



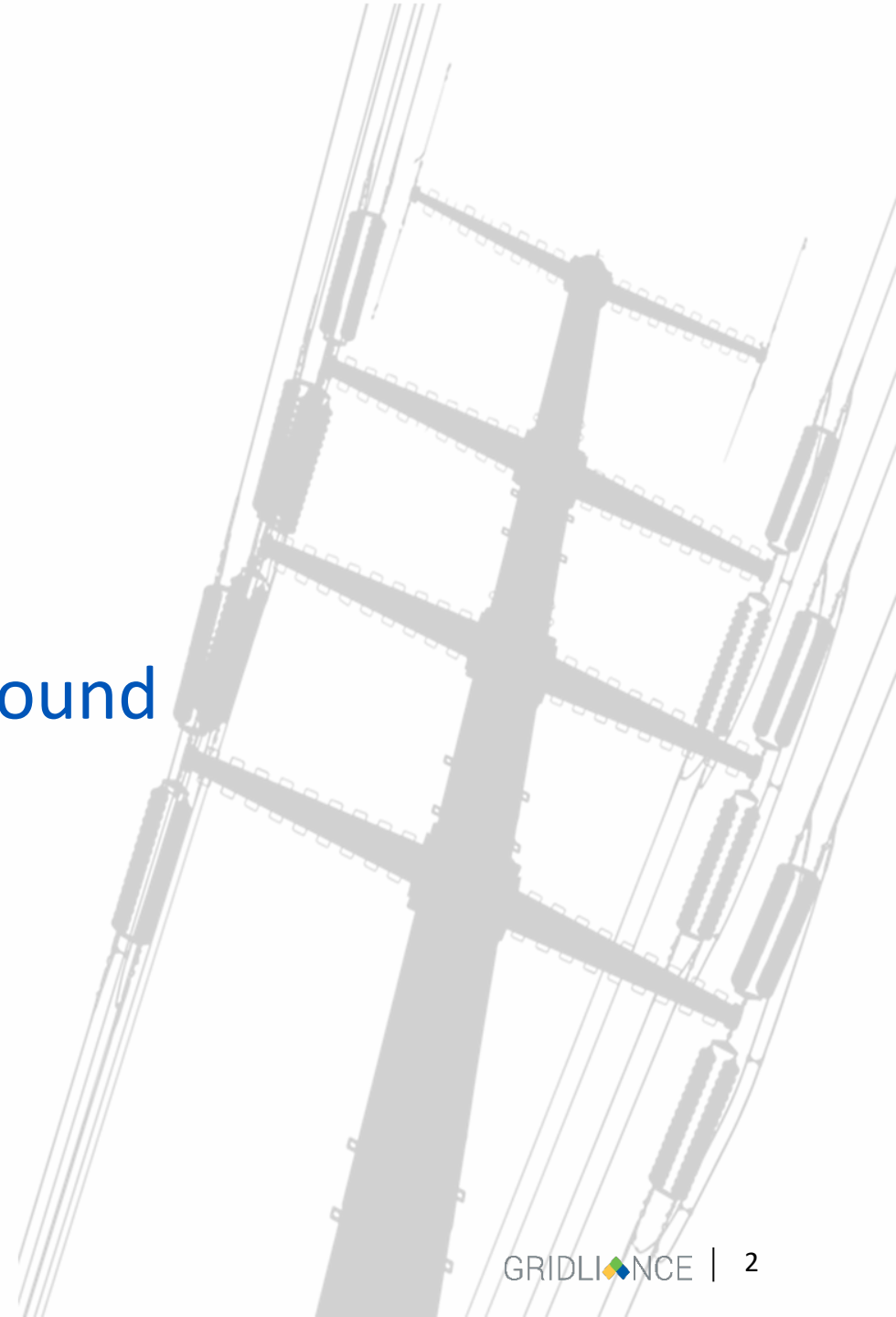
Stakeholder Meeting for
GridLiance West LLC
2019 Annual Formula Rate Projection

November 7, 2018
2:00pm CST

Agenda

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

GridLiance West Background



GridLiance West Background

- In Q3 2018, GridLiance renamed its regional entity names. GridLiance West Transco LLC was renamed to GridLiance West LLC
- GridLiance was formed to (1) acquire and optimize Valley Electric Transmission Association LLC's (VETA) high-voltage transmission system (together, the VETA Assets); (2) GridLiance West was formed to partner with electric cooperatives and public power in the CAISO region to plan for the future of the grid, invest in electric infrastructure, and implement strategies that meet its partners' ownership, capital investment, and operational goals
- In February 2017, pursuant to Docket No. ER17-706, the Commission accepted and suspended, subject to refund and further order of the Commission, the GridLiance transmission formula rate, to become effective on the date GridLiance became a Participating Transmission Owner in CAISO, which occurred on September 15, 2017

GridLiance West Background (continued)

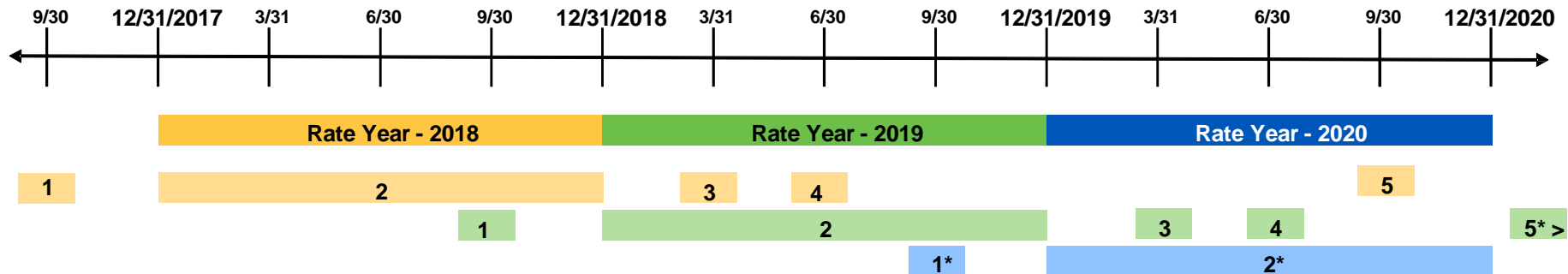
- In its August 2017 order, the Commission approved various incentives requested by GridLiance including a 50-basis points ROE adder for RTO participation; a start-up regulatory asset until GridLiance West has a rate base of \$100 million for all prudently incurred, non-capitalized costs; and the inclusion of 100% construction work in progress in rate base for the Sloan Canyon (Bob Tap) project, which is a two-to three-mile transmission interconnection and modification that will connect the planned Bob Switchyard with Southern California Edison's existing 220-kV Eldorado substation
- In June 2018, the Commission approved a settlement agreement filed by GridLiance in March 2018 that resolved every issue in the case. The settlement agreement provided the following terms:
 - Set the base ROE to 9.6%
 - Use of actual cost of debt and capitalization structure, capped at 60% equity
 - Revised projected O&M and A&G expenses to use the 2018 rate year projection as opposed to 2017 rate year for the three and a half months of 2017 operations
 - Made various revisions to the formula rate template protocols

GridLiance West Background (continued)

- On July 2018, the Commission granted GridLiance's request for three additional rate incentives: (1) 100% recovery of prudently incurred costs in the event the Sloan Canyon-Mead Project is abandoned for reasons outside of GridLiance's control; (2) inclusion of 100% Construction Work in Progress in rate base for the Sloan Canyon-Mead Project; and (3) a 50-basis points ROE adder for GridLiance's status as an independent Transco
- The Commission accepted GridLiance's proposed total ROE of 10.6%, subject to refund, and established hearing and settlement procedures to determine whether the total ROE falls within the zone of reasonableness
- On September 28, 2018, GridLiance filed an Offer of Settlement resolving all issues set for hearing. Under the terms of the settlement, GridLiance's 10.6% total ROE is effective as of July 25, 2018, and is subject to a rate moratorium through October 24, 2019
- On October 25, 2018, GridLiance filed for recovery of its regulatory asset of \$20.3MM over a ten-year period
 - Note that Annual Projection posted 10/1/2018 did not include revenues related to the regulatory asset. Upon FERC approval the rate will be updated and is estimated to increase the Projected Net Revenue Requirement by approximately \$0.3MM per month

GridLiance Formula Rate Protocols

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



For Rate Year - 2018

- 1 Submit estimate/forecast ATRR by 10/2/2017
- 2 Collect 2018 estimate/forecast ATRR over Rate Year - 2018
- 3 Perform true-up for Form 1 prior to 4/18/2019
- 4 Provide finalized true-up and post to GridLiance website on or before 7/1/2019
- 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 4/18/2020
- 4 Provide finalized true-up and post to GridLiance website on or before 6/30/2020
- 5 Include true-up recovery/return of rate in Rate Year - 2021 estimate/forecast ATRR

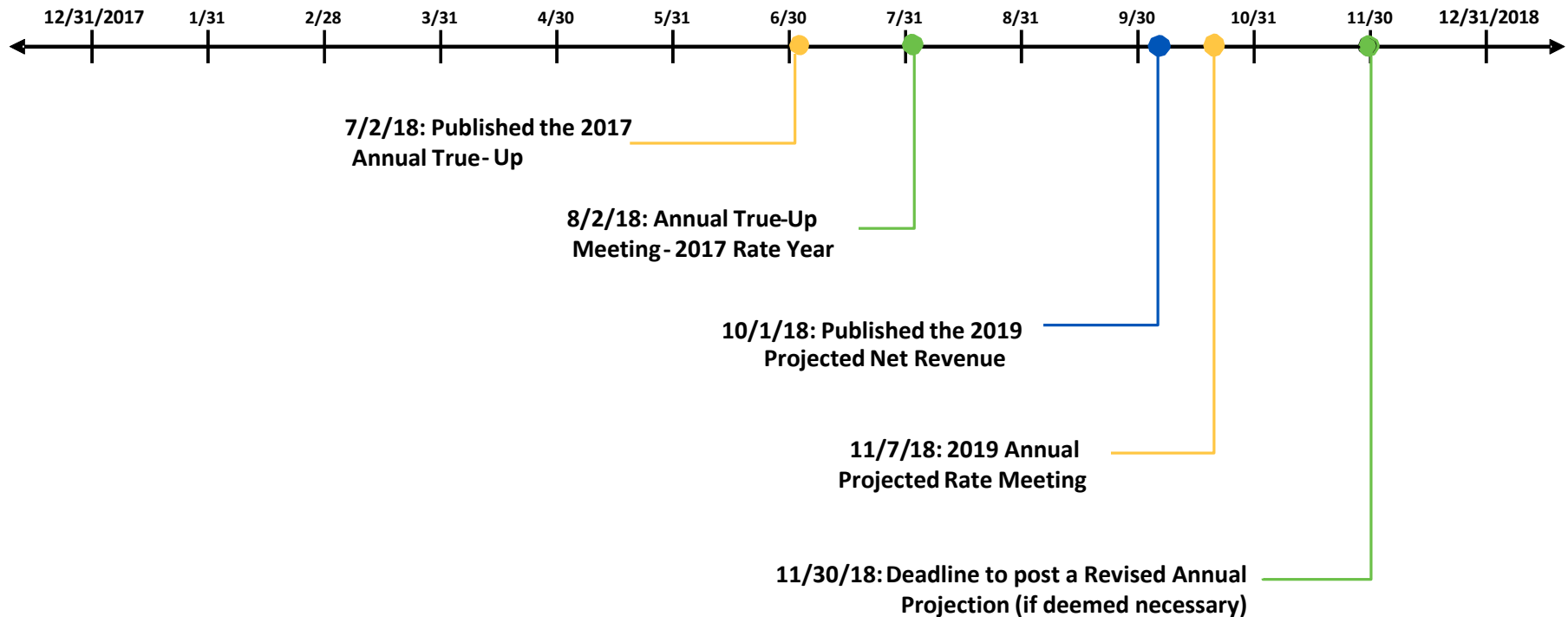
For Rate Year – 2020

- 1 Submit estimate/forecast ATRR by 9/30/2019 (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 Formula Rate Protocols (cont.)

Formula Rate Protocols – Timeline for Calendar Year 2018

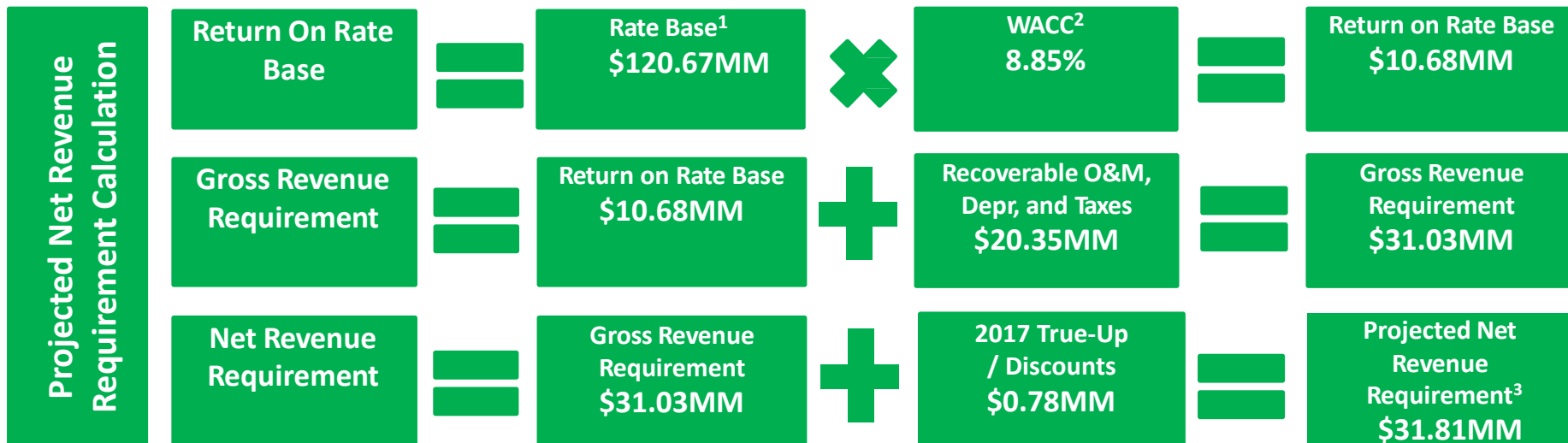




Transmission Formula Rate Revenue Requirement Projection for RY 2019

Transmission Formula Rate Projection for Rate Year 2019

2019 Transmission Formula Rate Net Revenue Requirement Calculation



1 Rate Base is calculated as the 13-month average Net PP&E with misc. adjustments, including, but not limited to CWIP for approved projects, deferred income taxes and working capital. See Appendix A for inputs to 13-month average Net PP&E calculation.

2 See Appendix B for calculation of WACC for projected net revenue requirement.

3 See Slide 9 for details of the Projected Net Revenue Requirement calculation.

Transmission Formula Rate Projection for RY 2019 (continued)

2019 Transmission Projected Revenue Requirement Summary

(\$ millions)

Return On Rate Base

Rate Base ¹	\$120.67
Rate of Return ²	<u>8.85%</u>
Return on Rate Base	\$10.68

Recoverable Operating Expenses

O&M Expenses	\$16.34
Depreciation Expenses	\$2.33
Taxes Other Than Income Taxes	\$0.45
Income Taxes	<u>\$1.23</u>
Total Recoverable Operating Expenses	\$20.35

Projected Gross Revenue Requirement	\$31.03
Plus: True-Up Adjustments & Revenue Credits	<u>\$0.78</u>
Projected Net Revenue Requirement	\$31.81

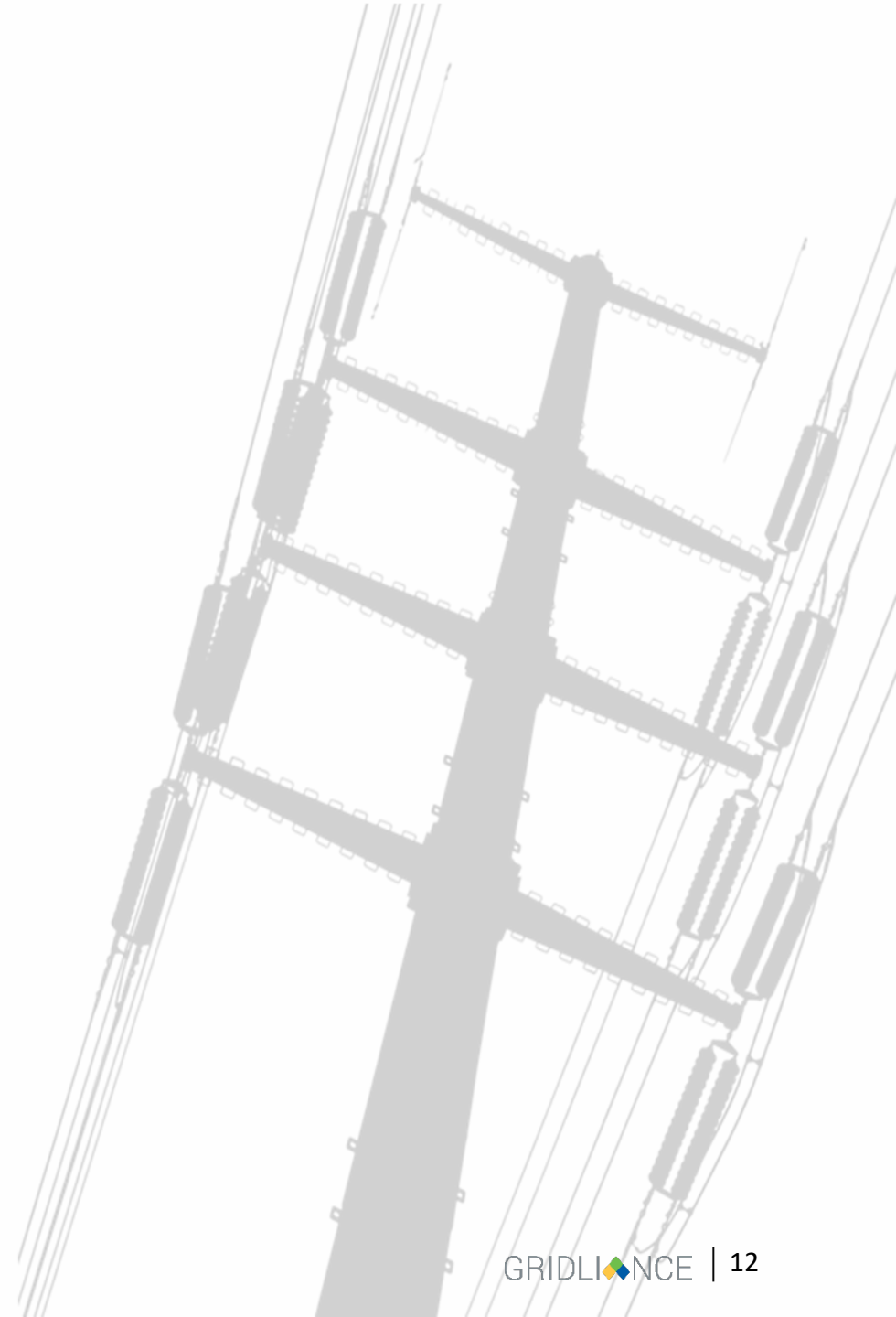
1 Rate Base is calculated as the 13-month average Net Plant, Property, and Equipment, adjusted for miscellaneous items, including, but not limited to, deferred income taxes and working capital. Startup regulatory asset is not included in the above Rate Base figure.

2 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

Appendix



Appendix A – GridLiance Rate Base

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

(\$ millions)

	Gross Plant In Service	Accumulated Depreciation	Net Plant In Service	CWIP Included in Rate Base Sloan Canyon Switching Station & Sloan Canyon Switching Station - Mead (Approval Docket ER17-706 & ER18-1693)	Total Net Plant In Service + CWIP Included in Rate Base
	207.75.g for end of year, records for other months	219.26.b for end of year, records for other months	219.26.b for end of year, records for other months		
December Prior Year	\$94.08	\$14.67	\$79.41	\$30.61	\$110.02
January	\$94.08	\$14.84	\$79.24	\$32.98	\$112.22
February	\$94.08	\$15.01	\$79.07	\$34.55	\$113.62
March	\$94.08	\$15.18	\$78.91	\$36.29	\$115.19
April	\$94.08	\$15.34	\$78.74	\$36.90	\$115.64
May	\$94.08	\$15.51	\$78.57	\$38.17	\$116.74
June	\$94.08	\$15.68	\$78.41	\$38.77	\$117.18
July	\$94.08	\$15.84	\$78.24	\$41.75	\$119.99
August	\$132.40	\$16.07	\$116.33	\$5.43	\$121.76
September	\$132.40	\$16.31	\$116.10	\$7.43	\$123.53
October	\$132.40	\$16.54	\$115.86	\$10.43	\$126.30
November	\$132.40	\$16.77	\$115.63	\$13.43	\$129.07
December	\$132.40	\$17.00	\$115.40	\$16.43	\$131.83
Average of the 13 Monthly Balances	\$108.82	\$15.75	\$93.07	\$26.40	\$119.47

NOTES:

- (1) Projection posted on 10/1/2018 did not include startup regulatory asset in calculation of rate base or related amortization expenses
- (2) 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

Appendix B – GridLiance Return (WACC)

- Calculation of WACC for 2019 projected net revenue requirement uses a base ROE of 9.6% a 50 bps adder for RTO participation, and a 50 bps Transco adder, for a total ROE of 10.6%
- Cost of Long-Term Debt reflects projected interest rate of 6.23% for actual debt facilities

RETURN (R)

(\$ millions)

		<u>\$</u>	<u>%</u>	<u>Cost</u>	<u>Weighted</u>
Long Term Debt	(Attach 2b, lines 161 & 183)	\$58.38	40.0%	6.23%	2.49% =WCLTD
Preferred Stock	(Attach 2b, lines 163 & 185)	\$0.00	0.0%	0.00%	0.00%
Common Stock	(Attach 2b, line 170)	\$89.11	60.0%	10.60%	<u>6.36%</u>
Total	Total (sum lines 83-85)	<u>\$147.50</u>			8.85% =R