



FERC FILING SUPPORT



Supporting Public Power and Cooperatives
in Transmission FERC Filings



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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, generation and transmission (G&T) cooperatives, and independent transmission developers in transmission incentive filings at FERC.

MCR has successfully supported nuseparate 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

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, municipalities, 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
- Analysis of Transmission Project Competitive Bid Strategies

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



Ron Kennedy is a Vice President with MCR. Ron has over 25 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.



John Simpsen is a Lead Consultant with MCR. He has 10 years of experience consulting to the utility industry, nearly all focused on transmission. His expertise includes expert revenue requirements testimony for Section 205 filings, competitive bid projects, expert witness testimony for transmission revenue requirements in ERCOT and invested capital updates, Section 205 filings at FERC, and developing wholesale electric rates for utilities. John can be reached at jsimpsen@mcr-group.com.



Nikhil Tarlapally is a Lead Consultant with MCR. Nikhil has nearly nine 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.



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**To learn more about MCR,
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