

# Stakeholder Presentation 2024 Budget

## **PRESENTED BY:**

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# Agenda

- Welcome
- Budget overview
  - Highlights
  - O&M
  - Capital investment
- Q&A

# Budget highlights

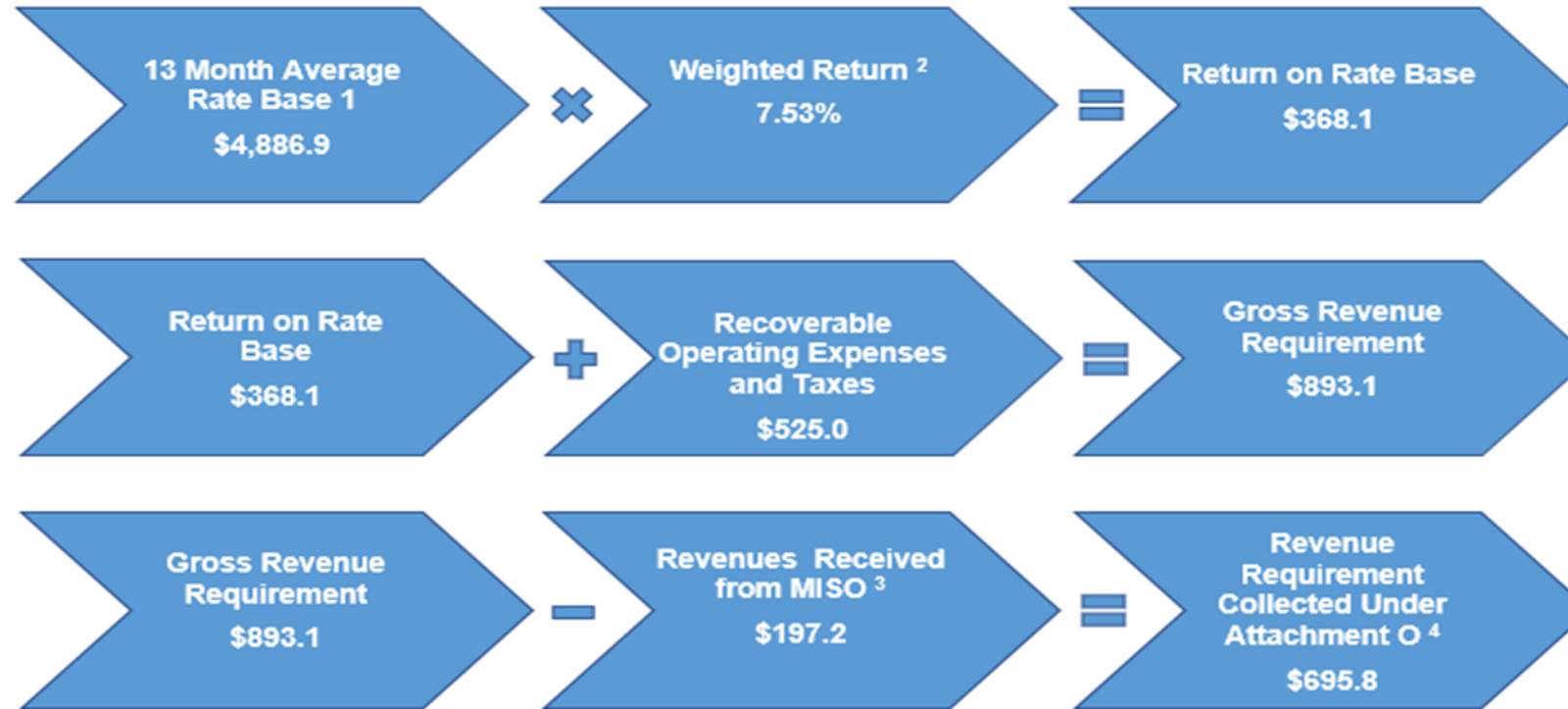
- Proposed O&M is \$159.2M; a 4.1% increase from the 2023 budget of \$153.0M
  - Support our five strategic focus areas of safety, security, reliability, people and financial
- Revenue requirement is \$893.4.0M; a 9.4% increase from the 2023 budget of \$816.0M
  - Increase due to capital additions to rate base and a higher weighted debt rate
- Network revenue is \$695.8M; a 8.7% increase compared to the 2023 budget of \$640.0M

# 2024 Key budget assumptions

- Return on equity (ROE)
  - Revenue requirement – reflects the current approved ROE of 10.52%
- Capital projects
  - Generator and distribution interconnection projects anticipated to be 26% (\$168M) of capital plan
- Asset maintenance
  - Execution of ATC's base maintenance and NERC compliance programs
  - Continue to leverage data and technology with a focus on cost efficiency and managing risk
  - No major event or significant equipment failures have been factored into the budget

# 2024 Projected network revenue requirement

(\$ in Millions)



<sup>1</sup> Includes CWIP and new assets placed in-service.

<sup>2</sup> Comprised of 50% Weighted Cost of Debt and 50% Allowed Return on Equity.

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

<sup>4</sup> Actual billed revenue will be decreased by the 2022 true-up of \$3.1M

# Network revenue requirement projection

(\$ in millions)

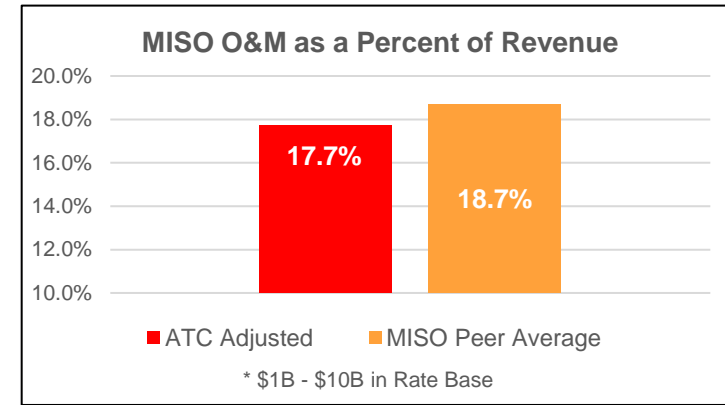
	2023 Forecast	2024 Proposed	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Rate Base (13 Month Average)	4,595.5	4,886.9	5,317.7	5,818.1	6,456.4	7,391.1
Return on Rate Base	345.2	368.1	398.2	441.3	497.5	572.1
Income Taxes	74.5	78.0	82.6	89.7	100.0	115.3
Depreciation	208.6	228.4	248.0	266.3	283.3	302.0
Operations & Maintenance	154.1	158.9	165.5	168.8	172.1	175.6
Other Operating Expenses	45.6	59.7	61.1	57.5	56.9	58.7
<b>Total Revenue Requirement</b>	<b>828.0</b>	<b>893.1</b>	<b>955.4</b>	<b>1,023.6</b>	<b>1,110.0</b>	<b>1,223.7</b>
Offsets						
RECB (Schedule 26)	(96.2)	(98.3)	(100.3)	(101.0)	(102.4)	(101.7)
MVP (Schedule 26-A)	(63.1)	(71.8)	(75.0)	(73.0)	(80.4)	(103.6)
Point-to-Point (Schedule 7 & 8)	(10.5)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Load Dispatch (Schedule 1)	(15.5)	(15.5)	(15.9)	(16.3)	(16.7)	(17.1)
Other Operating Revenue	(1.8)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Over/(Under) collection	(0.9)	0.0	0.0	0.0	0.0	0.0
<b>Network Revenue Requirement</b>	<b>640.0</b>	<b>695.8</b>	<b>752.6</b>	<b>821.6</b>	<b>898.8</b>	<b>989.7</b>
Network True-up Adjustments	(6.6)	(3.1)	-	-	-	-
<b>Network Billed Revenue</b>	<b>633.4</b>	<b>692.8</b>	<b>752.6</b>	<b>821.6</b>	<b>898.8</b>	<b>989.7</b>
<b>Network Billed Revenue (Oct 2022)</b>	<b>633.4</b>	<b>702.8</b>	<b>752.3</b>	<b>812.7</b>		
Network Billed Change from Oct 2022	0.0	(10.0)	0.3	8.9		

# Budget Details

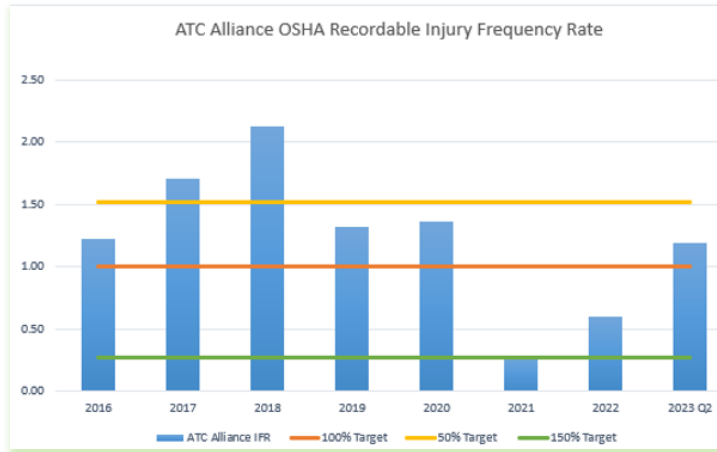
# Delivering value

- O&M Efficiency

- ATC's O&M is in the top half for O&M efficiency and compares favorably to our MISO peer group
- ATC spends more per dollar on reliably operating and maintaining the system and less on administration and general (A&G) than our peer group
  - ◆ ATC A&G/Total O&M – 27%
  - ◆ MISO Peer average A&G/Total O&M – 37%



ATC adjusted for tax-exempt, ROE and equity layer

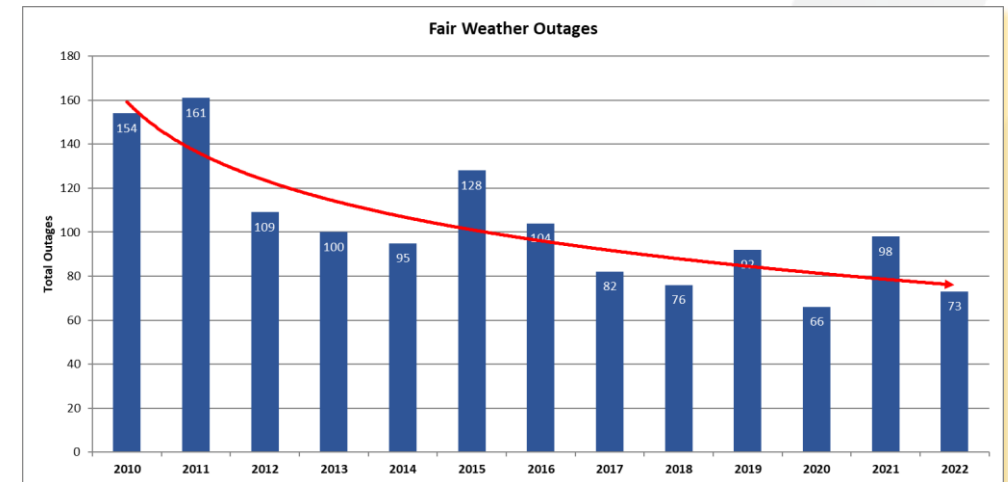


- Safety

- ATC's alliance contractors have worked more than 100 consecutive days without a recordable injury, with three contractors each having more than 850 consecutive days without a recordable
- However, through the second quarter of 2023, there have been three recordable injuries, one of which resulted in lost workdays

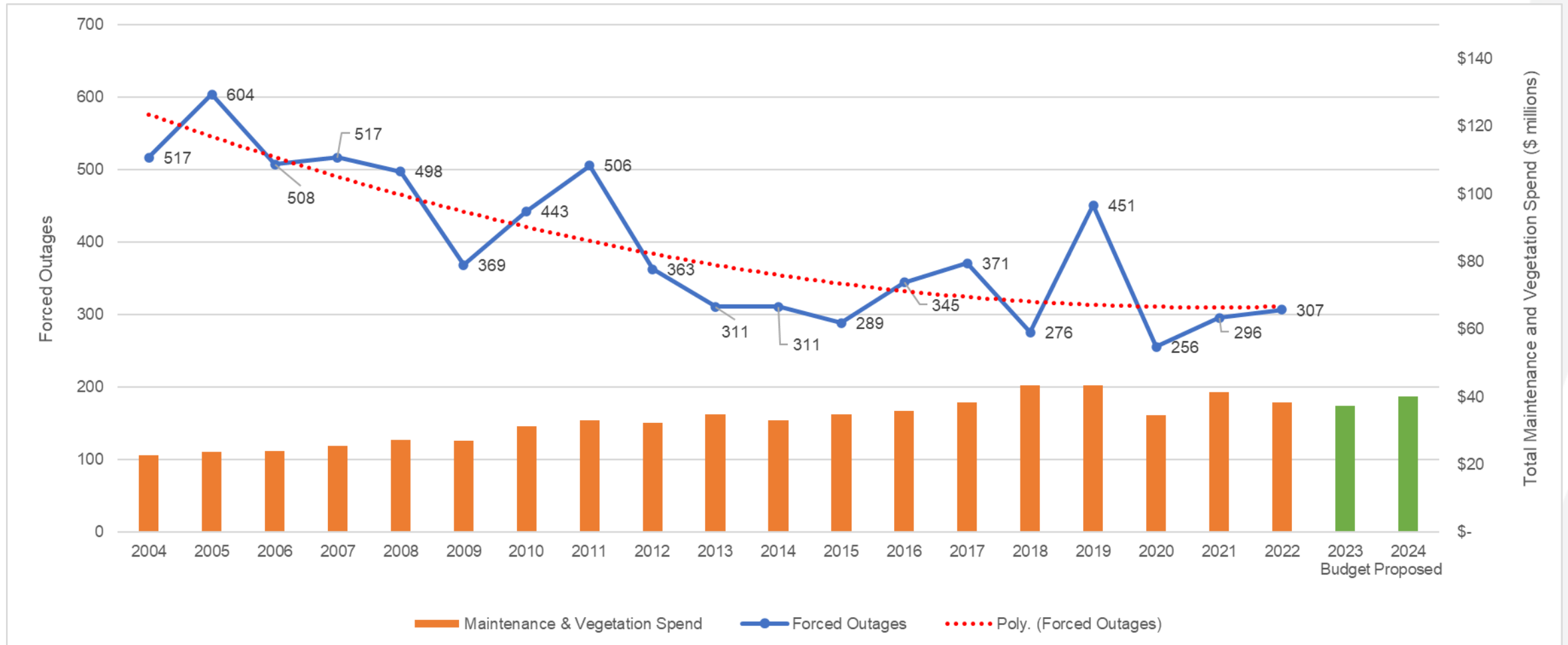
- Reliability

- Network upgrades, asset renewal and maintenance programs have helped to decrease fair weather outages by over 50% since 2010
- In 2022, ATC's TSAIDI and TSAIFI performance was better than our 5-year historical average and achieved a record low of two bulk power outages (200 kV and above)





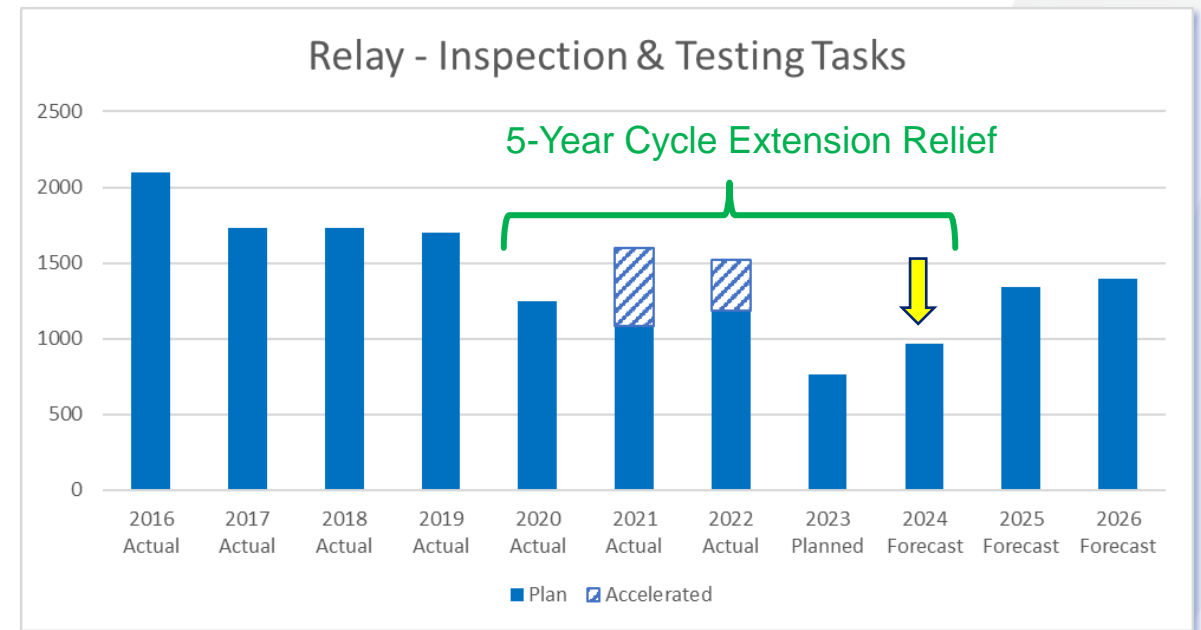
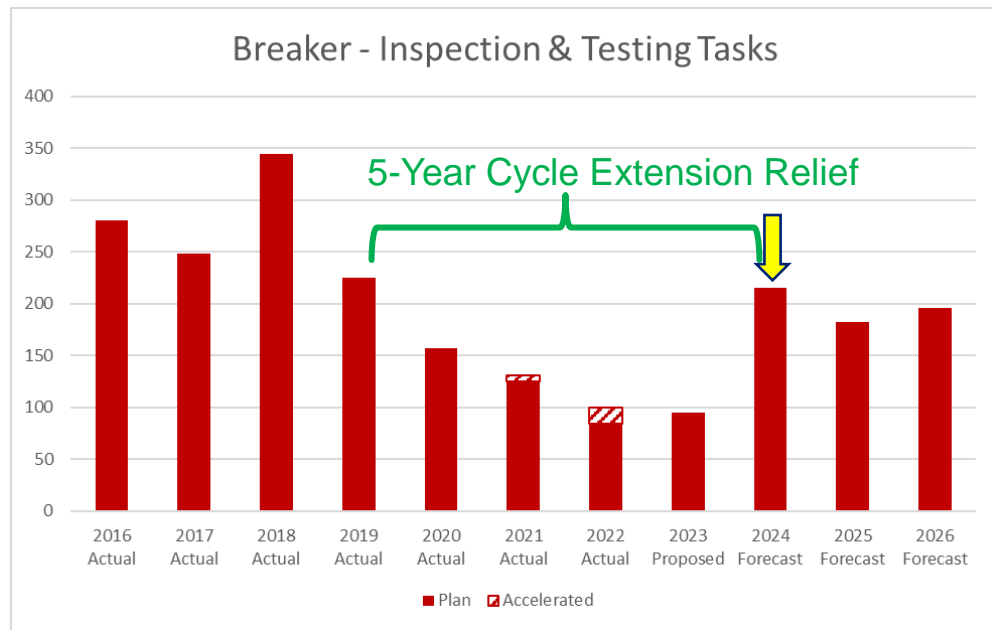
# Cost effective reliability improvement



**In 2022, ATC's TSAIDI and TSAIFI performance was better than our 5-year historical average**

# Substation maintenance program

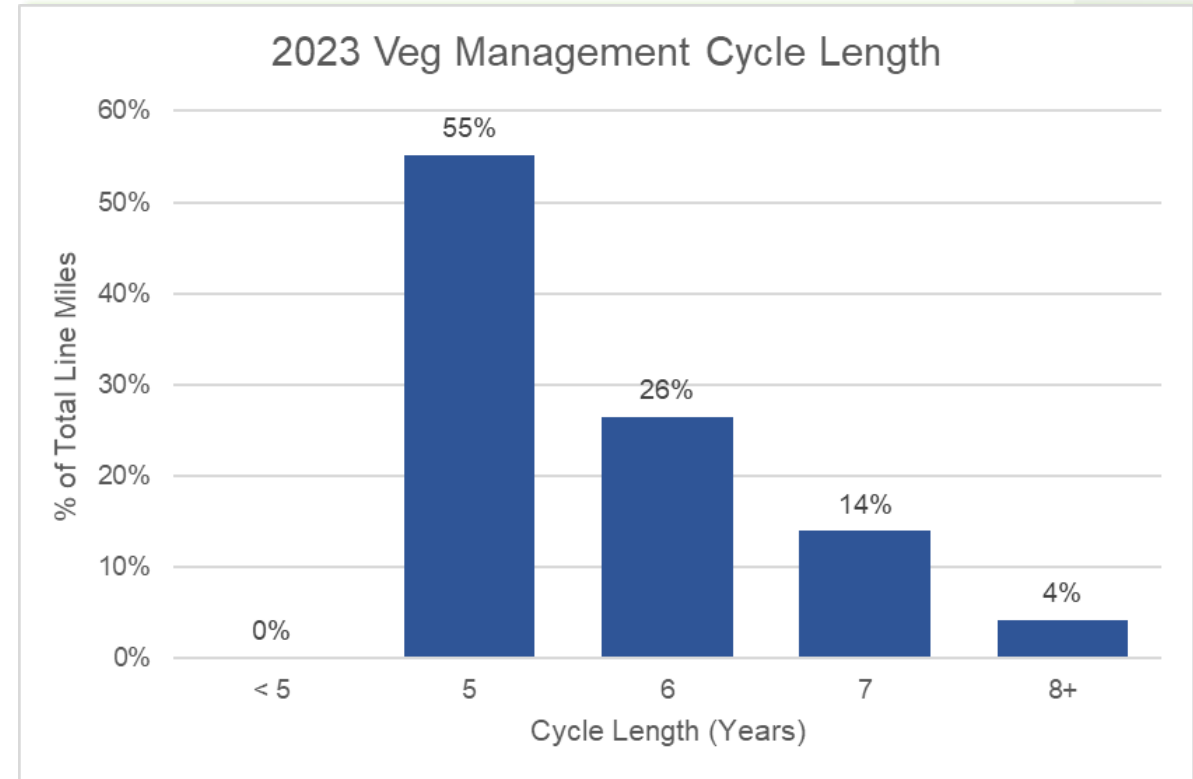
- Performance based cycle extensions have provided relief, but are coming due beginning in 2024
  - In 2020, non-Mitsubishi gas circuit breakers went from eight to a ten-year cycle
  - In 2019, Mitsubishi gas circuit breakers and microprocessor relays increased from ten to a 15-year cycle



# Vegetation clearing

## Cycle optimization

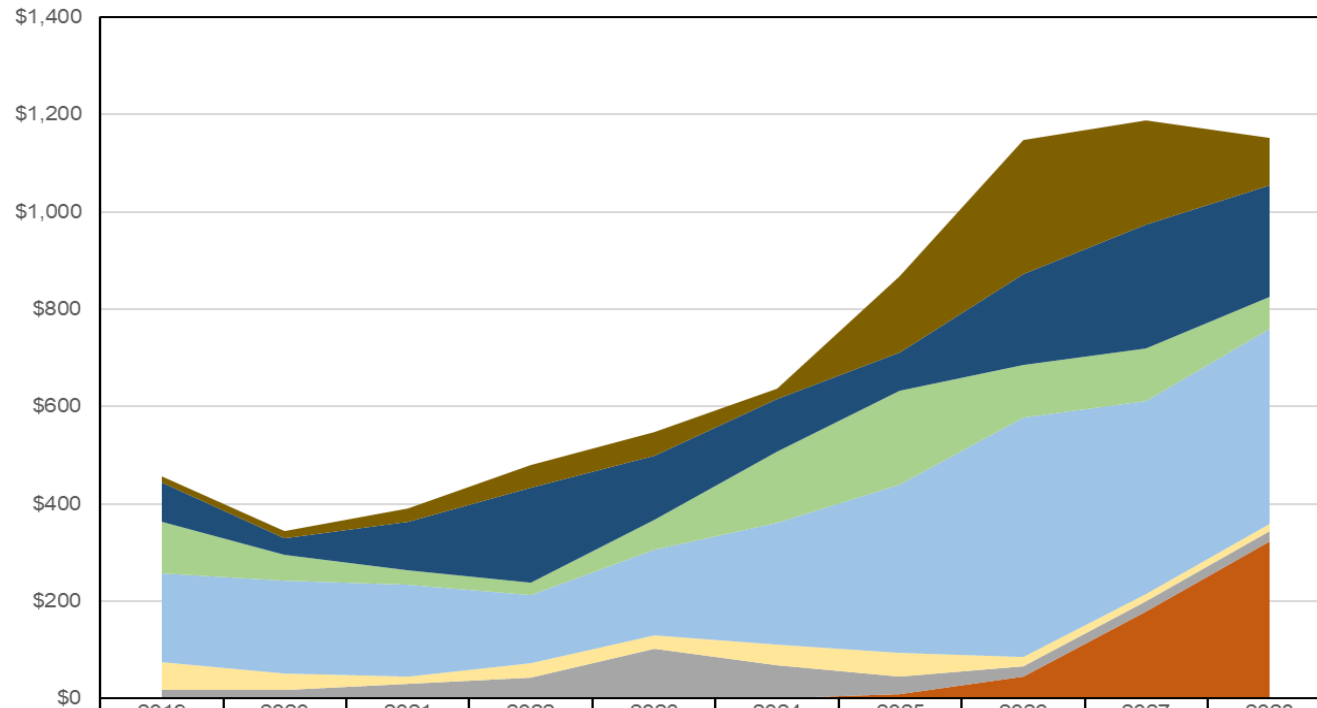
- Identifying the ideal maintenance cycle length that balances risk with the cost to maintain
  - Typical cycle length is 5 years
- Optimization of cycle length using data and technology
  - LiDAR, tree risk & line criticality scores, satellite imagery
- Further optimization
  - High resolution satellite imagery initiative in 2023
  - Investment \$180K
- Potential lifecycle optimization relief \$500K
  - Target 69kV & 138kV lines



# Capital Investment

# Capital expenditures by category

(\$'s in millions)



	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
■ Generation	14	14	28	48	49	21	157	275	213	98
■ Network	80	33	100	194	131	107	78	186	255	227
■ Distribution	106	55	30	25	61	147	194	109	108	66
■ Asset Renewal	183	190	188	140	175	249	345	492	397	401
■ Other	55	33	15	30	29	43	48	20	15	17
■ Non-Transmission	18	18	31	42	101	68	37	20	20	20
■ Long Range Transmission Plan	-	-	-	-	-	-	9	45	179	323
<b>Total</b>	<b>457</b>	<b>343</b>	<b>392</b>	<b>481</b>	<b>547</b>	<b>636</b>	<b>867</b>	<b>1,147</b>	<b>1,187</b>	<b>1,152</b>

- Generator Interconnections, Asset Renewal and MISO Long Range Transmission Plan (LRTP) driving new capital peaks in 2024+
- Reflects the 2022 Generator Interconnections queue
- Does not include:
  - Pending affected system impact studies
  - Future Generator Interconnection queues
  - LRTP Tranche 2
  - "31" Load Pocket Opportunities

# Generation interconnections

(\$ in millions)

Project Phase	# of Projects	2024	2025	2026	2027	2028	Total
2020 DPP Cycle (Phase 3)	22	\$4	\$58	\$122	\$60	\$0	\$243
2021 DPP Cycle (Phase 2)	30	\$1	\$28	\$87	\$94	\$54	\$263
2022 DPP Cycle (Phase 3)	33	\$0	\$28	\$28	\$28	\$28	\$112
Signed GIAs	26	\$17	\$44	\$39	\$32	\$16	\$147
<b>Total Generation Capital Expenditures</b>		<b>\$21</b>	<b>\$157</b>	<b>\$275</b>	<b>\$213</b>	<b>\$98</b>	<b>\$766</b>

# Network projects

(\$ in millions)

Project	2024	2025	2026	2027	2028	Total
SE Wisconsin 230kV Conversion	\$0	\$4	\$88	\$100	\$100	\$292
Granville-Bluemound 345kV/138kV	\$0	\$0	\$23	\$39	\$55	\$118
Rock County Reliability	\$44	\$1	\$0	\$0	\$0	\$45
Eden-Rock Branch Uprate	\$0	\$0	\$5	\$36	\$2	\$43
North Central Reliability	\$0	\$3	\$18	\$15	\$9	\$45
Renewable Reinforcement Project	\$0	\$0	\$5	\$20	\$25	\$50
Other Network Projects	\$63	\$69	\$47	\$45	\$36	\$261
<b>Total Network Capital Expenditures</b>	<b>\$107</b>	<b>\$78</b>	<b>\$186</b>	<b>\$255</b>	<b>\$227</b>	<b>\$853</b>

# Distribution interconnections

(\$ in millions)

Project	2024	2025	2026	2027	2028	Total
Racine County DIC	\$98	\$81	\$24	\$43	\$35	\$282
Colburn DIC	\$0	\$0	\$14	\$25	\$0	\$39
Plymouth 5 Substation DIC	\$2	\$3	\$15	\$9	\$0	\$29
Gardner DIC	\$0	\$0	\$0	\$2	\$18	\$20
Chippewa County DIC	\$1	\$9	\$13	\$23	\$0	\$46
Other Distribution Projects	\$46	\$100	\$44	\$6	\$13	\$208
<b>Total Distribution Capital Expenditures</b>	<b>\$147</b>	<b>\$194</b>	<b>\$109</b>	<b>\$108</b>	<b>\$66</b>	<b>\$623</b>



# Asset renewals

(\$ in millions)

Project	2024	2025	2026	2027	2028	Total
T-Line Asset Renewal Program	\$23	\$75	\$149	\$195	\$228	\$670
Substation Asset Renewal Program	\$4	\$19	\$56	\$105	\$135	\$319
Lincoln-43rd St 138kV Rebuild	\$10	\$30	\$15	\$7	\$0	\$62
Norwich-Harbor Underground	\$2	\$3	\$20	\$21	\$18	\$63
Granville SS Bus Reconfiguration	\$15	\$11	\$12	\$0	\$0	\$38
Asset Inventory Program	\$10	\$25	\$51	\$8	\$4	\$98
Hillman-Darlington 138kV Rebuild	\$0	\$1	\$6	\$7	\$17	\$31
Other Asset Renewal	\$186	\$181	\$183	\$54	(\$0)	\$604
<b>Total Asset Renewal Capital Expenditures</b>	<b>\$249</b>	<b>\$345</b>	<b>\$492</b>	<b>\$397</b>	<b>\$401</b>	<b>\$1,883</b>

- ~\$120M per year to address pre-1970s wood poles

# Long range transmission plan

(\$ in millions)

Project	2024	2025	2026	2027	2028	Total
L RTP Tranche 1	\$0	\$9	\$45	\$179	\$323	\$557
L RTP Tranche 2	\$0	\$0	\$0	\$0	\$0	TBD

- With L RTP projects utilizing existing rights of way, the projects will decrease asset renewals especially in 10+ years

In-Service Year	Potential Decrease in Asset Renewals (ISD Dollars)
2025	\$14
2028	\$10
2031	\$10
2035	\$92
2040+	\$55
Total	\$182

Q&A

# 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](http://www.misoenergy.org)):
  - 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 Q2. The posted reports reflect the FERC approved ROE value (plus any applicable adders) and corporate tax rate provided in Attachment O and GG at the time of publication. 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](#)

