



Stakeholder Meeting for  
GridLiance High Plains LLC 2019  
Transmission Formula Rate Projection

October 31, 2018

9:30 am CST

# Agenda

- Introduction
- GridLiance High Plains LLC (GridLiance HP) Background
- Transmission Formula Rate Template Revenue Requirement Projection for Rate Year 2019
- Q&A
- Closing Remarks

# GridLiance HP Background

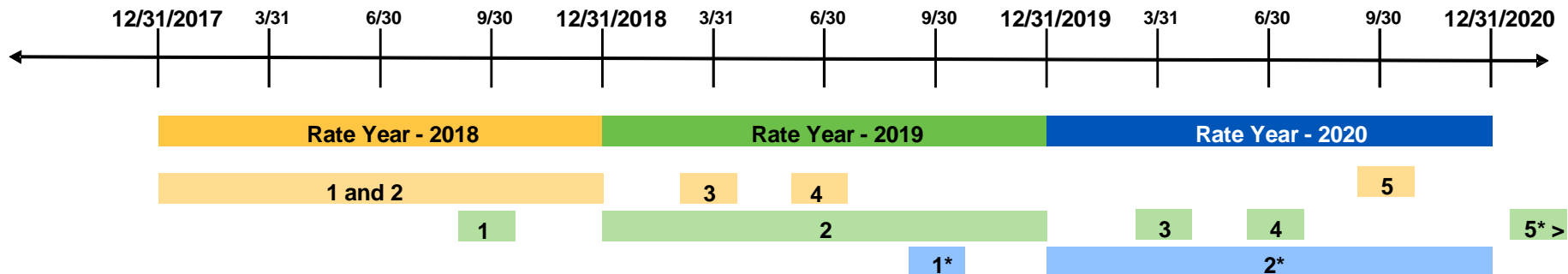


# GridLiance HP Background

- In July 2018, GridLiance renamed its regional operating subsidiaries. South Central MCN LLC was renamed to GridLiance High Plains LLC (GridLiance HP).
- GridLiance HP is a startup, stand-alone competitive electric transmission-only utility. GridLiance HP's purpose is to develop, jointly own, operate, and maintain new or existing regulated transmission assets, principally through Co-Development and Joint Development Agreements with non-jurisdictional electric cooperatives, municipally-owned electric utilities, and joint action agencies within the SPP region and on SPP's seams with other RTOs.
- On October 29, 2015 the Formula Rate Template was accepted by the FERC in Docket No. ER15-2594 and amended via FERC Orders, issued on October 19, 2017, May 24, 2018, and September 21, 2018.
- As of this presentation, the following items related to GridLiance HP's Formula Rate Template are pending at FERC: (1) a request for rehearing on a Commission directive related to the income tax component of GridLiance HP's Formula Rate (Docket No. ER15-2594 & ER17-953); and (2) proposed revisions to GridLiance HP's Formula Rate protocols (Docket No. EL18-16).

# GridLiance HP Formula Rate Protocols

## Formula Rate Protocols – Timeline for Revenue Projection and True-up



### For Rate Year - 2018

- 1 Acquire first SPP transmission assets 3/31/2018
- 2 Collect prorated 2018 estimate/forecast ATRR over Rate Year – 2018 (based on SPP-filed projection)
- 3 Perform true-up for Form 1 prior to 4/18/2019
- 4 Provide finalized true-up to Interested Parties and post to GridLiance website on or before 6/3/2019
- 5 Include true-up recovery/return of rate in Rate Year - 2020 estimate/forecast ATRR

### For Rate Year - 2019

- 1 Submit estimate/forecast ATRR by 10/1/2018 (includes Rate Year - 2017 true-up)
- 2 Collect 2019 estimate/forecast ATRR and collect/pay 2017 true-up over Rate Year - 2019
- 3 Perform true-up for Form 1 prior to 4/20/2020
- 4 Provide finalized true-up to Interested Parties and post to GridLiance website on or before 6/1/2020
- 5 Include true-up recovery/return of rate in Rate Year - 2021 estimate/forecast ATRR

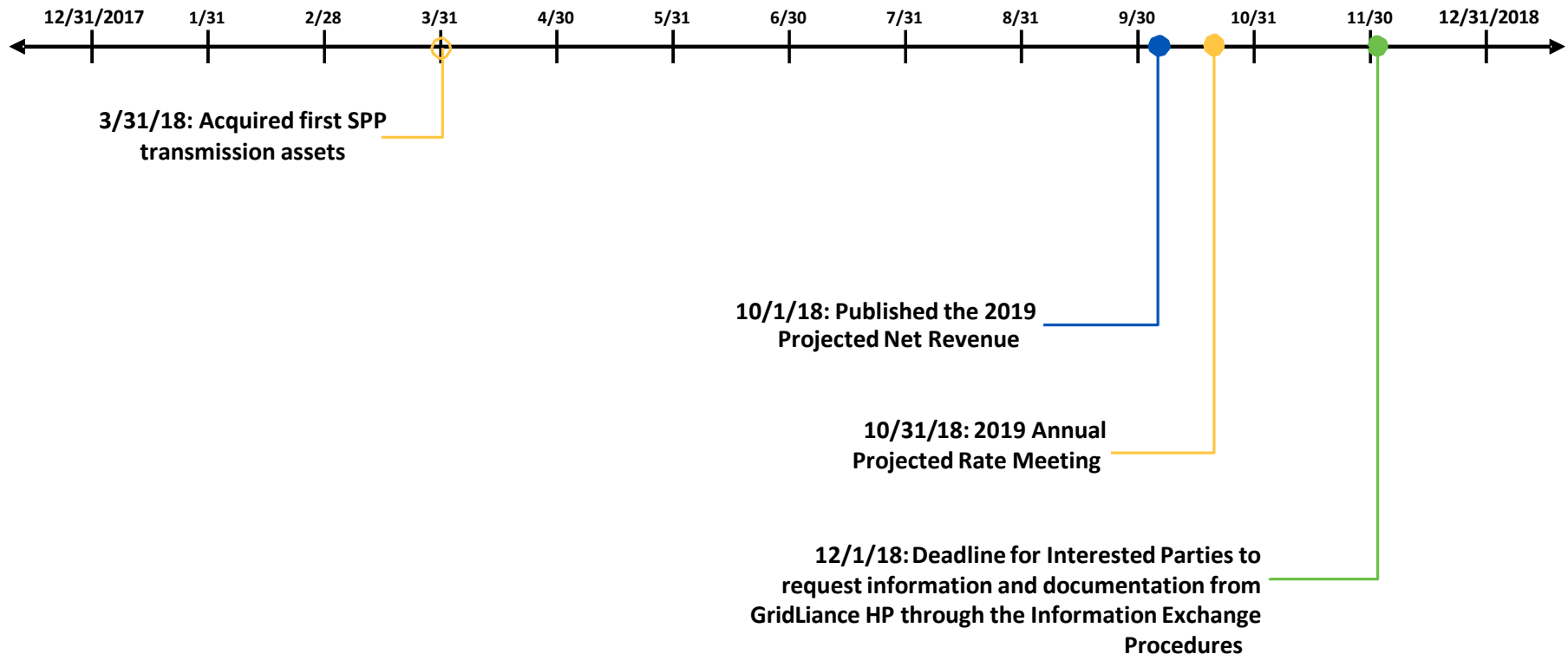
### For Rate Year – 2020

- 1 Submit estimate/forecast ATRR by 10/1/2019 (includes Rate Year - 2018 true-up)
- 2 Collect the 2020 estimate/forecast ATRR and collect/pay 2018 true-up over the Rate Year – 2020

\* Continues going forward consistent with Rate Year 2017 and 2018 illustration

# GridLiance HP Formula Rate Protocols (cont.)

## Formula Rate Protocols – Timeline for Calendar Year 2018

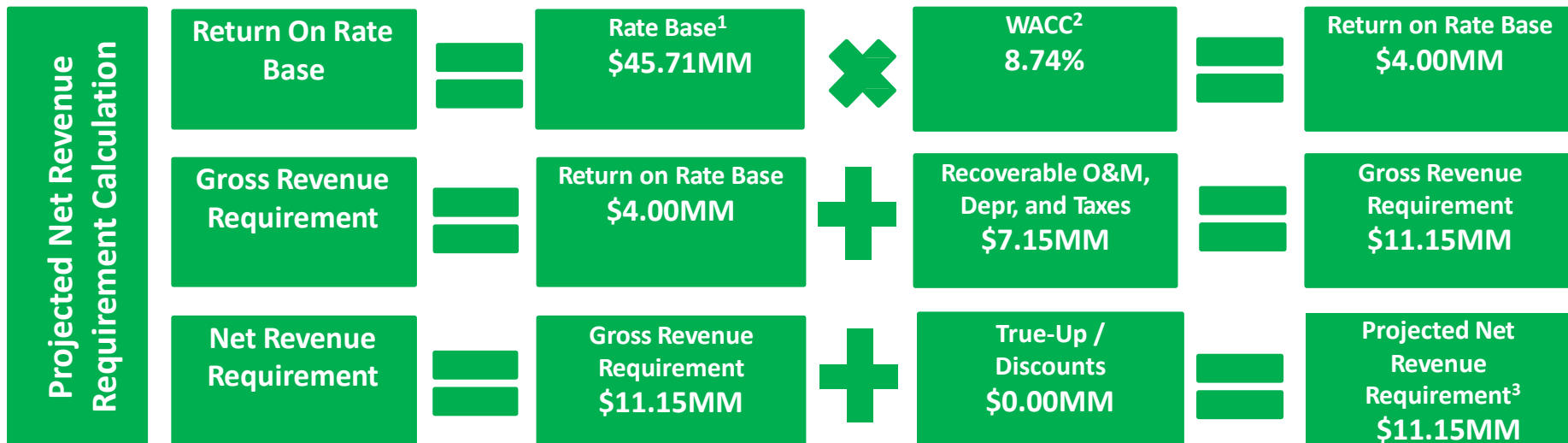




# Transmission Formula Rate Revenue Requirement Projection for RY 2019

# Transmission Formula Rate Projection for Rate Year 2019

## 2019 Transmission Formula Rate Net Revenue Requirement Calculation



<sup>1</sup> Rate Base is calculated as the 13-month average Net PP&E with misc. adjustments. See Appendix A for inputs to 13-month average Net PP&E calculation.

<sup>2</sup> See Appendix B for calculation of WACC for projected net revenue requirement.

<sup>3</sup> See Slide 8 for details of the Projected Net Revenue Requirement calculation.

<sup>4</sup> See Appendix C for details of the Projected Net Revenue Requirement calculation by Project.



# Transmission Formula Rate Projection for RY 2019 (continued)

## ***2019 Transmission Projected Revenue Requirement Summary***

*(\$ millions)*

### Return On Rate Base

Rate Base <sup>1</sup>	\$45.71
Rate of Return <sup>2</sup>	<u>8.74%</u>
<b>Return on Rate Base</b>	<b>\$4.00</b>

### Recoverable Operating Expenses

O&M Expenses	\$3.90
Depreciation Expenses	\$1.15
Taxes Other Than Income Taxes	\$0.90
Income Taxes	<u>\$1.20</u>
<b>Total Recoverable Operating Expenses</b>	<b>\$7.15</b>

<b>Projected Gross Revenue Requirement</b>	<b>\$11.15</b>
Plus: True-Up Adjustment or Credits	<u>\$0.00</u>
<b>Projected Net Revenue Requirement</b>	<b>\$11.15</b>

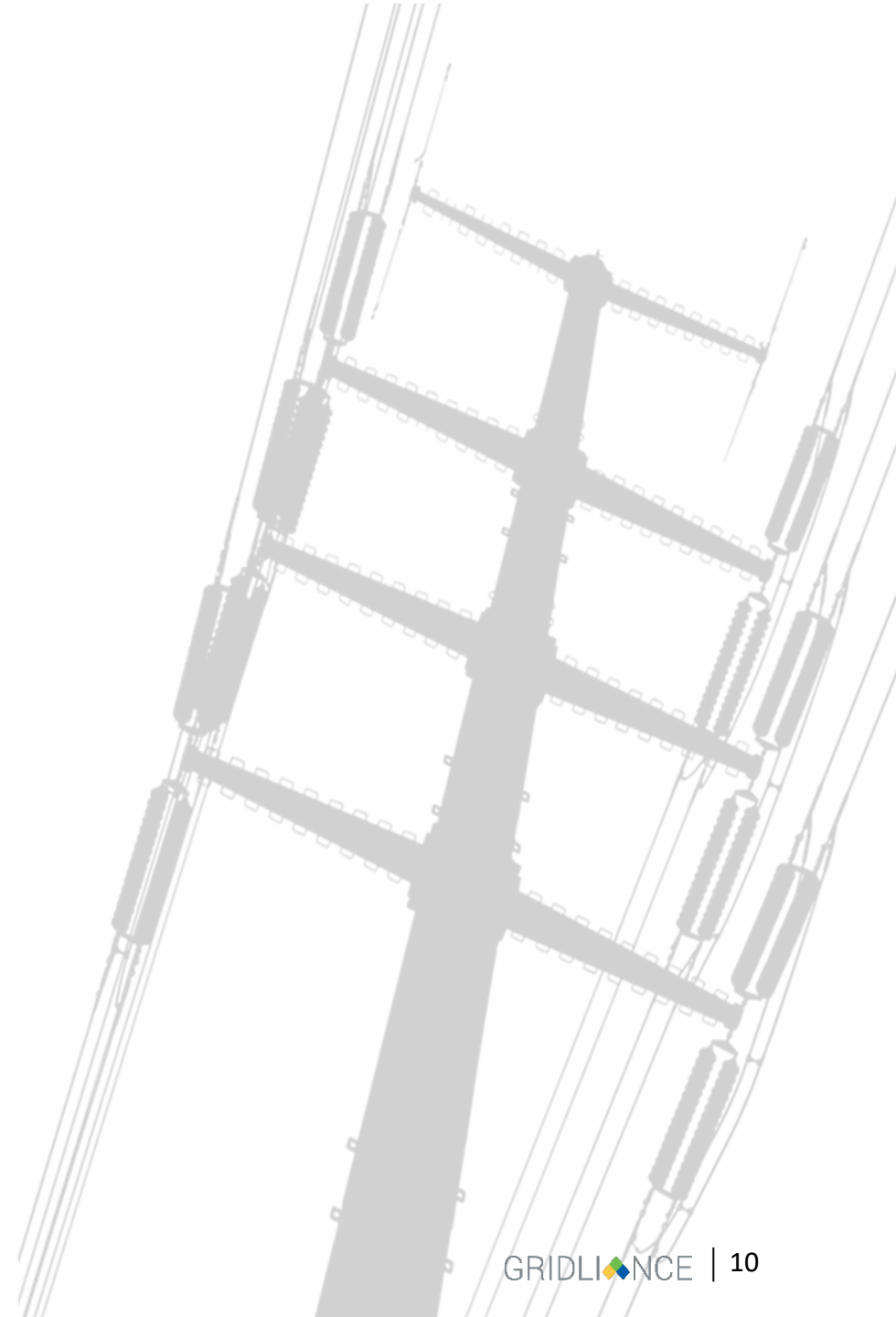
<sup>1</sup>Rate Base is calculated as the 13-month average Net Plant, Property, and Equipment, adjusted for miscellaneous items, including, but not limited to, deferred income taxes and working capital.

<sup>2</sup> See Appendix B for calculation of WACC for projected net revenue requirement.



If you have any additional questions after this meeting,  
please contact Joe Loner at [jloner@gridliance.com](mailto:jloner@gridliance.com)

# Appendix



# Appendix A – GridLiance HP Transmission Rate Base

## *Inputs for projection calculation of 13-month average net PP&E, which is included in the calculation of Rate Base*

<i>(\$ millions)</i>	<b>Gross Plant In Service</b> 207.75.g for end of year, records for other months	<b>Accumulated Depreciation</b> 219.26.b for end of year, records for other months	<b>Net Plant In Service</b> 219.26.b for end of year, records for other months
December Prior Year	\$45.13	\$8.70	\$36.44
January	\$45.13	\$8.77	\$36.36
February	\$45.13	\$8.85	\$36.29
March	\$45.13	\$8.92	\$36.21
April	\$45.13	\$9.00	\$36.14
May	\$45.13	\$9.07	\$36.06
June	\$45.13	\$9.15	\$35.99
July	\$70.40	\$12.42	\$57.97
August	\$70.40	\$12.54	\$57.86
September	\$70.40	\$12.66	\$57.74
October	\$70.40	\$12.77	\$57.63
November	\$72.16	\$12.89	\$59.27
December	\$80.64	\$13.02	\$67.62
<b>Average of the 13 Monthly Balances</b>	<b>\$57.72</b>	<b>\$10.67</b>	<b>\$47.04</b>

# Appendix B – Transmission Return (WACC)

- Calculation of WACC for 2019 projected net revenue requirement uses a base ROE of 9.8% and a 50 bps adder for RTO participation, for a total ROE of 10.3%.
- Cost of Long Term Debt reflects projected rate for actual debt put in place of 6.41%, compared to hypothetical rate of 1.99% used in prior years

## RETURN (R)

(\$ millions)

		\$	%	Cost	Weighted
Long Term Debt	Attachment H, Page 4, Line 20	\$39.46	40.0%	6.41%	2.56% =WCLTD
Preferred Stock (112.3.c)	Attachment H, Page 4, Line 21	\$0.00	0.0%	0.00%	0.00%
Common Stock	Attachment H, Page 4, Line 22	\$66.43	60.0%	10.30%	<u>6.18%</u>
Total	(Sum of Lines 14 through 16)	<u>\$105.88</u>			<u>8.74% =R</u>

# Appendix C – Project Revenue Requirements<sup>1</sup>

(\$ millions)

Project Name	Project Gross Plant	Project Net Plant	Annual Expense Charge <sup>2</sup>	Annual Return Charge <sup>3</sup>	Depreciation Expenses	Total Annual Revenue Requirement	True-Up Adjustment / Discounts	Total Net Revenue Requirement
Southeast Missouri Assets (Zone 10)	\$12.14	\$9.08	\$1.01	\$1.00	\$0.24	\$2.25	\$0.00	\$2.25
Networked Oklahoma Panhandle Assets (Zone 11)	\$45.57	\$37.97	\$3.79	\$4.19	\$0.91	\$8.90	\$0.00	\$8.90
<b>Total All Projects</b>	<b>\$57.72</b>	<b>\$47.04</b>	<b>\$4.80</b>	<b>\$5.19</b>	<b>\$1.15</b>	<b>\$11.15</b>	<b>\$0.00</b>	<b>\$11.15</b>

<sup>1</sup> Refer to posted formula rate template for details on allocations of Annual Expense Charge and Annual Return Charge

<sup>2</sup> Annual Expense Charge includes O&M Expenses and Taxes Other Than Income Taxes

<sup>3</sup> Annual Return Charge includes Return on Rate Base and Income Taxes