



Rochester Public Utilities Presentation on Formula Development of Transmission Revenue Requirements for 2015

December 11, 2014

RPU 2015 Formula ATRR – Meeting Purpose

- Rochester Public Utilities (“RPU”) has filed a MISO Attachment O formula procedure to develop RPU’s Annual Transmission Revenue Requirements for transmission dedicated to MISO (the “RPU ATRR”)
 - RPU filed Customer Protocols, along with its ATRR calculation formula, in FERC Docket No. ER15-277-000
 - RPU’s Customer Protocols are consistent with MISO’s *“Formula Rate Protocols for Transmission Owners Using the Forward-looking Attachment O Rate Formula Template”* filed by MISO included in Docket ER13-2379
 - Those protocols require that RPU hold an Annual Meeting to provide information on RPU ATRR inputs and allow Interested Parties to ask questions about the inputs
 - This meeting will present information and answer questions on the 2015 RPU ATRR and allocation of that ATRR between zones

RPU 2015 Formula ATRR – RPU Approach

- RPU has elected to use a “forward-looking” ATRR calculation with reconciliation
 - This is an established approach - many MISO TOs have gone to a “forward-looking” calculation
 - There are 3 parts to the “forward-looking” calculation
 - 1. An estimated ATRR based on a combination of historical results, the in-service cost of new transmission, and limited adjustments
 - 2. A True-up calculation that determines the difference between transmission revenue collected and actual ATRR
 - 3. A True-up adjustment that adds to the ATRR to recover revenue shortfalls or reduces the ATRR to return over-collections
 - While each part of the process will be discussed today, only the “forward looking” 2015 RPU ATRR has been completed

RPU 2015 Formula ATRR – Look Ahead Estimate

- The “forward-looking” RPU ATRR estimates the ATRR that RPU will incur in the forward year
- RPU begins with a base of audited financial statements – GASB basis for the most recent year available.
 - Entries for the Uniform System of Accounts chart of accounts are derived from the audited financial results so they may be placed into the EIA 412 format
 - Adjustments to the historical financial results may be made for fixed, known and measurable changes expected in the forward year
 - The estimated gross in-service capital cost of transmission facilities expected to go into service in the forward year is added to historical plant balance to complete the “forward-looking” ATRR estimate
- RPU will allocate the total RPU ATRR between Zones 16 and 20 for MISO’s use in determining the rates for those zones

RPU 2015 Formula ATRR – Reconciliation

- RPU will calculate an annual reconciliation that determines the amount of RPU's over or under collection of its ATRR
 - The first reconciliation (to be performed in 2016) will compare RPU's actual ATRR for 2015 against the transmission revenue RPU earns in 2015
 - Differences between actual and estimated 2015 loads will affect the True-up amount, but the determining factor is the difference between RPU's actual ATRR and actual revenue RPU received
 - The True-up amount will be adjusted for accrued interest
 - The zonal allocation will be recalculated using actual plant balances as a part of the True-up calculation
 - Separate reconciliation amounts will be calculated for Zone 16 and Zone 20
 - The True-up amount for each zone will be calculated using the actual RPU ATRR allocated to each zone compared to the transmission revenue RPU earns for each zone

RPU 2015 Formula ATRR – True-up

- RPU will include a True-up to adjust for RPU's under-collection or over-collection of ATRR in the preceding year
 - The zonal True-up adjustment for 2015 that will be calculated in 2016 will be added to (or subtracted from) the zonal allocation of the “forward-looking” RPU ATRR that will be calculated for 2017
 - The combination of the zonal allocation of the “forward-looking” RPU ATRR for 2017 and the True-up adjustment for 2015 for that zone will become RPU's contribution to the total zonal ATRR for 2017

RPU 2015 Formula ATRR – 2015 Look Ahead Calculation

- RPU used capital and expense amounts derived from audited financial statements - GASB basis for calendar 2013 and converts them into the format of an EIA 412 report as a starting point
- RPU calculated the 2015 “forward-looking” ATRR by:
 - Making adjustments for known or anticipated changes that will occur between 2013 and 2015
 - Adding in the estimated gross book value of transmission additions that will be placed in service in 2014 and those expected to go into service in 2015
 - This does not include the value of transmission additions that will be cost-shared parts of the CAPEX 2020 facilities
 - RPU’s filed Attachment O was used to calculate RPU’s 2015 ATRR of \$4,982,751

RPU 2015 Formula ATRR – Zonal Allocation

- RPU has ownership interests in transmission facilities that are physically located in Zone 16 and in Zone 20
 - RPU has allocated its “forward-looking” RPU ATRR between Zone 16 and Zone 20
 - RPU calculated *pro rata* zonal allocations based on the ratio of the average gross book value of RPU transmission assets assigned to each zone, using the expected in-service capital amounts over the 13 month period from December 2014 - December 2015
 - The value of cost-shared (“Attachment GG”) facilities was removed before calculating the allocation factor.
 - The calculated zonal split is as follows:

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- The results of the zonal allocation calculation are summarized in the following table.

Calculation of 2015 Look-ahead Zonal Allocation factors

Pricing Zone	Total Zonal Gross Plant*	Attachment GG Gross Plant*	Gross Plant Net of Attachment GG (a) - (b)	Allocation Percent	Allocated ATRR Amount
	(a)	(b)	(c)	(d)	(e)
16 (NSP)	\$ 15,659,460	\$ 11,740,894	\$ 3,918,566	12.39%	\$ 617,363
20 (SMMPA)	27,696,529	-	27,696,529	87.61%	4,365,388
Total	\$ 43,355,989	\$ 11,740,894	\$ 31,615,095	100.00%	\$ 4,982,751

•Forecast 13 month average Gross Book Value

RPU 2015 Formula ATRR – Source Material

- RPU has posted certain source material for the calculation of the 2015 RPU ATRR and zonal split.
 - The material is posted on RPU’s MISO OASIS site at:
<http://www.oasis.oati.com/RPU/>
 - The posted material includes:
 - A copy of this presentation
 - A Microsoft Excel© version of RPU’s Attachment O worksheet and supporting exhibits posted as
 - “RPU 2015_Attach_O and GG and Work Papers.xlsx”
 - The applicable pages from RPU’s look-ahead 2015 EIA 412 are included in the spreadsheet as separate tabs labeled as Schedules
 - A Microsoft Excel© spreadsheet containing the source material and calculations supporting the zonal split for the RPU ATRR posted as:
 - “RPU 2015 Zonal ATRR Allocation.xlsx”

Follow-up Questions?

- Questions and Comments can be provided in writing to:

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Or by e-mail to:

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

RPU 2015 Formula ATRR

- Final Questions and Wrap-up

