm Transmission Rate			1.12	mills/kWh ^{6/}

^{1/} \$/kW-Yr = Total Estimated Annual Costs Divided By 5-Year Average CROD, rounded to the penny

^{2/} \$/kW-Month = \$/kW-Year divided by 12 months, rounded to the penny

^{3/} \$/kW-Week = \$/kW-Year divided by 52 weeks, rounded to the penny

^{4/} \$/kW-Day = \$/kW-Year divided by 365 Days, rounded to the penny

^{5/} mills/kWh = (\$/kW-Year divided by 8,760 hours), multiplied by 1,000, rounded to 2 decimals

^{6/} mills/kWh = (\$/kW-Year divided by 8,760 hours), multiplied by 1,000, rounded to 2 decimals

CENTRAL ARIZONA PROJECT

**ANNUAL AVERAGE ESTIMATED COSTS
FOR COST EVALUATION PERIOD FY 2011 TO FY 2015**

AVERAGE ANNUAL AMORTIZATION COSTS

ANNUAL AMORTIZATION

Principal	\$10,756,366.76
Interest	\$16,240,692.42
	\$26,997,059.18

AVERAGE ANNUAL AMORTIZATION COSTS \$5,399,411.84

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OPERATION & MAINTENANCE COSTS

ESTIMATED WESTERN ANNUAL O&M COSTS \$3,195,620.87

ESTIMATED RECLAMATION ANNUAL COSTS \$65,409.62

ESTIMATED CAWCD EXPENSES (1) \$449,722.90

ESTIMATED CAWCD REPLACEMENT EXPENSES (2) \$1,929,591.00

ESTIMATED ADDITIONAL WESTERN EXPENSES

Civil Service Retirement Costs	\$37,334.90
Capitalized Movable Equipment	\$25,458.37
Warehouse Stores	\$3,092.00

Facility use charge @ McCollough Substation

Estimated CAWCD Replacement Expenses

TOTAL ESTIMATED AVERAGE ANNUAL O&M EXPENSE \$5,706,229.66

SUBTOTAL ESTIMATED ANNUAL COSTS \$11,105,641.50

OVER/UNDER COLLECTION FROM PREVIOUS YEAR'S RATE BASE \$1,277,427

TOTAL NET ESTIMATED ANNUAL COSTS \$9,828,214.50

CENTRAL ARIZONA PROJECT

WESTERN OPERATION AND MAINTENANCE BUDGET PROJECTIONS

<u>Budget Activity</u>	<u>Facility Expenses</u>	<u>Estimated Average Annual Expenses FY 2011 - FY2015</u>
N/FGCA GWAMM	General Western Allocation	\$318,761
N/FGCA SUPTM	IS Support Costs	\$139,567
N/FGCA COMMM	Communications & Control Equipment	\$244,639
N/FGCA SAFEM	Safety Expense	\$40,904
N/FGCA SUBSM	O&M for Substations	\$394,701
N/FGCA SUBCM	Direct Hours Not Identified-Substations	\$213,822
N/FGCA LINSM	O&M for Transmission Lines	\$132,051
N/FGCA LINCM	Direct Hours Not Identified- TLs	\$89,796
N/FGCA RENTM	Multiproject Costs	\$304,891
N/FGCA SVCFM	Service Facility Distribution Costs	<u>\$83,766</u>
	Total Facility Expenses	\$1,962,897
	Systemwide Expenses	
N/FGCA STUDM	Transmission & Engineering Studies	\$165,736
N/FGCA MRKTM	Power Marketing & Resources Planning	\$339,189
N/FGCA FINAM	Financial Management Support	\$78,984
N/FGCA SOLDM	System Operation & Load Dispatching	<u>\$648,815</u>
	Total Systemwide Expenses	\$1,232,724
	Total Facility & Systemwide Expenses	\$3,195,621
	Estimated Reclamation Annual Costs	\$65,410
	Civil Service Retirement Expense	\$37,335
	CME Depreciation & Interest Expense	\$25,458
	Warehouse Interest Expense	\$3,092
	Facility Charge @ McCullough	\$449,723
	Purchase Power and Wheeling	\$0
	Replacement Investments (RRADS)	<u>\$1,929,591</u>
	Total CME & Warehouse Expenses	\$2,510,609
	Estimated Total Expenses	\$5,706,230