2016 Attachment O True-Up

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Wednesday, August 30, 2017

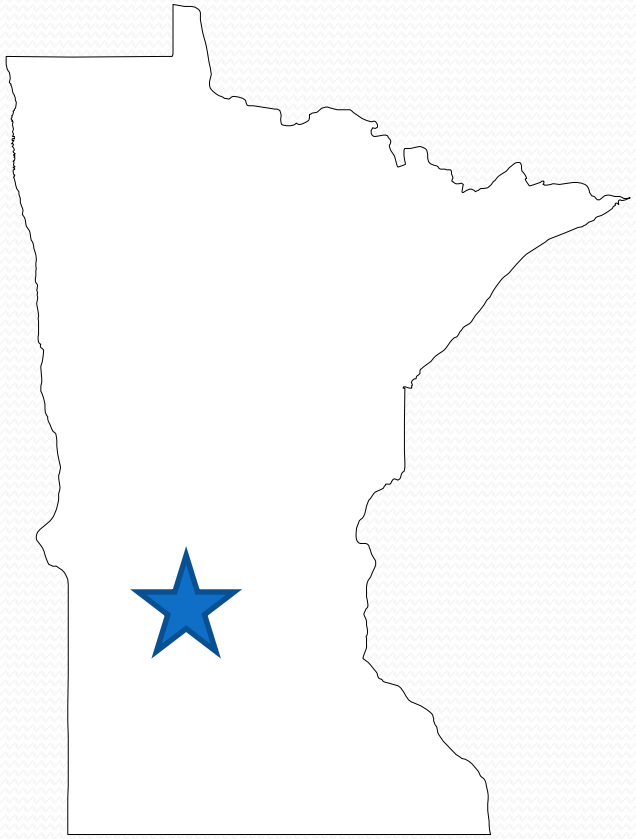
Agenda

- Meeting Purpose
- Municipal Profile
- 2016 True-Up calculation details
- Question/Answer

Meeting Purpose

- Present and discuss the Actual 2016 Attachment O Cost Information
- The 2016 True-Up plus interest will be included in the development of the 2018 Attachment O Annual Transmission Revenue Requirement (ATRR) and rates
- Rates become effective on January 1, 2018 for the GRE joint pricing zone

Municipal Profile



Willmar Municipal Utilities

A component unit of the City of Willmar, MN
Governed by a 7 member commission
Provides Electric, Water and Heat

Electric Division

- 9,418 Electric customers (active)
- 50 Electric division employees
- 42 MW of owned generation
  - 1 - coal/gas unit, boiler turbine generator - 18 MW
  - 1 - gas unit, boiler turbine generator - 8 MW
  - 2 - wind turbines - 2 MW each
  - 6 – diesel peaking units - 2 MW each
- $29.2 Million Annual Electric Operating Revenue (2016)
- $54.5 Million Total Electric Assets

Unique for 2016

- This is the first True-Up for WMU
- Two Attachment O's were submitted as a result of FERC's 9/28/16 Order in EL 14-12; the ROE was revised from 12.38% to 10.82% (including adder)
  - Actual Revenue Requirement at ROE at 12.38% from Jan. 1, 2016 through Sept. 27, 2016 was 74.04%
  - Actual Revenue Requirement at ROE at 10.82% from Sept. 28, 2016 to Dec. 31, 2016 was 25.96%
- MISO is still performing their review on this submission

2016 True-Up

- Rate Base
- Operating Expenses
- Revenue Requirement
- Net Revenue Requirement
- 2016 True-Up Calculation

Rate Base

Rate Base Item	2016 Projected	2016 Actual 12.38% and 10.82%	Difference	Explanation
Gross Plant in Service	$ 12,736,488	$14,051,549	($1,315,061)	
Accumulated Depreciation	$ 9,834,674	$10,210,395	($375,721)	
Net Plant in Service	$ 2,901,815	$3,841,153	($939,338)	= Gross Plant – Accumulated Depreciation
Adjustments to Rate Base	$ 0	$0	$0	
CWIP for CON Projects	$ 0	$0	$0	
Land Held for Future Use	$ 361,884	$361,884	$0	
Working Capital	$ 288,953	$246,831	$42,122	
Rate Base	$ 3,552,652	$4,449,868	($897,216)	= Net Plant + Adj + CWIP + Land + Working Capital

Note: Electric Division - Transmission Only

Operating Expenses

	2016 Projected	2016 Actual 12.38%	2016 Actual 10.82%	Explanation
Long Term Debt	14.0%	13.0%	13.0%	
Proprietary Capital	86.0%	87.0%	87.0%	
Total	100.00%	100.00%	100.00%	= Debt + Equity
Weighted Cost of Long Term Debt	0.70%	0.64%	0.64%	
Weighted Cost of Proprietary Capital	10.61%	10.77%	9.42%	
Rate of Return	11.31%	11.41%	10.06%	
Rate Base	$ 3,552,652	$4,449,868	$4,449,868	From "Rate Base" Calculation
Allowed Return	$ 401,846	$507,854	$447,437	= Rate of Return * Rate Base
Operating Expenses	$ 765,017	$490,558	$490,558	From "Operating Expense" Calculation

Note: Electric Division - Transmission Only

Revenue Requirement

Expense Item	2016 Projected	2016 Actual 12.38%	Difference	2016 Actual 10.82%	Difference	Explanation
O&M	$ 765,017	$490,558	$274,459	$490,558	$274,459	
Depreciation Expense	$ 291,498	$336,534	($45,036)	$336,534	($45,036)	
Taxes Other than Income	$ 410,692	$440,843	($30,151)	$440,843	($30,151)	Electric Division Payroll taxes and PILOT
Income Taxes	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	PILOT (payment in lieu of taxes) is included in Taxes Other than Income
Return	$ 401,846	$507,854	($93,084)	$447,437	($45,591)	Rate Base * Rate of Return
Gross Rev. Requirement	$ 1,869,053	$1,775,789	$106,188	$1,715,373	$153,680	= O&M + Depreciation + Taxes + Return

Note: Electric Division - Transmission Only

Net Revenue Requirement

	2016 Projected	2016 Actual (12.38%)	Difference	2016 Actual (10.82%)	Difference	Explanation
Gross Revenue Requirement	$ 1,869,053	$1,775,789	$93,264	$1,715,373	$153,681	= Return + Expenses - Adjustments
Revenue Credits	$ 43,500	$23,170	$20,330	$23,170	$20,330	
Net Actual 2016 Revenue Requirement	$ 1,825,553	$1,752,619	$72,934	$1,692,203	$133,350	= Gross Revenue Requirement - Revenue Credit

Note: Electric Division - Transmission Only

2016 True-Up Calculation

	2016 Projected (12.38%)	2016 Actual (12.38%)	Difference (Actual – Projected)	2016 Projected (10.82%)	2016 Actual (10.82%)	Difference (Actual – Projected)
Pro-Rated Revenue Requirement		74.04%			25.96%	
Weighted Net Revenue Requirement	$1,291,909	$1,297,639	$5,730	$452,971	$439,296	($13,675)
True Up (first filing)	($7,945)					
Monthly Interest Rate	0.2747% x 24 months = ($524)					
Total 2016 Attachment O True-Up Under/(Over) Recovery*	($8,469)					

*MISO is still performing their review on this submission

Questions?

Please submit by email to

John Harren jharren@wmu.willmar.mn.us or

Chris Carlson ccarlson@wmu.willmar.mn.us

All questions and answers will be distributed by e-mail to the attendee with the inquiry. In addition, the questions and answers will be posted on the MISO website:

https://www.misoenergy.org/MarketsOperations/TransmissionSettlements/Pages/TransmissionOwnerRateData.aspx