



April 15, 2016

2016 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. 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, 2015. Tri-State has made the following changes that will impact the ATRR based on errors and prior period adjustments:

- Tri-State has removed the following transmission lines from the list of qualifying Transmission Facilities as discussed in the Tri-State pleading filed on December 7, 2015 in Docket No. ER16-204-000:
 - Stegall WAPA-Stegall 230 kV and
 - Sidney-Sidney WAPA 230 kV.
- Tri-State has reclassified several individual pieces of equipment as Non-Tariff because they do not qualify for inclusion under Attachment AI of the SPP Tariff. The facilities affected are: Blue Creek, Chappell, Covalt, Wildhorse, and Ogallala-Roscoe transmission line.
- Tri-State has removed a revenue credit for a telecommunications sharing agreement.
- Tri-State has corrected an error in the calculation of the “T-Wage Allocation” that ensures that labor associated with Acct 561 no longer is double counted.

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.