

**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.

Total Estimated Annual Costs	5-Year Average CROD	=	Rates	
\$7,925,954.99	/	830,103 kW	\$9.55	\$/kW-Year ^{1/}
			\$0.80	\$/kW-Month ^{2/}
			\$0.18	\$/kW-Week ^{3/}
			\$0.03	\$/kW-Day ^{4/}
			1.09	mills/kWh ^{5/}
Non-Firm Transmission Rate			1.09	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 2010 TO FY 2014

AVERAGE ANNUAL AMORTIZATION COSTS

ANNUAL AMORTIZATION

Principal	\$10,244,158.81
Interest	\$16,583,052.21
	\$26,827,211.03

AVERAGE ANNUAL AMORTIZATION COSTS \$5,365,442.21

AVERAGE ANNUAL AMORTIZATION COSTS \$5,365,442.21

OPERATION & MAINTENANCE COSTS

ESTIMATED WESTERN ANNUAL O&M COSTS \$3,281,786.02

ESTIMATED RECLAMATION ANNUAL COSTS \$63,504.70

ESTIMATED CAWCD EXPENSES (1) \$367,600.97

ESTIMATED CAWCD REPLACEMENT EXPENSES (2) \$812,378.45

ESTIMATED ADDITIONAL WESTERN EXPENSES

Civil Service Retirement Costs \$27,427.85

Capitalized Movable Equipment \$24,717.21

Warehouse Stores \$3,001.98

(1) Facility use charge @ McCollough Substation

(2) Estimated CAWCD Replacement Expenses

TOTAL ESTIMATED AVERAGE ANNUAL O&M EXPENSE \$4,580,417.18

SUBTOTAL ESTIMATED ANNUAL COSTS \$9,945,859.39

OVER/UNDER COLLECTION FROM PREVIOUS YEAR'S RATE BASE \$545,294

TOTAL NET ESTIMATED ANNUAL COSTS \$9,400,565.39

CENTRAL ARIZONA PROJECT

WESTERN OPERATION AND MAINTENANCE BUDGET PROJECTIONS

<u>Budget Activity</u>	<u>Facility Expenses</u>	<u>Estimated Average Annual Expenses FY 2010 - FY2014</u>
N/FGCA GWAMM	General Western Allocation	\$304,605
N/FGCA SUPTM	IS Support Costs	\$113,690
N/FGCA COMMM	Communications & Control Equipment	\$237,635
N/FGCA SAFEM	Safety Expense	\$44,295
N/FGCA SUBSM	O&M for Substations	\$375,715
N/FGCA SUBCM	Direct Hours Not Identified-Substations	\$190,180
N/FGCA LINSM	O&M for Transmission Lines	\$312,639
N/FGCA LINCM	Direct Hours Not Identified- TLs	\$82,887
N/FGCA RENTM	Multiproject Costs	\$303,550
N/FGCA SVCFM	Service Facility Distribution Costs	<u>\$75,080</u>
	Total Facility Expenses	\$2,040,275
	Systemwide Expenses	
N/FGCA STUDM	Transmission & Engineering Studies	\$174,557
N/FGCA MRKTM	Power Marketing & Resources Planning	\$311,284
N/FGCA FINAM	Financial Management Support	\$76,438
N/FGCA SOLDM	System Operation & Load Dispatching	<u>\$679,232</u>
	Total Systemwide Expenses	\$1,241,511
	Total Facility & Systemwide Expenses	\$3,281,786
	Estimated Reclamation Annual Costs	\$63,505
	Civil Service Retirement Expense	\$27,428
	CME Depreciation & Interest Expense	\$24,717
	Warehouse Interest Expense	\$3,002
	Facility Charge @ McCullough	\$367,601
	Purchase Power and Wheeling	\$207,056
	Replacement Investments (RRADS)	<u>\$812,378</u>
	Total CME & Warehouse Expenses	\$1,505,687
	Estimated Total Expenses	\$4,787,473