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2013 Annual True-up Meeting

July 8, 2014

Welcome & Overview

- Introductions – Randy Karls
- FERC Rate Protocols Order Overview – Bob McKee
- 2013 Attachment O and True-up – Jeff Minor
- Q&A
- Summary & Close – Randy Karls

Revised Rate Protocols Background

- In May 2013, FERC determined that generic and company-specific formula rate protocols of the MISO Transmission Owners (TOs) were insufficient to ensure just and reasonable rates
 - The required revisions addressed these general areas:
 - Scope of participation
 - Transparency of information
 - Challenge procedures
- ATC and the majority of TOs submitted a proposed uniform set of protocols to FERC in September 2013
- The revised process became effective June 1, 2014

2013 Actual Network Revenue Requirement (in \$ millions)



¹ Includes CWIP and new assets placed in-service

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

³ Includes O&M, precertification, depreciation and taxes collected in rates on behalf of taxable owners

⁴ Includes revenues collected under Schedule 26 (RECB), Schedule 26-A (MVP), Schedule 1 and other credits such as Point-to-Point revenues and other operating revenues

2013 Network Revenue

Actual vs. Billed

(in thousands)

	[A] 2013 Actual	[B] 2013 Billed	[C] True-up
[1] Average Rate Base	\$ 2,774,342	\$ 2,811,456	
[2] Weighted Rate of Return	8.49%	8.50%	
[3] Return on Average Rate Base	235,586	238,961	3,375
[4] Provision for Members' Income Taxes	98,922	100,390	1,468
[5] Total Return and Members' Income Taxes	334,508	339,351	4,843
[6] Recoverable Operating Expenses			
[7] Operations & Maintenance ^(a)	157,936	170,691	12,755
[8] Depreciation and Amortization	114,808	113,234	(1,574)
[9] Taxes Other Than Income	19,084	18,179	(905)
[10] Total Recoverable Operating Expenses	291,828	302,104	10,276
[11] Total Revenue Requirement	626,336	641,455	15,119
[12] Amounts Collected from Other Sources			
[13] Regional Cost-sharing (includes Multi-value Projects)	(89,144)	(89,723)	(579)
[14] Scheduling	(11,718)	(10,881)	837
[15] Point-to-Point	(9,572)	(8,401)	1,171
[16] Other	(1,440)	(1,298)	142
[17] Total Amounts Collected from Other Sources	(111,874)	(110,303)	1,571
[18] Network Revenue	\$ 514,462	\$ 531,152	\$ 16,690

(a) Includes Preliminary Survey and Investigation, Project O&M, and Non-project O&M expenses



Network True-up Components

(in millions)

Internal A&G Cost Allocation	\$13.8
Changes in Return on Rate Base	4.8
Revenues Collected from Other Sources	1.6
Depreciation Expense	(1.6)
Taxes Other Than Income Taxes	(0.9)
Other	(1.0)
Network Revenue Over-collection	<u>\$16.7</u>

Internal A&G Cost Allocation

- ATC directly charges or assigns administrative and general (A&G) expenses whenever possible
- During 2013, ATC completed a cost allocation project that ensures:
 - We have a reasonable and defensible cost allocation methodology
 - Costs are charged to customer groups/tariffs in a systematic and rational manner
- Treated as a change in accounting estimate
 - Prospective application only
 - No restatement of prior periods
- 2013 O&M reduction was allocated as follows (in millions):

[1]	Capital	\$10.0
[2]	Precertification	2.8
[3]	Business Development	0.3
[4]	Billables (primarily DATC)	0.6
[5]	Other	0.1
[6]	Total Allocated	<u>\$13.8</u>



Changes In 2013 Total Return And Members' Income Taxes

- Accumulated Deferred Income Taxes (ADIT) – (\$4.3M)
 - ADIT of ATC's taxable owners included as a reduction to rate base
 - Actual ADIT in rate base were \$34M higher than what network billings were based on, resulting in lower actual rate base
 - Cause by timing of American Taxpayer Relief Act of 2012
 - Extended 50% bonus depreciation through 2013
 - Signed into law on January 2, 2013, after projected revenue requirement for 2013 billings was posted on OASIS and rates were established for MISO billing purposes
- Capital expenditures – (\$0.2M)
- Other rate base items – (\$0.3M)

Historical Network True-Ups

(in millions)

	[A]	[B]	[C]	[D]	[E]
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
[1] Actual	\$462.9	\$490.1	\$496.6	\$511.0	\$514.5
[2] True-up ^(a)	\$1.0	(\$10.7)	(\$8.9)	\$2.1	(\$16.7)
[3] True-up / Actual	0.2%	-2.2%	-1.8%	0.4%	-3.2%

^(a) (Negatives) represent a revenue over-collection / positives represent a revenue under-collection

Questions



Please direct future inquiries to atcrates@atcllc.com