

April 17, 2017

The Tri-State Formula Rate Template approved in the Partial Settlement certified by the Trial Judge on March 16, 2017 (Settlement FRT) contains a number of changes when compared to the original FRT (As-filed FRT). Below we have summarized the differences.

Format changes:

- The Settlement FRT calculations are all contained with a single Excel Workbook rather than the three Workbooks.
- There are numerous minor formatting changes that have no impact on determination of the ATRR.

Substantive changes:

- Return on Equity (ROE)
  - Removed Springerville lease from the ROE calculation.
  - ROE reduced from 10.87% to 9.8%.
- Depreciation Rates were adjusted downward:
  - Transmission depreciation was reduced from 2.75% to an average of 1.65%.
  - FERC Account 390 Structures and Improvements was reduced from 3% to 1.2%.
- Used direct assignment of costs rather than using allocation factors whenever possible.
- Most account balances now use the average of the Beginning of Year balance and the End of Year balance. In the As-Filed FRT, many accounts used only the End of Year balance.
- The Settlement FRT now includes both Schedule 9 rates and Schedule 1 rates. In the As-Filed FRT, Tri-State had included its operations costs in Schedule 9.
- Worksheet P provides for inclusion of FERC Accounts 575 and 576 RTO Operations and Maintenance Expenses. However, Tri-State cannot populate this Worksheet without first making a single issue Section 205 filing with the Commission.
- In Worksheet R Construction Work in Progress is incorporated at 50%, rather than 100% as in the As Filed FRT.
- In the Settlement FRT Tri-State added Worksheet S Regulatory and Commission Expenses. In this worksheet Tri-State has directly charged all regulatory costs associated with ER16-204 incurred during 2016. In the As-Filed Template, the rate was allocated a portion of all Tri-State regulatory and Commission costs.
- Worksheet T incorporates Retirement Work in Progress specifically associated with Tri-State's qualified transmission facilities.
- Worksheets U and V replace the old Lines and Subs Workbook and incorporate qualified transmission investments by FERC Account.