



2018 Annual Projected Rate Meeting for South Central MCN LLC

October 18, 2017

3:00pm – 4:00pm CST

Agenda

- ◆ Introduction
- ◆ South Central MCN LLC (“SCMCN”) Background
- ◆ 2018 Projected Formula Rate
- ◆ Q&A
- ◆ Closing Remarks

SCMCN Background

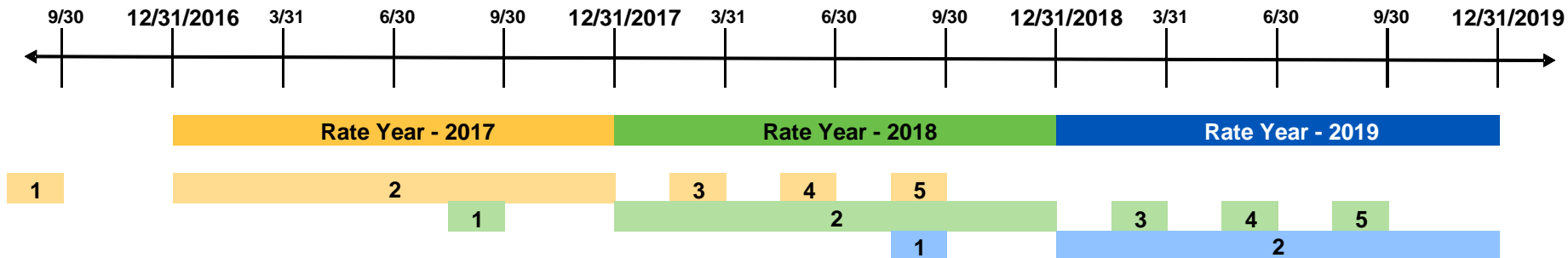
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SCMCN Background

- ◆ SCMCN is a start-up, stand-alone competitive electric transmission company. SCMCN's purpose is to develop, jointly own, operate, and maintain new or existing regulated transmission assets, including through Co-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.
- ◆ In February 2016, FERC conditionally authorized the recovery of SCMCN's costs to provide wholesale distribution service through a wholesale distribution service ("WDS") formula rate in Docket No. ER16-505, subject to the outcome of the hearing and settlement judge proceedings in Docket No. ER15-2594. The WDS formula rate became effective as of the date SCMCN consummated the acquisition of certain facilities from Tri-County Electric Cooperative. FERC required that SCMCN submit a compliance filing to incorporate the base ROE approved in Docket No. ER15-2594 into the WDS formula rate.
- ◆ SCMCN submitted its compliance filing in February 2017, incorporating the approved base ROE of 9.8% into the WDS formula rate.

SCMCN WDS Formula Rate Protocols

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



For Rate Year - 2017

- 1 Submit estimate/forecast ATRR by 10/1/2016
- 2 Collect 2017 estimate/forecast ATRR over Rate Year - 2017
- 3 Perform true-up for Form 1 prior to 4/18/2018
- 4 Provide finalized true-up to TCEC and post to GridLiance website on or before 6/1/2018
- 5 Include recovery/return of rate in Rate Year - 2019 estimate/forecast ATRR

For Rate Year - 2018

- 1 Submit estimate/forecast ATRR by 10/1/2017
- 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 to TCEC and post to GridLiance website on or before 6/1/2019
- 5 Include recovery/return of rate in Rate Year - 2020 estimate/forecast ATRR

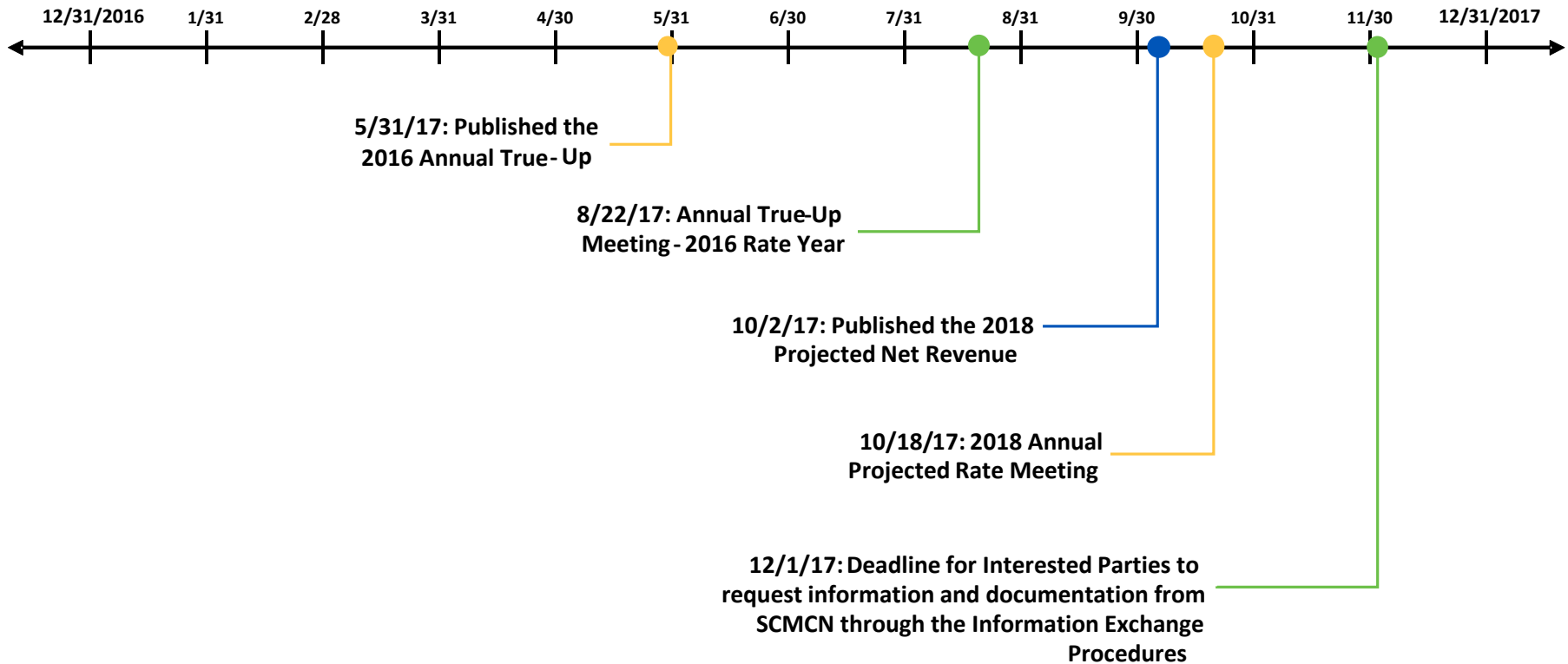
For Rate Year - 2019

- 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

SCMCN WDS Formula Rate Protocols (cont.)

◆ WDS Formula Rate Protocols – Timeline for Calendar Year 2017

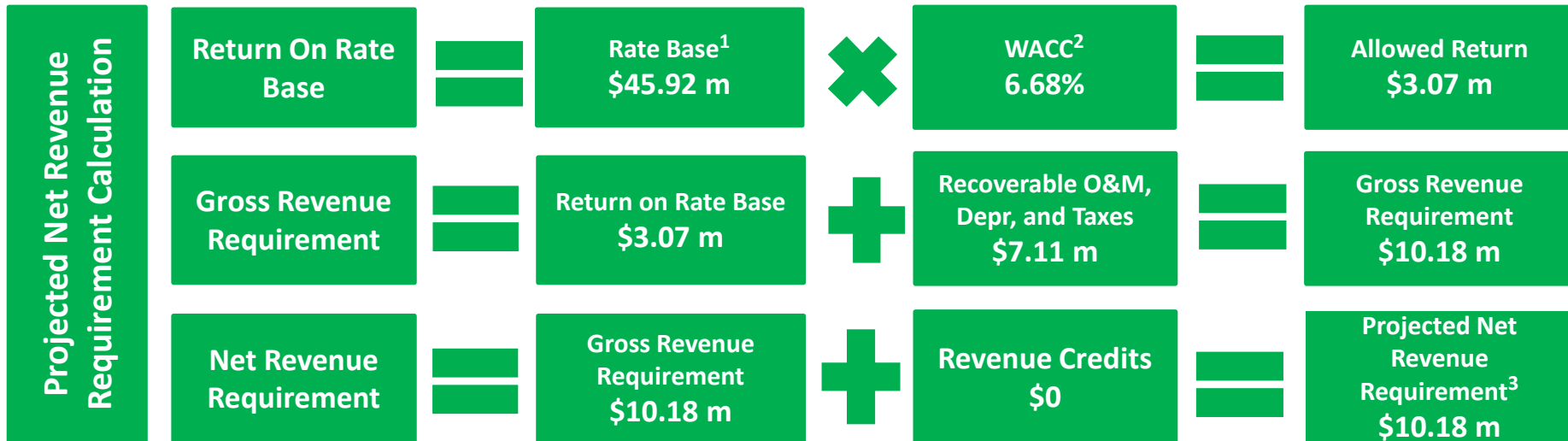


2018 WDS Projected Rate Formula

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2018 WDS Projected Formula Rate

- 2018 WDS Projected Formula Rate Net Revenue Requirement Calculation



¹ 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.

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

³ See Slide 6 for details of the WDS Projected Net Revenue Requirement calculation.

2018 WDS Projected Formula Rate (cont.)

◆ 2018 WDS Projected Revenue Requirement Summary

<i>(in millions)</i>	Projected 2018
Rate Base ¹	\$ 45.92
Rate of Return ²	6.68%
Allowed Return on Rate Base	\$ 3.07
<i>Recoverable Operating Expenses</i>	
O&M Expenses	\$ 3.50
Depreciation Expenses	1.26
Income Taxes	1.72
Taxes Other Than Income Taxes	0.63
Gross Revenue Requirement	\$ 10.18
Total Revenue Credits	-
Net Revenue Requirement	\$ 10.18

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.

² See Appendix B for calculation of WACC for WDS 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 – WDS Rate Base

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

Line No	Month (a)	Gross Plant In Service		Accumulated Depreciation	
		Distribution (b)		Distribution (c)	
		206.75.g for end of year, records for other months		219.26.b for end of year, records for other months	
20	December Prior Year		52,865,412		11,929,852
21	January		53,999,946		12,019,585
22	February		54,020,779		12,110,287
23	March		54,041,612		12,201,025
24	April		57,761,059		12,294,904
25	May		57,781,892		12,391,923
26	June		61,343,952		12,491,950
27	July		61,364,785		12,594,986
28	August		65,084,232		12,701,163
29	September		65,629,691		12,810,921
30	October		77,989,729		12,931,515
31	November		78,010,562		13,062,505
32	December		78,031,395		13,193,530
33	Average of the 13 Monthly Balances		<u>65,917,311</u>		<u>12,518,011</u>

Appendix B – WDS WACC

- Calculation of WACC for 2018 WDS projected net revenue requirement used 9.80% ROE, SCMCN submitted a compliance filing in February 2017, to incorporate the approved base ROE of 9.8% into the WDS formula rate.

				Cost		
		\$	%	(Notes K, Q, & R)	Weighted	
17	RETURN (R)	(Note V)			\$	
18						
19						
20	Long Term Debt	(Notes Q & R)	-	0.40	1.99%	0.80% =WCLTD
21	Preferred Stock (112.3.c)	(Notes Q & R)	-	-	-	0.00%
22	Common Stock	(Notes K, Q & R)	68,580,423	0.60	9.80%	5.88%
23	Total	(Sum of Lines 20 through 22)				6.68% =R