



Helping to keep the lights on,
businesses running
and communities strong®

2020 Budget

Stakeholder Presentation

October 8, 2019

Welcome & Overview

- Welcome – Randy Karls
- Budget Overview – Kevin Szalacinski
 - ATC – Network
 - MISO – Regional charges
- Asset Management – Jim Vespalec
- Capital Investment – Matt Weber
- Project O&M – Matt Weber
- Q&A - All
- Summary & Close – Randy Karls



Budget Highlights

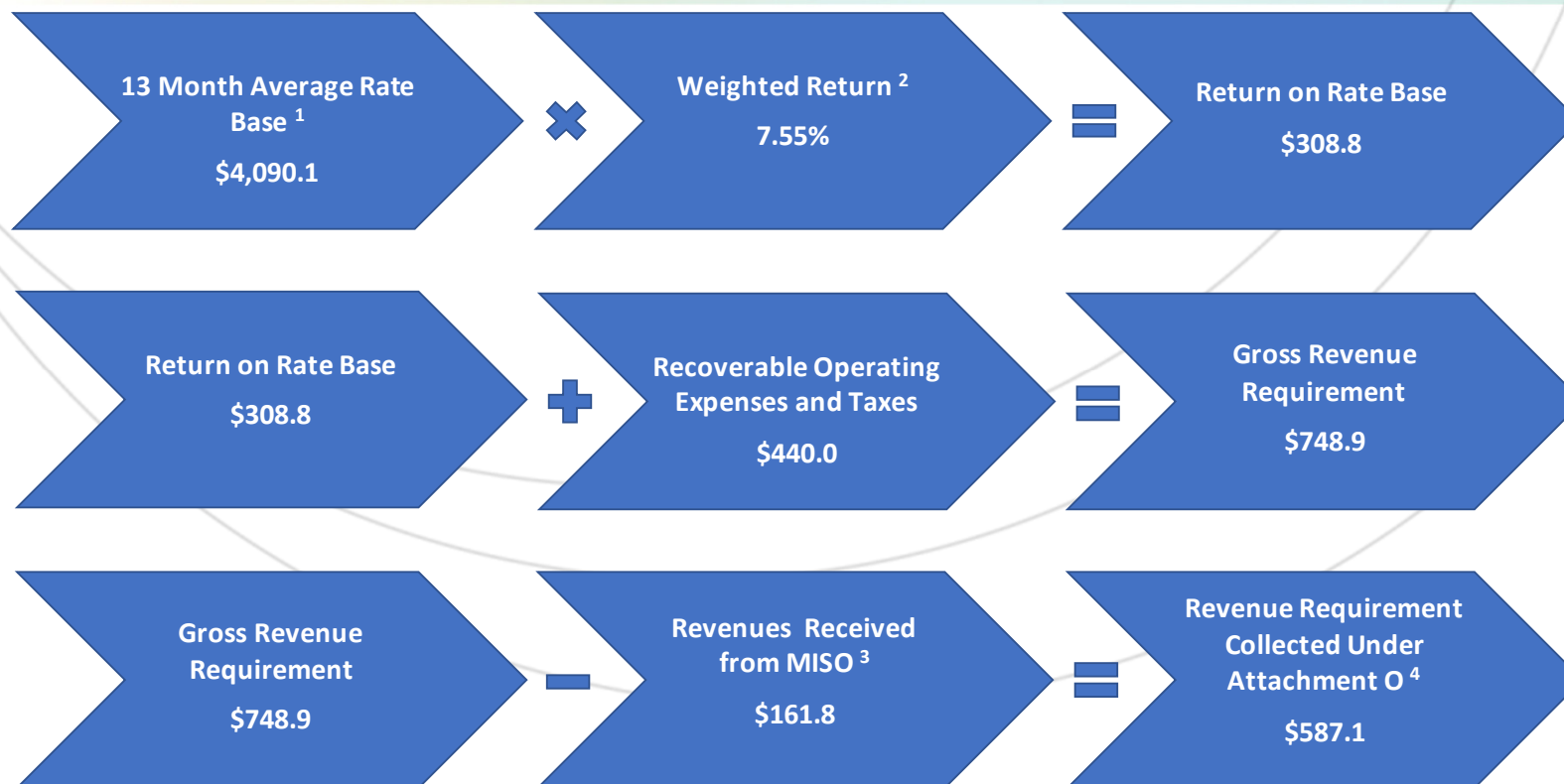
- 2020 total revenue requirement is \$748.9M or a 2.5% increase from 2019 budgeted revenue of \$730.5M
 - ROE assumed to be 10.82% in 2020
 - Revenue requirement increase driven by increase in rate base offset by lower operating expenses
- Network billed revenue for 2020 is \$576.2M and is approximately \$11.5M lower than last year's projection of \$587.7M for 2020
- 2020 Board approved O&M budget is \$147.6M or a 2% reduction from the 2019 approved budget

Key Budget Assumptions

- Return on Equity (ROE) – 10.82% for full year
 - Timing of FERC order in the ROE complaint is still unknown
 - Each month at 10.82% ROE compared to 10.20% is approximately \$1.4M more in revenue requirement
- Cardinal Hickory Creek project approved
- No impact from the FERC Notice of Inquiry (NOI) on transmission incentives
- Democratic National Convention
 - Costs not expected to be significant
- Unplanned maintenance
 - No major storm damage
 - No significant equipment failures

2020 Projected Network Revenue Requirement

(\$Millions)



¹ Includes eligible CWIP and new assets placed in-service.

² Comprised of 50% Weighted Cost of Debt and 50% Allowed Return on Equity.

³ This includes revenues collected under Schedule 26 (RECB), Schedule 26-A (MVP), Schedule 1 and other credits such as Point-to-Point revenues

⁴ Actual billed revenue will be decreased by \$10.9M for prior year true-ups

Network Revenue Requirement Projection

(\$ in Thousands)

	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
Return on Rate Base	298,271	308,848	303,738	316,660	327,453
Income Taxes	62,045	65,023	62,333	65,018	66,971
Depreciation	181,441	195,614	203,582	212,442	217,993
Operations & Maintenance	150,238	147,204	145,721	145,724	147,919
Other Operating Expenses	38,017	32,205	37,908	41,784	44,348
Total Revenue Requirement	730,013	748,893	753,281	781,629	804,685
Offsets					
RECB (Schedule 26)	(101,021)	(100,369)	(95,951)	(93,740)	(91,489)
MVP (Schedule 26-A)	(41,130)	(36,749)	(37,684)	(43,548)	(50,203)
Point-to-Point (Schedule 7 & 8)	(8,511)	(8,400)	(8,400)	(8,400)	(8,400)
Load Dispatch (Schedule 1)	(14,283)	(14,712)	(15,153)	(15,608)	(16,076)
Other Operating Revenue	(1,718)	(1,600)	(1,600)	(1,600)	(1,600)
Over/(Under) collection	2,388	(0)	(0)	(0)	(0)
Network Revenue Requirement	565,738	587,064	594,492	618,733	636,917
Network True-up Adjustments	4,136	(10,908)	-	-	-
Network Billed Revenue	\$ 569,874	\$ 576,156	\$ 594,492	\$ 618,733	\$ 636,917
Network Billed Revenue (Oct 2018)	\$ 569,876	\$ 587,652	\$ 605,895	\$ 613,530	
Network Billed Change from Oct 2018	\$ (2)	\$ (11,496)	\$ (11,403)	\$ 5,203	

MISO Regional Charges

Regional Cost Sharing Impact on ATC Zone

- The MISO estimated charges to the ATC pricing zone are updated every June and December
 - MISO projections for Schedule 26 (RECB) and Schedule 26A (MVP) charges can be found on the MISO website (www.misoenergy.org) under:
Planning /MTEP /Schedule 26 and 26A Indicative Rates

(the following is from the MISO website)

[Home](#) > [Planning](#) > [MTEP](#) > Schedule 26 and 26A Indicative Reports

FOLLOW 

Schedule 26 and 26A Indicative Reports

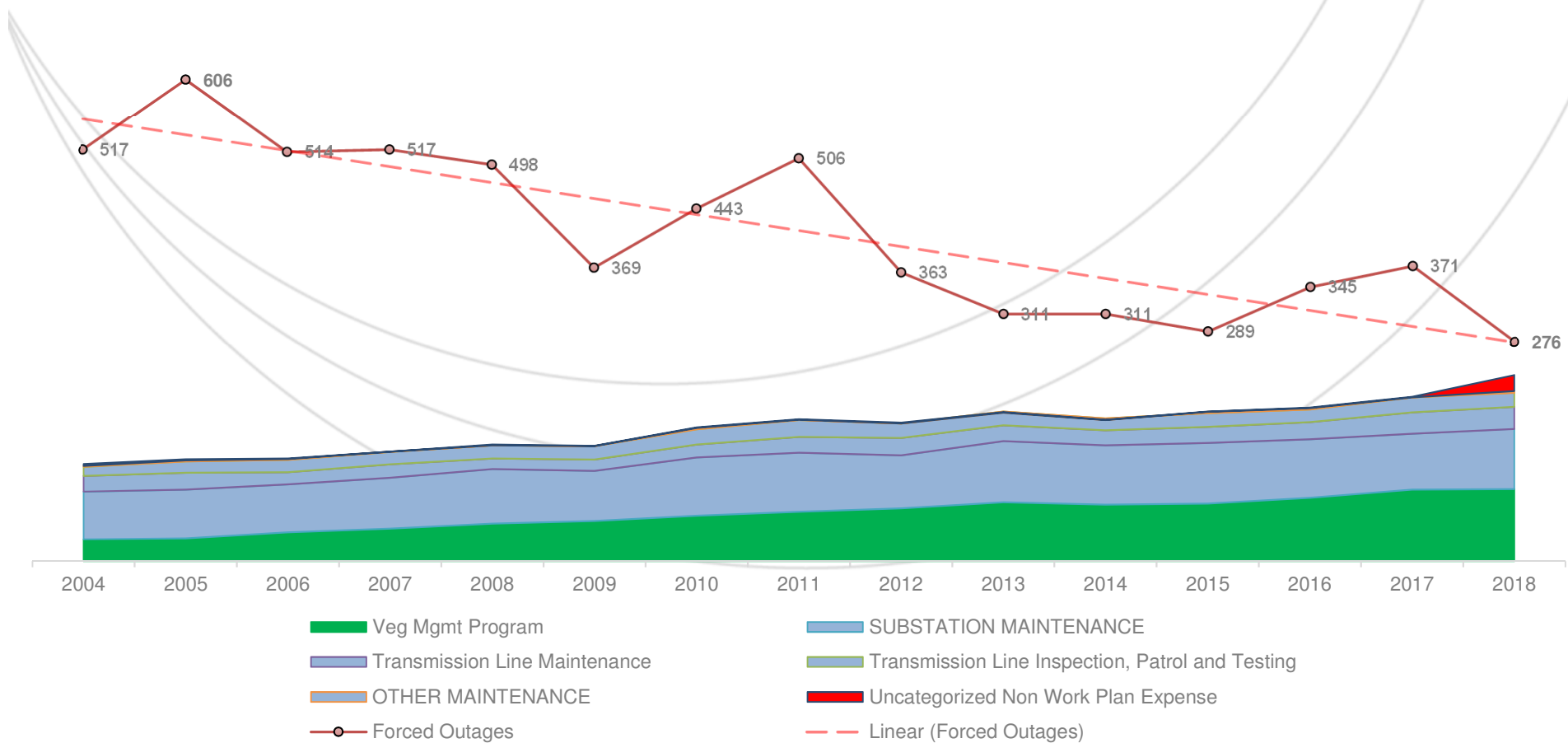
MISO produces indicative forecasts of Schedule 26 and 26-A annual charges (by MISO Pricing Zone) for cost shared projects approved in the MTEP. These reports are typically updated annually in April. The posted reports reflect the latest FERC approved ROE value of 10.32% (plus any applicable adders) and updated corporate tax rate, as provided in Attachment O and GG. Prospective changes to the ROE will be applied only to reports produced after the respective FERC order(s) become effective. Values should not be relied upon for settlement or ratemaking purposes and are subject to change.

- ▶ [Schedule 26 Indicative Annual Charges](#)
- ▶ [Schedule 26A Indicative Annual Charges](#)

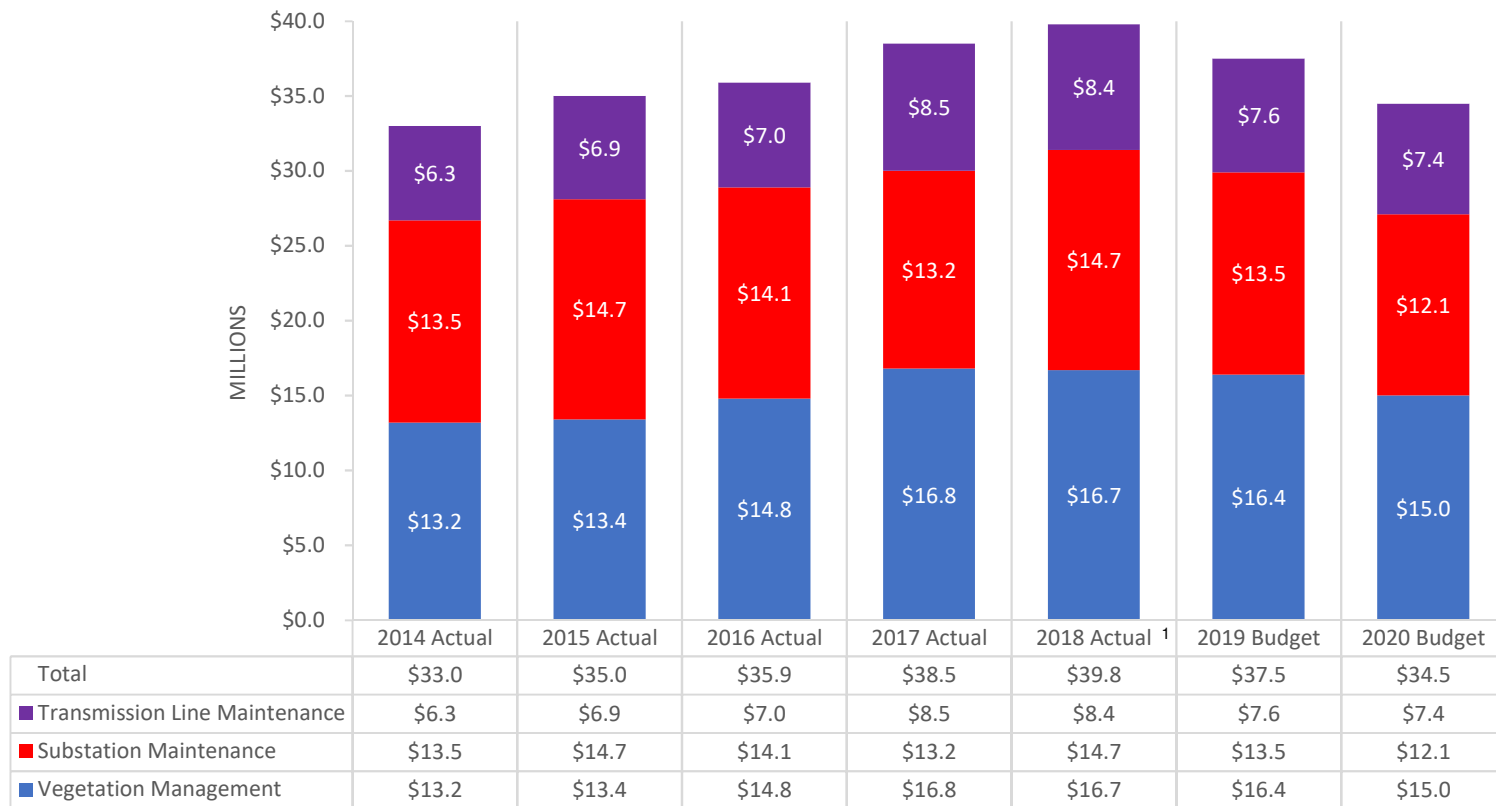


Asset Management

Forced Outages vs. Maintenance O&M



Maintenance Work Plan



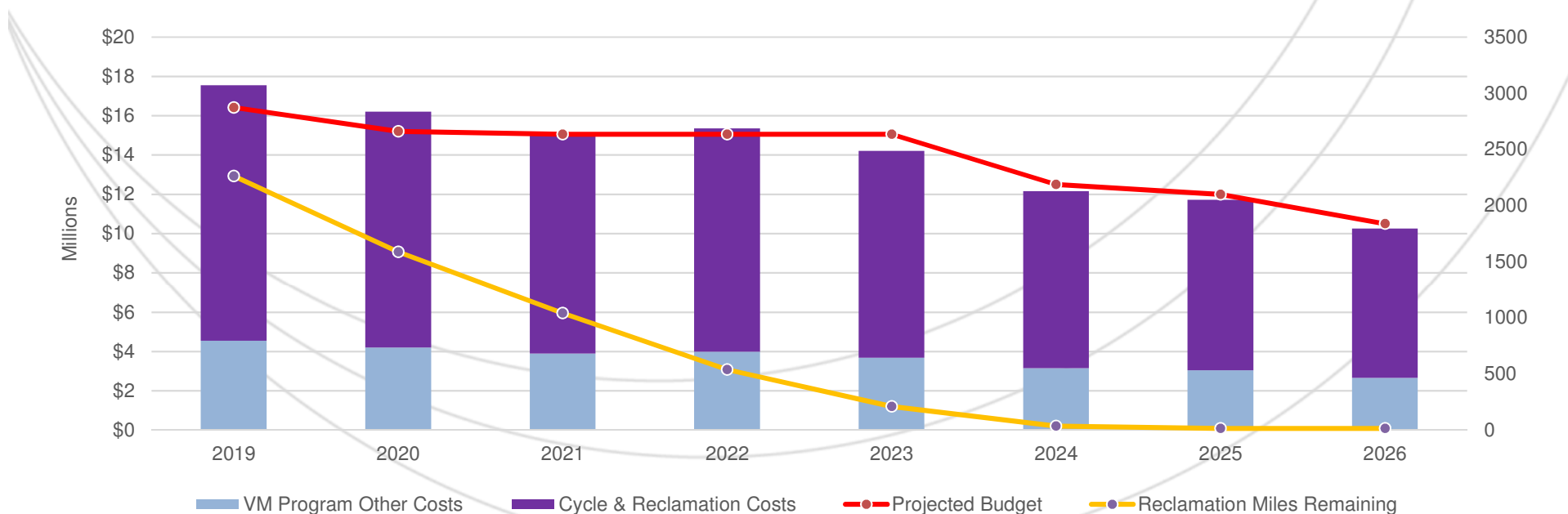
¹ 2018 actuals exclude the impact of Straits cable event of \$3.7M

Right of Way (ROW) Reclamation

- Performance improvement objectives:
 - Safety, reliability, cost
- Tall growing species removed from ROW
- Current Completion Status:
 - 345 kV: Completed in 2015
 - 138 kV: 80% Complete
 - 69 kV: 50% Complete
- Reduced costs (total cost) (Line W-5 example)
 - 2013: \$533,523
 - 2018: \$124,848
 - **77% cost reduction after reclamation**



Vegetation Management Reclamation Plan



- ~2,000 miles remaining (500 miles 138kV and 1,500 miles 69kV)
- 400 miles of reclamation work each year over the next five years

Capital Investment

2020 – Top 10 Projects by Spending Level

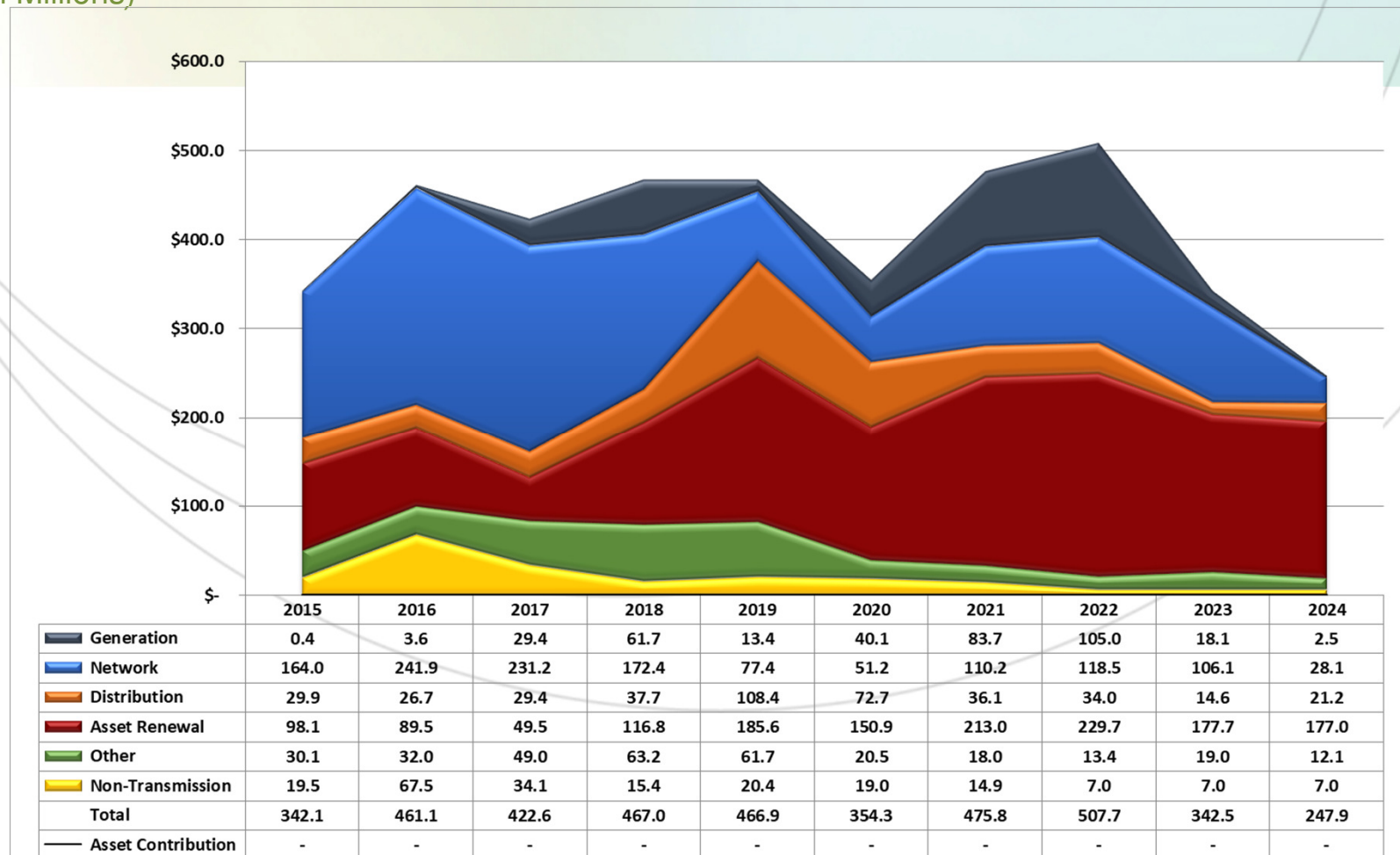
(\$ in Millions)

	[A]	[B]	[C]	[D]	[E]
	Project Name / Description	2020	Total Project	Reason	2020 Status
1	Generation Interconnections	\$ 40.1	\$ 357.7	MISO Submittals	Construction
2	Juneautown T-D	\$ 19.1	\$ 34.4	Distribution	Construction
3	Mackinac-McGulpin Straits Cable Replacement	\$ 16.6	\$ 113.8	Asset Renewal	Engineering
4	Cardinal Hickory Creek New 345kV TL	\$ 14.0	\$ 237.8	Network Reliability	Engineering
5	Rebuild 2 69Kv Lines (Y19 and Y180)	\$ 13.9	\$ 16.9	Asset Renewal	Construction
6	Paris - Burlington Line Rebuild	\$ 11.2	\$ 16.0	Asset Renewal	Construction
7	Portage - Staff - North Randolph (X6 and X98) Line Rebuild	\$ 11.0	\$ 17.3	Asset Renewal	Construction
8	Projects from NERC Alerts/ Rating Issues	\$ 7.8	\$ 37.0	Asset Renewal	Construction
9	Odgen Street Networking	\$ 7.1	\$ 17.1	Network Reliability	Construction
10	Sturgeon Bay Channel (T46) Replace UG Cables	\$ 7.1	\$ 9.2	Network Reliability	Construction
11	All Other Transmission	\$ 206.4			
TOTAL		\$ 354.3			

- *Changing mix of projects away from major projects*
- *Top 10 projects represent \$148M or 42% of the 2020 total*

Capital History and Forecast by Category

(\$ in Millions)



- 2020 capital expenditures were estimated to be \$441.0M in the October 2018 customer presentation

2020 – Top 5 Project O&M Drivers

(\$Thousands)

	Project Name / Description	Project Type	2019
1	Projects resulting from NERC Alerts / Ratings Issues	Asset Renewals	\$ 1,170
2	Wood Structure Replacements	Asset Renewals	468
3	N Lake-M38-138kV NLKG31 Rerate	Asset Renewals	260
4	Badger Coulee Project T-Lines	Network Reliability	194
5	Bayport-Pioneer 69kV Rebuild	Network Reliability	187
6	All Others		4,637
Total			\$ 6,916

- The top 5 projects represent 33% of the 2020 total Project O&M*

Democratic National Convention

Milwaukee, July 13th – July 16th 2020

- **ATC Role - infrastructure security during event**
 - Advance inspections of key facilities
 - Preventive maintenance
 - Operations strategic plan
 - Physical and cyber security measures
- **Engagement and coordination**
 - Local electric distribution company (We Energies)
 - Government
 - City of Milwaukee
 - Department of Homeland Security
 - Secret Service
- **Estimated costs**
 - \$4M of capital (replacement of switches)
 - Would have been replaced as part of our capital plan; simply accelerating timing
 - Additional costs possible based on results of inspections
 - \$250K - \$500K of O&M



Questions

Appendix

Five-Year Outlook

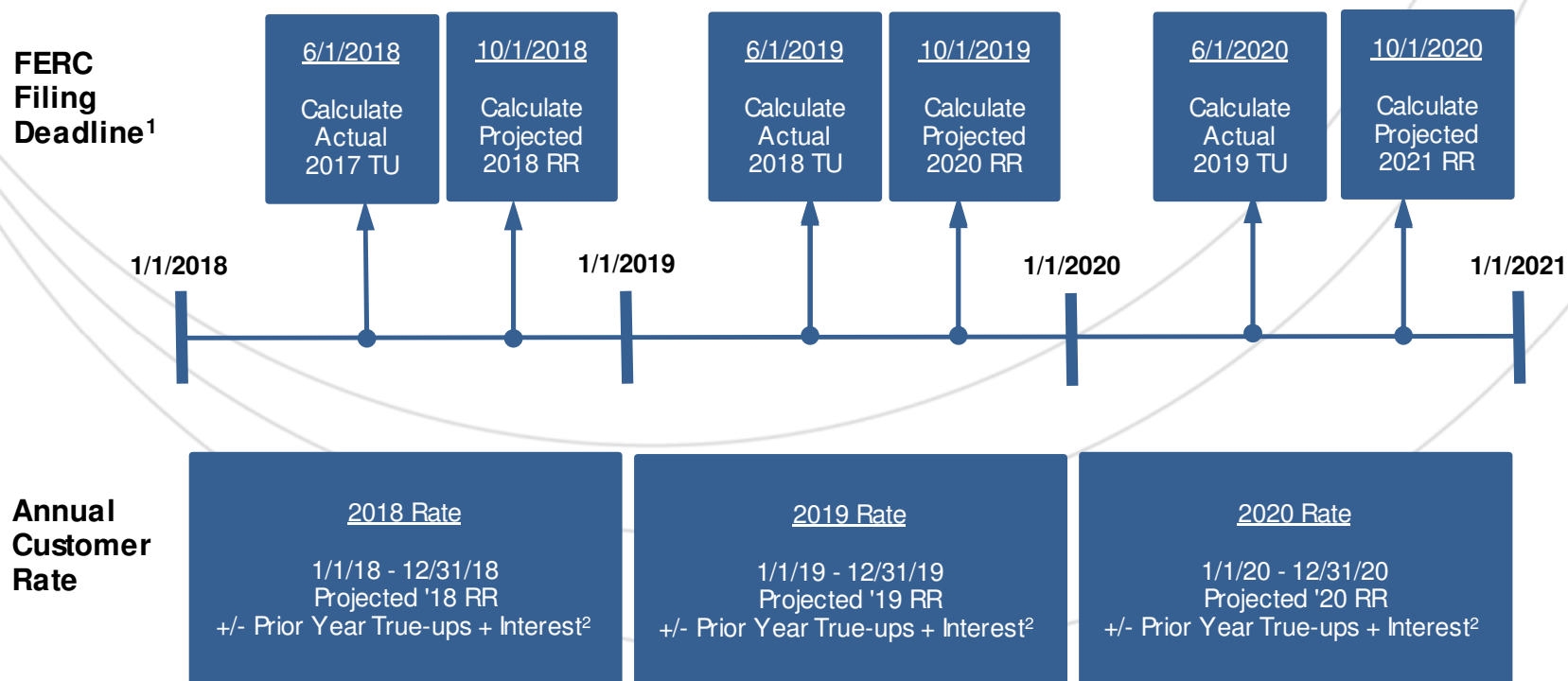
(\$Thousands)

	2019		2020		2021		2022		2023	
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
(1) Return on Rate Base	298,271	40.9%	308,848	41.2%	303,738	40.3%	316,660	40.5%	327,453	40.7%
(2) Income Taxes	62,045	8.5%	65,023	8.7%	62,333	8.3%	65,018	8.3%	66,971	8.3%
(3) Depreciation Expense	181,441	24.9%	195,614	26.1%	203,582	27.0%	212,442	27.2%	217,993	27.1%
(4) Capital Costs	541,758	74.2%	569,484	76.0%	569,653	75.6%	594,121	76.0%	612,417	76.1%
(5) Operations and Maintenance Expense	150,238	20.6%	147,204	19.7%	145,721	19.3%	145,724	18.6%	147,919	18.4%
(6) Project O&M	7,115	1.0%	6,916	0.9%	12,269	1.6%	14,325	1.8%	15,954	2.0%
(7) Precertification Expense	6,447	0.9%	1,001	0.1%	673	0.1%	1,792	0.2%	2,000	0.2%
(8) Property and Other Taxes	24,455	3.3%	24,288	3.2%	24,966	3.3%	25,668	3.3%	26,394	3.3%
(9) Operating Expenses	188,255	25.8%	179,409	24.0%	183,628	24.4%	187,508	24.0%	192,267	23.9%
(10) Total Revenue Requirement	730,013	100.0%	748,893	100.0%	753,281	100.0%	781,629	100.0%	804,685	100.0%
Offsets										
(11) RECB Revenue	(101,021)		(100,369)		(95,951)		(93,740)		(91,489)	
(12) MVP Revenue	(41,130)		(36,749)		(37,684)		(43,548)		(50,203)	
(13) Other MISO Revenues	(22,794)		(23,112)		(23,553)		(24,008)		(24,476)	
(14) Other Revenue Sources	(1,718)		(1,600)		(1,600)		(1,600)		(1,600)	
(15) (Over)/Under Network Collection	2,388		(0)		(0)		(0)		(0)	
(16) 2017 True-up	4,136		0		0		0		0	
(17) 2018 True-up	0		(10,908)		0		0		0	
(18) 2019 True-up	0		0		0		0		0	
(19) Network Billed Revenue	569,874		576,156		594,492		618,733		636,917	

- The RECB (line 11) and MVP (line 12) amounts represent credits to ATC's expected portion of RECB and MVP revenues received from MISO relating to ATC projects
- Each company should use their load ratio share multiplied by the Network Billed Revenue (line 19) above to arrive at an estimate of Schedule 9 (Network Service) expense for each year



Timing of True-ups



- 1) Annual Rates are posted on OASIS on or before October 1st and True-ups on or before June 1st
- 2) ATC is required to refund any over-collected network amounts, plus interest, within two years subsequent to the rate year.