



July 1, 2021

### **Silver Run Rate Year 2020 Annual Update Accounting Changes and Disclosures**

The Silver Run Electric, LLC (“Silver Run”) filed rate includes Formula Rate Implementation Protocols (“Protocols”). Section 3.d.(iii) of the Protocols requires that, as part of the calculation of its actual Net Revenue Requirement and the True-up Adjustment (“Annual Update”), Silver Run identify changes in accounting that may affect inputs to the formula rate or the resulting charges billed under the formula rate (“Accounting Change”). Additional disclosures required by the Protocols are also included below.

#### **Accounting Changes applicable during 2020:**

1. New Standard or Policy (Protocols Section 3.d.(iii).A.I)

*Silver Run began commercial operations in April 2020 but LS Power had previously effective standards and policies. As such, the procedures and policies initialized during the 2020 rate year will serve as the baseline for determining any changes in future years.*

2. Issues of first impression (Protocols Section 3.d.(iii).A.II)

*Nothing to report.*

3. Prior period adjustments (Protocols Section 3.d.(iii).A.III)

*Nothing to report.*

4. Accounting Estimates (Protocols Section 3.d.(iii).A.IV)

*Nothing to report.*

5. Tax Elections (Protocols Section 3.d.(iii).A.V)

*In response to the requirements of Federal Energy Regulatory Commission’s (“FERC” or “Commission) Order No. 864, Silver Run submitted, on April 16, 2020, a compliance tariff filing in Docket No. ER20-1633 (“April 16 Filing”) that is currently pending before the Commission. While these changes are not reflected in the Annual Update for the 2020 rate year, Silver Run notes that, as stated in the April 16 Filing, the federal corporate tax rate decrease resulting from the 2017 Tax Cuts and Jobs Act (“2017 TCJA”) does not affect rate base or result in refundable excess ADIT amounts or recoverable deficient*

*ADIT amounts because the initial provision of transmission services and collection of revenue requirement occurred after the effective date of the 2017 TCJA changes..*

*The decrease in the federal corporate tax rate reduced the regulatory asset in Account 182.3 and associated deferred tax liabilities in Accounts 282 and 283 related to accrued/capitalized AFUDC-equity. In addition, the decrease in the federal corporate tax rate reduced the regulatory asset in Account 182.3 and associated deferred tax liabilities in Account 283 related to equity carrying charges recorded with respect to deferred pre-commercial costs. The reduction of the regulatory asset reflects the reduced the revenue requirement associated with depreciation of AFUDC-equity accrued and capitalized before the associated plant was placed in service in April 2020.*

**Other Disclosures:**

- 6. Cost Valuation (Protocols Section 3.d.(iii).B)

*Nothing to report.*

- 7. Reorganization/Merger (Protocols Section 3.d.(iii).C)

*Nothing to report.*

- 8. Affiliate Cost Allocation (Protocols Section 3.d.(v))

*Silver Run has separately provided its Affiliate Cost Allocation Manual effective March 2020 in accordance with subsection A of the referenced section of the Protocols.*

*In accordance with subsection B of the referenced section of the Protocols, Silver Run provides, in the table below, the magnitude of affiliate costs by function that that have been allocated or directly assigned. All costs are for services provided to Silver Run by LSP Electric Services, LLC. This information may also be found on page 429 of Silver Run’s 2020 FERC Form No. 1 resubmitted on July 1, 2021.*

<b>Function</b>	<b>2020 Cost</b>
Capital Project	2,545,593
Benefits & Payroll Taxes	504,086
Operations & Maintenance	1,063,744
Engineering & Project Oversight	123,484
Regulatory Compliance	320,178
Legal	5,281
Accounting & Financial Reporting, Tax Accounting	188,526
Treasury & Finance	253,720
Human Resources/Information Technology/Executive Management	134,580
<b>Total</b>	<b>5,139,193</b>