

2017 ATC Projected Budget and Rates

Stakeholder Inquiries

Following the October 11, 2016 stakeholder meeting, Madison Gas & Electric pointed out that slide 7 of the meeting presentation includes a true up adjustment in 2017 of a \$8.2 million reduction, which is also identified on Schedule 9 posted on OASIS on 10/3/2016, and asked the question of what caused the 2016 true-up reduction included in the 2017 rates? In ATC's response, the company said that the Network over-collection of \$8.2M included in the projected 2017 Network Billed Revenue is the combination of the 2015 over-collection of \$0.9M and the estimated 2016 over-collection of \$7.3M, which is reflected on slide 22 of the stakeholder meeting presentation. The 2016 estimated true-up is primarily driven by two factors: 1) lower operating income resulting from the legislative extension of bonus depreciation in December 2015 which impacted both 2015 and 2016 as well as 2) lower precertification expenses on multiple projects, including Cardinal – Hickory Creek and the Northern Area Reliability Assessment (NARA) projects.

During the stakeholder meeting on October 11, 2016 to discuss the 2017 projected annual revenue requirement and budget, the following questions were raised:

- WEC Energy Group asked, in regards to the refund related to the Federal Energy Regulatory Commission's (FERC) order on the first complaint against ATC's and other transmission owners' ROE (in docket EL14-12), how long it will take to issue refunds and how long of an extension of time compared to the 30 days given by FERC will MISO and ATC and the other transmission owners seek from FERC. ATC indicated that MISO and ATC and the other transmission owners are working together to develop a plan for issuing the refunds and that the group will be filing a request for an extension of time beyond the 30 days granted by FERC to issue the refunds. Also, it is still under consideration at this time how long of an extension of time will be sought from FERC, but it will likely be longer than a month and shorter than a year.
- WEC Energy Group asked if the refunds related to the ROE complaint will be issued in one lump sum or in tranches over a period of time. ATC reiterated that MISO and the transmission owners are still working on the details for issuing the refund and the manner in which the refund will be issued still has not been determined.
- WEC Energy Group asked how ATC will communicate with stakeholders about the approach for issuing refunds. ATC said that some details likely will be provided in MISO's filing to FERC requesting the extension of time from FERC to issue refunds. ATC also indicated that it will be thinking internally about what sort of communication it will provide to stakeholders on the topic.
- The Michigan Public Service Commission inquired as to the estimated amounts of the refunds ATC will be issuing for the first and second complaints. ATC indicated that based on FERC's order, the company is estimating that its refund to transmission customers for the first complaint for the period between November 12, 2013 and February 11, 2015 will be \$57.8 million, including interest. With respect to the second complaint for the refund period specified by FERC from February 12, 2015 through May 11, 2016, ATCLLC has reserved an amount of approximately \$61 million, plus accrued interest. It should be noted that the amounts provided

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above represent ATC's best estimate at this point in time of ATC's total reserve for the respective refund periods. These reserves are intended to cover refunds for network, point-to-point, regional and scheduling customers. The final refund will require all transactions under the various schedules affected to be recalculated – Schedules 1, 7, 8, 9, 26, and 26-A – and will take significant time and resources to process. It is also important to note that the amounts reserved by ATCLLC may be higher than the final total refund to customers.

- The Michigan Public Service Commission asked how the NARA projects are handled in the budget (Appendix A & B). ATC responded that the 2017 budget does not include any precertification expenditures related to Plains-National Appendix A project. ATC noted that no expenditures related to the Appendix B projects are included in the 2017 budget either.
- The Michigan Public Service Commission inquired as to the priority of vegetation management regarding Emerald Ash Borer (EAB) and what type of program ATC will pursue. ATC said that they have analyzed survey data on the amount of ash trees in Wisconsin and the UP and found that there are significantly lower density of Ash trees in the UP. ATC is working through the issues related to EAB in Wisconsin and are poised to react to the same situation in the UP when it occurs. At this point in time, the UP is not seeing the effects from EAB that will affect the manner in which we maintain our transmission system. ATC is currently monitoring the situation with yearly aerial patrols flown during the summer, so we will be able to judge any effects EAB is having.
- The Michigan Public Service Commission further asked if ATC was currently working with state and federal entities to address those trees outside of ATC right-of-way. ATC clarified that with a lower density of ash trees in the UP of Michigan, and the fact that the area is not seeing the effects of EAB currently, ATC has not begun working with state or federal entities. When ATC does see the effects, they will coordinate as appropriate. ATC will also be working with the landowner where EAB trees are off the ROW.
- The Michigan Public Service Commission asked if discussions with landowners (which could be state/federal entities) have begun regarding vegetation management in those areas. ATC explained that our Hazard Tree and cycle maintenance programs consists of doing our due diligence for contacting landowners for removal of Hazard Trees outside of our ROW or any work on their property. ATC will handle EAB trees the same way.