



April 16, 2018

**2018 Annual Update**

**To: Interested Parties (as defined in Section II(v) of the Formula Rate Implementation Protocols)**

In accordance with Section I(3) of the Tri-State Generation and Transmission Association, Inc. (“Tri-State”) Transmission Formula Rate Implementation Protocols (“Protocols”), Tri-State is providing its Annual Update to Southwest Power Pool, Inc. (“SPP”) to be posted on SPP’s web site and on the Tri-State OASIS website. Due to the timing of the finalization and filing of the Depreciation Study and Change in Depreciation Rates with the Federal Energy Regulatory Commission (“Commission”) in Docket No. ER18-985 (“Depreciation Filing”), Tri-State anticipates that the Commission will act on the Depreciation Filing between the Annual Update posting date (April 16, 2018) and the date of the Informational Filing (July 16, 2018). Because the Commission has not acted upon the Depreciation Filing prior the Annual Update posting deadline, Tri-State is required to conduct its Annual Update process using the latest as-filed version of the Formula Rate. However, because Tri-State anticipates that the Commission will approve the Depreciation Filing prior to the Informational Filing deadline, Tri-State is providing Interested Parties with two versions of the Annual Update. First, Tri-State is providing an Annual Update based on Tri-State’s as-filed Formula Rate Template, which was accepted by the Commission in Docket No. ER16-204. Second, Tri-State is providing an Annual Update based on the Formula Rate Template included in the Depreciation Filing. By providing Annual Updates based on both versions of the Formula Rate Template, Tri-State is ensuring that Interested Parties have the opportunity to adequately review and address concerns regarding the rate that will be placed into effect via the July 1, 2018 Informational Filing.

In accordance with Section I(5) of the Protocols, the Annual Update:

- (i) includes a workable populated Formula Rate Template with fully functional spreadsheets showing the calculation of the Annual Update and underlying work papers in native format with links and formulas intact, including sufficiently detailed work papers and supporting documentation for data;
- (ii) is based on the independently-audited books and records of Tri-State for the most recent fiscal year including its RUS Financial and Operating Report or successor reports including the Financial and Operating Report Electric Power Supply (Op. Report – Power Supply), (January 1 through December 31);
- (iii) provides sufficient information to enable Interested Parties to replicate the calculation of the formula results from the Formula Rate;



- (iv) identifies any change in accounting that affects the inputs to the Formula Rate or the resulting charges billed under the Formula Rate, including:
  - a. any accounting changes, such as the initial implementation of an accounting standard or policy; the initial implementation of accounting practices for unusual or unconventional items where the Commission has not provided specific direction; or the correction of errors and prior period adjustments that impact the ATRR; and any items included in the Formula Rate at an amount other than a historic cost basis; and,
  - b. the individual impact of any changes in (iv)(a) above on charges billed under the Formula Rate; and
- (v) does not seek to modify the Formula Rate.

Regarding item (i) above, the information is provided in the form of an Excel file posted along with this document on the SPP website and on the Tri-State OASIS website.

Regarding item (ii) above, the Annual Update is based on the independently-audited books and records of Tri-State for the most recent fiscal year including its RUS Financial and Operating Report.

Regarding item (iii) above, the Excel files and excerpt from the RUS Financial and Operating Report provide sufficient information to enable Interested Parties to replicate the calculation of the formula results from the Formula Rate.

Regarding item (iv) above, there were no accounting changes or new accounting practices implemented during the twelve months ending December 31, 2017. Tri-State has made no changes that will impact the ATRR based on errors and prior period adjustments

Finally, no items were included at an amount other than a historic cost basis.

Regarding item (v) above, the Annual Update does not seek to modify the Formula Rate.