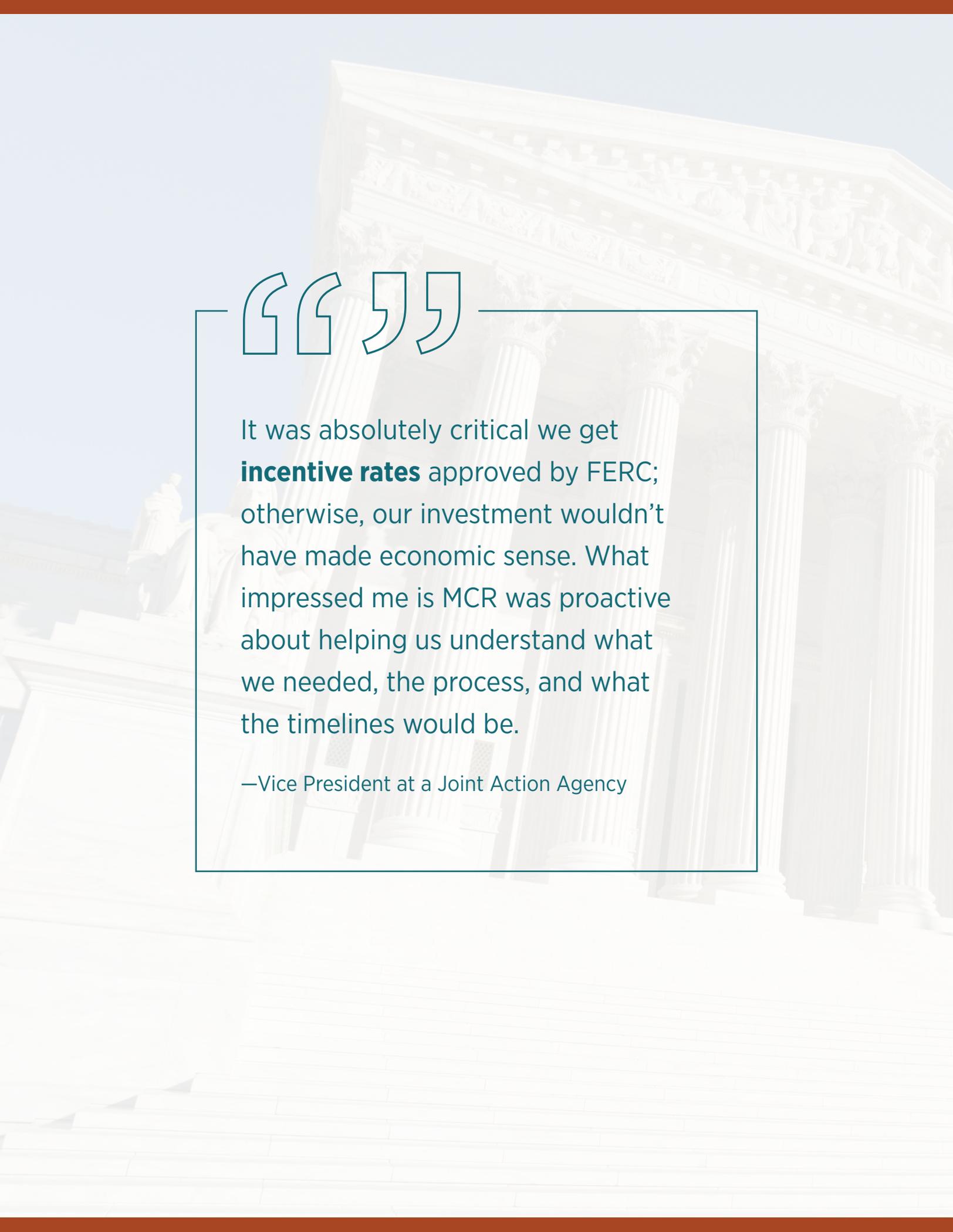




FERC FILING SUPPORT



Supporting Public Power and Cooperatives
in Transmission FERC Filings



“ ”

It was absolutely critical we get **incentive rates** approved by FERC; otherwise, our investment wouldn't have made economic sense. What impressed me is MCR was proactive about helping us understand what we needed, the process, and what the timelines would be.

—Vice President at a Joint Action Agency



MCR supports clients in transmission FERC filings in four important ways:

1

TRANSMISSION INCENTIVE RATE FILINGS AND TESTIMONY

MCR is the leading consulting firm supporting joint action agencies and generation and transmission (G&T) cooperatives in transmission incentive filings at FERC.¹

MCR has successfully supported 10 separate incentive filings under FERC Order No. 679. These engagements included providing expert testimony, analytics and formula rate development for rate incentives on specific transmission projects. The testimony analytically justified such incentives as a hypothetical capital structure and construction work in progress in rate base, justifying abandoned plant cost recovery and establishing a regulatory asset.

MCR's success in establishing a nexus between the requested incentive and related risks is the product of its analytically derived approach. FERC staff are familiar and comfortable with MCR's approach. With the upcoming surge in large transmission projects to support renewables (e.g., MISO's long-range transmission planning projects), there will likely be many more incentive filings by joint action agencies and G&Ts on the horizon.

2

SECTION 205 RATE FILINGS – COST OF CAPITAL TESTIMONY

MCR provides expert testimony and analytics to support proposed cost of capital for new and existing transmission formula rates for public power, including margin requirement, return on equity and capital structure. MCR has also successfully supported clients in responding to FERC deficiency letters regarding cost of capital and capital structure.

“MCR's cost of capital testimony was content-rich, succinct, and effective.”

—VP of Transmission at a Joint Action Agency

¹ MCR has supported the following transmission owner incentive filings: Cent. Minn. Mun. Power Agency (CMMPA), 134 FERC ¶ 61,115 (2011); Missouri River Energy Services, 138 FERC ¶ 61,045 (2012); WPPI Energy, 141 FERC ¶ 61,004 (2012); CMMPA, 145 FERC ¶ 61,263 (2013); Dairyland Power Cooperative, 142 FERC ¶ 61,100 (2013); Dairyland Power Cooperative 152 FERC ¶ 61,019 (2015); WPPI Energy, 151 FERC ¶ 61,246 (2015); Dairyland Power Cooperative 161 FERC ¶ 61,301 (2017); Citizens S-Line Transmission LLC, Order on Petition for Declaratory Order (Deficiency Letter Support), 175 FERC ¶ 61,046 (2021); and Great River Energy 182 FERC ¶ 61,039 (2023).

3

SECTION 205 RATE FILINGS – FORMULA RATE SUPPORT AND TESTIMONY

MCR has provided testimony and analytics to help new transmission owners file their transmission formula rate template. In addition, MCR has supported existing transmission owners make changes to their existing template, including:

- Implementing approved rate incentives
- Utilizing a forward-looking test year rather than a historical test year
- Using a gross plant allocator in lieu of a wage and salary allocator
- Directly assigning property taxes to transmission rather allocating based on gross plant
- Using a fixed percentage for a wage and salary allocator
- Including interest expense on commercial paper in a cash flow template
- Directly assigning intangible plant costs to transmission rate base

These template changes have produced millions of dollars of incremental annual transmission revenue requirement (ATRR) for our clients. MCR has also successfully supported clients making a Section 205 filing to gain recovery of a regulatory asset balance previously approved as an incentive.

4

INTERVENTION AND SETTLEMENT SUPPORT

MCR provides our clients analytical and intervention response support during intervention, settlement, mediation and hearings. Numerous times, MCR has met with intervenors and FERC trial staff as part of the settlement process.

“They helped us vet out issues before we finalized positions; they were willing to tell us what we may not have wanted to hear but needed to hear. With their help, we were successful attaining precedent-setting outcomes.”

—CEO of a Joint Action Agency



CLIENT STORY

How MCR Helped a Joint Action Agency with Its Incentive Filing at FERC

Background

A joint action agency contemplated investing in a large transmission project with other surrounding utilities, but without incentives, the economics were questionable. The joint action agency asked MCR to provide analytics and testimony to support a hypothetical capital structure, abandoned plant cost recovery, and the establishment of a regulatory asset for deferred costs.

Solution

MCR worked closely with the client and the client's Washington-based legal counsel on the incentive filing at FERC. MCR developed the filing, developed and sponsored testimony and the related analytics to justify the requested hypothetical capital structure and regulatory asset, and provided the required changes to the standard templates to implement the changes in the formula rate.

Results

The filing had no intervention and was approved in a full order by FERC. As a result of the highly favorable ruling, the project was approved by the board and has been successfully implemented, producing substantial ATRR for the client.

ABOUT MCR'S TRANSMISSION STRATEGY PRACTICE

MCR provides transmission strategy support to joint action agencies, G&Ts, municipals, public power districts, T&D cooperatives, and independent developers in various RTOs. Our clients have a goal of optimizing the value of their current and future investments in electric transmission. We help them realize the full revenue potential from these transmission assets.

MCR's Transmission Strategy Practice provides the following services:

Transmission Formula Rate Analysis

- Formula Rate Review for Existing Transmission Owners
- Development of ATRR for Transmission Owners
- Review/Challenge to Incumbent IOU Formula Rate Costs
- Staff Education Workshops on Transmission Formula Rates

FERC Filings

- Transmission Incentive Rate Filings and Testimony
- Section 205 Rate Filings – Cost of Capital Testimony
- Section 205 Rate Filings – Formula Rate Support and Testimony
- Intervention and Settlement Support

Strategic Economic Analysis

- Development of Transmission Strategic Business Plans
- Economic Evaluation of New Transmission Projects
- Valuation of Potential Asset Purchase/Sale and Resulting Rate Impacts
- Analysis of Joint Zone Investment, Pricing Agreements, and 7-Factor Tests
- RTO Membership Evaluation

Transmission Cost/Rate Competitiveness

- Peer Cost Comparison by FERC Account
- Rate Strategy and Transmission Revenue Forecasting
- Transmission Capital Investment and Metric Comparisons

Through our consulting assignments, MCR has created tens of millions of dollars in value for our clients and broken new regulatory ground for our client base with landmark FERC decisions.

MCR'S TRANSMISSION STRATEGY PRACTICE LEADERSHIP



Jim Pardikes is a Vice President at MCR and leads the Transmission Strategy Practice. Jim has 37 years of experience consulting to the utility industry. His expertise includes incentive filings, expert cost of capital testimony, Section 205 rate filings, asset valuation, and strategic planning. He regularly presents to boards and senior teams and has written extensively on the drivers of transmission investment. Jim can be reached at 847-504-2549 (office), 847-226-2084 (mobile), or jpardikes@mcr-group.com.



Jim has a way of getting to the core concept; he's able to present it in a way that's understandable. He has a confidence when he's presenting, which is quite valuable.

—Transmission Planning Director at a G&T



Ron Kennedy is a Director with MCR. Ron has over 22 years of experience in consulting to the utility industry. His expertise includes formula rates, Section 205 rate filings, rate incentives, evaluation of RTO membership, asset valuation, asset eligibility, and financial evaluation of transmission projects. He is experienced in presenting to executive teams and boards of directors. Ron can be reached at rkennedy@mcr-group.com.



Ron knows those FERC accounts like the back of his hand.

—Vice President at a JAA



Nikhil Tarlapally is a Consultant with MCR. Nikhil has nearly seven years of utility experience. With MCR, he has worked on numerous modeling projects that evaluated the economics of proposed transmission projects. He has also supported incentive rate FERC filings and the development of MCR transmission white papers. Prior to MCR, Nikhil worked for a major IOU, and his duties included financial forecasting and the economic analysis of various generation and renewables projects. He has also supported rate case filings, provided multi-year revenue requirements analyses, and reviewed testimonies. Nikhil can be reached at ntarlapally@mcr-group.com.



For further information, please contact:

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**To learn more about MCR,
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