

**May 1, 2026****Notice of prior period adjustments****Per Section F.3 of the PRPA Transmission Formula Rate Implementation Protocols**

PRPA has transmission assets in Zone 101 and Zone 104. Since the initial filing, PRPA has continued to review and designate assets and transmission operations and maintenance (O&M) expenses for zonal accuracy. These adjustments were reclassifications between functional areas and zones and were not errors in PRPA's financial results. As a result of these reclassifications, PRPA adjusted the initial ATRRs and Formula Based Rates filed for Zone 101 and Zone 104 (based on 2024 audited financial results). The adjustments to Zone 101 and Zone 104 are included in the 2026 Annual Update as a prior period adjustment and calculated with interest, which are shown on tabs "12 Prior Period Adjustment" and "ATRR" (Column D, Row 143) for each zone.

- 1. Asset reclassifications:** PRPA reclassified plant assets among transmission, general, and production functions and updated zonal designations where applicable for accuracy, resulting in adjustments to plant, accumulated depreciation and depreciation expense. The results of the reclassifications are as follows:
  - Total Transmission Net Property, Plant & Equipment (modified Rate Base)
    - Zone 101 decreased \$2,324,802
    - Zone 104 increased \$344,457
  - Total Transmission Depreciation Expense (direct expense)
    - Zone 101 decreased \$193,204
    - Zone 104 increased \$48,151
- 2. Transmission O&M expense reclassification:** PRPA reclassified miscellaneous transmission O&M expenses to each zone based on the Zonal Substation Allocation Factor. The results of the reclassification are as follows:
  - Direct Transmission Operations and Maintenance - Adjusted (direct expense)
    - Zone 101 decreased \$324,647
    - Zone 104 increased \$243,485
  - Total Cash Working Capital Allocated to Transmission is calculated by multiplying the adjustment by 1/8, representing 45 days of working capital. The impact to this component of the Rate Base is as follows:
    - Zone 101 decreased \$40,581
    - Zone 104 increased \$30,436

- 3. Construction Work in Progress (CWIP) reclassification:** A CWIP project for a fiber optic cable replacement was incorrectly assigned to Zone 104. The \$1,498,230 total project value has been reassigned to Zone 101. 50% percent of direct transmission plant CWIP of \$749,115 is included in the Rate Base, increasing Zone 101 and decreasing Zone 104.

**4. Results of the above reclassifications**

- Total Adjustment to Rate Base
  - Zone 101 increased \$708,534
  - Zone 104 decreased \$718,679
- Rate Base
  - Zone 101 decreased \$1,616,268
  - Zone 104 decreased \$374,322
- Investment Return = Rate Base \* Rate of Return
  - Zone 101 decreased \$165,682
  - Zone 104 decreased \$37,422
- Computed Interest using the FERC's second quarter 2026 annual interest rate of 6.78%
  - Zone 101 \$46,344
  - Zone 104 \$17,236
- Annual Transmission Revenue Requirement
  - Zone 101 decreased \$729,876
  - Zone 104 increased \$271,450