

Rate Schedule CAP-FT3
SCHEDULE 7 to Tariff
(Supersedes Schedule CAP-FT2)

**UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION**

**DESERT SOUTHWEST CUSTOMER SERVICE REGION
CENTRAL ARIZONA PROJECT**

FIRM POINT-TO-POINT TRANSMISSION SERVICE

Effective:

The first day of the first full billing period beginning on or after January 1, 2016, through December 31, 2020, or until superseded by another rate schedule, whichever occurs earlier.

Applicable:

The transmission customer will compensate the Central Arizona Project (CAP) each month for Reserved Capacity under the applicable Firm Point-To-Point Transmission Service Agreement and the formula rate described herein.

Formula Rate:

Firm Point-To-Point
Transmission Rate =
$$\frac{\text{Annual Transmission Revenue Requirement (\$)}}{\text{Firm Transmission Capacity Reservations + Network Integration Transmission Service Capacity (kW)}}$$

A recalculated rate will go into effect every January 1 based on the above formula and updated financial and operational data. Western will notify the transmission customer annually of the recalculated rate on or before December 1. Discounts may be offered from time-to-time in accordance with Western's Open Access Transmission Tariff.

Character and Conditions of Service:

Alternating current at 60 Hertz, three-phase, delivered and metered at the voltages and points of delivery established by contract or service agreement over the CAP 115/230-kV transmission system.

Adjustment for Reactive Power:

There shall be no entitlement to transfer of reactive kilovolt amperes at delivery points, except when such transfers may be mutually agreed upon by the parties and contracting officer or their authorized representatives.

Billing:

Billing determinants for the formula rate above will be as specified in the contract or service agreement. Billing will occur monthly under the formula rate.

Adjustment for Losses:

Losses incurred for service under this rate schedule will be accounted for as agreed to by the parties in accordance with the service agreement. If losses are not fully provided by a Transmission Customer, charges for financial compensation may apply.

Unreserved Use:

Western will assess a charge for any unreserved use of the transmission system. Unreserved use occurs when a customer uses transmission service that it has not reserved or uses transmission service in excess of its reserved capacity. Unreserved use may also include a customer's failure to curtail transmission when requested.

The charge assessed for unreserved use is two times the maximum allowable rate for the service at issue as follows: The penalty for a single hour of unreserved use is based on the daily short-term rate. The penalty for more than one assessment of unreserved use for any given

duration (e.g., daily) increases to next longest duration (e.g., weekly). The penalty for multiple instances of unreserved use (e.g., more than one hour) within a day is based on the daily short-term rate. The penalty for multiple instances of unreserved use isolated to one calendar week is based on the weekly short-term rate. The penalty for multiple instances of unreserved use during more than one week in a calendar month is based on the monthly short-term rate.

A customer that exceeds its reserved capacity at any point of receipt or point of delivery, or a customer that uses transmission service at a point of receipt or point of delivery that it has not reserved, is required to pay for all ancillary services provided by the Western Area Lower Colorado (WALC) Balancing Authority and associated with the unreserved use. The customer will pay for ancillary services based on the amount of transmission service used and not reserved.