**Great River Energy**

**2016 Annual True-Up Supplemental Notes**

(Section II.E.5, 6, & 8 Requirements)

**Section II.E.5 – Formula reference changes to GRE’s Annual Operating Report**

* GRE corrected some references to GRE’s Annual Operating Report in filing ER16-1348-000 accepted by FERC on May 20, 2016.

**Section II.E.6 – Material adjustments, foot notes, & adjustments not shown in GRE’s Annual Operating Report**

* GRE does not have any material adjustments made to GRE’s AOR data in determining formula inputs.
* Notes to GRE’s AOR are in Section C on page 5 of the report.
* In addition to the existing notes on GRE’s AOR, GRE has also classified long term interest costs of $4,663,472 as an operating expense related to the capacity purchase agreement with Dairyland Power Cooperative pertaining to the Genoa 3 settlement. GRE reports an amount representing interest from a capital lease into its interest on long-term debt calculation. The amount is $239,200 associated with railroad cars used in the operations of the Spiritwood Station generation facility.
* "Treatment of Plant Related to MTEP Project 2097" - to be in compliance with the MISO OATT, GRE removes 50% of the transmission plant and related depreciation associated with MTEP project 2097 from the transmission plant balances and moves them to production plant balances for the purposes of MISO rates. The amounts GRE reports on our Attachment O will not match GRE's AOR Form 12h, Section A, and Form 12h, Section B which reflect the balances GRE uses for member rate making purposes.

**Section II.E.8 – Accounting Changes**

* GRE terminated the qualified defined benefit plan as of December 31, 2015, freezing all future benefits, and settled the plan in 2016.  In 2016, GRE would have recognized net periodic pension benefit cost of $23.1 million related to the settlement of the plan; however GRE adopted regulatory accounting and established a deferred regulatory asset for $22.7 million. GRE is amortizing this $22.7 million regulatory asset on a monthly basis over 15 years as part of operations and maintenance expense, beginning December 2016.
* In 2016, GRE approved the closure of Stanton Station effective May 2017.  Regulatory accounting was approved for the remaining undepreciated NBV and all closure related costs.  The resulting regulatory asset will be amortized over 12 years, beginning in 2017.