



# Rochester Public Utilities Presentation on True-up of Attachment O Transmission Revenue Requirements for Calendar 2015

August 31, 2016

# RPU 2015 ATRR True-up – Meeting Purpose

- Rochester Public Utilities (“RPU”) uses a FERC-approved Forward-looking Attachment O formula rate with True-up to develop RPU’s Annual Transmission Revenue Requirements for all RPU transmission dedicated to MISO (the “RPU ATRR”)
  - RPU protocols require that RPU hold a Annual Meetings to provide information on RPU inputs for both the forward-looking and the True-up ATRRs and allow Interested Parties to ask questions about those inputs
  - This meeting will present information and answer questions on the calculation of the True-up of RPU’s 2015 ATRR
  - The meeting will also discuss the calculation of the True-up Adjustment that will be applied to the 2017 Forward-Looking Rate

# RPU 2015 ATRR True-up – Regulatory

- RPU's Forward-looking formula rate with True-up was filed and approved by FERC under Docket Nos. ER14-2154 and ER15-277 (consolidated), subject to the outcome of further proceedings, and subject to refund. A partial settlement was reached, but the proceedings are on-going.
- RPU's True-up of the 2015 ATRR includes adjustments to RPU's Attachment O cost inputs, as agreed via the settlement in the consolidated proceedings above. These adjustments are:
  - Transfer of land associated with Chester Sub from Distribution to Transmission
  - Removal of CIAC amounts from RPU Gross Transmission Plant
  - Removal of the GSU value and associated expenses from the Attachment O
  - Transfer of the value of the Northern Hills terminal and associated expenses from Attachment O to Attachment GG

# RPU 2015 ATRR True-up – RPU Approach

- RPU prepared a Forward-Looking 2015 ATRR in late 2014
  - The main inputs to that ATRR were RPU’s audited calendar 2013 financial results, with limited adjustments
    - RPU included adjustments to Gross Transmission Plant for new transmission facilities then expected to go into service by December 31, 2015
    - Following discussion at the December 2014 Customer Meeting, RPU revised its Forward-Looking 2015 ATRR using an updated in-service schedule for RPU’s HRL facilities
  - The revised forward-looking ATRR was included in MISO’s Zone 20 rates for 2015, with no allocation to Zone 16
- Following completion of the audit of RPU’s Calendar 2015 financial statements, RPU prepared the 2015 True-up ATRR using actual 2015 financial results and loads
- RPU’s 2015 True-up Adjustment will be combined with RPU’s Forward-Looking 2017 ATRR for the 2017 Rate Year

# RPU 2015 ATRR True-up – Comparing Forward-Looking to True-up ATRRs

- RPU Forward-Looking 2015 ATRR was \$4,492,323
- RPU's True-up 2015 ATRR was \$3,482,153
- Main factors in the difference between the Forward-Looking and True-up amounts were:
  - Reduction of Transmission Plant by about \$1.9 million for CIACs
  - Reduction of Transmission Plant by about \$1.34 million, along with associated expenses, for GSUs
  - Transfer of about \$1.8 million of Transmission Plant from Attachment O to GG for the Northern Hills terminal, reducing both required return and expenses allocated to RPU's Attachment O ATRR
  - Actual net O&M and A&G allocated to transmission was down slightly
  - RPU weighted Cost of Capital was up fractionally – 0.011%
    - The Cost of Capital was calculated using a 12.38% Base ROE and no RTO Incentive Adder
    - RPU has committed to refund, plus interest, any adjustments to ATRR resulting from FERC action in the EL14-12 proceeding on MISO Base ROE

# RPU 2015 ATRR True-up – Calculation of True-up Adjustment for 2017

- Per RPU Customer Protocols, the True-up Adjustment is calculated using three factors. Those factors are:
  - The ATRR Variance – the difference between the Forward-Looking and True-up ATRRs
  - An adjustment for Load Variance and
  - Interest calculated on the sum of the ATRR and Load variances
- The load variance adjustment is calculated using several sub-parts:
  - The load used for the Forward-Looking ATRR;
  - The Actual load for the True-up year and
  - The Annual Cost from the Forward-Looking ATRR, which is equal to the Forward-Looking ATRR divided by the RPU Divisor from the Forward-Looking Attachment O
  - RPU calculates its true up using its total native load as its Divisor.
    - The load and rate associated with the original RPU 2015 Forward-Looking used only “above CROD” load supplied by RPU. RPU recalculated the rate associated with the Forward-Looking ATRR using an RPU native load forecast consistent with the forecast originally used for RPU’s Forward-Looking 2015 posting.

# RPU 2015 ATRR True-up – Calculation of True-up Adjustment for 2017 - page 2

- Calculation of the ATRR Variance factor:
  - True-up (actual) 2015 RPU Attachment O ATRR - \$3,482,153
  - Forward-Looking 2015 RPU Attachment O ATRR - \$4,492,323
- RPU 2015 ATRR Variance factor =  
RPU True-up ATRR – Forward-Looking ATRR  
= \$3,482,153 - \$4,492,323
- 2015 RPU ATRR Variance factor = (\$1,010,170)

# RPU 2015 ATRR True-up – Calculation of True-up Adjustment for 2017 - page 3

- Load Variance factor –
  - Forward-Looking 2015 RPU Load forecast – 220,048 kW<sup>1</sup>
  - True-up (actual) 2015 RPU load – 193,116 kW<sup>2</sup>
  - Forward-Looking 2015 RPU Attachment O ATRR - \$4,492,323
  - Look-Ahead Rate = Forward-Looking ATRR divided by Forward-Looking load forecast
    - Look-Ahead rate = \$4,492,323 divided by 220,048 kW = \$20.415/kW<sup>3</sup>
- Load Variance factor =
  - (Forward-Looking Load – True-up Load ) x Look-Ahead Rate
  - Load Variance factor = (220,048 kW - 193,116 kW) x \$20.415//kW
- RPU 2015 Load Variance factor = \$549,820

<sup>1</sup> 12 month average RPU native load using forecast consistent with original RPU Look-ahead 2015 posting

<sup>2</sup> 12 month average RPU actual native load for 2015

<sup>3</sup> Recalculated from original posting of Forward-Looking RPU 2015 ATRR using full RPU native load



# RPU 2015 ATRR True-up – Calculation of True-up Adjustment for 2017 - page 4

- Interest is applied against the True-up amount to determine the True-Up Adjustment
  - For RPU, the interest period is 24 months
    - This is the period between when the True-up begin to accrue (January 2015 ) until the True-up will begin to be corrected (January 2017)
  - Interest is calculated at the monthly average of the one month LIBOR rates (capped at the FERC refund rate) for the preceding 24 months
  - For the 2015 True-up, the FERC refund rate was below the LIBOR rate for all months, so the interest rate used is the average of the FERC monthly refund rates from April 2014 – March, 2016
- The interest rate for the 2015 True-up is 0.2746%/mo

# RPU 2015 ATRR True-up – Calculation of True-up Adjustment for 2017 - page 5

- The 2015 True-up Adjustment is the sum of the ATRR Variance Factor, the Load Variance Factor, and accrued interest:
  - The ATRR Variance Factor for 2015 is (\$1,010,153)
  - The Load Variance Factor for 2015 is \$549,820
  - The True-up Amount is  $(\$1,010,153) + \$549,820 = (\$460,350)$
  - The Interest Rate is 0.002746/month, accrued for 24 months
  - Accrued interest is  $(\$460,350) \times .002746 \times 24 = (\$30,337)$
- The 2015 True-up Adjustment =  $(\$460,350) + (\$30,337)$
- The 2015 True-up Adjustment is  $(\$490,687)$

# RPU 2015 ATRR True-up – Application of True-up Adjustment

- The 2015 True-up Adjustment will be combined with RPU's Forward-Looking 2017 Attachment O ATRR when the Forward-Looking ATRR is calculated later this year
- The combined 2015 True-up Adjustment and the Forward-Looking 2017 Attachment O ATRR will be allocated between Zones 16 and 20 based upon the ratio of RPU's Attachment O Gross Transmission Plant in each zone to RPU's total Attachment O Gross Transmission Plant

# RPU 2016 Formula ATRR – Source Material

- RPU has posted source materials for the calculation of the RPU 2015 Attachment O and Attachment GG True-up
  - The material is posted on RPU’s MISO OASIS site at:  
<https://www.misoenergy.org/MarketsOperations/TransmissionSettlements/Pages/CityofRochester,AMinnesotaMunicipalCorP.aspx>  
or at  
<http://www.oasis.oati.com/RPU/>
  - The posted material includes:
    - A copy of this presentation
    - A Microsoft Excel© version of RPU’s 2015 True-up Attachment O\_GG worksheet and supporting exhibits posted as
      - “RPU Attach O\_GG 2015 True-up and workpapers”
      - The applicable pages from RPU’s actual 2015 EIA 412 are included in the spreadsheet as separate tabs labeled as Schedules 2 – 5 and 7

# Follow-up Questions?

- Questions and Comments can be provided in writing to:

Lana Anderson

Rochester Public Utilities

4000 East River Road NE, Rochester, MN 55906-2813

Or by e-mail to:

[landerson@rpu.org](mailto:landerson@rpu.org)

Questions or comments should specifically identify the issue or input, including the page/tab and line reference in the applicable spreadsheet

# RPU 2015 True-up Attachment O

- Final Questions and Wrap-up

