

## **Tri-State Generation and Transmission Association, Inc. Transmission Formula Rate Implementation Protocols**

### Section I Annual Update

1. The transmission formula rate template of Tri-State Generation and Transmission Association, Inc. (Tri-State) and these Transmission Formula Rate Implementation Protocols (Protocols) together comprise the filed rate (Formula Rate) of Tri-State for transmission service in Zone 17 of the Southwest Power Pool, Inc. (SPP) footprint. Tri-State must follow the instructions specified in the Formula Rate to calculate its Annual Transmission Revenue Requirements (ATRR) and the rates for Network Integration Transmission Service (NITS) and Point-to-Point (PTP) Transmission Service in Zone 17.

Recovery of costs associated with existing facilities and new shall be consistent with the Formula Rate and Attachment AI and Attachment J, respectively, of the SPP Tariff. The ATRR shall be determined using the financial and usage data for January 1 to December 31 of a given calendar year. The Formula Rate shall become effective for recovery of Tri-State's ATRR upon the effective date authorized by the FERC under Section 205 of the FPA.

2. The Formula Rate shall be applicable to service on and after July 1 of each calendar year through June 30 of the following calendar year (Rate Year), subject to review, challenge and refunds or surcharges with interest including any modifications required to recognize any implementation due to a partial rate year, to the extent provided herein.
3. On or before April 15 of each calendar year, Tri-State shall:
  - (a) Recalculate the ATRR and the rates for zonal NITS service for the new Rate Year in accordance with the Formula Rate (Annual Update); and
  - (b) Provide its Annual Update to SPP and cause such information to be accessible on SPP's website; Post its Annual Update to the Tri-State website; and
  - (c) If the date for posting the Annual Update falls on a weekend or a holiday recognized by FERC, then the posting shall be due on the next business day. The date on which such posting occurs shall be that year's Initial Posting Date. Any delay in the Initial Posting Date shall result in an equivalent extension of time for the submission of Information Requests.
4. Concurrent with the Annual Update postings, Tri-State shall provide a notice of such posting via an email distribution list to all Interested Parties.

5. The Annual Update shall:

- (a) Include 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;
- (b) Be based on the independently-audited books and records of Tri-State for the most recent fiscal year including its certified 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);
- (c) Provide sufficient information to enable Interested Parties to replicate the calculation of the formula results from the Formula Rate;
- (d) Identify any change in accounting that affects the inputs to the Formula Rate or the resulting charges billed under the Formula Rate. Tri-State shall identify:
  - i. 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. Any items included in the Formula Rate at an amount other than a historic cost basis.
  - ii. Individual impact of any changes in i above on charges billed under the Formula Rate.
- (e) Not seek to modify the Formula Rate.

## Section II Definitions

For purposes of these Protocols, the following capitalized terms shall have the meanings set forth below.

- (a) “Accounting Change” means any change in Tri-State’s accounting policies and practices from those in effect for the Calendar Year upon which the immediately preceding Annual Update was based and that could impact the ATRR calculations under the Formula. Accounting Changes include any changes resulting from:
  - (i) revisions to RUS’s USoA; (ii) revisions to RUS Financial and Operating Report data and the requirement to report certain values within it; (iii) correction of errors and prior period adjustments that impact the ATRR; (iv) the implementation of new estimation methods or policies; (v) changes to income tax

elections; (vi) changes in accounting practices or policies mandated by the RUS or a state regulatory authority with jurisdiction over Tri-State that could impact the Formula Rate or calculations under the Formula; (vii) implementation of accounting practices for unusual or unconventional items where the RUS has not provided specific accounting direction; (viii) a change in Tri-State's accounting policies and practices (as such changes are defined by the Statement of Financial Accounting Board Standards No. 154 issued by the Financial Accounting Standards Board or its successor); (ix) Tri-State's own accounting changes (which constitute a change to the ATRR greater than or equal to \$50,000) such as the addition or deletion of a subaccount not specified by the RUS's USoA; or (x) a change in Tri-State's inter-corporate cost allocation policies or practices from those policies and/or practices in effect in the Prior Rate Year, which change causes a result under the Formula Rate different than the result under the Formula Rate as calculated without such change.

- (b) "Annual Transmission Revenue Requirement" (ATRR) means the net revenue requirement for the Transmission Services calculated in accordance with the Formula Rate filed by Tri-State for informational purposes with the Commission and posted on the SPP website on or before the annual Publication Date, subject to review pursuant to the provisions of these Protocols.
- (c) "Annual Meeting" means the meeting hosted by Tri-State for the purpose of exchanging information with Interested Parties regarding the formula rate.
- (d) "Annual Update" means Tri-State's annual filing of its Formula Rate, in a working Excel™ format. The Annual Update is submitted as described in these Protocols.
- (e) "Business Day" means from 9:00 AM to 5:00 PM Central Prevailing Time other than weekends and Federal Holidays.
- (f) "Calendar Year" means January 1 through December 31 of a given year.
- (g) "Current Calendar Year" means the Calendar Year in which the Annual Update is filed (*e.g.*, if the Annual Update is filed on July 1, 2014, the Current Calendar Year is 2014).
- (h) "Current Rate Year" means the Rate Year for which the Annual Update is posted on the SPP website and which Tri-State has filed with the Commission (*e.g.*, if the Annual Update is filed on July 1, 2015, the Current Rate Year is July 1, 2015 through June 30, 2016).
- (i) "Customer(s)" or "Transmission Customer(s)" means the customers taking NITS service, service under Grandfathered Agreements, or PTP service.

- (j) “FERC” or “Commission” means the Federal Energy Regulatory Commission.
- (k) “Final Posting” means the annual update information posted to the Tri-State web site and which Tri-State causes to be posted on the SPP web site with changes agreed to during the informal review process.
- (l) “Formal Challenge” means a challenge by an Interested Party to an aspect of the Annual Update that is filed with the Commission, and served on Tri-State by electronic service on the date of such filing.
- (m) “Formula Rate Template” means the Tri-State transmission formula rate template set forth herein.
- (n) “Formula” means the Formula Rate Template set forth herein.
- (o) “Formula Rate” means the Tri-State Implementation Protocols together with the Formula Rate Template.
- (p) “FPA” means Federal Power Act.
- (q) “Informal Challenge” means written notification by an Interested Party to Tri- State, during the Review Period, of any specific challenge to the Annual Update.
- (r) “Information Request” means a written request submitted by an Interested Party to Tri-State.
- (s) “Informational Filing” means Tri-State’s annual filing at the Commission with the information stipulated in these Protocols.
- (t) “Initial Posting” means the Annual Update data and information which Tri-State posts to the Tri-State website and which Tri-State causes to be posted to the SPP website. The Initial Posting date for each year beginning in 2016 shall be no later than April 15, provided, however, that if April 15 should fall on a weekend or a holiday recognized by the Commission, then the posting shall be due no later than the next Business Day, and the Publication Date shall correspond to the actual posting date.
- (u) “Interest” means interest calculated pursuant to 18 C.F.R. § 35.19a (a) (2) (iii), or successor regulation.
- (v) “Interested Party” includes but is not limited to, customers under the SPP Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorneys general.
- (w) “NITS” means Network Integration Transmission Service as defined in the SPP Tariff.
- (x) “OATT” or “SPP Tariff” means SPP’s Open Access Transmission Tariff.

- (y) “Preliminary Challenge” means written notification by an Interested Party to Tri-State, during the Review Period, of any specific challenge to the Annual Update.
- (z) “Prior Calendar Year” means the year preceding the Current Calendar Year (e.g., if the Annual Update is filed on July 1, 2015, the Prior Calendar Year is 2014).
- (aa) “Prior Rate Year” means the Rate Year prior to the Current Rate Year (e.g., if the Current Rate Year is July 1, 2015 through June 30, 2016, then the Prior Rate Year is July 1, 2014 through June 30, 2015).
- (bb) “PTP Rates” means the point-to-point rates derived from the Formula Rate.
- (cc) “Rate Year” means July 1 of a given year through June 30 of the subsequent year.
- (dd) “Review Period” means, unless otherwise extended in writing by Tri-State, 60 days after the Publication Date. During the Review Period Interested Parties may serve reasonable information requests on Tri-State.
- (ee) “RUS” means Rural Utilities Service.
- (ff) “Stated Values” means values that are fixed and not subject to change in an Annual Update. Stated values include: (i) the authorized return on equity (ROE); (ii) Depreciation and amortization rates; and (iii) and other similar fixed values. Stated Values may be changed only pursuant to FPA Section 205 or 206.
- (gg) “USoA” means RUS Uniform System of Accounts.
- (hh) “WAPA” means the Western Area Power Administration.

### Section III Review of Annual Update

Within twenty (20) days of the Initial Posting date of Tri-State’ Annual Update, Tri-State will host a meeting for Interested Parties to discuss the Annual Update (Annual Meeting). Tri-State shall provide notice of this meeting concurrent with the posting of the Formula Rate Update accessible on SPP’s website and Tri-State’s website. The notice shall include the date, time and location of the Annual Meeting and also shall be provided via email distribution list of Interested Parties. The Annual Meeting shall also be available by telephone and/or web access with all meeting materials provided electronically from the web sites.

#### A. Information Exchange

Interested Parties may begin submitting information requests immediately following the Initial Posting date of the Annual Rate Update and will have until sixty (60) days after the

date of the Initial Posting to serve reasonable information requests on Tri-State for information and work papers supporting the Annual Rate Update. Such information requests shall be limited to that what is necessary to determine:

- (a) The extent or effect of an accounting change;
- (b) Whether the Annual Update fails to include data properly recorded in accordance with the Protocols and the accuracy and consistency of data;
- (c) The proper application of the Formula Rate and procedures in these Protocols;
- (d) The prudence of actual costs and expenditures, including information on procurement methods and cost control methodologies;
- (e) The effect of any change to the underlying Uniform System of Accounts or Formula Rate template; or
- (f) Any other information that may reasonably have a substantive effect on the calculation of the charges pursuant to the Formula Rate.

The information and document requests shall not otherwise be directed to ascertain whether the Formula Rate is just and reasonable.

- 2. Tri-State shall make a good faith effort to respond to information requests pertaining to the Annual Update within seven (7) business days of receipt.
- 3. Tri-State shall post on its website and cause to be posted on a publicly accessible portion of the SPP website all information requests from Interested Parties and Tri-State' response(s) to such requests. If responses to information requests contain information deemed by Tri-State to be confidential, such information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement executed by the requesting party and Tri-State.

#### B. Informal Challenge Procedures

- 1. Interested Parties shall have until June 15 (or the first Business Day after June 15 if June 15 falls on a weekend or holiday) to notify Tri-State in writing (which may be electronically) of any specific Informal Challenges. The Informal Challenge must specify the inputs, supporting explanations, allocations, calculations, or other information to which the Interested Party objects and provide an appropriate explanation and documents to support its Informal Challenge. Tri-State will make a good faith effort to respond to any Informal Challenge within twenty (20) days of notification of such Informal Challenge. Tri-State, and if appropriate SPP, shall appoint representatives to work with the Interested Party to resolve the Informal

Challenge.

2. Tri-State will post on its website and cause to be posted on a publicly accessible portion of the SPP website all Informal Challenges from Interested Parties and Tri-State' responses to the Informal Challenges. If responses to information requests contain information deemed by Tri-State to be confidential, such information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement executed by the requesting party and Tri-State.
3. Any changes or adjustments to the Annual Update resulting from the Information Exchange and Informal Challenge procedures that are agreed to by Tri-State and resolved prior to the end of the review period shall be reported in the Final Posting on the Tri-State and SPP Web sites. Any changes or adjustments agreed to by Tri-State after this date will be reported in the Informational Filing made with FERC and will be reflected in the Annual Rate Update for the following Rate Year.

C. Formal Challenges.

1. A Formal Challenge shall:
  - (a) Clearly identify the action or inaction which is alleged to violate the filed Formula Rate or Protocols;
  - (b) Explain how the action or inaction violates the filed Formula Rate or Protocols;
  - (c) Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including:
    - i. The extent or effect of an accounting change;
    - ii. Whether the Annual Update fails to include data properly recorded in accordance with the Protocols and the accuracy and consistency of data;
    - iii. The proper application of the Formula Rate and procedures in these Protocols;
    - iv. The prudence of actual costs and expenditures, including information on procurement methods and cost control methodologies;

- v. The effect of any change to the underlying Uniform System of Accounts or Formula Rate template; or
  - vi. Any other information that may reasonably have a substantive effect on the calculation of the charges pursuant to the Formula Rate.
- (d) Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;
  - (e) State whether the issues presented are pending in an existing proceeding in any forum in which the Interested Party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;
  - (f) State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that belief;
  - (g) Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the Interested Party, including, but not limited to, contracts and affidavits; and
  - (h) State whether the filing party utilized the Informal Challenge procedures described in these Protocols with regard to any issue.
2. Formal Challenges shall be filed with FERC, either in the FERC Docket assigned to the Informational Filing or via Section 206 of the FPA, and shall be served upon Tri-State contemporaneously with the filing at FERC. Service can be accomplished by electronic mail in accordance with § 385.2010(f) (3), by facsimile, express delivery or messenger to the individual listed as the contact person in Tri-State' Informational Filing.

#### D. Modification of Formula Rate or Annual Update

1. No party shall seek to modify the Formula Rate under the Challenge procedures (either Formal or Informal) set forth in these Protocols and the Annual Update shall not be subject to challenge for the purpose of modifying the Formula Rate.
2. A change to the Formula Rate fixed inputs related to rate of return on equity (ROE), depreciation and amortization rates, capital structure, amortization periods, and any ROE incentives for SPP regional projects may not be made absent the appropriate filing with FERC pursuant to the FPA Sections 205 or 206.
3. If Tri-State makes a correction to a Mistake in its financial information during a Rate Year that would affect the Formula Rate for that Rate Year, such corrections and any resulting refunds or surcharges shall be reflected in the Annual Update



for the next effective Rate Year with interest computed in accordance with the SPP Tariff. For purposes of these Protocols, “Mistake” shall mean errors or omissions regarding the values inputted into the Formula Rate template, such as arithmetic or computational errors. Mistakes shall not include matters involving exercise of judgment or substantive differences of opinion regarding the derivation of an input that is more properly the subject of the annual review process.

4. Any changes to the data inputs or as the result of a FERC proceeding shall be incorporated into the Formula Rate and the charges produced by the Formula Rate in the Annual Update for the next effective Rate Year. Any interest on any refund shall be calculated in accordance with the SPP Tariff.

E. FERC Informational Filing.

1. By July 15<sup>th</sup> of each year, Tri-State shall submit to FERC an informational filing (Informational Filing) of its Annual Update.
2. This Informational Filing must include the information that is reasonably necessary to determine:
  - (a) That input data under the Formula Rate is properly recorded in any underlying work papers;
  - (b) That Tri-State has properly applied the Formula Rate and these procedures;
  - (c) The accuracy of the data and the consistency with the Formula Rate of the ATRR and rates under review; and
  - (d) The extent of accounting changes that affect Formula Rate inputs.
3. The Informational Filing must also describe all aspects of the Formula Rate or its inputs that are the subject of an ongoing dispute under the Informal or Formal Challenge procedures.
4. Contemporaneous with the making of such Informational Filing, Tri-State shall provide notice of the Informational Filing to Interested Parties via the email and by posting the docket number assigned to the Informational filing on Tri-State website and accessible on SPP’s website.

Section IV Joint SPP Transmission Owners’ Meeting.

If the SPP Transmission Owners with transmission projects that utilize a regional cost-sharing methodology implement a process to coordinate and hold joint meetings, Tri-State

intends to participate in that process.

### Section V Tri-State Example Schedule (Nominal last dates):

<b>Action</b>	<b>Date</b>
Data Available	March 1
Initial Posting (Tri-State & SPP Websites)	April 15
Annual Meeting, Interested Parties (20 days)	May 5
Interested Parties Review Period (60 days)	June 15
Informal Challenges Due Date Ending	June 15
Final Posting (Tri-State & SPP Websites)	June 20
Rate Year	July 1- June
30	
Informational Filing	July 15

### Section VI Accounting Guidance

AFUDC will not be accrued on any construction work in progress included in the rates.