



**Transmission
Strategy Services**

MCR's Transmission Formula Rate Review



**Helping public power and cooperative
transmission owners in SPP optimize and
protect their transmission revenue recovery**

MCR Transmission Strategy Practice Transmission Formula Rate Review

CHECKLIST

- T vs. D Assets
- T vs. D Expenses
- General vs. T Plant
- A&G vs. Direct
- Allocators
- _____
- _____
- _____

Are you recovering all the transmission-related costs you are entitled to under the SPP tariff? Many public power entities and cooperatives in SPP are unknowingly leaving substantial amounts of annual transmission revenue requirement (“ATRR”) on the table.

Are you sure your transmission-related costs are being properly recorded and can withstand scrutiny? Transmission rates are becoming a larger portion of customers’ total bills; your costs must be able to withstand scrutiny from neighboring utilities and other stakeholders.

Could your staff benefit from education? Many public power and cooperative staff are unfamiliar with transmission costs and how costs are recovered in their Attachment H transmission formula rate template.

MCR’s Transmission Formula Rate Review evaluates the assets, expenses, and allocators comprising your ATRR in the formula rate template. We ensure you are optimizing your transmission revenue and your costs can withstand any challenges. The review culminates in an educational workshop that explains the mechanics and cost allocation principles in the formula rate, resulting in better decisions and increased transmission revenue.

Most public power and cooperative entities are leaving 5% to 20% of their transmission revenue on the table.

Recent MCR Transm Clients	% Increase in Annual Transm Revenue from Review
T&D Cooperative	3%
G&T 1	5%
G&T 2	0.2%
Joint Action Agency	18%
Municipal 1	60%
Municipal 2	8%
Municipal 3	19%
Municipal 4	15%

MCR has conducted 26 Transmission Formula Rate Reviews since 2013. Here’s some recent results.

MCR Transmission Strategy Practice

Transmission Formula Rate Services

MCR Transmission Strategy staff are transmission formula rates experts. MCR has developed or reviewed over 175 transmission formula rates for clients in SPP, MISO, PJM, CAISO and NYISO. 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 four categories:

Formula Rate Review for Existing Transmission Owners

- ❑ Perform Attachment H transmission formula rate template (“FRT”) reviews for existing transmission owners to properly record costs, optimize revenue and educate staff
- ❑ Review cost allocation approaches

Development of ATRR for Transmission Owners

- ❑ Develop/review client updates to annual formula rates; defend client update against challenges from neighboring utilities
- ❑ Develop the formula rate ATRR and supporting work papers for new transmission owners
- ❑ Support 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/question the neighboring incumbent IOU formula rates; conduct challenges consistent with RTO protocols, as appropriate

Staff Education Workshops on Transmission Formula Rates

- ❑ Conduct staff education workshops on SPP cost allocation and the formula rate template under SPP’s Attachment H



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 Practice

What Our Clients Are Saying

“The improved cost recovery from the Review is a windfall for us; the return on investment was immediate and substantial.”

—General Manager, municipal utility

“MCR came to our office and walked through the entire [SPP Attachment H] formula rate with me and my colleagues to make sure going forward we knew what was required of us. It felt like they went above and beyond what a normal consulting firm does.”

—Director of Finance, municipal utility

“The onsite meetings allowed the staff to better understand why certain data was needed for the Attachment H. The one session I went to, the staff was very impressed with how it went and being able to ask questions and get answers.”

—CEO, joint action agency

“I assumed the person before me knew what they were doing, so I was hesitant to change the way they were doing things. MCR opened my mind and gave me the confidence to change the way things are done.”

—Manager of Accounting and Finance, municipal utility

“MCR’s approach is to make sure everything is defensible and to ensure we follow the requirements of the tariff; that’s what they care about.”

—General Manager, municipal utility

About MCR's Transmission Strategy Practice

MCR provides transmission strategy support to public power, 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 (see earlier page for more detail)

- 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

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

Strategic Economic Analysis

- Economic Evaluation of New Transmission Projects
- Development of Transmission Business Plans
- Valuation of Potential Asset Purchase/Sale and Resulting Rate Impacts
- Analysis of Joint Zone Investment, Pricing Agreements & 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 Transmission Strategy Practice Leadership



Jim Pardikes is a Vice President at MCR and leads the Transmission Strategy Practice. He has 36 years of experience consulting to the utility industry. His expertise includes incentive filings, expert cost of capital testimony, Section 205 rate filings, and asset valuation. Jim regularly presents to Boards and senior teams and has written extensively on the drivers of transmission investment. Jim can be reached in the office at 847-504-2549, on mobile phone at 847-226-2084, or by email at 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 Manager, G&T



Ron Kennedy is a Director with MCR. He 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. Ron 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, JAA



Nikhil Tarlapally is a Consultant with MCR. Nikhil has over six years of utility experience. His expertise includes financial forecasting, and the economic analysis of various transmission, generation and renewables projects. He has supported rate case filings, provided multi-year revenue requirements analyses, and provided analysis to support transmission testimonies. He has also helped support the annual development of the MCR Transmission Investment white papers, including development of capital investment metrics. Nikhil can be reached at ntarlapally@mcr-group.com



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