

2018 ATC Projected Budget and Rates

Stakeholder Inquiries

On October 27, 2017, WEC Energy Group (WEC) asked the following questions and on November 14, 2017, ATC provided the following responses:

WEC: Your email indicated that part of the reason for the higher rate was a lower ROE being used in 2020. I would think with a lower ROE, you would have a lower ATC Rate? Can you please explain how a lower ROE would increase the ATC Rate?

ATC Response: The posted Schedule 9 rate projections for 2018 are calculated using the current FERC-authorized ROE of 10.82%. ATC understands that a FERC ruling in Docket No. EL15-45 may result in a change in ROE. Under this presumption, ATC estimated the 2019 and 2020 rates using the FERC Administrative Law Judge's recommended ROE of 10.2% (includes a 50 bp adder for RTO participation). (To confirm, this ALJ Initial Decision is a non-binding recommendation to the Commission, which is not obligated to enforce it). Absent a change in ROE (i.e., should the 10.82% remain in effect), ATC estimates that the 2019 rates would increase by 4-5% from the 2018 rates, which is more in line with the forecasted rate increase between 2019 and 2020. A change in ROE from 10.82% in 2018 to 10.2% in 2019 would result in a lower rate increase, which is reflected in the lower 1.78% value calculated by WEC. Additionally, following 2020, we are projecting lower capital expenditures which would result in a lower increase to rates going forward.

WEC: You also indicate that your estimate for pre-certification expenses is higher in 2020. Looking through historical information, it appears that previous pre-certification projects were MVPs and Baseline Reliability Projects. Most of the work that ATC is performing in the future does not fall into those categories but mostly asset management. However, there is currently one approved project for \$18M that is Baseline Reliability with an in-service date in 2020. Are there other MVP or BRP projects that would drive the pre-certification expense estimate? Can you please provide a bit more detail on this estimated increase for 2020?

ATC Response: Precertification expense projections beginning in 2020 are not tied to specific projects. The intent is to estimate the expenses relating to both known projects and future projects that have yet to be identified.