



STRATEGIC TRANSMISSION PLANNING PROCESS



Helping Joint Action Agency and G&T Transmission Owners
Develop a Strategic Business Plan for Their Transmission Business

““””

“I’m a return customer because MCR possesses an excellent understanding of transmission as a business and how to create value from investing in transmission. They were very useful in helping our people build a concrete and actionable plan.”

—CEO of a G&T

STRATEGIC BUSINESS PLANNING: A MUST FOR TRANSMISSION SUCCESS

Transmission is growing as a share of utilities' overall business, and rising transmission rates are an increasing concern for utility customers and management. With this growth comes significant opportunity—but also potential challenges.

MCR works with clients to develop strategic business plans that set them up for success. These actionable plans address key transmission issues and help utilities transition to running transmission as a business rather than merely an operational necessity.

MCR starts by guiding clients through the process of developing a vision and a set of objectives for their transmission business. Then we work with client teams to establish strategies for addressing high-priority issues, analyzing potential transmission opportunities, and implementing projects.

The result is increased transmission revenue and value for members and customers. The utility management is no longer simply reacting to the regional transmission organization (RTO) and neighboring transmission owners but has a strategic plan to help them assess opportunities in the regional transmission planning process.

By working with MCR, clients transition from running transmission as an **operational necessity** to running it as a **business**.

MCR'S STRATEGIC BUSINESS PLANNING HIERARCHY



A PROVEN PARTNER

MCR brings extensive experience in:

- **Conducting strategic business planning using our proven process.** We work with client teams to develop and launch a five-year Strategic Transmission Business Plan. This established, effective process identifies the key issues, produces practical strategies, and ensures ownership by the management team. The resulting strategies produce real value for clients—for example, by identifying projects that are recoverable in the RTO. In going through this process with MCR, clients develop the mindset of running transmission as a business.
- **Knowing and understanding the host of issues facing the transmission business.** For example, when starting work with a client, MCR brings a list of the most relevant key issues to jump-start the business planning process. (See mcr-group.com/transmission for our white papers and other insights.)
- **Modeling and properly analyzing the economics associated with transmission projects.** MCR uses its Transmission Project Evaluation Tool™ to analyze the economics and potential risks of various projects. This tool can also be used by clients later to evaluate additional transmission projects, thus optimizing their value.

MCR's five-year **strategic business plan** helps clients' transition to running transmission as a business.





CLIENT STORY

Background

A G&T faced increasing transmission rates and reliability challenges among its members. The G&T asked MCR to lead the development of a strategic transmission business plan that would articulate a vision and transmission investment opportunities to enhance the reliability for members while also providing transmission revenue that could partially offset rising transmission rates.

Solution

MCR led a senior client working team through meetings to develop a five-year Transmission Business Plan. Our approach included identifying key transmission industry issues/trends and methods for creating member value, developing a vision and strategies, and identifying transmission project opportunities for improving member reliability and creating financial value. We used MCR's Transmission Project Evaluation Tool™ to conduct a financial analysis and prioritize investment opportunities. We also identified metrics to sharpen the G&T's reliability efforts. In addition, MCR assisted the team in determining the transmission functions, staffing levels, and capital investment required to run transmission more like a business.

The Transmission Business Plan developed for this G&T client included a dozen strategies that improved reliability and generated more revenue for its members.

Results

The financial analysis of project opportunities showed there would be substantial net present value to the G&T's members by investing in new specific transmission projects compared to doing business as usual. The G&T moved forward with its Transmission Business Plan, including implementing a dozen strategies that created value for its members through reliability improvements and revenue enhancement.

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

- 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

- 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 over six years of utility experience. His expertise includes economic analysis of transmission projects and financial forecasting. He has also supported rate case filings, provided multi-year revenue requirements analyses, and provided analysis to support transmission incentive filings. In addition, Nikhil has supported the annual development of MCR's Transmission Investment white papers, including development of capital investment metrics. Nikhil can be reached at ntarlapally@mcr-group.com.



For further information, please contact:

Jim Pardikes

VP, Transmission Strategy

847-504-2549 (office) • 847-226-2084 (mobile)

jpardikes@mcr-group.com

**To learn more about MCR,
visit mcr-group.com**

MCR Performance Solutions, LLC

155 North Pfingsten Road, Suite 155

Deerfield, IL 60015