



Department of Energy
Western Area Power Administration
Desert Southwest Customer Service Region
P.O. Box 6457
Phoenix, AZ 85005-6457

DEC - 8 2016

Dear Central Arizona Project 115/230-kV Transmission Service Customers and Interested Parties:

Rate Order No. WAPA-172 for the Central Arizona Project (CAP) requires an annual calculation of charges for CAP 115/230-kV transmission service. Western Area Power Administration (WAPA) has determined there will be an increase to the existing charge. Effective January 1, 2017, the charges will be as follows:

Firm Transmission Rate (CAP-FT3)		
	\$/kW-year	\$21.00
	\$/kW-month	\$ 1.75
Non-firm Transmission Rate (CAP-NFT3)		
	mills/kWh	2.40

The charge increase for 2017 is due to multiple factors including capital costs, unapplied revenue credits, and operations and maintenance costs. Capital costs for the ED2-Saguaro transmission line and Hassayampa Tap continue to put upward pressure on the transmission charge. WAPA has minimized the impact of these costs by spreading them across multiple years; although, without a source of financing other than transmission revenue, we are unable to further moderate the impact of these projects.

In recent years, unapplied revenues from prior years have been available to offset annual expenses. Those revenues were exhausted in 2016; as such, there were no carryover revenues to apply against 2017 costs. Additionally, an increase in operations and maintenance costs from 2016 was necessary to maintain reliability of the CAP system.

Due to the CAP repayment requirements WAPA is unable to employ beneficial ratemaking flexibilities, such as deferring principal payments, available to other Federal projects; however, we will continue to explore techniques to formulate affordable rates.

Updated CAP 115/230-kV transmission rate data will be available for review on WAPA's website at <https://www.wapa.gov/regions/DSW/Rates/Pages/central-arizona-rates.aspx>. If you have questions or need additional information, please call Ebony Dennis at (602) 605-2602 or me at (602) 605-2442.

Sincerely,

A handwritten signature in black ink, appearing to read "SRL", written over a horizontal line.

Scott R. Lund
Rates Manager