

Stakeholder Presentation 2021 Budget

PRESENTED BY

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Welcome & Overview

Topic	Presenter
Welcome	Randy Karls
Budget Overview	Eric Lundberg
Asset Management	Jim Vespalec
Capital Investment	Matt Weber
Q&A	All
Summary & Close	Randy Karls

Budget Highlights

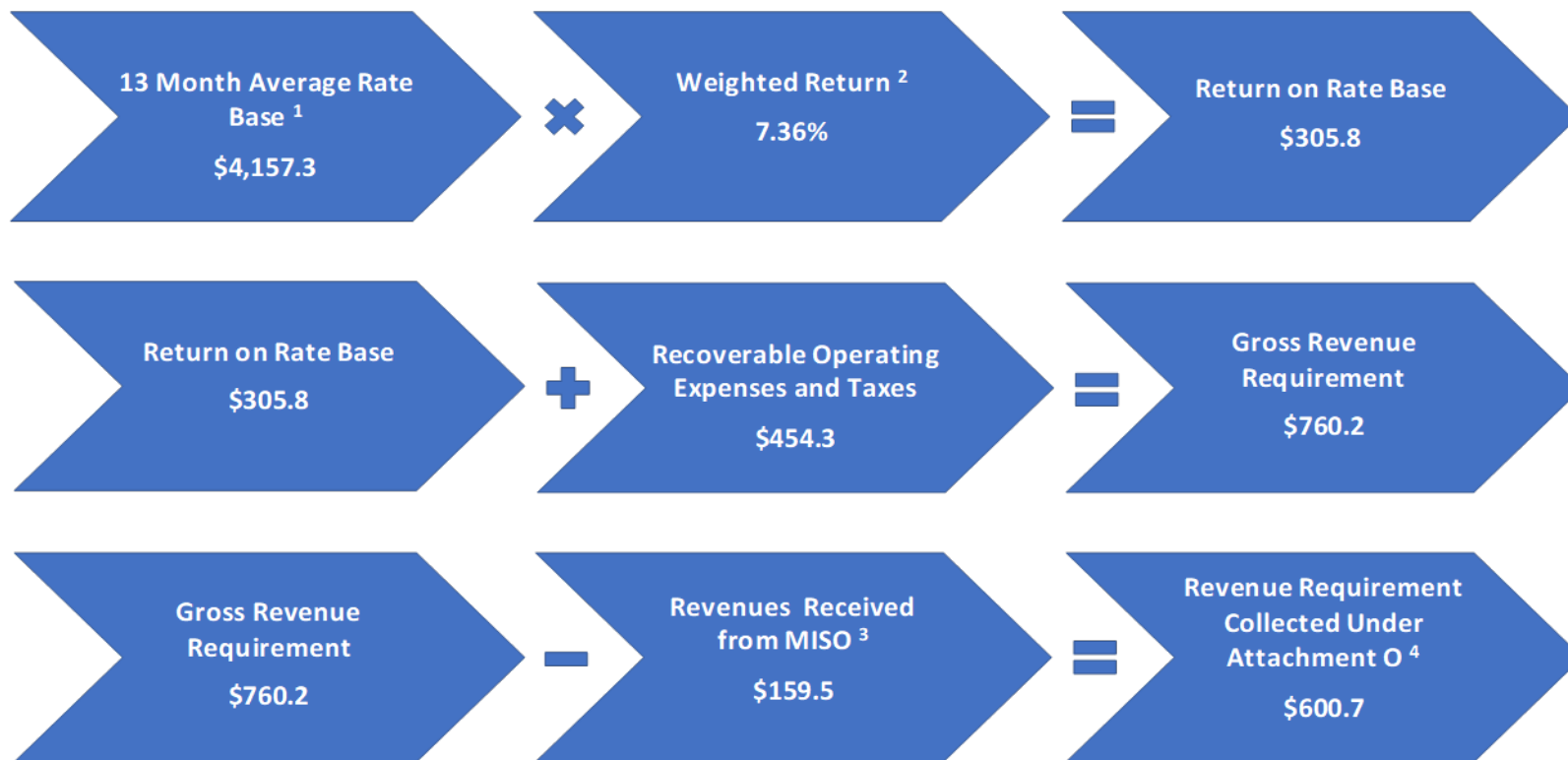
- Proposed O&M is \$143.1M; a 3.0% decrease from the 2020 budget of \$147.6M
- Revenue requirement is \$760.2M; a 1.5% increase from the 2020 budget of \$748.9M
 - Lower operating expenses and lower ROE helping to offset increases in rate base
- Network revenue is \$601.5M; a 2.4% increase compared to the 2020 budget of \$587.1M

2021 Key Budget Assumptions

- Return on Equity (ROE)
 - 10.52% for full year 2021
 - 2020 budget was 10.82%
- Cardinal Hickory Creek
 - Easement acquisition
 - Start of construction in November 2021
- Generator Interconnections
 - \$50M, approximately 12% of total capital expenditures
- Long and short-term interest rates
 - No new long-term debt issuance in 2021
 - Average short-term interest rate – 0.5%
- COVID-19
 - Employees return to office in 2021
 - \$1.2M reduction of employee expenses
- Unplanned maintenance
 - No major event
 - No significant equipment failures

2021 Projected Network Revenue Requirement

(\$ in 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 increase by \$0.9M for prior year true-ups

Network Revenue Requirement Projection

(\$ in Millions)

	2020 Forecast	2021 Proposed	2022 Forecast	2023 Forecast	2024 Forecast
Return on Rate Base	300.6	305.8	315.1	326.9	337.8
Income Taxes	70.5	70.1	66.6	68.7	70.9
Depreciation	194.1	203.5	210.4	217.2	232.0
Operations & Maintenance	148.7	142.7	145.2	147.4	149.6
Other Operating Expenses	33.3	38.1	37.2	41.9	41.2
Total Revenue Requirement	747.3	760.2	774.5	802.1	831.5
Offsets					
RECB (Schedule 26)	(99.9)	(97.2)	(95.6)	(96.2)	(94.3)
MVP (Schedule 26-A)	(36.0)	(37.3)	(42.7)	(49.6)	(56.0)
Point-to-Point (Schedule 7 & 8)	(8.2)	(8.4)	(8.4)	(8.4)	(8.4)
Load Dispatch (Schedule 1)	(14.6)	(15.0)	(15.5)	(15.9)	(16.4)
Other Operating Revenue	(1.7)	(1.6)	(1.6)	(1.6)	(1.6)
Over/(Under) collection	1.5	(0.0)	(0.0)	(0.0)	(0.0)
Network Revenue Requirement	588.4	600.7	610.8	630.4	654.8
Network True-up Adjustments	4.1	0.8	-	-	-
Network Billed Revenue	592.5	601.5	610.8	630.4	654.8
Network Billed Revenue (Oct 2019)	576.2	594.5	618.7	636.9	
Network Billed Change from Oct 2019	16.4	7.0	(7.9)	(6.5)	

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](#) 

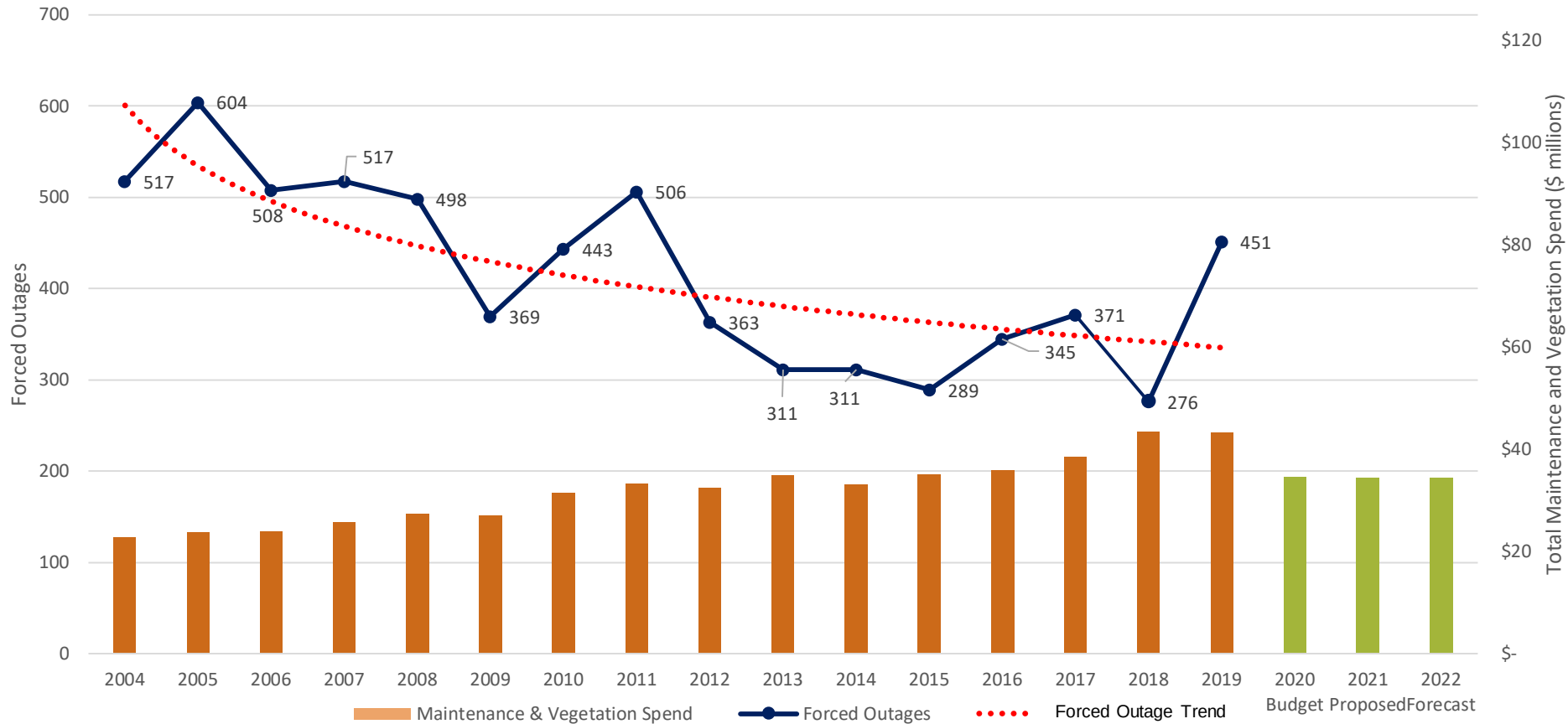
Schedule 26 and 26A Indicative Reports

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

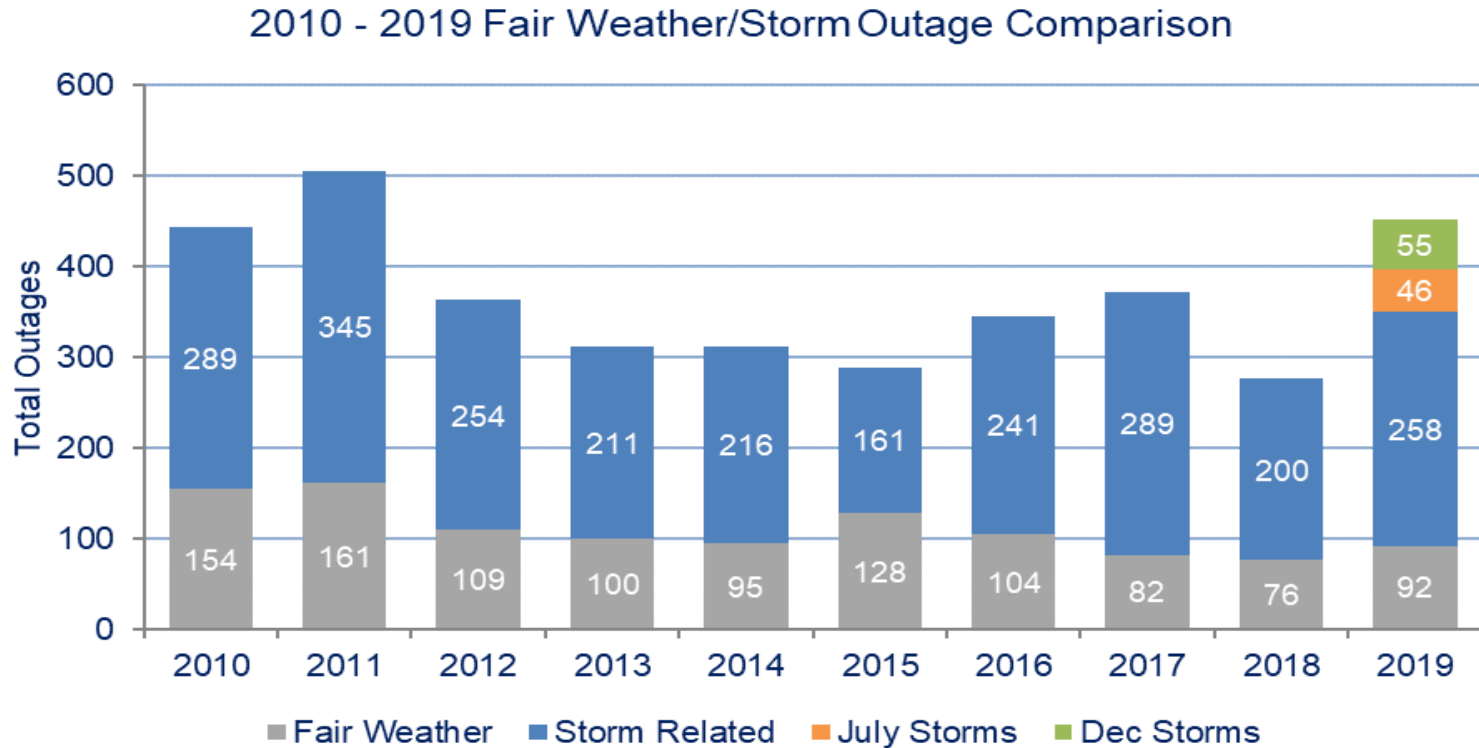
Cost Effective Reliability Improvement



Note: -2018 includes the impact of the Straits cable event of \$3.7M
 -2019 includes the impact of the Blount transformer event of \$1.7M

Five-year average reliability in top decile on 200 kV and above and top quartile for 69 kV to 199 kV (NATF Reliability Report, 2018)

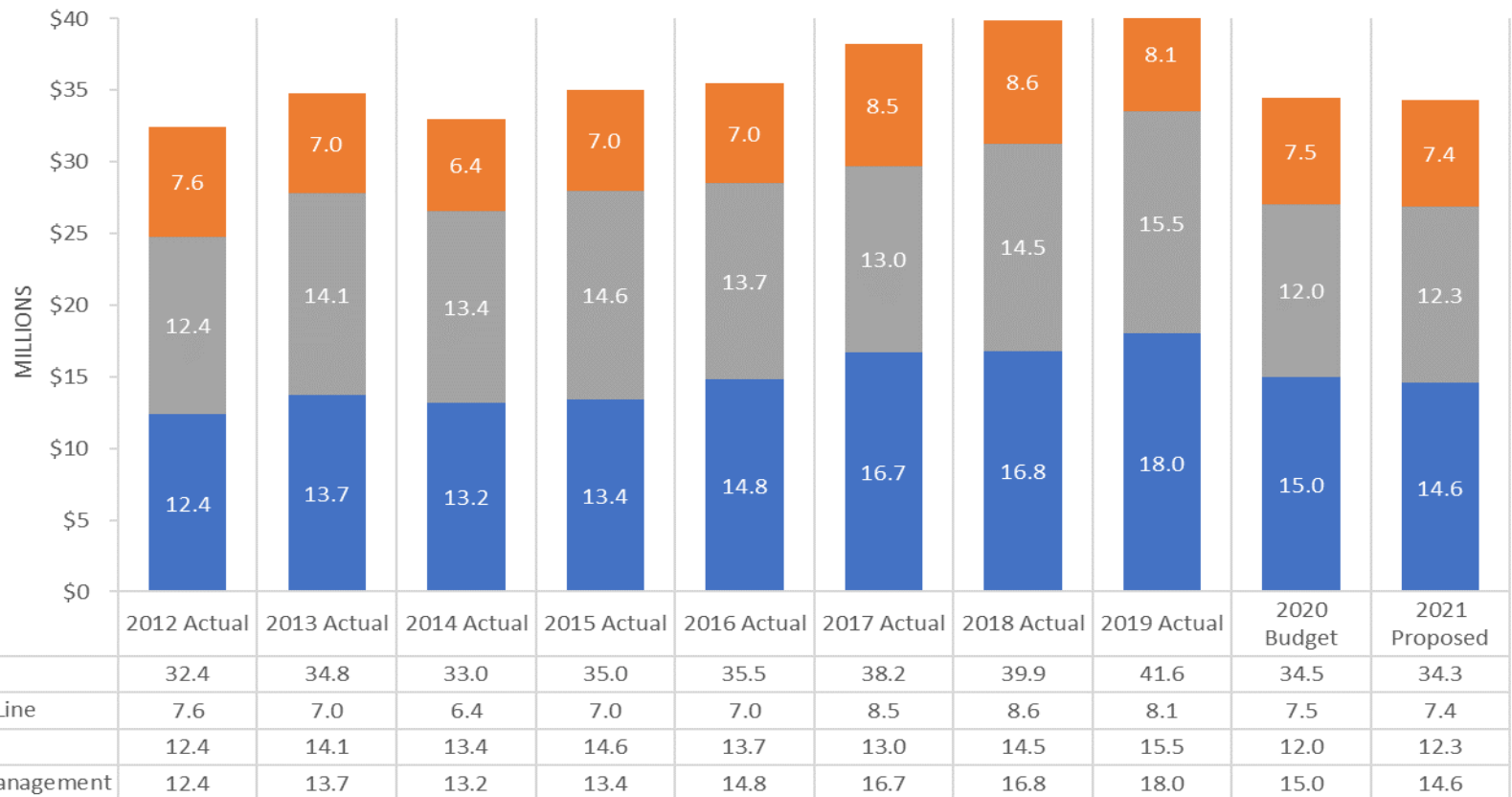
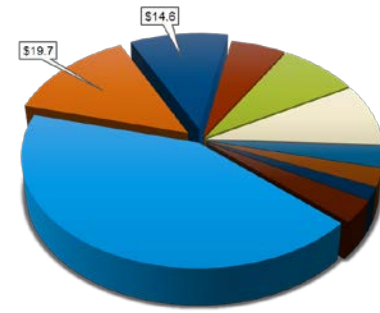
Forced Outages Details



Avian and third parties resulted in 35% of the fair weather outages in 2019

Asset Management

(\$ in Millions)



- 2018 actuals exclude the impact of Straits cable event of \$3.7M
- 2019 actuals exclude the impact of Blount transformer event of \$1.7M

Asset Management:

Right of Way (ROW) Reclamation

- Performance improvement objectives
 - Safety
 - Reliability
 - Cost
- Tall growing species removed from ROW
 - 7,300 miles reclaimed (2007-2019)
 - ◆ ~550 miles per year
 - 2,700 miles remaining
 - ◆ ~350 miles planned in 2020
 - ◆ ~300 miles planned in 2021
- Current completion status:
 - 345 kV: Completed in 2015
 - 138 kV: 85% Complete
 - 69 kV: 55% Complete



Capital Investment

Top 10 Projects

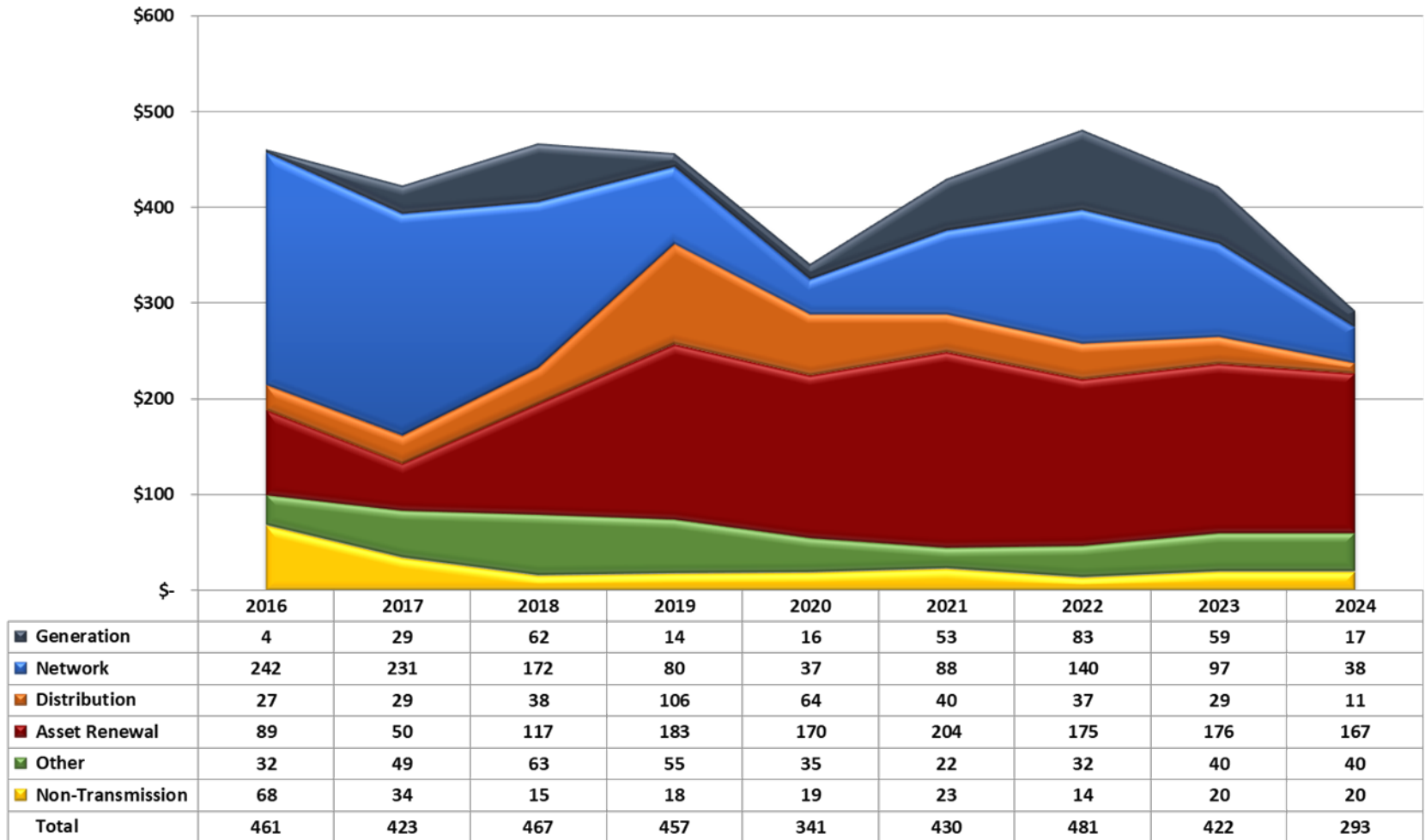
(\$ in Millions)

	Project Name/Description	2021	Total Project	Reason
1	Mackinac-McGulpin Straits Cable Replacement	\$ 59.5	\$ 85.2	Asset Renewal
2	Cardinal Hill Valley New 345 kV Line	30.8	201.9	Network Reliability
3	Bayport-Pioneer 69 kV Line Rebuild	25.3	45.0	Asset Renewal
4	J870 J871 Badger Hollow GIC Network Upgrades	15.5	16.4	Generation
5	Cardinal Hickory Creek New 345 kV Substation	12.7	36.2	Network Reliability
6	New Holstein-Custer (P68) Line Rebuild	12.5	32.8	Asset Renewal
7	Presque Isle-Tilden Loop into National SS	9.2	15.3	Network Reliability
8	Butte des Morts-Sunset Point Line Rebuild	9.1	19.6	Asset Renewal
9	J584 Jordan SS Network Upgrades	5.4	5.9	Generation
10	T46 Replace UG Cables & Rerate (69 kV)	5.4	12.7	Asset Renewal
11	All Other Transmission Projects	244.5		
	Total	\$ 429.9		

Top 10 projects represent \$185M or 43% of the 2021 total

Capital History and Forecast by Category

(\$ in Millions)



Note: 2020 is forecast

Questions

Appendix

Five-Year Outlook

(\$ in Millions)

		2020		2021		2022		2023		2024	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
(1)	Return on Rate Base	300.6	40.2%	305.8	40.2%	315.1	40.7%	326.9	40.8%	337.8	40.6%
(2)	Income Taxes	70.5	9.4%	70.1	9.2%	66.6	8.6%	68.7	8.6%	70.9	8.5%
(3)	Depreciation Expense	194.1	26.0%	203.5	26.8%	210.4	27.2%	217.2	27.1%	232.0	27.9%
(4)	Capital Costs	565.3	75.6%	579.3	76.2%	592.1	76.4%	612.8	76.4%	640.7	77.1%
(5)	Operations and Maintenance Expense	148.7	19.9%	142.7	18.8%	145.2	18.7%	147.4	18.4%	149.6	18.0%
(6)	Project O&M	6.7	0.9%	7.6	1.0%	9.0	1.2%	11.1	1.4%	9.6	1.2%
(7)	Precertification Expense	1.1	0.1%	3.8	0.5%	.6	0.1%	2.5	0.3%	2.0	0.2%
(8)	Property and Other Taxes	25.5	3.4%	26.8	3.5%	27.6	3.6%	28.3	3.5%	29.6	3.6%
(9)	Operating Expenses	182.0	24.4%	180.8	23.8%	182.4	23.6%	189.3	23.6%	190.8	22.9%
(10)	Total Revenue Requirement	747.3	100.0%	760.2	100.0%	774.5	100.0%	802.1	100.0%	831.5	100.0%
Offsets											
(11)	RECB Revenue	(99.9)		(97.2)		(95.6)		(96.2)		(94.3)	
(12)	MVP Revenue	(36.0)		(37.3)		(42.7)		(49.6)		(56.0)	
(13)	Other MISO Revenues	(22.8)		(23.4)		(23.9)		(24.3)		(24.8)	
(14)	Other Revenue Sources	(1.7)		(1.6)		(1.6)		(1.6)		(1.6)	
(15)	(Over)/Under Network Collection	1.5		(0.0)		(0.0)		(0.0)		(0.0)	
(16)	2018 True-up	(10.9)		(0.0)		(0.0)		(0.0)		(0.0)	
(17)	2019 True-up	(0.0)		0.9		(0.0)		(0.0)		(0.0)	
(18)	Network Billed Revenue	577.5		601.5		610.8		630.4		654.8	

- The RECB (line 11) and MVP (line 12) amounts represent revenues received from MISO relating to ATC's regionally cost shared 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

