

AZ ISA FERC ELECTRIC TARIFF

RATE SCHEDULE No. 1

Section 1 Purpose

This Rate Schedule describes the procedures for calculation and collection of the Az ISA charges and remittance of said charges to the Az ISA. The Az ISA charges are assessed upon each Scheduling Coordinator ("SC") for services provided by the Az ISA pursuant to the terms and conditions of each ISA-TP Agreement to which a Transmission Provider and the Az ISA are a party, and each ISA-SC-TP Agreement to which a Transmission Provider, the Az ISA, and Scheduling Coordinators are a party, on a monthly basis in accordance with the formula set forth in Section 3 below. Each Transmission Provider ("TP") that provides transmission services to SCs consistent with the Protocols Manual ("PM") and in accordance with the formulas set forth in Section 4 below shall collect and remit these charges to the Az ISA.

Section 2 Definitions

Any capitalized term used but not defined in this Rate Schedule shall have the meaning provided in the applicable Transmission Provider's ISA-TP Agreement. Unless otherwise specified herein, amounts are in dollars, load is in MWh and rates are in dollars per MWh.

- 2.01 **Aggregate Retail Load ("AGGRL")** - the sum of all Transmission Providers' Retail Loads for the billing month.
- 2.02 **Debt ("DEBT")** - the sum of all debt payments owed by the Az ISA in the billing month (both principal and interest), but excluding the repayment obligations associated with the loans itemized in EXHIBIT 1 of each Transmission Provider's ISA-TP Agreement.
- 2.03 **Deficiency ("DEF")** - any expenses not known to or included by the Az ISA in the calculation of a prior month's operating costs, or over collection of prior operating costs which amount shall be shown as a negative. DEF, however, shall not include any TP's over- or underpayment to the Az ISA, where the TP did not pay the Az ISA the amount properly billed by the Az ISA in accordance with Rate Schedule No. 1.

2.04 **Fees ("FEES")** - any fees assessed by the Az ISA for specific transactions, dispute resolution services, or any other services provided by the Az ISA. Fees received after the Revenue Requirement is calculated for a particular billing month shall be included in the calculation of the Revenue Requirement for a subsequent billing month.

2.05 **Operating Cost Rate ("OCR")**- the net monthly costs and revenues associated with Az ISA operations (excluding Transmission Provider Repayment), divided by Aggregate Retail Load. OCR is calculated as follows:

$$\text{OCR} = [\text{REV} + \text{DEBT} + \text{DEF} - \text{FEES}] / \text{AGGRL}$$

2.06 **Repayment Obligation Rate ("REPAYR")** - the Transmission Provider's Repayment divided by the Transmission Provider's Retail Load.

2.07 **Revenue Requirement ("REV")** - the Az ISA's good faith estimate of its operating costs for the billing month, including cash working capital requirements. Any operating costs not included in the OCR for the then current billing month shall be included in a subsequent billing month's OCR.

2.08 **Scheduling Coordinator's Load ("SCL")** - an SC's load, including all losses, for the billing month, as

reasonably forecasted or measured by the SC and agreed to by the affected TP. To the extent the SCL in a particular billing month is estimated, and subsequent actual measurements indicate that this estimate was high or low, any excessive or deficient payment based on said estimate shall be subject to true-up in a subsequent billing month.

2.09 Transmission Provider(s) ("TP(s)") - Arizona Electric Power Cooperative, Inc. ("AEPCO"), Arizona Public Service Company ("APS"), Citizens Utilities Company ("Citizens"), and Tucson Electric Power Company ("TEP").

2.10 Transmission Provider Operating Cost ("TPOC") - the Operating Cost Rate multiplied by the specified TP's Retail Load.

2.11 Transmission Provider's Repayment ("TPREPAY") - the payment owed, to a specific TP in the billing month, for repayment of that TP's loan, as listed in EXHIBIT 1 of that TP's ISA-TP Agreement.

2.12 Transmission Provider's Retail Load ("TPRL") - for each TP except AEPCO, TPRL is the sum of all retail Competitive SC and Standard Offer SC Load connected to its system, measured in kWh, in the billing month.

For AEPCO, TPRL is the aggregate retail load in Arizona served by each entity that is now, or at some future time becomes, a retail distribution cooperative, Class A member of AEPCO (the "Members"), where said retail load is measured in a manner consistent with the measurements employed by the other TPs. The current Class A Members in Arizona include the following entities:

Duncan Valley Electric Cooperative
Graham County Electric Cooperative
Mojave Electric Cooperative
Sulphur Springs Valley Electric Cooperative
Trico Electric Cooperative, Inc.

Section 3 Scheduling Coordinator Payment Obligation

Each SC that takes retail transmission service from a TP pursuant to a TP's OATT or other tariff shall be assessed by and shall pay to said TP, each billing month, a Scheduling Coordinator Monthly Payment ("SCMP") calculated as follows:

$$\text{SCMP} = [\text{REPAYR} + \text{OCR}] \times \text{SCL}$$

Section 4 Transmission Provider Payment Obligation

4.01 Each TP shall remit to the Az ISA each billing month a portion of the Az ISA's monthly operating costs (TPOC) calculated by the Az ISA as follows:

$$\text{TPOC} = [\text{OCR} \times \text{TPRL}]$$

4.02 Each TP shall remit to the Az ISA each billing month a portion of the Az ISA's monthly repayment obligation costs (TPREPAY) calculated by the Az ISA as follows:

$$\text{TPREPAY} = [\text{REPAYR} \times \text{TPRL}]$$

4.03 A TP's obligation to remit funds to the Az ISA in accordance with Section 4.01 of this Rate Schedule is not contingent upon the level of charges collected by said TP pursuant to this Rate Schedule.

Section 5 Billing And Payment

Each TP, on behalf of the Az ISA, shall collect and remit the charges specified in and in accordance with (a) this Rate Schedule, (b) the ISA-TP Agreement between that TP and the Az ISA, and (c) the ISA-SC-TP Agreement between the Az ISA, that TP, and each SC taking retail transmission service to satisfy that TP's legal requirements for retail access. Under no circumstances shall the Az ISA be liable, directly or indirectly, for the acts of any TP acting in

this collection capacity on behalf of the Az ISA. A TP's authority to collect and remit said charges on behalf of the Az ISA shall terminate immediately, unless otherwise agreed in writing by the Az ISA, upon such TP's withdrawal from or the termination of the ISA-TP Agreement between the Az ISA and that TP.