



2018 Annual Projection
Stakeholder Meeting for
GridLiance West Transco LLC

November 8, 2017

1:00pm – 2:00pm EST

Agenda

- ◆ Introduction
- ◆ GridLiance West Transco LLC (“GWT”) Background
- ◆ 2018 Projected Formula Rate
- ◆ Q&A
- ◆ Closing Remarks

GWT Background

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GWT Background

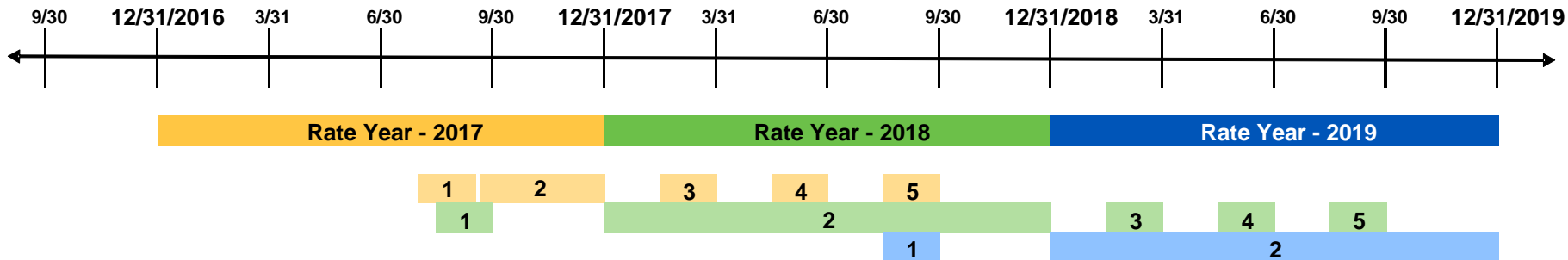
- ◆ GWT was formed to (1) acquire and optimize Valley Electric Transmission Association LLC's ("VETA") high voltage transmission system (together, the "VETA Assets"); (2) partner with Public Power to solve transmission issues, optimize public power systems, and help manage costs on these systems throughout CAISO; and (3) compete for needed projects in CAISO's Order No. 1000 Competitive Solicitation Process.
- ◆ In February 2017, pursuant to Docket No. ER17-706, the Commission accepted and suspended, subject to refund and further order of the Commission, the GWT transmission formula rate, to become effective as of the latter of the date of the VETA Asset acquisition, which occurred on September 14, 2017, and the date on which the Commission makes effective CAISO's proposed Transmission Control Agreement, making GridLiance West a participating transmission owner, which occurred on February 24, 2017 in Docket No. ER17-694.
- ◆ In August 2017, the Commission set the proposed transmission formula rate, implementation protocols, and projected cost of service for hearing and settlement judge procedures.

GWT Background

- ◆ In its August 2017 order, the Commission approved various incentives requested by GWT 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 percent construction work in progress in rate base for the 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.
- ◆ The transmission formula rate included a base return on equity ("ROE") of 10.4%, and use of GWT's target capital structure of 60% equity and 40% long-term debt.

GWT Formula Rate Protocols

◆ Formula Rate Protocols – Timeline for revenue projection and true-up



For Rate Year - 2017

- 1 VETA Assets acquired on 9/14/2017
- 2 Collect 2017 estimate/forecast ATRR over Rate Year - 2017
- 3 Perform true-up for Form 1 prior to 4/18/2018
- 4 Post true-up to GridLiance website on or before 7/02/2018
- 5 Include recovery/return of rate in Rate Year - 2019 estimate/forecast ATRR

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 Post to GridLiance website on or before 7/01/2019
- 5 Include recovery/return of rate in Rate Year - 2020 estimate/forecast ATRR

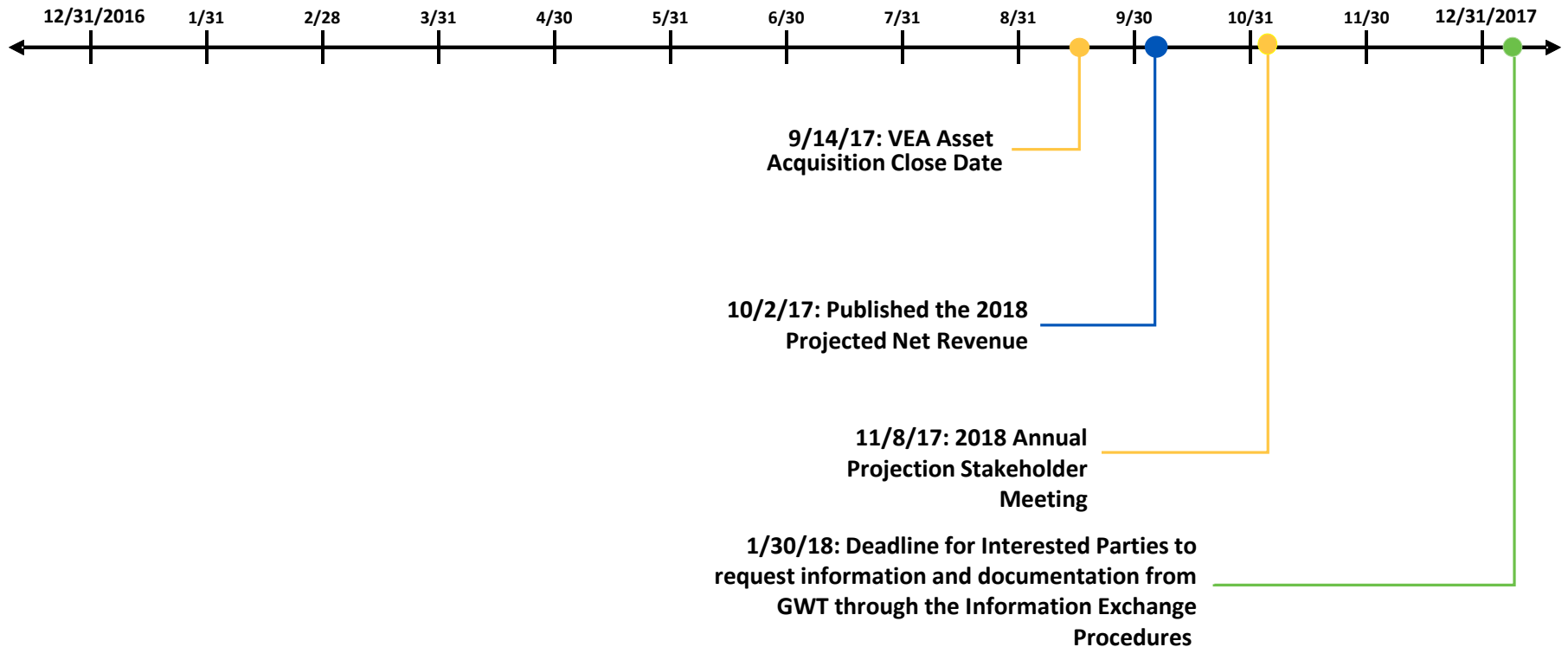
For Rate Year - 2019

- 1 Submit estimate/forecast ATRR by 10/1/2018 (includes Rate Year - 2017 recovery/return of rate)
- 2 Collect the 2019 estimate/forecast ATRR and collect/pay 2017 true-up over the Rate Year - 2019

* Continues going forward consistent with Rate Year 2017 and 2018

GWT Formula Rate Protocols (cont.)

◆ Formula Rate Protocols – Timeline for Calendar Year 2017

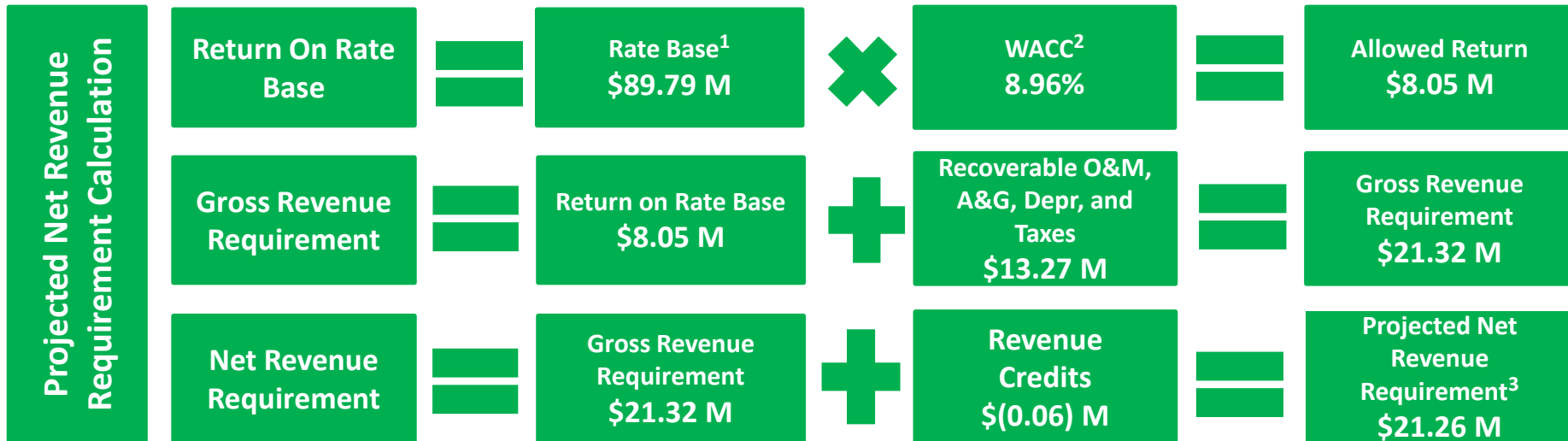


2018 Projected Formula Rate

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2018 Projected Formula Rate

- 2018 Projected 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 Bob Tap, 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.

2018 Projected Formula Rate (cont.)

◆ 2018 Projected Revenue Requirement Summary

<i>(in millions)</i>	Projected 2018
Rate Base ¹	\$ 89.79
Rate of Return ²	8.96%
Allowed Return on Rate Base	\$ 8.05
<i>Recoverable Operating Expenses</i>	
O&M and A&G Expenses	\$ 8.39
Depreciation Expenses	1.98
Income Taxes	2.24
Taxes Other Than Income Taxes	0.66
Gross Revenue Requirement	\$ 21.32
Total Revenue Credits	(0.06)
Net Revenue Requirements	\$ 21.26

¹ Rate Base is calculated as the 13-month average Net Plant, Property, and Equipment, adjusted for miscellaneous items including, but not limited to CWIP, 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.



- ◆ If you have any additional questions after this meeting, please contact Sara Momper at smomper@gridliance.com

Appendix

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Appendix A – GWT Rate Base

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

		Gross Plant In Service Transmission		Accumulated Depreciation Transmission		CWIP Transmission
	Source		Source		Source	
December Prior Year	p206.58.b less p206.57.b	93,497,472	Prior year p219.25.c	12,597,502	Note A	2,201,451
January	Note A	93,530,806	Note A	12,762,570	Note A	2,201,451
February	Note A	93,564,139	Note A	12,927,696	Note A	4,801,451
March	Note A	93,597,472	Note A	13,092,881	Note A	4,801,451
April	Note A	93,630,806	Note A	13,258,125	Note A	6,601,451
May	Note A	93,664,139	Note A	13,423,428	Note A	6,601,451
June	Note A	93,697,472	Note A	13,588,790	Note A	6,601,451
July	Note A	93,730,806	Note A	13,754,211	Note A	8,601,451
August	Note A	93,764,139	Note A	13,919,690	Note A	10,901,451
September	Note A	93,797,472	Note A	14,085,229	Note A	10,901,451
October	Note A	93,830,806	Note A	14,250,826	Note A	15,201,451
November	Note A	93,864,139	Note A	14,416,482	Note A	15,201,451
December	p207.58.g less p207.57.g	93,897,472	p219.25.c	14,582,197	Note A	19,501,451
Average of the 13 Monthly Balances		<u>93,697,472</u>		<u>13,589,202</u>		<u>8,778,374</u>

Note A - Internal Company Records

Appendix B – WACC

- ◆ Calculation of WACC for 2018 projected net revenue requirement uses a base ROE of 10.4% and a 50 bp adder for RTO participation, for a total ROE of 10.9%.

RETURN (R) (Note J)

	\$	%	Cost	Weighted
Long Term Debt (Attach 2b, lines 161 & 183)	41,799,706	40%	6.06%	2.42% =WCLTD
Preferred Stock (Attach 2b, lines 163 & 185)	-	-	-	0.00%
Common Stock (Attach 2b, line 170)	62,699,560	60%	10.90%	6.54%
Total (sum lines 83-85)	104,499,266			8.96% =R