



TRANSMISSION FORMULA RATE REVIEW



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

IS YOUR UTILITY MISSING OUT ON REVENUE?

- ✓ **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 your transmission-related costs being properly recorded, and can they withstand scrutiny?**

Transmission rates must be recorded consistent with FERC accounting, and your costs must be able to withstand scrutiny from neighboring utilities and other stakeholders.

- ✓ **Could your staff benefit from education in this area?**

Many public power and cooperative staff are unfamiliar with transmission costs and how costs are recovered in their Attachment H transmission formula rate template.



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



MCR CAN HELP

MCR’s Transmission Formula Rate Review evaluates the assets, expenses, and allocators comprising your ATRR. We ensure that you are optimizing your transmission revenue and that your costs can withstand challenges. Our review culminates in a workshop that explains the mechanics and cost allocators in the formula rate, resulting in improved decisions and transmission revenue.

Since 2013, MCR has conducted over 40 Transmission Formula Rate Reviews. Here are some recent results:

MCR Transmission Client	% Increase in Annual Transmission Revenue from Formula Rate Review
T&D Cooperative	3%
G&T 1	12%
G&T 2	5%
Joint Action Agency 1	18%
Joint Action Agency 2	10%
Joint Action Agency 3	9%
Municipal 1	60%
Municipal 2	8%
Municipal 3	15%

“MCR was able to point out significant areas where we weren’t recovering all we could, and in one case, those numbers were substantial.”

—CFO, Joint Action Agency

TRANSMISSION FORMULA RATE SERVICES

MCR's Transmission Strategy team are experts in transmission formula rates. We have 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, municipals, public power districts, G&Ts, and T&D cooperatives:

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 and defend client updates 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 of 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 workshops to educate staff on SPP cost allocation and the formula rate template under SPP's Attachment H

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

WHAT OUR CLIENTS SAY

“The improved cost recovery from the [Transmission Formula Rate] 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

“Regarding the review of our transmission costs, MCR was very thorough. They understand it backwards and forwards. They offered ideas and solutions.”

—VP of Transmission, Cooperative

“ 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

- Formula Rate Review for Existing Transmission Owners
- Development of ATRR for Transmission Owners
- Review/Challenge of 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
- Valuation/Accounting for Purchase or Sale of Assets
- Development of Transmission Business Plans
- 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



Ron Kennedy is a Vice President with MCR and heads the Transmission Practice. Ron has over 23 years of experience in consulting to the utility industry. His expertise includes transmission formula rates, Section 205 rate filings, rate incentives, evaluation of RTO membership, asset valuation, asset eligibility, financial evaluation of transmission projects, and strategic planning. 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. John has eight 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, invested capital updates in ERCOT, Section 205 filings at FERC, incentive rate FERC filings, transmission formula rate reviews, 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 seven years of utility experience. With MCR, he has worked on numerous modeling projects that evaluated the economics of proposed transmission projects, both non-competitive and competitive. He has also supported incentive rate FERC filings. Prior to MCR, Nikhil worked for a major IOU doing financial forecasting and economic analyses of generation and renewables projects. He has also supported rate case filings. Nikhil can be reached at ntarlapally@mcr-group.com.



**For further information on MCR's
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**To learn more about MCR,
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