



Transmission Strategy Services

MCR's Review of Incumbent IOU Attachment Os



Helping public power and cooperative transmission owners in joint pricing zones ensure the incumbent's formula rate costs are warranted

MCR Transmission Strategy

Review of Incumbent Attachment O Formula Rate

Are you or your Board concerned about rapidly escalating transmission rates in MISO?

Transmission Rates



The average annual pricing zone rate increase (including cost-shared projects) in MISO since 2005 has been about 8% per year, with many zones well in excess of that figure. This compares to a Consumer Price Index increase of 2.3% per year. Transmission rates are becoming a larger portion of your customers' total bills.

Are you in a Joint Pricing Zone with an incumbent investor-owned utility or Transco?

Many public power or cooperative utilities have load in a MISO pricing zone that is dominated by an IOU and/or Transco, leaving them vulnerable to their investment plans and escalating transmission rates.

When is the last time you took a hard look at the incumbent's Attachment O costs?

Many incumbents have mistakes in their formula rate and the associated work papers; these mistakes impact their annual transmission revenue requirement ("ATRR"), potentially costing your customers more than is warranted.

What is involved in MCR's Review of the Incumbent Attachment O?

MCR evaluates the assets, expenses, and allocators comprising the incumbent IOU's ATRR in their Attachment O cost template. We verify the accuracy and appropriateness of their transmission formula rates for either their historical costs or true-up and projection under the tariff rules and their formula rate protocols. Based on our review and with your approval, we participate in the incumbent's ATRR update process and provide questions and data requests to the incumbent to resolve the issues. If the issues are not satisfactorily resolved, MCR leads our clients through the informal and/or formal challenge processes to achieve an appropriate outcome.

"I was flabbergasted they were able to gather so much information on their own and came to the table with an appropriate list of questions for the IOU."

—Director of Finance, Municipal Utility

MCR Transmission Strategy Suite of Formula Rate Services

MCR Transmission Strategy staff are the premier transmission formula rate experts. MCR has developed or reviewed over 125 transmission formula rates for clients in MISO, SPP, and PJM. We provide a full suite of formula rate services to joint action agencies, municipalities, public power districts, G&Ts, and T&D cooperatives. These services fall into three categories:

Review of Existing Transmission Formula Rates

- ❑ Perform transmission formula rate reviews for existing transmission owners to optimize revenue and withstand cost scrutiny
- ❑ Conduct staff education workshops on MISO cost allocation principles and the mechanics of the Attachment O, GG and MM

Development of New or Changed Transmission Formula Rates

- ❑ Develop the formula rate ATRR and supporting work papers for new transmission owners
- ❑ Construct Section 205 FERC filings to implement new transmission rates, including customized formula rates and supporting testimony

Review/Challenge to Incumbent IOU Formula Rate Costs

- ❑ Review/challenge the neighboring incumbent IOU formula rates (transmission, WDS or generation)



Visit www.mcr-group.com for recent white papers on transmission investing and optimizing transmission rate revenue for public power utilities and G&Ts.

MCR Transmission Strategy

What Our Clients Are Saying

“MCR went through the cost data with a fine tooth comb and asked the incumbent IOU some very hard questions.”

—Financial Manager, joint action agency

“MCR are in-depth experts on the Attachment O.”

—Director of Finance, municipal utility

“They have a great deal of knowledge in FERC accounting.”

—GM, municipal utility

“MCR’s experience and expertise were very valuable to us as a utility with limited transmission staff.”

—CFO, joint action agency

“They were very knowledgeable ... we wanted to tap into that knowledge.”

—CFO, G&T

“Our attorneys in Washington DC said MCR was at the top of the list of companies to help us with our transmission cost analysis.”

—Financial Planning Manager, joint action agency

“The negotiation process with the incumbent utility in our zone went very well.”

—GM, municipal utility

“It felt like they went above and beyond what a normal consulting firm does.”

—Director of Finance, municipal utility

About MCR's Transmission Strategy Practice

MCR specializes in the MISO, SPP and PJM transmission marketplaces. Our clients—public power and cooperatives—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. Our Transmission Strategy practice provides the following services:

Transmission Formula Rate Analysis

- Review of existing transmission formula rates
- Development of new or changed transmission formula rates
- Review and challenge to incumbent IOU formula rate costs

FERC Filings

- Section 205 filing testimony and support
- Transmission incentive rate filings
- Cost of capital expert testimony for public power
- Intervention and mediation support
- Reactive power revenue filings

Strategic Analysis

- Economic evaluation of proposed new transmission projects
- RTO membership evaluation
- Development of transmission business plans
- Analysis of potential purchases and sales of transmission assets
- Analysis of the proper level of investment in a joint pricing zone

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

MCR Transmission Strategy Practice Leadership

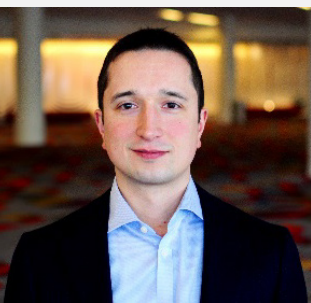


Jim Pardikes is a Vice President at MCR and leads the Transmission Strategy Practice. He has 33 years of experience consulting to the utility industry, including public power, G&Ts and IOUs. His expertise includes FERC filings, incentive rates, public power cost of capital and capital project economic evaluation. Jim has extensive experience in providing expert transmission testimony for public power utilities and G&Ts, facilitating client working teams and presenting to executive management and Boards of Directors. Jim has written extensively on transmission-related topics, such as the value of transmission investments, cost allocation, factors in RTO membership, and the case for transmission incentives. Jim can be reached at jpardikes@mcr-group.com.



Ron Kennedy is a Director with MCR. He has over 17 years of experience in consulting to the utility industry, including G&Ts, public power and IOUs. His expertise includes conducting reviews of existing transmission formula rates, developing new formula rates, facilitating FERC filings for Section 205 rate changes and evaluating the economics of transmission projects.

Ron is experienced in presenting to executive teams and Boards of Directors. Ron can be reached at rkennedy@mcr-group.com.



Chris Nagle is a Consultant with MCR. He has over a decade of experience in transmission proceedings, rates and regulatory affairs. His MCR expertise includes conducting reviews of existing transmission formula rates and developing new formula rates and evaluating the economics of transmission projects. His previous experience includes rate development, cost recovery

and cost allocation and has testified as an expert witness before public service commissions. Prior to joining MCR, Chris held numerous positions in rates and cost allocation at a major electric utility. Chris can be reached at cnagle@mcr-group.com.



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